

MAX PLANCK COMMENTARIES ON WORLD TRADE LAW

WTO
—
**TRADE-RELATED
ASPECTS OF
INTELLECTUAL
PROPERTY RIGHTS**

Edited by
Peter-Tobias Stoll
Jan Busche
and Katrin Arend



Max Planck Institute for
Comparative Public Law and International Law

MARTINUS NIJHOFF PUBLISHERS

WTO – Trade-Related Aspects of
Intellectual Property Rights

Max Planck Commentaries on World Trade Law

Editors

Rüdiger Wolfrum and Peter-Tobias Stoll

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Comparative Public Law and International Law

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PREFACE TO THE SERIES

The idea behind the *Max Planck Commentaries on World Trade Law* is to explain the whole range of WTO law in authoritative and practical article-by-article type commentaries. The purpose is to give the reader a comprehensive and concise insight into the meaning of each rule by combining information on its legislative history, its economic and political rationale, its interpretation, existing case law and proposals for reform. Issues which are not explicitly mentioned in the rules but which are relevant for their application, like *e.g.* the question of direct applicability, are also addressed. As far as possible, reference is also made to similar rules of universal and regional economic regimes.

The format of a commentary dates back to the classical period of Roman legal science. Such commentaries were meant to collect together the relevant legal material and to provide assistance for its understanding by referring to relevant case law and by offering interpretations. Such format is well established in the German legal tradition but seems to be less so in the US legal tradition where the closest correlation may be the Restatements.

Rüdiger Wolfrum

Peter-Tobias Stoll

PREFACE TO THIS VOLUME

With the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), intellectual property issues have become an integral part of the world trading system. The Agreement probably represents the most significant and controversial development in world trade law. The Agreement is comprehensive in scope and contains standards for protection of a number of intellectual property rights as well as rules on the enforcement of such rights. Furthermore it closely links to the well-established traditional international system of the protection of intellectual property rights—the World Intellectual Property Organization and related agreements, in particular the Paris, Berne and Rome Convention and the Madrid Agreement. During its short history, the Agreement was subject to several dispute settlement proceedings most recently to review the TRIPS consistency of certain Chinese laws pertaining to the protection and enforcement of intellectual property. With the *EC—Bananas III* dispute, in course of which TRIPS obligations were made subject to cross-retaliation, the Agreement was used to induce compliance with obligations that were completely unrelated to intellectual property.

This commentary covers the entire Agreement. It adopts a comparative perspective in highlighting related and similar provisions and developments in other international and regional instruments, such as the ones mentioned above and, for instance the European Patent Convention. Beyond comparative analysis, special emphasis is drawn to implementation options at the national level. Relevant case law and developments in the Council for TRIPS, working groups and at ministerial level such as the Doha Declaration on Public Health which contribute to the interpretation of the Agreement are considered until April 2008. The volume is based on the German publication of *Jan Busche & Peter-Tobias Stoll* and has been fully revised in close cooperation between the Intellectual Property Law Centre of the University of Düsseldorf and the Göttingen Institute for International Law and European Law. It aims at bringing together expertise in intellectual property law and general international law and trade law. In this respect, it is designed to meet the needs both of the WTO and the intellectual property community.

Last but not least, I would like to acknowledge the support of several people without whom this book would not be in the shape it is now. In particular, I would like to thank *Anja Eikermann, Andrea Gülland, Wanda Werner, Ge Chen, Johannes Müller* and *Jacob Quirin* for their invaluable assistance in formatting

the manuscript, checking the footnotes and preparing the tables and the index. Furthermore, thanks are due to *Susanne Kruse* and *Roslyn Fuller* who provided translations for more than half of the German text basis and to *Kate Elliot* who scrupulously checked the language after the texts were revised. Many thanks as well to the co-editors of the preceding volumes, in particular, to *Karen Kaiser* for their much appreciated practical advises. I owe special gratitude to *Justine Pila*, *Ankita Singhania*, *David Vaver* and *Tom Chapman* whose intellectual contributions and encouragement during my studies in Oxford added greatly to the achievement of the final work.

Katrin Arend

**LIST OF IP-RELEVANT TREATIES TO WHICH REFERENCE
IS COMMONLY MADE IN THIS VOLUME**

| | |
|---|--|
| Berne Convention/BC | Berne Convention for the Protection of Literary and Artistic Works, 9 September 1886, as last amended 28 September 1979; UNTS 331 (1980), 217; available at: http://www.wipo.int/treaties/en/ip/berne/trtdocs_wo001.html |
| Brussels Satellite Agreement | Brussels Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite, 21 May 1974; UNTS 1144 (1979), 3; available at: http://www.wipo.int/treaties/en/ip/brussels/index.html |
| Budapest Treaty | Budapest Treaty on the International Recognition of the Deposit of Micro-organisms for the Purposes of Patent Procedure, 28 April 1977; UNTS 1861 (1995), 361; available at: http://www.wipo.int/lea/docs_new/pdf/en/wo/wo002en.pdf |
| Cartagena Agreement | Agreement on Andean Subregional Integration, 26 May 1969; 8 ILM 910 and 28 ILM 1165; available at: http://www.worldtradelaw.net/fta/agreements/cartagenafta.pdf |
| CBD | Convention on Biological Diversity, 5 June 1992; 31 ILM 818; available at: http://www.cbd.int/doc/legal/cbd-un-en.pdf |
| European Agreement on the Protection of Television Broadcasts | European Agreement on the Protection of Television Broadcasts, 22 June 1960, as last amended 1 January 1985; UNTS 247 (1965), 546, available at: http://www.conventions.coe.int/Treaty/en/Treaties/Html/034.htm |

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| European Convention Relating to Questions on Copyright Law and Neighbouring Rights in the Framework of Transfrontier Broadcasting by Satellite | European Convention Relating to Questions on Copyright Law and Neighbouring Rights in the Framework of Transfrontier Broadcasting by Satellite, 11 May 1994; Europ. T.S. No. 153; available at: http://conventions.coe.int/Treaty/EN/treaties/Html/153.htm |
| European Patent Convention/EPC | Convention on the Grant of European Patents, 5 October 1973, as last amended 29 October 2000; available at: http://www.epo.org/patents/law/legal-texts/html/epc/1973/e/ma1.html |
| FAO Treaty | The International Treaty on Plant Genetic Resources for Food and Agriculture, 3 November 2001; available at: http://www.fao.org/AG/cgrfa/itpgr.htm#text |
| Geneva Act of the Hague Agreement | Geneva Act of the Hague Agreement Concerning the International Deposit of Industrial Designs, 2 July 1999; available at: http://www.wipo.int/hague/en/legal_texts/wo_haa_t.htm |
| Geneva Phonograms Convention | Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms, 29 October 1971; UNTS 866 (1973), 67; available at: http://www.wipo.int/treaties/en/ip/phonograms/trtdocs_wo023.html |
| Hague Agreement Concerning the International Deposit of Industrial Designs | Hague Agreement Concerning the International Deposit of Industrial Designs, 11 November 1925, as last revised 14 July 1967; 74 LNTS 327; available at: http://www.wipo.int/hague/en/legal_texts/index.html |
| IPIC Treaty/Washington Treaty | Treaty on Intellectual Property in respect of Integrated Circuits 26 May 1989 (currently not in force); 28 ILM 1477; available at: http://www.jus.uio.no/lm/ip.integrated.circuits.treaty.washington.1989/portrait.pdf |
| IU | International Undertaking on Plant Genetic Resources for Food and Agriculture, 23 November 1983; available at: ftp://ftp.fao.org/ag/cgrfa/iu/iutextE.pdf |

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| Lisbon Agreement | Lisbon Agreement for the Protection of Appellations of Origin and their International Registration, 31 October 1958, as last amended 28 September 1979; UNTS 923 (1974), 205; available at: http://www.wipo.int/clea/docs_new/pdf/en/wo/wo012en.pdf |
| Madrid Agreement on Indications of Source | Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods, 14 April 1891, as last amended 14 July 1967; UNTS 828 (1972), 163; available at: http://www.wipo.int/clea/docs_new/pdf/en/wo/wo032en.pdf |
| MAM | Madrid Agreement Concerning the International Registration of Marks, 14 November 1891, as last amended 28 September 1979; UNTS 828 (1972), 389; available at: http://www.wipo.int/clea/docs_new/pdf/en/wo/wo015en.pdf |
| NAFTA | North American Free Trade Agreement, 1 January 1994; 32 ILM 605; available at: http://www.nafta-sec-alena.org/DefaultSite/index_e.aspx?DetailID=78 |
| Paris Convention/PC | International Convention for the Protection of Industrial Property, 20 March 1883, as last amended on 28 September 1979; UNTS 828 (1972), 305; available at: http://www.wipo.int/export/sites/www/treaties/en/ip/paris/pdf/trtdocs_wo020.pdf |
| PCT | Patent Cooperation Treaty, 19 June 1970, as last amended on 3 October 2001; UNTS 1160 (1980), 231; available at: http://www-dev.wipo.int/clea/docs_new/en/wo/wo043en.html |
| PLT | Patent Law Treaty, 1 June 2000; 39 ILM 1047; available at: http://www.wipo.int/clea/docs_new/pdf/en/wo/wo038en.pdf |
| PMAM | Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, 27 June 1989; available at: http://www.wipo.int/clea/docs_new/pdf/en/wo/wo016en.pdf |
| Rome Convention/RC | International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, 26 October 1961; UNTS 496 (1964), 43; available at: http://www.wipo.int/treaties/en/ip/rome/index.html |

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| TLT | Trademark Law Treaty, 27 October 1994; UNTS 2037 (1994), 35; available at: http://www.wipo.int/export/sites/www/treaties/en/ip/tlt/pdf/trtdocs_wo027.pdf |
| TRT | Trademark Registration Treaty, 12 June 1973; UNTS 1646 (1991), 383; available at: http://www.wipo.int/clea/docs_new/pdf/en/wo/wo012en.pdf |
| UCC | Universal Copyright Convention, 6 September 1952, as last amended 24 July 1971; UNTS 216 (1955), 132; available at: http://www.ifla.org/documents/infopol/copyright/ucc.txt |
| UPOV Convention | International Convention for the Protection of New Varieties of Plants, 2 December 1961, as last amended on 19 March 1991; UNTS 1861 (1995), 305; available at: http://www.upov.int/en/publications/conventions/1991/act1991.htm |
| WCT | WIPO Copyright Treaty, 20 December 1996; 36 ILM 65; available at: http://www.wipo.int/treaties/en/ip/wct/trtdocs_wo033.html |
| WIPO Convention | Convention establishing the World Intellectual Property Organization, 14 July 1967, as amended 28 September 1979; available at: http://www.wipo.int/export/sites/www/treaties/en/convention/pdf/ttdocs_wo029.pdf |
| WPPT | WIPO Performers and Phonograms Treaty, 20 December 1996; 36 ILM 76; available at: http://www.wipo.int/treaties/en/ip/wppt/trtdocs_wo034.html |
| WTO—WIPO Agreement | Agreement between the World Trade Organization and the World Intellectual Property Organization, 22 December 1995; available at: http://www.wipo.int/clea/docs_new/pdf/en/wo/wo030en.pdf |

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Article 32 TRIPS

TABLE OF ABBREVIATIONS AND ACRONYMS

| | |
|------------------------|---|
| ACC | Anti-Counterfeit Code |
| ACP | African, Caribbean and Pacific Group |
| ADPIC | <i>Aspects des droits de Propriété Intellectuelle Qui Touchent Au Commerce</i> (Legal Aspects of Intellectual Property Relating to Trade = TRIPS) |
| AIPPI | <i>Association Internationale pour la Protection de la Propriété Intellectuelle</i> (International Association for the Protection of Intellectual Property) |
| AJIL | African Journal of International Law |
| ALAI | <i>Association Littéraire et Artistique Internationale</i> (International Association for Literature and Art) |
| Am. J. Comp. L. | American Journal of Comparative Law |
| Am. J. Int'l L. | American Journal of International Law |
| Am. U. Int'l L. Rev. | American University International Law Review |
| Anti-Dumping Agreement | Agreement on Implementation of Article VI of the GATT 1994 |
| Art. | Article |
| Arts | Articles |
| AVR | <i>Archiv des Völkerrechts</i> |
| B. U. Int'l L. J. | Boston University International Law Journal |
| B. U. L. Rev. | Boston University Law Review |
| BC | Berne Convention for the Protection of Literary and Artistic Works |
| Berkeley J. Int'l L. | Berkeley Journal of International Law |
| Berne Convention | Berne Convention for the Protection of Literary and Artistic Works |
| BGBL | <i>Bundesgesetzblatt</i> |
| BGH | <i>Bundesgerichtshof</i> |
| BGHZ | <i>Entscheidungen des Bundesgerichtshofes in Zivilsachen</i> |
| BIP | Bilateral Investment Protection |
| BIRPI | United International Bureaux for the Protection of Intellectual Property |
| BISD | Basic Instruments and Selected Documents (published by GATT) |

| | |
|------------------------------|---|
| BIT(s) | Bilateral Investment Treaty/ies |
| Brook. J. Int'l L. | Brooklyn Journal of International Law |
| Brussels Satellite Agreement | Brussels Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite |
| BT—Drs. | <i>Bundestagsdrucksache</i> |
| Budapest Treaty | Budapest Treaty on the International Recognition of the Deposit of Micro-organisms for the Purposes of Patent Procedure |
| Buff. L. Rev. | Buffalo Law Review |
| Cartagena Agreement | Agreement on Andean Subregional Integration |
| CBD | Convention on Biological Diversity |
| CDPA | Copyright, Designs and Patent Act |
| <i>Cf.</i> | <i>conferre</i> (confer) |
| CFI | Court of First Instance of the European Communities |
| CFTA | Canadian Free Trade Agreement |
| Ch. | Chapter |
| CIP | Centre for Intergenerational Practice |
| Colum. J. Envtl. L. | Columbia Journal of Environmental Law |
| Colum. J. Transnat'l L. | Columbia Journal of Transnational Law |
| Colum. L. Rev. | Columbia Law Review |
| Colum.—VLA J.L. & Arts | Columbia—VLA Journal of Law and Arts |
| Common Mkt. L. Rev. | Common Market Law Review |
| Council for TRIPS | Council for Trade-Related Aspects of Intellectual Property Rights |
| CRTA | Committee on Regional Trade Agreements |
| CTD | Committee on Trade and Development |
| CTE | Committee on Trade and Environment |
| CTS | Canadian Treaty Series |
| DePaul L. Rev. | DePaul Law Review |
| DIAC | Draft International Antitrust Code |
| Doc. | Document |
| DSB | Dispute Settlement Body |
| DSU | Understanding on Rules and Procedures Governing the Settlement of Disputes (Dispute Settlement Understanding) |
| Duke J. Comp. & Int'l L. | Duke Journal of Comparative & International Law |
| <i>e.g.</i> | <i>exempli gratia</i> (for example) |
| EC | European Community/ies |
| ECJ | Court of Justice of the European Communities |

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| ECLR | European Competition Law Review |
| ECOSOC | Economic and Social Council |
| ECT | Treaty Establishing the European Community |
| ed. | editor |
| eds | editors |
| EEC | European Economic Community |
| EEC Treaty | Treaty establishing the European Economic Community |
| EIPR | European Intellectual Property Review |
| EJIL | European Journal of International Law |
| Emory Int'l L. Rev. | Emory International Law Review |
| EMR(s) | Exclusive Marketing Right(s) |
| EPC | European Patent Convention = Convention on the Grant of European Patents |
| EPIL | Encyclopedia of Public International Law |
| EPO | European Patent Office |
| <i>et al.</i> | <i>et alii</i> (and others) |
| <i>et seq.</i> | <i>et sequitur</i> (and the following) |
| ETS | European Treaty Series |
| EU | European Union |
| Eur. Conv. on H.R. | European Convention on Human Rights |
| European Patent Convention | Convention on the Grant of European Patents |
| EuZW | <i>Europäische Zeitschrift für Wirtschaftsrecht</i> |
| FAO | Food and Agriculture Organization |
| FAO (Treaty) | The International Treaty on Plant Genetic Resources for Food and Agriculture |
| FDI | Foreign Direct Investment |
| fn. | footnote |
| Fordham Int'l L. J. | Fordham International Law Journal |
| Fordham Intell. Prop. Media & Ent. L.J. | Fordham Intellectual Property, Media & Entertainment Law Journal |
| FTA(s) | free trade area(s) |
| Ga. J. Int'l. & Comp. L. | Georgia Journal of International and Comparative Law |
| GATS | General Agreement on Trade in Services |
| GATT | General Agreement on Tariffs and Trade |
| Geneva Act of the Hague Agreement | Geneva Act of the Hague Agreement Concerning the International Deposit of Industrial Designs |
| Geneva Phonograms Convention | Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms |

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| Geo. Wash. J. Int'l L. & Econ. | George Washington Journal of International Law and Economics |
| GI(s) | Geographical Indication(s) |
| Gr.Ch. | Grand Chamber |
| GRUR | <i>Gewerblicher Rechtsschutz und Urheberrecht</i> |
| GRUR Ausl. | <i>Gewerblicher Rechtsschutz und Urheberrecht/Ausland</i> |
| GRUR Int. | <i>Gewerblicher Rechtsschutz und Urheberrecht/Internationaler Teil</i> |
| GYIL | German Yearbook of International Law |
| Harv. Bus. Rev. | Harvard Business Review |
| Harv. Int'l L.J. | Harvard International Law Journal |
| Harv. J.L. & Tech. | Harvard Journal of Law and Technology |
| Harv. L. Rev. | Harvard Law Review |
| Hastings Comm. & Ent. L.J. | Hastings Communication and Entertainment Law Journal |
| Hastings Int'l & Comp. L. Rev. | Hastings International and Comparative Law Journal |
| Havana Charter | Havana Charter for an International Trade Organization |
| <i>i.e.</i> | <i>id est</i> (it or that is) |
| <i>ibid.</i> | <i>ibidem</i> (in the same place) |
| ICCPR | International Covenant on Civil and Political Rights |
| ICESCR | International Covenant on Economic, Social and Cultural Rights |
| ICJ | International Court of Justice |
| ICJ Statute | Statute of the International Court of Justice |
| ICTSD | The International Centre for Trade and Sustainable Development |
| IDEA | IDEA: The Journal of Law and Technology |
| IIC | International Review of Industrial Property and Copyright Law |
| ILC | International Law Commission |
| ILC YB | Yearbook of the International Law Commission |
| ILM | International Legal Materials |
| ILO | International Labour Organization |
| IMF | International Monetary Fund |

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| INAO | <i>Institut national des appellations d'origine</i> (National Institute for the Application of Origin) |
| Ind. Int'l & Comp. L. R. | Indiana International & Comparative Law Review |
| INEF | <i>Institut für Entwicklung und Frieden</i> (Institute for Development and Peace) |
| Int'l Law. | International Lawyer |
| Iowa L. Rev. | Iowa Law Review |
| IP | Intellectual Property |
| IPC | Intellectual Property Committee |
| IPIC (Treaty) | Treaty on Intellectual Property in Respect of Integrated Circuits |
| IPR(s) | Intellectual Property Right(s) |
| IU | International Undertaking on Plant Genetic Resources for Food and Agriculture |
| J.L. & Econ. | Journal of Law and Economics |
| JIEL | Journal of International Economic Law |
| JWIP | Journal of World Intellectual Property |
| JWT | Journal of World Trade |
| LAN | Local Area Network |
| Law & Contemp. Probs. | Law and Contemporary Problems |
| Law & Pol'y Int'l Bus. | Law and Policy in International Business |
| LDC Sub-Committee | Sub-Committee on Least-Developed Countries |
| LDC(s) | least-developed country/ies |
| LIEI | Legal Issues of Economic Integration |
| Lisbon Agreement | Lisbon Agreement for the Protection of Appellations of Origin and their International Registration |
| lit. | <i>litera</i> (letter) |
| lits | <i>literae</i> (letters) |
| LJIL | Leiden Journal of International Law |
| LNTS | League of Nations Treaty Series |
| Loy. L.A. Int'l & Comp. L. Rev. | Loyola of Los Angeles International & Comparative Law Journal |
| Madrid Agreement on Indications of Source | Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods |
| MAM | Madrid Agreement Concerning the International Registration of Marks |
| Marq. Intell. Prop. L. Rev. | Marquette International Property Law Review |

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| MAT | mutually agreed terms |
| Max Planck CWTL | Max Planck Commentaries on World Trade Law |
| Max Planck UNYB | Max Planck Yearbook of United Nations Law |
| MFN | most-favoured nation |
| MFN principle | most-favoured nation principle |
| MFN treatment | most-favoured nation treatment |
| Mich. J. Int'l L. | Michigan Journal of International Law |
| MTA(s) | Multilateral Trade Agreement(s) |
| MTN | Multilateral Trade Negotiations |
| MTO | Multilateral Trade Organization |
| MTO Agreement | Agreement Establishing the Multilateral Trade Organization |
| N.C.J. Int'l L. & Com. Reg. | North Carolina Journal of International Law and Commercial Regulation |
| Nw.J. Tech. & Intell. Prop. | Northwestern Journal of Technology & Intellectual Property |
| N.Y.U.J. Int'l L. & Pol. | New York University Journal of Law and International Politics |
| NAFTA | North American Free Trade Agreement |
| NG | Negotiation Group |
| NGO | Non-Governmental Organization |
| NJW | <i>Neue Juristische Wochenschrift</i> |
| No. | number |
| Notre Dame L. Rev. | Notre Dame Law Review |
| Nw.J. Int'l L. & Bus. | Northwestern Journal of International Law and Business |
| Nw. U. L. Rev. | Northwestern University Law Review |
| NYIL | Netherlands Yearbook of International Law |
| OECD | Organization for Economic Co-operation and Development |
| OJ | Official Journal of the European Union |
| OJ L | Official Journal of the European Union: Legislation |
| Pac. Rim. L. & Pol'y J. | Pacific Rim Law & Policy Journal |
| para. | paragraph |
| paras | paragraphs |
| Paris Convention | International Convention for the Protection of Industrial Property |
| PC | International Convention for the Protection of Industrial Property |
| PCIJ | Permanent Court of International Justice |

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| PCT | Patent Cooperation Treaty |
| PDO | protected designation of origin |
| PGI | protected geographical indication |
| PIC | prior informed consent |
| PLT | Patent Law Treaty |
| PMAM | Protocol relating to the Madrid Agreement Concerning the International Registration of Marks |
| PTA(s) | Plurilateral Trade Agreement(s) |
| Publ. | Publication |
| RAM | Random Access Memory |
| RC | International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations |
| Rec. | recital |
| Recs | recitals |
| Rep. | report |
| RGBL | <i>Reichsgesetzblatt</i> |
| RGDIP | <i>Revue générale de droit international public</i> |
| RIDA | <i>Revue internationale du droit d'auteur</i> |
| Rome Convention | International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations |
| RTA(s) | Regional Trade Agreement(s) |
| RTDE | <i>Revue trimestrielle de droit européen</i> |
| SCM (Agreement) | Agreement on Subsidies and Countervailing Measures |
| SPC(s) | Supplementary Protection Certificate(s) |
| SPS (Agreement) | Agreement on the Application of Sanitary and Phytosanitary Measures |
| SPS Committee | Committee on Sanitary and Phytosanitary Measures |
| St. John's J. Legal. Comment. | St. John's Journal of Legal Commentary |
| Stetson L. Rev. | Stetson Law Review |
| subpara. | subparagraph |
| subparas | subparagraphs |
| Temp. Int'l & Comp. L.J. | Temple International and Comparative Law Journal |
| Tex. Int'l L.J. | Texas International Law Journal |
| TLT | Trademark Law Treaty |
| Trademark Rep. | Trademark Reporter |
| TRIPS (Agreement) | Agreement on Trade-Related Aspects of Intellectual Property Rights |

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| TRT | Trademark Registration Treaty |
| U. Balt. L. Rev. | University of Baltimore Law Review |
| U. Chi. L. Rev. | University of Chicago Law Review |
| U. Pa. J. Int'l Econ. L. | University of Pennsylvania Journal of International Economic Law |
| UCC | Universal Copyright Convention |
| UCLA L. Rev. | UCLA Law Review |
| UK | United Kingdom |
| UN | United Nations |
| UNAIDS | The Joint United Nations Programme on HIV/AIDS |
| UNCTAD | United Nations Conference on Trade and Development |
| UNECE | United Nations Economic Commission for Europe |
| UNESCO | United Nations Educational, Scientific and Cultural Organization |
| UNTS | United Nations Treaty Series |
| UPOV | International Union for the Protection of New Varieties of Plants |
| UPOV Convention | International Convention for the Protection of New Varieties of Plants |
| US | United States of America |
| USC | United States Code |
| <i>v.</i> | <i>versus</i> |
| VA. J. Int'l L. | Virginia Journal of International Law |
| Vand. J. Transnat'l L. | Vanderbilt Journal of Transnational Law |
| VCLT | Vienna Convention on the Law of the Treaties |
| Wash. U. J.L. & Pol'y | Washington University Journal of Law and Policy |
| Washington Treaty | Treaty on Intellectual Property in Respect of Integrated Circuits |
| WCO | World Customs Organization |
| WCT | WIPO Copyright Treaty |
| WHO | World Health Organization |
| WIPO | World Intellectual Property Organization |
| WIPO (Convention) | Convention establishing the World Intellectual Property Organization |
| Wis. Int'l L.J. | Wisconsin International Law Journal |
| WPPT | WIPO Performers and Phonograms Treaty |
| WTO | World Trade Organization |
| WTO—WIPO (Agreement) | Agreement between the World Trade Organization and the World Intellectual Property Organization |

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|-----------------|---|
| WTO (Agreement) | Agreement Establishing the World Trade Organization |
| ZaöRV | <i>Zeitschrift für ausländisches öffentliches Recht und Völkerrecht</i> |
| ZEuS | <i>Zeitschrift für europarechtliche Studien</i> |
| ZUM | <i>Zeitschrift für Urheber- und Medienrecht</i> |

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AGREEMENT ON TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS

Introduction I*

The International Protection of Intellectual Property and the World Trade Order

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* Translated by Roslyn Fuller, doctoral candidate at the University of Dublin.

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A. Intellectual Property—Terminology and Concept

- 1 With the TRIPS Agreement’s entry into force, the international protection of intellectual property underwent a fundamental change. The **notion of “intellectual property”** as used in the title and numerous provisions can be traced back to the World Intellectual Property Organization (WIPO) and is defined in Art. 2.viii of the WIPO Convention concerning the protected rights and the relevant agreements assembled under the auspices of WIPO. The term “intellectual property” essentially covers the areas often referred to as industrial property and copyright.
- 2 The **TRIPS Agreement** defines the term “intellectual property” in Art. 1.2 only via a reference to the sum of its material regulations in Sections 1 to 7 of Part II. It should, however, be emphasized that TRIPS explicitly excludes the dimension of authors’ moral rights, in particular in copyright material. At the same time, TRIPS goes beyond the notion of absolute rights when it envisages the protection of commercial and trade secrets in Art. 39.

B. The International Protection of Intellectual Property by the WIPO Conventions

- 3 The TRIPS Agreement has by no means replaced **the existing international system of intellectual property protection**. By way of numerous references to pre-existing agreements, it rather **supplements** or **re-sculpts** the traditional regime.

I. International Principles of Intellectual Property Protection

- 4 The international **origins** of intellectual property protection go back to **the end of the 19th century**. The development of the system was motivated by the realization that, in consideration of the intensive international cultural and economic exchange already present at the time, purely national protection was not sufficiently effective.
- 5 In order to facilitate the protection of intellectual property in foreign States **a number of international conventions were concluded**. These include the Paris Convention for the Protection of Industrial Property, which mainly concerns patent protection, the Berne Convention for the

Protection of Literary and Artistic Works and the Madrid Agreement on the Repression of False or Deceptive Indications of Source on Goods.

Overall, the conventions are based on the principle of territoriality. Accordingly, the scope of application of IP protection is subject to the laws of the country in which protection has been sought. By acquiring and maintaining **corresponding foreign rights** on this basis right holders may achieve a sort of international protection of their intellectual property. 6

To this end, the conventions guarantee national treatment and a minimum standard of protection, and provide for various mechanisms by which rights may be acquired in foreign States. 7

Over time, the existing system of intellectual property protection was widely **expanded** on an international level by additional conventions which contain complementary¹ and additional rights.² Special attention was given to making the mechanisms for obtaining rights less complicated.³ At a regional level, numerous conventions were concluded and institutions were founded, including, for example, the European Patent Convention and the European Patent Office. 8

The conventions were revised and amended at a series of revision conferences. These **revisions** are provided for in the conventions, but their procedure is barely regulated any further. The vast majority of amendments require unanimity in order to be accepted. In addition, the signatories are free to decide whether to accept or ratify the amendments. For this reason, a uniform state of the law is not guaranteed. Rather, it is often the case that States are bound to differing versions of the relevant conventions. 9

¹ See, for example, the Rome Convention.

² See, for example the International Convention for the Protection of New Varieties of Plants of 2 December 1961 (UPOV Convention), as revised on 10 November 1972 and 23 October 1978, UNTS 1861 (1995), 305 *et seq.* which pertains to the international protection of plant varieties.

³ In respect of patent law, also to be mentioned are the Patent Cooperation Treaty (PCT) which enables an international patent to be filed and the Strasbourg Agreement Concerning the International Patent Classification of 24 March 1971, as last amended on 2 October 1979, Australian Treaty Series No. 42 (1975) available at: <http://www.austlii.edu.au/au/other/dfat/treaties/1975/42.html> (last accessed 8 June 2008) as well as the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure of 28 April 1977 as amended on 26 September 1980. See also the Madrid Agreement concerning the International Registration of *Marks* of 14 April 1891 in its Stockholm version of 14 July 1967; last amended on 2. October 1979, the Nice Agreement Concerning the International Classification of Good and Services for the Purpose of Registration of Marks of 15 June 1957, as amended on 2 October 1979, UNTS 11849 (1972), 193 as well as the Hague Agreement concerning the International Deposit of Industrial Designs of 6. November 1925; in its version of 28 November 1960; and the Complementary Act of Stockholm of 14 July 1967.

II. Enforcement

- 10 Originally the conventions did not contain any rules on implementation or enforcement. Due to obvious deficiencies in the area of execution, clarifying rules were subsequently added, according to which every signatory is obliged to take the necessary measures to ensure **the application of the agreement in question** in conformity with its constitution.⁴
- 11 The conventions at first also lacked explicit regulations concerning the enforcement **of rights**. In this respect one must differentiate between:
- 12 Questions regarding **enforcement by the right holder** through national courts, which were from the very beginning outside the regulatory scope of the conventions.
- 13 The separate issue of **enforcement between the States**, which was also originally not regulated. Later, the issue was taken up by some conventions. The added regulations provided that in the absence of other stipulations a dispute between the States regarding compliance with the conventions is to be adjudicated upon by the International Court of Justice. However, these rules have hardly had any practical effect.⁵

III. Institutional Framework—From Administrative Unions to the WIPO

- 14 All the agreements provide for the establishment of **administrative unions** (“associations”), whereby the secretarial tasks are to be discharged by a specifically named authority of the Union State. Such administrative unions are forerunners of international organizations, in that their administrative tasks are discharged collectively, but not yet through a specially established organization with legal personality under public international law.

⁴ Due to the frequently occurring deficiencies in execution, at the Lisbon Revisional Conference to the Paris Convention a new Art. 25 was added to the Paris Convention, according to which each Union country is required, in conformity with its constitution, to take the necessary measures to guarantee the application of the Paris Convention. At the time of ratification every Union country must be in a position to give effect to the regulations of the Paris Convention in its domestic law. See in this respect *Künz-Hallstein*, in: *Beier & Schriker* (eds), GATT or WIPO, 87.

⁵ Since the 1967 Stockholm Revision, the Paris Convention contains a rule on dispute settlement (Art. 28), according to which, as a first step, negotiations between the disputants should take place, and then, in the absence of a mutual agreement, the matter is to be brought before the International Court of Justice. This regulation is to be seen as a special, contractual submission to the jurisdiction of the International Court of Justice. It is applicable to all Union countries unless they have declared that they do not consider themselves bound (Art. 28.2).

This further step was completed in 1967 with the founding of the World Intellectual Property Organization.⁶ It serves as an umbrella for continuing administrative unions and also discharges the general tasks of further developing intellectual property law and the provision of technological assistance. Since 1974, the World Intellectual Property Organization has been a specialized agency of the United Nations. 15

IV. Intellectual Property and World Economic Relations

Since the Second World War, the conventions regarding intellectual property protection have increasingly been drawn into the **controversy surrounding global economic relations**. In the conflict between North and South and industrialized and developing countries over a new world economic order, the system of international intellectual property protection and its appropriateness with regard to the interests and concerns of developing countries is being questioned. Several revisional conferences served the goal of adjusting the regulations of the conventions to the special needs and interests of the developing countries. While a revision of the Berne Convention could be concluded quickly, the revision of the Paris Convention, which revolved around compulsory use of patents, compulsory licences and expiration of patents, resulted in deadlock.⁷ 16

C. Intellectual Property in the World Trade Order and the Historical Development of the TRIPS Agreement

I. World Trading System

As a WTO Agreement, TRIPS is part of the area of international law that one may term “the world trade order”, the origins of which can be traced back to the General Agreement on Tariffs and Trade (GATT), which provisionally entered into force in 1947 as a fragmentary part of a much more comprehensive regulatory framework 17

The World Trade Organization (WTO) was founded in 1995. It is also, at its core, based on GATT, but contains a total of more than 40 individual agreements with comprehensive complementary provisions and regulations for previously unregulated material, *e.g.*, among others, for trade in services and for intellectual property. 18

⁶ *Bachmann & Phillipp*, in: *Wolfrum* (ed.), 1108 *et seq.*

⁷ *Stoll*, 214 *et seq.*

- 19 The core element of the thus considerably broadened and consolidated legal framework remains, as before, the liberalization of world trade through the dismantling of trade-limiting measures on the basis of mutual concessions and the guarantee of non-discrimination in the sense of the most-favoured nation clause and the principle of national treatment. As with the GATT before it, its driving force is regular rounds of negotiation at which the regulations and, above all, far-reaching liberalization concessions are negotiated. Currently proceeding is the Doha Round, named after the venue of the Ministerial Conference in 2001, Doha in Qatar, at which the resolution to launch another round of negotiations was made.
- 20 One of the core elements of this world trade order is the dispute settlement system, which draws on the experiences of GATT. It is now based upon the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU),⁸ certain institutional rules in the WTO Agreement and individual provisions concerning the admissibility of certain claims and specialized procedural regulations in individual agreements, for example, Art. 64 TRIPS.
- 21 While the development of the dispute settlement system can as a whole be characterized as one heading to court-like proceedings the diplomatic origins of the **institutional structures** can still be easily discerned. For instance, dispute settlement does not formally lie in the hands of a court, but rather with a so-called **Dispute Settlement Body** (DSB), behind which the General Council as the chief political organ of the WTO is concealed. When acting as the DSB, the General Council meets under a special chair and rules of procedure.
- 22 However, individual disputes are never argued before the DSB. Rather, it employs individual groups of experts chosen by the Secretariat of the WTO (**panels**) and accepts their decisions—known as reports. In addition, the disputants may avail themselves of a type of revisional procedure before a permanent **Appellate Body**, which is equipped with seven judges and the decisions of which need also to be accepted by the DSB.
- 23 Despite reliance on the (political) DSB officially to adopt the issued reports, the rules for such adoption put the nature of the dispute settlement system into a more legalized perspective. Adoption requires a **negative consensus** by the DSB. Accordingly, the decision is accepted unless all Members unanimously decide otherwise. As a result of the negative consensus rule, the DSB assumes more a notarial function than a judicial one. Adoption

⁸ 15 April 1994, OJ 1994 L 336.

can thus be prevented only when all Members,⁹ including the Member in the interests of which it is being taken, agree to this.

A Member can **initiate dispute settlement proceedings** when it considers that “any benefit accruing to it directly or indirectly under this Agreement is being nullified or impaired or that the attainment of any objective of the Agreement is being impeded as a result of [lit. a] the failure of another contracting party to carry out its obligations under this Agreement [...]”, Art. XXIII GATT 1994 (**violation complaint**).¹⁰ In accordance with lit. b of the provision the initiation of proceedings is also admissible when the destruction or curtailment of advantages or the attainment of objectives is caused by measures taken by another member which do not violate the rules of the WTO (**non-violation complaint**). This may be regarded as a special case of legal standing resulting from the frustration of protected expectations. Such unique formulation of legal standing reflects the strong link with reciprocity which is characteristic of the world trading system. Since the entry into force of the WTO, Art. 3.8 DSU has prescribed that in cases of violation complaints there is a presumption that benefits have been nullified or impaired.¹¹ 24

The **proceedings**, which are kept to strict and short time-limits throughout **their course**, first provide for **consultations** between the disputing Members. If after the specific time-limit has expired the consultations remain unsuccessful, the complaining Member may refer the case to the DSB and request the establishment of a **panel**. The WTO Secretariat typically appoints three panellists to serve on the bench. These are charged with the conduct of proceedings and with decision-making as regulated by the DSU in further detail. Together with rules on the written and oral proceedings, the system provides for an interim report. The final decision that is the Panel Report contains, in addition to a comprehensive analysis of the facts of the case, the positions of the parties and legal questions, recommendations for the decision of the Dispute Settlement Body. The DSB must accept these recommendations unless a negative consensus is reached or—as happens in the majority of cases—one of the parties applies for **revision by the Appellate Body**. Likewise, the Appellate review ends in a report with final recommendations which the Dispute Settlement Body must also accept as long as a negative consensus is not reached. 25

⁹ In the context of the WTO, the term “Members” as opposed to “Member States”, is used because the European Community is a non-State Member of the WTO.

¹⁰ Via a reference made in Art. 64.1, the provision is also relevant for disputes which relate to the TRIPS Agreement.

¹¹ The provision reads in part: “(8) In cases where there is an infringement of the obligations assumed under a covered agreement, the action is considered *prima facie* to constitute a case of nullification or impairment.”

- 26 If a Member is held to act in violation of WTO rules, it must immediately bring its measure(s) into compliance with the WTO agreements. In practice however, the **time limit for** implementation as set out in Art. 21.3 lit. c DSU for exceptionally complex situations is often and successfully called upon as a result of the stipulations of the arbitrators.
- 27 If a Member fails to comply with its duty to implement the report, the complaining Member can request authorization from the DSB (according to the negative consensus procedure) to impose trade sanctions. In essence, this involves the suspension of obligations under the covered agreements *vis-à-vis* the failing Member. The content and extent of these countermeasures are regulated in Art. 22.3 and 4 DSU. Accordingly, the suspension of obligations in the same trade sector should be preferred. Only if the complaining Member considers that it is not practical or effective to suspend concessions or other obligations with respect to the same sector, it may seek suspension in other sectors under the same agreement; or in exceptional cases in another agreement. With regard to scope and calculation, trade sanctions must not exceed the extent of the nullification or impairment of benefits which the complaining Member has incurred as a result of the measure at issue.
- 28 As a result of their dynamic formulation, the provisions on possible trade sanctions have **ambivalent significance**. On the one hand, they may counter TRIPS violations with the institution of trade sanctions. On the other hand, Members may suspend rights under the TRIPS Agreement as a “trade sanction” to induce compliance with another WTO agreement.

II. IP Relevant Provisions in the GATT and the Constitution of TRIPS

- 29 Product piracy and trade in counterfeit goods have long played a role in economic relations. The issue was dealt with in the context of the Tokyo Round of GATT (1967–1979), where for the first time a relationship between the issues of intellectual property and the world trading system was established. Subsequently, the subject continued to be pursued in individual expert commissions and regulatory drafts.¹²
- 30 In the following years, the issue gained in significance, not merely due to the worrying acuteness of the issue, but also in view of industrialization, particularly in Asia, and the ease with which the products of information technology could be copied. Added to this was the limited range of defences that a contracting party to GATT could resort to. In 1989 dispute settlement proceedings were instituted to examine the consistency of Sec. 337

¹² *Gervais*, paras 1.07 *et seq.*; *Stoll*, 324 *et seq.*

of the US Tariff Act and, in particular, the seizure provisions therein for suspected pirated products. In this measure, the GATT Panel saw a violation of national treatment in accordance with Art. III:4 GATT. Discriminatory treatment resulted, according to the GATT Panel, from the different provisions applicable to domestic and foreign products: in cases where domestic goods were suspected of violating intellectual property rights only civil procedural violation norms applied, while foreign products in the same position were also subject to confiscation by customs. The seizure provisions could not be justified by Art. XX lit. d GATT, which allows exceptions for measures necessary to enforce, *inter alia*, intellectual property rights.¹³

As a result of these developments, the protection of intellectual property was discussed once again at the next GATT Round, the so-called Uruguay Round. After initial doubts whether or not GATT was competent for these issues were surmounted, there was lengthy disagreement over the objects and extent of a possible regulation. Today, the phrase “trade-related aspects” still reflects the contentious discussions, in the course of which the developing countries favoured a regulation that would concretize the GATT in respect of product piracy. In contrast, the industrialized countries advocated a much wider approach, which would also include the availability, extent and use of intellectual property rights. For a long time both approaches were pursued in parallel. Finally, however, the wider approach prevailed, and this gave the TRIPS Agreement its current shape.¹⁴ 31

III. Evaluation and Outlook

The significance and effects of the TRIPS Agreement are usually judged critically by the public, especially with regard to the situation of **developing countries**.¹⁵ 32

Concerns and suggestions for amendment were already voiced at the implementation review **laid down in Art. 71.1**. In 2000 it was launched for 33

¹³ US—Section 337 Tariff Act, L/6439, BISD 36S/345, para. 5.28.

¹⁴ *Gervais*, para. 1.11; *Stoll*, 332 *et seq.* For example, the Chairman’s Report to the GNG (Anell Draft), MTN.GNG/NG11/W/76, 23 July 1990 contained two recommendations, of which the first was the so-called “A” Recommendation which stemmed from the industrialized countries and envisaged a comprehensive regulatory framework. The “B” Recommendation proposed by the developing countries was, in contrast, divided into two parts. In the first part it contained regulations regarding “trade in counterfeit and pirated goods”, and in the second part “standards and principles concerning the availability, scope and use of intellectual property rights.”

¹⁵ In particular, a commission employed by the British Government, whose final report garnered quite some attention, deserves to be mentioned here: Commission on Intellectual Property Rights, Integrating Intellectual Property Rights and Development Policy, London, 2002, www.iprcommission.org (last accessed 23 May 2008).

the first time, but due to its limitation to implementation issues, it could not comprehensively deal with the fundamental concerns raised.

- 34 The review of 2000 was taken over by the Doha Round which started in 2001. With regard to the TRIPS Agreement, the Round's mandate includes several points to be negotiated, including public health issues, access to pharmaceuticals, open questions regarding the protection of geographical indications for wines and spirits, and review in accordance with Art. 27.3 (protection of plant varieties) and with Art. 71.1. Furthermore, the protection of traditional knowledge and folklore is being addressed.¹⁶
- 35 In this context, the controversy surrounding “**access to essential medicines**” which involves the granting of compulsory licences pursuant to Art. 31 has immense political significance. The discussion evolved from the urgent need for effective medication against infectious diseases, in particular to stem the worrying spread of AIDS, especially in Africa. As was made clear by Arts 8.2 and 31, the TRIPS Agreement provided for compulsory licences to be issued in such cases. However, the grant of compulsory licences proves impractical when the Member in question does not have its own production capacity. In such situations, compulsory licences are simply futile. According to Art. 31 lit. f, however, commissioned production in a third country is hardly conceivable, because compulsory licences are intended “predominately for the supply of the domestic market of the Member” which issued the licences, and therefore cannot be issued for supply to another country. After a long struggle, the Doha Ministerial Conference on TRIPS and Public Health¹⁷ and the decision on its implementation¹⁸ paved the way for solving this problem, which is, however, legally extremely complicated.¹⁹
- 36 Pointing to the likely future development of intellectual property protection are first and foremost the efforts to protect so-called traditional knowledge and folklore. The notion of “traditional knowledge” includes the embodiment of knowledge regarding the appearance, significance and possible agricultural and medicinal use of plants and animals. The term and the discussion associated with it originate in the Convention on Biological Diversity. In its Art. 8 lit. j the Convention speaks of traditional knowledge of local and indigenous groups and its wider application and use with the

¹⁶ See paras 17 *et seq.* of the Ministerial Declaration, WT/MIN(01)/DEC/1 at the Doha Ministerial Conference.

¹⁷ Doha Ministerial Conference, Draft Declaration on the TRIPS Agreement and Public Health, WT/MIN(01)/DEC/W/2, 20 November 2001.

¹⁸ Implementation of paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health, Decision of the General Council of 30 August 2003, WT/L/540.

¹⁹ Regarding this problem in general see *Matthews*, JIEL 7 (2004), 73; *Hestermeyer*, 246 *et seq.*; *Hestermeyer*, Max Planck YUNL 8 (2004), 101; *Abbott*, JIEL 5 (2002), 469; *Bartlett*, JWIP 6 (2003) 2, 283, 296; *Scherer & Watal*, JIEL 5 (2002), 913; *Sun*, JWT 37 (2003), 163.

approval and involvement of these groups.²⁰ So far, such knowledge has very rarely enjoyed protection as intellectual property, and could therefore be used by third parties without further ado, and in particular without the involvement of those groups. After appropriate further development, it could even become the object of third party rights. Various recommendations address this issue and mandate that such groups should enjoy a collective right to their traditional knowledge that would, above all, prevent the acquisition and claiming of rights of third parties without prior informed consent. This is primarily discussed under WIPO.²¹

A similar debate has arisen under the heading of “**folklore**”. It involves 37 the commercial exploitation of traditional cultural achievements by third parties and the question whether groups have a right to control it. This subject is also discussed under WIPO and largely parallels that regarding traditional knowledge.²²

²⁰ See *Stoll & von Hahn*, in: *von Lewinski* (ed.), 5 *et seq.*

²¹ At WIPO an Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore is dealing with the matter. However, the discussion has not yet advanced much further than to goals and principles. See in this respect *The Protection Of Traditional Knowledge: Revised Objectives and Principles*, Document prepared by the Secretariat, WIPO/GRTKF/IC/9/5, 9 January 2006.

²² *The Protection of Traditional Cultural Expressions/Expressions of Folklore: Revised Objectives and Principles*, Document prepared by the Secretariat, WIPO/GRTKF/IC/9/4, 9 January 2006.

Introduction II The Concept of the TRIPS Agreement*

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A. General

- 1 The TRIPS Agreement is divided into **seven parts**. The introductory part (Arts 1–8) contains general provisions and basic principles. It thus forms the general part of the TRIPS Agreement. It is followed by the substantive provisions governing intellectual property (Part II, Arts 9–40). These, in turn, are followed by comprehensive rules regarding the enforcement of rights (Part III, Arts 41–61) which therefore, like the substantive provisions, constitute a central object of the TRIPS Agreement. The fourth part of the Agreement also holds a procedural aspect (Art. 62), which regulates the acquisition and maintenance of intellectual property rights, as does the fifth part regarding dispute prevention and settlement (Arts 63, 64). The Agreement concludes with transitional rules (Part IV, Arts 65–67) and institutional arrangements (Part VII, Arts 68–73).
- 2 Among the international agreements regarding the protection of intellectual property the TRIPS Agreement assumes a **special role**. This is not only due to the fact that it is a WTO agreement, but also to the background of the broadly formulated subject matter. In this respect, only the Paris Convention is at all comparable to the TRIPS Agreement, while other

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international agreements in the area of intellectual property apply only to individual intellectual property rights, for example, the Berne Convention, the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (Rome Convention) and the Treaty on Intellectual Property in Respect of Integrated Circuits (IPIC Treaty) which were concluded under the auspices of the World Intellectual Property Organization (WIPO).

To some extent the TRIPS Agreement **swallows** the treaties concluded under the auspices of WIPO, the so-called **convention law**, without, admittedly, calling the validity of these treaties into question or invalidating any of their individual regulations.¹ Such effect must already fail on the ground that the Members of TRIPS are not identical to those of the WIPO conventions. Furthermore, the TRIPS Agreement is intended to facilitate the participation of precisely those States which, for whatever reason, have not acceded to the WIPO conventions, in the process of **harmonizing intellectual property rights**. This occurs because of references to the corresponding WIPO conventions. TRIPS utilizes this regulatory technique with regard to the Berne Convention (*cf.* Art. 9.1) and the Paris Convention (*cf.* Art. 2.1). The regulatory approach of the TRIPS Agreement can therefore be accurately described as a **Paris Plus** or **Berne Plus** approach.² In this context the provision of Art. 1.3, sentence 2, which creates the fiction that all WTO Members are also signatories to the conventions referred to, attains special significance. Together with the incorporation of WIPO law, the provision ensures that securities provided by the TRIPS Agreement are simultaneously applicable also to the nationals of WTO Members, *i.e.* those natural and legal persons who benefit from the WIPO treaties as right holders.

It should, however, be noted that the harmonization of intellectual property rights is not the actual (exclusive) regulatory purpose of the TRIPS Agreement. Achieving a certain standard of protection may rather be understood as promoting world trade as such. To this extent, the TRIPS Agreement corresponds with the wish for the harmonization of intellectual property rights in the European Union, which is also driven by the idea of **free trade** between the Member States. It is therefore not surprising that TRIPS and the rules of Community law cross-fertilize each other in many regards. This is the case, for example, in the area of trademark law: The regulations concerning trademarks contained in Part II Section 2 of the TRIPS Agreement (Arts 15 to 21) are largely modelled on the provisions of the Trademark Law Directive.

¹ *Stoll & Schorkopf*, Max Planck CWTL, Vol. 1, para. 620.

² *Rimmert*, 150; *cf.* on the Paris Plus approach *Kür*, in: *Beier & Schrickler* (eds), 93, 96; *Fezer*, para. 29; for details of the Berne Plus approach, see *Schack*, para. 882.

- 5 In contrast to Community law, which also emphasizes the individual legal protection of the intellectual property right holder in cross-border trade, the TRIPS Agreement is limited to the **economic aspects** of the individual rights,³ whereby a **balancing of interests** between the right holders and users of intellectual property is sought. Art. 7 explicitly sets out this goal, though admittedly only with regard to technical innovations. Considering the comprehensive regulatory approach of the TRIPS Agreement, the provision is therefore too limited.
- 6 Finally, development has not stopped with concluding the TRIPS Agreement. The WIPO conventions were not just starting point and point of reference for the TRIPS Agreement. Their **continued development** was in turn decisively influenced by the conclusion of TRIPS. Supplementing TRIPS on the WIPO level, the Trademark Law Treaty (1994), the WIPO Copyright Treaty (1996), the WIPO Performances and Phonograms Treaty (1996), the revision of the Hague Agreement concerning the International Registration of Industrial Designs (1999) and the Patent Law Treaty (2000) have, among others, entered into force. These **WIPO conventions** add to the TRIPS Agreement without calling its basic tenets into question.

B. Principles of Protection

- 7 The TRIPS Agreement solves the problem of creating a comparable level of protection for intellectual property rights by **imposing minimum standards**. Considering the very different starting positions in the WTO Members this proved to be the only possible way forward. Members are, however, free to exceed the TRIPS standards, provided that this does not interfere with the goals of the TRIPS Agreement (Art. 1.1, sentence 2). Furthermore, Members are free to choose their own **method of implementing** the minimum standards (Art. 1.1, sentence 3). This, however, should not lead one mistakenly to believe that ineffectual implementation measures are also in conformity with the Agreement. The Members are rather to be viewed as being obliged to implement the TRIPS requirements in the most effective manner possible.⁴ This is very similar to the approach taken by the ECJ to the implementation of directives by the Member States. In this context, the ECJ demands distinct acts of implementation which permit those subject to the law to recognize their rights to a degree which is sufficiently clear and specific.⁵

³ See also *Stoll & Schorkopf*, Max Planck CWTL, Vol. 1, para. 619.

⁴ C-300/98 and C-392/98, *Dior/Assco*, [2000] E.C.R. I-11307, Rec. 60.

⁵ *Cf.* C-365/93, *Commission v. Greece*, [1995] E.C.R. I-499, Rec. 9; C-144/99, *Commission v. Netherlands*, [2001] E.C.R. I-3541, Rec. 17.

The central tenets of TRIPS include the principle of national treatment (Art. 3) and the most-favoured nation clause (Art. 4). The purpose of the principle of national treatment is to prevent discrimination between foreign right holders and domestic ones, while the most-favoured nation clause calls for equal treatment between different foreigners. Both principles, however, do not apply unlimited. Exceptions to the principle of **national treatment**, which ensures that Members may not subject the nationals of other Members to treatment less favourable than that granted to their own nationals, are permissible, as long as they are already provided for by the Paris Convention, the Berne Convention, the Rome Convention or the IPIC Treaty, or a notification in the sense of Art. 6 BC or Art. 16.1 lit. b RC has been made to the Council for TRIPS (Art. 3.1). The principle of **most-favoured nation treatment** is also subject to deviations: just like national treatment, it is a “soft” principle, as the exception of Art. 4, sentence 2 demonstrates. The ultimate reason for this is the consideration that individual Members should not find themselves obliged via the TRIPS Agreement “through the back door” to provide a level of protection that they themselves do not apply due to their lack of participation in the WIPO conventions. Without appropriate exceptions this could well be the consequence if only one Member was simultaneously signatory to one of the conventions. In accordance with Art. 4, sentence 2, exceptions to the most-favoured nation clause are permitted as long as they are set out in the conventions (lits a and b) or they are concerned with the rights of performers, producers of phonograms or broadcasting corporations not regulated by TRIPS. In addition, exceptions can be derived from international agreements on the protection of intellectual property which entered into force before the WTO Agreement (lit. d); notification of these must however be made to the Council for TRIPS. The European Union and its Member States have made use of this provision with regard to the Maastricht Treaty and the Treaty Establishing the European Economic Community (EEC Treaty). The notification encompasses not only the Maastricht and the EEC Treaties themselves, but also the secondary law that has been enacted on the basis of those treaties.⁶

Of particular relevance to trade is the issue of **exhaustion** of intellectual property rights. Exhaustion refers to a generally accepted principle of intellectual property law which has frequently been codified and is also acknowledged to be customary law. The principle of exhaustion states that the holder of an intellectual property right can no longer assert exclusive rights conferred by it when the product to which the right pertains was brought into commerce with the holder’s consent. It is the purpose of the principle of exhaustion to maintain the marketability of products to

⁶ Cf. in this regard GRUR Int. 45 (1996) 3, 269 *et seq.*

which intellectual property rights apply. Owners are not to be given the opportunity of using their rights in order to intervene in and direct commercial traffic.

- 10 The fact that intellectual property rights are territorially limited (so-called **principle of territoriality**) regularly leads to a (mere) territorially (nationally) limited exhaustion. On the other hand, deviating regulations on the part of the legislator called to regulate this matter cannot be excluded. For example, regional exhaustion, which would, for example, follow from the principle of free movement of goods (Art. 28 EC Treaty) for the European Community⁷ or the establishment of international exhaustion, is conceivable. While national and regional exhaustion according to their very nature have protectionist characteristics, in that they unilaterally favour trade within the area in question, international exhaustion would most readily correspond to the pursuit of free world trade, because the preventive rights conferred by intellectual property rights would be exhausted irrespective of where the particular product was brought into commerce. From the point of view of the WTO, providing for international exhaustion in the TRIPS Agreement would have been the obvious choice of action. The Agreement, however, refrains from stipulating an express regulation in respect of exhaustion. In accordance with Art. 6, questions of exhaustion cannot be the object of a dispute settlement procedure. To what extent this provision has material legal effect cannot, based upon its wording, be asserted with any certainty.⁸
- 11 The protection of intellectual property rights established by TRIPS is subject to a not insignificant limitation laid down in Art. 8, in that Members have a right to **limit the extent of intellectual property protection** in the interests of the public (Art. 8.1) or in cases of abuse of the intellectual property right by the holder of the right (Art. 8.2). In the former case, this usually involves the protection of public health and nutrition in sectors of vital importance. In the area of patent law, Arts 31 and 32 contain supplementary specifications. The cases of **abuse of rights** concern the tension between intellectual property rights and competition law which is taken up again in Art. 40 in relation to contractual licensing practices.

⁷ Cf. regarding the law of trademarks Art. 7 Council Directive 89/104/EEC of 21 December 1988 to Approximate the Laws of the Member States Relating to Trade Marks (Trademark Law Directive), OJ 1989 L 40/1; Council Regulation (EC) No. 3288/94 of 22 December 1994 amending Regulation (EC) No. 40/94 on the Community Trade Mark for the Implementation of the Agreements Concluded in the Framework of the Uruguay Round, OJ 1994 L 349/83; see also *Rinnert*, 71 *et seq.*

⁸ On the current state of debate see *Rinnert*, 151 *et seq.*

C. The Standards in Detail

I. Copyright and Related Rights

The provisions of the TRIPS Agreement which pertain to copyright law (Arts 9–14) are definitively influenced by the **reference** in Art. 9.1, sentence 1 to the material provisions of the Berne Convention (Arts 1–21 BC) (the so-called “incorporation by reference” procedure). In this manner, Members are required to fulfil the **standard of protection** laid down in the **Berne Convention**. The authors’ moral rights regulated in Art. 6*bis* BC are however excluded from the ambit of TRIPS. This is not unproblematic, since not only the economic rights derived from copyright law, but also authors’ moral rights, can be relevant to trade politics.⁹ 12

The following provisions (Arts 10–14) **concretize and specify** the provisions of the Berne Convention, in the sense of the Berne Plus approach. Thus, Art. 10.1 clarifies that **computer programs** are open to copyright protection as works of literature, and that this is irrespective of the manner in which they are presented. Correspondingly, Art. 10.2 provides protection for **data compilations** which does not depend on whether the individual elements of the data compilation are open to copyright protection in their own right. After the TRIPS Agreement entered into force, WIPO explicitly regulated the protection of computer programs and data compilations in an auxiliary agreement to the Berne Convention (Arts 4, 5 WCT). A particular right for **databases** which, due to the selection and arrangement of the individual elements, are not intellectual creations is provided for neither by the WIPO Copyright Treaty nor by TRIPS. However, a separate WIPO Database Treaty is currently being discussed,¹⁰ the origins of which can be traced back to a suggestion of the EC in 1996 to create an international treaty on the *sui generis* protection of databases. The EC itself had already issued the Database Directive¹¹ and thereby established its own *sui generis* regime for databases. The usefulness of the Database Directive is however being appraised in an increasingly critical way.¹² 13

Following on from the protection of computer programs, Art. 11 provides a **right to commercial rental** both for computer programs and for cinematographic works which was later also taken up in Art. 7 WCT. 14

⁹ *Schack*, para. 882.

¹⁰ See *v. Lewinski*, GRUR Int. 46 (1997) 8–9, 667, 680.

¹¹ Council Directive 96/9/EC of 27 March 1996 on the Legal Protection of Databases (Database Directive), OJ 1996 L 77/20–28.

¹² *Cf.* in this regard *Sendrowski*, Mitt. 97 (2006), 69, 69 *et seq.*

- 15 The level of protection provided for **performers, producers of phonograms and broadcasting organizations** (Art. 14 TRIPS) is altogether quite fragmentary. It noticeably lags behind the protection provided by the Rome Convention, which in turn was bolstered by the WIPO Performances and Phonograms Treaty, introducing the protection of moral rights for performers (Art. 5 WPPT). Not only does the exclusion of authors' moral rights represent a deficiency of TRIPS (Art. 9.1, sentence 2), but also and in particular, a missing regulation on a second exploitation/use. Furthermore, audiovisual activities are not even mentioned.
- 16 The TRIPS Agreement contains no regulations for the **internet and multimedia applications**. However, it must be borne in mind that, by the time the Agreement was concluded, the need for a legal definition of these areas had not yet become sufficiently concrete.
- 17 The **term of protection** for copyright—to the extent that it is not calculated on the basis of the life of the author—is laid down in Art. 12 as being, in principle, not less than 50 years calculated from the publication or, as a substitute, the creation of the work. Photographic works and works of applied art are not included in the regulation. The term of protection for the rights covered by Art. 14 is concretized in Art. 14.5. For performers and producers of phonograms it is also at least 50 years from the performance or recording respectively (Art. 14.5, sentence 1). For broadcasting organizations there is a minimum protection of 20 years beginning with the end of the calendar year in which the broadcast took place (Art. 14.5, sentence 2).
- 18 **Limitations and exceptions** to exclusive rights of the author are, according to Art. 13, possible only under certain (stringent) conditions. They (1.) are to be limited to special cases, (2.) shall not interfere with the normal exploitation of the work and (3.) shall not unreasonably infringe the legitimate interests of the right holder. With these conditions the TRIPS Agreement adopts the well-known “Three-Step Test” of Art. 9.2 BC, which there applies to reproduction rights only.

II. Trademarks

- 19 With regard to trademark protection, TRIPS refers back to the system of the Paris Convention (Art. 2.1). Thus, the material provisions of the Paris Convention regarding trademark law, *i.e.* in particular Arts 6 to 9 PC, become a component of the TRIPS Agreement (“incorporation by reference” procedure). The TRIPS standard is, however, not limited to the **incorporation of Paris Convention law**, but also continues to build on it via Arts 15–21. For example, additional rules had to be created for the inclusion of service marks in the realm of TRIPS (Art. 15.1, Art. 16.1

and 2, Art. 62.3), since the Paris Convention protected only manufacturers' marks and trademarks. There are some minor areas of overlap between the trademark regulations of TRIPS and the Trademark Law Treaty, an auxiliary agreement to the Paris Convention which was negotiated parallel to the TRIPS Agreement and was originally meant to exist in competition with it, but which was then essentially reduced to procedural regulations regarding the registration of marks, alterations of the mark register and the extension of registered marks. At that time, the material harmonization of trademark law could not be reached under the auspices of WIPO.¹³ This underlines the **significance** of TRIPS precisely for the area of trademark protection, especially since Art. 15.1, sentence 1 contains the first international definition of a trademark.¹⁴

The protection guaranteed to trademarks under Arts 15 to 21 exhibits—as has already been mentioned in the introduction—major parallels to European Community law, which served as a model for TRIPS. Thus, the definition of a trademark in Art. 2 Trademark Law Directive is similar to the one in the TRIPS Agreement. Admittedly, differences in the formulation of the text of the norms have repeatedly prompted deviating interpretations. This is apparent, for example, in the listing of the **forms of trademarks** (Art. 15 TRIPS; Art. 4 Trademark Regulation;¹⁵ Art. 2 Trademark Law Directive); in this connection the admissibility of (abstract) colour(-combination) marks particularly dominated the discussion in the past. Three-dimensional marks are also not listed in Art. 15.1, sentence 2. Since, on the other hand, the list is not exhaustive (“in particular”), the failure to mention certain forms of trademarks cannot alone lead to the conclusion that they are not capable of being protected. As Art. 15.1, sentence 1 demonstrates, the decisive point is rather the distinctiveness of the sign, which can also be acquired through use (Art. 15.1, sentence 3). However, both Art. 15.1, sentence 4 TRIPS and Art. 2.1 lit. b TLT permit signs which cannot be visually perceived, *i.e.* sound marks and olfactory marks, to be excluded from registration. The formulation (“**visually perceptible**”) here seems at first glance to be narrower than that of Art. 2 Trademark Law Directive and Art. 4 Trademark Regulation,¹⁶ where graphical representation is the decisive criterion. Admittedly, indirect graphical representation is sufficient in that respect; but the same can be presumed for visual perceptibility.

¹³ Cf. with respect to the Trademark Law Treaty *Abbott & Cottier & Gurry* (eds), 1495 *et seq.*; *Fezer*, paras 13 *et seq.*; *Kur*, in: *Beier & Schricker* (eds), 93, 96 *et seq.*

¹⁴ *Gervais*, para. 2.161; *Stachelin*, 88 *et seq.*

¹⁵ Council Regulation (EC) No. 3288/94 of 22 December 1994 amending Regulation (EC) No. 40/94 on the Community Trade Mark for the Implementation of the Agreements Concluded in the Framework of the Uruguay Round, OJ 1994 L 349/83.

¹⁶ *Fezer*, para. 22.

- 21 Even if the sign may be capable of protection as a trademark, Art. 15.2 authorizes Members to reject the registration of a mark on the grounds (exhaustively) stated in Art. 6*quinquies* PC. Furthermore, Members are free to make registration dependent upon **use** (Art. 15.3, sentence 1). According to the provision, intended use suffices.¹⁷ It, however, must lead to an actual use within three years of the submission of the application for registration, or the application may be rejected (Art. 15.3, sentence 3). In no way may the **type of product or service** for which the mark is to be used form an obstacle to the registration of the mark (Art. 15.4). The regulatory approach is already to be found—but limited to goods—in Art. 7 PC. The failure by the right holder or a controlled third party to use the mark (Art. 19.2) within a period of three years generally entitles the Members to **cancel** the mark, while the use may not be tied to additional requirements, for example use in connection with other indications (Art. 20).
- 22 **Rights conferred by the trademark** are dealt with in Art. 16 and concretized in particular in its para. 1. The exclusive rights of the owner attach to the danger of confusion with similar or identical signs used by third parties. In addition, Art. 16.2 and 3 strengthen the protection standard already laid down in Art. 6*bis* PC for well-known trademarks. First, it is made clear that only public knowledge, and not the usage of the mark in the Member, is relevant (Art. 16.2, sentence 2). Furthermore, Art. 16 extends the **protection of well-known trademarks** to service marks (Art. 16.2, sentence 1) and also decrees protection outside the area of product similarity when the use of the trademark would indicate a connection between the products and the owner of the well-known trademark (Art. 16.3).
- 23 According to Art. 18, sentence 1 the **term of protection** for a trademark is at least seven years, but the Members have the option of allowing unlimited extensions (Art. 18, sentence 2). Trademarks are thus the only registered right with the status of an “eternal” right.
- 24 The interest of a trademark holder in realizing the economic value of the trademark other than through its use is taken up in Art. 21, in that the **licensing and transfer of trademarks** are included in the minimum protection standards. Members are, however, generally free to determine the conditions under which licences can be granted and transferred. TRIPS states that it must be possible to transfer a trademark with or without the business to which it belongs. In addition, the possibility of issuing **compulsory licences** in relation to trademarks is excluded, since in this case licensing could lead to the deception of the public regarding the origin of the designated product. The regulatory intent of Art. 21, which focuses on the law of trademarks, does not however in principle foreclose the grant of

¹⁷ See also *Kür*, in: *Beier & Schricker* (eds), 93, 101 *et seq.*

licences on the basis of competition law resulting from abuse of the predominant market position. It is thus necessary to clarify the requirements for the applicability of competition law in relation to intellectual property law in the individual case.

It is also necessary to refer to Art. 17, according to which limited **exceptions** to the rights conferred by the trademark can be provided for, under consideration of the legitimate interests of the holder of the trademark and third parties. The fair use of descriptive terms is expressly mentioned. 25

The procedure for internationally registering trademarks is not regulated by TRIPS. In this regard, the Madrid Agreement Concerning the International Registration of Marks (MAM), which was included as a special agreement to the Paris Convention, provides the relevant procedural law. The Madrid Agreement on Marks allows the protection of a trademark registered in the country of origin to be extended to all other Union countries through a single registration at the International Bureau in Geneva (so-called **IR Marks**). This option was also opened to States which were not signatories to the Madrid Agreement on Marks through the Protocol to the Madrid Agreement Concerning the International Registration of Marks (PMAM). In this respect, TRIPS has no overlap with the Madrid Agreement on Marks or its Protocol. The same applies to its relationship with the Trademark Registration Treaty, a further special agreement to the Paris Convention, the goal of which is to involve the United States and other States which did not join the Madrid Agreement on Marks in a system of international trademark registration. 26

III. Geographical Indications

The protection of geographical indications, being regulated in Arts 22 to 24, applies to **goods** but not to services. It differentiates between the protection of geographic indications in general (Art. 22) and additional regulations for the protection of geographical indications for **wines and spirits**, which were incorporated in the Agreement at the instigation of the European Community. The provision of Art. 24 describes possible exceptions to adherence to the envisaged level of protection and obliges the Members to carry out further negotiations. 27

TRIPS guarantees the protection of geographical indications in a manner which does not lead to a fundamental harmonization of the national systems of protection.¹⁸ On a national level traditional regulations which pursue an approach of fair competition compete with those which are based on the law of signs. In accordance with Art. 22.2, Members are merely obliged 28

¹⁸ Cf. also *Stachelin*, 122 *et seq.*

to provide the interested parties with the legal means to prevent misleading use or generally unfair practices of use in the sense of Art. 10*bis* PC. The choice of means is left in their hands, so that the **parallel use of different regulatory approaches** persists. In comparison to the convention regulations regarding the protection of geographic indications of source, the TRIPS Agreement, however, has the advantage of the largest territorial scope of application.

- 29 Since the 1925 Hague revisional conference, indications of source have been explicitly mentioned in the **Paris Convention** (Art. 1.2 PC). However, the protection of the Paris Convention applies only when objectively and formally false indications are used. The Paris Convention does not offer protection against misleading geographical indications. In addition, legal protection against prohibited usages, which follows the principle of the country offering protection, is only rudimentarily developed, as a mere seizure is provided for (Art. 10.1 read together with Art. 9 PC), while an obligation to provide more extensive civil and criminal sanctions does not exist. The same applies for the **Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods**, which was concluded as an auxiliary agreement to the Paris Convention in 1891. However, in contrast to the Paris Convention, the Madrid Agreement on Indications of Source contains protection against misleading behaviour (Art. 1.1 Madrid Agreement on Indications of Source); moreover, it prescribes protection according to the country of origin for the products of the vine (Art. 4 clause 2 Madrid Agreement on Indications of Source), so that the protection of indication for these products is executed independently of the national protective system in question. Since in total only 33 States have acceded to the Madrid Agreement on Indications of Source, it is of relatively minor significance. The **Lisbon Agreement for the Protection of Appellations of Origin and their International Registration** also failed to garner a sufficient level of acceptance. Only 20 States have acceded to it, the reason being that it protects appellations of origin only when they are officially acknowledged by the country of origin. This type of protective system is, however, practised in only a few States, for example, in France (“*appellations d’origine*”). Against this background, it is clear that the TRIPS provisions regarding the protection of geographical indications, despite their shortcomings, represent significant progress in comparison to the law of the pre-existing conventions.¹⁹
- 30 Due to its less than satisfactory level of protection, since the beginning of the 1960s WIPO convention law has been supplemented by a **number of bilateral treaties** of a “new type”. These follow the regulatory approach

¹⁹ *Ibid.*, 123.

of the Lisbon Agreement and all contain lists in their appendices which identify, according to product group, the geographic indications that are acknowledged as worthy of or capable of protection in the territory of the treaty partner.²⁰ Naturally, such agreements can replace multilateral treaties only to a very limited extent.

In either case, therefore, the directives and regulations enacted by the **European Community** to protect geographic indications carry more weight. The Wine Market Regulation,²¹ the Spirit Drink Regulation,²² the Agricultural Products Regulation²³ as well as the Foodstuffs Directive²⁴ and the Misleading Advertisement Directive²⁵ need to be mentioned here. 31

IV. Industrial Designs and Models

Protection for industrial designs and models has steadily gained in significance in recent years, because many products do not (only) distinguish themselves from competing products by their value in use, but (also) by their design. Usually a certain product image is communicated via the design which decisively contributes to the economic value of the product. The TRIPS Agreement regulates the protection of industrial designs and models in Arts 25 and 26 without, however, defining in any more detail what is to be understood under those terms. Members may protect industrial designs and models either by design patent regulations or by copyright. The latter option is indicated in Art. 25.2, sentence 2 with regard to textile designs. However, this does not stop Members providing *sui generis* design protection. Finally, (supplementary) rights under the law of unfair competition are conceivable. TRIPS takes no position on this. 32

²⁰ For details see *Strauch & Arend*, Before Articles 22–24, paras 55 *et seq.*

²¹ Council Regulation (EC) No. 1493/99 of 17 May 1999 on the Common Organisation of the Market in Wine (Wine Market Regulation), OJ 1999 L 179/1, as amended by Council Regulation (EC) No. 1791/2006 of 20 November 2006, OJ 2006 L 363/1.

²² Council Regulation (EEC) No. 1576/89 of 29 May 1989 Laying Down General Rules on the Definition, Description and Presentation of Spirit Drinks (Spirit Drink Regulation), OJ 1989 L 160/1, as amended by Council Regulation (EC) No. 3378/94 of 22 December 1994, OJ 1994 L 366/1.

²³ Council Regulation (EEC) No. 2081/92 of 14 July 1992 on the Protection of Geographical Indications and Designations of Origin for Agricultural Products and Foodstuffs (Agricultural Products Regulation), OJ 1992 L 208/1, as amended after the recent WTO Panel rulings in *EC—Trademarks and Geographical Indications* by Council Regulation (EC) No. 510/2006 of 20 March 2006, OJ 2006 L 93/12.

²⁴ Council Directive 79/112/EEC of 18 December 1978 on the Approximation of the Laws of the Member States Relating to the Labelling, Presentation and Advertising of Foodstuffs for Sale to the Ultimate Consumer (Foodstuffs Directive), OJ 1979 L 33/1.

²⁵ Council Directive 2006/114/EC of 12 December 2006 Concerning Misleading and Comparative Advertising, (Misleading Advertisement Directive), OJ 2006 L 376/21.

- 33 The protection of industrial designs and models is already provided for in the **Paris Convention** (Arts 1.2, 4, 5B, 5D, 5*quinquies*, 11 PC). Here, too, the terms are not explained in any more detail. In comparison to the Paris Convention, Arts 25 and 26 contain welcome specifications for the area of design protection. After the conclusion of the TRIPS Agreement, the Hague Agreement concerning the International Deposit of Industrial Designs, an auxiliary agreement to the Paris Convention, was revised by the Geneva Act of 2 July 1999.²⁶ It concedes priority to the TRIPS Agreement and also pursues the goal of facilitating the accession of further States and regional organizations.
- 34 TRIPS provides for a minimum ten-year term of protection for industrial designs and models which are new or original (Art. 25.1, sentence 1; Art. 26.3). The alternative requirements “new or original” should not lead one to the erroneous presumption that Members are precluded from developing a new approach to protection through interpretation of these criteria, for example, through the combination of both characteristics,²⁷ which is known in European Community law.²⁸ Rather, Members are granted considerable leeway in laying down protection requirements. Whether design protection can be obtained only through registration or also through use equally remains open. With the Community Designs Regulation,²⁹ the EC opted for both methods (Art. 1.2 Community Designs Regulation). With its introduction of a non-registered design right, the protection of textile designs mentioned in Art. 25.2, which are subject to rapidly changing fashions, is particularly facilitated. Insofar as the Community Designs Regulation provides a term of protection of only three years for unregistered designs (Art. 11.1 Community Designs Regulation), this is not a violation of the ten-year term of protection laid down in Art. 26.3, because the option of registration for a total term of 25 years remains unaffected (Art. 12 Community Designs Regulation).
- 35 The design protection under TRIPS means **protection from imitation** (Art. 26.1), which entitles owners to prohibit third parties from producing, selling or importing objects in which the imitated design or model is embodied without their consent. Of course, the exclusive right applies only to commercial actions and not to cases of private use. Furthermore, Art. 26.2 allows certain **exceptions** to design and model protection when

²⁶ Geneva Act of The Hague Agreement Concerning the International Deposit of Industrial Designs, 74 LNTS 327; entered into force on 1 April 2004.

²⁷ Cf. also *Gervais*, para. 2.243.

²⁸ Cf. Art. 3.2 of Directive 98/71/EC of the European Parliament and Council of 13 October 1998 on the Legal Protection of Designs, OJ 1998 L 289/28; Art. 4.1 Council Regulation (EC) No. 6/2002 of 12 December 2001 on Community Designs (Community Designs Regulation), OJ 2002 L 3/1.

²⁹ *Ibid.*

these do not unreasonably conflict with the normal exploitation and do not prejudice the legitimate interests of the owner of the protected design or third parties. This can include the reproduction of the design for experimental and educational purposes,³⁰ as well as actions preparatory to use.³¹ Thus, compulsory licences are equally permissible.³²

V. Patents

In Arts 27–34 the TRIPS Agreement contains comprehensive regulations concerning patent law. This demonstrates the significance that patent law assumes for the Agreement. Certainly, it is not the number of provisions alone that leads to this conclusion. Rather, the regulations concerning patent law aim for a **high level of protection**. Considering the different interests of Members, namely the industrialized States on the one hand and the developing countries on the other, this was in no way something to be taken for granted. In any case, the TRIPS regulations exceed by far the standards set by the Paris Convention (Arts 4, 4*bis*, 4*ter*, 4*quater*, 5A, 5D, 5*ter*, 5*quater*, 11 PC). In contrast to the Paris Convention, TRIPS does not provide any explicit regulations for **utility models**. 36

The purpose of patent protection is to foster technological progress. It is thus not just concerned with the individual reward of the inventor for the disclosure of the invention, but also with the dissemination of knowledge of the invention to the general public as laid down in Art. 29.1. Against this background, the patentable objects are set out at the beginning of Section V in Art. 27.1, sentence 1. The Members had reached an agreement to the extent that patents must be made available for inventions **in all fields of technology**. Thus, the practice (previously common in some States) of excluding certain inventions, for example, those in the areas of agriculture, nutrition and health, from patent protection *a priori* was eliminated. Admittedly the TRIPS Agreement does not define the term “technology”, so that there remains a certain scope for interpretation on this point. However, when interpreting the term “technology” it must be brought to bear that it is not a fixed legal term, but presupposes a flexible understanding, which is to be interpreted in the light of progressing knowledge in the natural sciences.³³ An understanding of the term which changed according to the field of technology would be discriminatory and therefore not permissible. Furthermore, Members are **prohibited from differentiating** according to 37

³⁰ Cf. Art. 20.1 *lits b* and *c* Community Designs Regulation.

³¹ Cf. Art. 22 Community Designs Regulation.

³² For the analogous application of Art. 31 *see*, for example, *Phillips*, in: *Correa & Yusuf* (eds), 186 *et seq.*; *Kür*, in *Beier & Schricker* (eds), 141, 156.

³³ Cf. as an example *Bundesgerichtshof, Logikverifikation*, GRUR 102 (2000), 498, 501; EPO OJ 2001, 441.

the origin of the invention (Art. 27.1, sentence 2). Patent protection and the exercise of the rights conferred by the patent cannot depend upon whether the patent holder carries out a certain economic activity in the Member in which protection is being sought (Art. 27.1, sentence 2).

- 38 Moreover, Art. 27.1 requires Members to **issue product as well as process patents**, so long as the objects of the invention are new, involve an inventive step (are not obvious) and are capable of industrial application (useful). The provision adopts the usual conditions of patent protection. The **term of protection** for the patent may not—calculating from the day of filing—be less than 20 years (Art. 33). Since a fairly long time usually elapses between filing and the issue of the patent, the actual term of the patent can be much shorter in individual cases. For this reason supplementary protection certificates have been created at the Community level for pharmaceuticals and pesticides, by which the protective effect of the initial patent can be extended by up to five years.³⁴
- 39 Of course, Members may provide for certain **exceptions to patent protection**. First, this is valid for the case where the prevention of commercial exploitation is necessary to protect *ordre public* and morality (Art. 27.2). In this connection TRIPS mentions the protection of human, animal or plant life and health, as well as protection of the environment. However, the mere existence of a prohibition on exploitation in a Member is not by itself sufficient to deny patent protection. It must be examined in the individual case whether the prohibition meets the requirements of Art. 27.2. In addition, diagnostic, therapeutic and surgical methods for the treatment of humans or animals can be excluded from patentability (Art. 27.3 lit. a). This provision aims at preventing life forms from becoming the object of commercial interests through the “back door” of process patents. Finally, plants and animals and essentially biological processes for the breeding of plants or animals, with the exception of non-biological and micro-biological processes, can be excluded from patentability (Art. 27.3 lit. b, sentence 1). The Members have made use of this exception to a great degree.³⁵ In contrast, exceptions for micro-organisms the patentability of which has been acknowledged for a very long time in the industrialized States are not permitted. The procedure for depositing such micro-organisms is regulated in the Budapest Treaty.

³⁴ Cf. Council Regulation (EEC) No. 1768/92 of 18 June 1992 on the Creation of a Supplementary Protection Certificate for Medicinal Products, OJ 1992 L 182/1, Regulation (EC) No. 1610/96 of the European Parliament and Council of 23 July 1996 on the Creation of a Supplementary Protection Certificate for Plant Protection Products, OJ 1996 L 198/30.

³⁵ Cf. only Art. 53 EPC and §§ 2, 2a.1 German Patent Act (*PatentG*, BGBl. 1981 I, 1, as last amended by BGBl. I 2007, 2166 *et seq.*).

However, if TRIPS is to guarantee a high level of protection, the **exceptions need to be interpreted narrowly**. Art. 27.3 lit. b, sentence 2 contains an indication of this for the area of patents relating to plant varieties: consequently, Members are explicitly required to protect plant varieties through either patents or an effective *sui generis* system or a combination thereof to the extent that Art. 27.3 lit. b, sentence 1 applies only to plants as such. The *sui generis* system mentioned in Art. 27.3 lit. b, sentence 2 is based on the plant variety laws with which plant varieties as the results of plant breeding are protected in many States. 40

The individual rights **conferred by the patent** are laid down in Art. 28.1 through the listing of preventive rights stemming from a product (lit. a) or a process patent (lit. b). The TRIPS standard also includes the ability of the patent holder to transfer the patent through a legal transaction or legal succession and to conclude licence contracts (Art. 28.2). 41

Despite the discretion to exclude patentability in the cases of Art. 27.2 and 3, Members may also **limit the effects of the patent** in compliance with Art. 30. This is, however, admissible only to the extent that it does not interfere with the normal exploitation of the patent or unreasonably prejudice the interests of the patent holder or third parties. This concerns for instance regulations on pre-use rights³⁶ or on certain privileges for experimental purposes.³⁷ 42

In addition, in accordance with Art. 31 other uses can be permitted without the authorization of the right holder. The background to this very comprehensive regulation is the issue of **compulsory licensing**. Recently, this issue has been discussed in relation to providing patients in developing countries with AIDS medication. It, however, also played a role in the US where, following the terrorist attacks of September 2001, a possible shortage of anthrax medication was to be avoided. In Art. 31 individual conditions for the issue of a compulsory licence are mentioned (lits a, b, f) and the case of dependent patents is particularly regulated (lit. l). Stipulations regarding extent (lits c, d, e, g), compensation (lit. h) and legal protection (lits i, j) are made. The relationship with measures in the context of anti-competitive practices is taken up by lit. k. Regarded as a whole, the circumstances that can provide entitlement to a compulsory licence are described only incompletely. The (in lit. k required) ability to promulgate an obligation to issue a compulsory licences based on competition law remains unaffected by Art. 31. 43

³⁶ Cf. in this regard § 23 Austrian Patent Act; Art. 55 Dutch Patent Act; § 12 German Patent Act; Art. 68.3 Italian Intellectual Property Act; Art. 35 Swiss Patent Act.

³⁷ Cf. in this regard Art. 53 No. 3 Dutch Patent Act; § 11 No. 2 German Patent Act; Art. 68.1a Italian Patent Act.

For this, demarcation between the scope of application of patent law and competition law would be necessary.³⁸

- 44 Further regulations of the fifth part apply to **questions of procedure**. Members are required to provide for the judicial review of decisions leading to the revocation or forfeiture of a patent (Art. 32). Furthermore, Art. 34 contains more detailed provisions regarding the burden of proof in cases of infringement of a process patent.
- 45 In addition to the TRIPS Agreement and the Paris Convention, the **European Patent Convention (EPC 2000)** is of considerable importance to the harmonization of patent law. As a regional agreement, the European Patent Convention has, as has already been mentioned, had in some ways a fertilizing effect on the regulations of the TRIPS Agreement. For the signatories to the European Patent Convention it creates a common law for the issue of patents. In this way, the filer of the patent application has the opportunity to name and acquire national patents in all or several signatories to the European Patent Convention through a single application at the European Patent Office (Art. 3 read together with Art. 2 EPC). In addition, since the 1970s the European Community has been striving to create a uniform **Community patent**, to counteract the splintering of the internal market through territorially effective patents. The Community patent is to be used in parallel to the “bundle patent” of the European Patent Convention. An agreement, however, has not yet been reached. The introduction of a Directive concerning **software implemented inventions** failed. However, in 1998 the European Community passed the **Biopatent Directive**,³⁹ with which the partial harmonization of patent law could be achieved. The essential content of the Biopatent Directive was simultaneously implemented in the European Patent Convention via rules 23 lit. b–23 lit. e of the Implementing Regulations to the EPC,⁴⁰ which additionally strengthened the regional harmonizing effect.

VI. Layout-Designs (Topographies) of Integrated Circuits

- 46 The TRIPS Agreement specifically provides for the protection of layout designs (topographies) for integrated circuits in Arts 35 to 38. They relate to **technical rights**, being similar to utility model protection. Patent protec-

³⁸ See *Busche*, in: *Keller* (ed.), 645, 648 *et seq.*

³⁹ Directive 1998/44/EC of the European Parliament and of the Council of 6 July 1998 on the Legal Protection of Biotechnological Inventions (Biopatent Directive), OJ 1998 L 213/13.

⁴⁰ Implementing Regulations to the Convention on the Grant of European Patents of 5 October 1973, as adopted by decision of the Administrative Council of the EPO of 7 December 2006.

tion for integrated circuits does not usually come into question, because they are not single inventions and do not have the necessary level of invention. Moreover, patent protection is usually not available because the architecture of a chip does not involve the necessary level of creativity. Nevertheless, integrated circuits proved to be in great need of intellectual property protection since their development requires a high level of investment which could be quickly devalued through the simple copying of the circuit layout. Therefore, even Pre-TRIPS, **national and regional provisions** concerning the protection of integrated circuits were enacted.⁴¹ The TRIPS provisions as such go back to the WIPO Treaty on Intellectual Property in respect of Integrated Circuits (**IPIC Treaty**),⁴² concluded in 1989 in Washington. The IPIC Treaty never entered into force. Initially, it was meant to parallel the Paris Convention and to bring about a worldwide harmonization of integrated circuit protection. Henceforth, the intentions of the IPIC Treaty are indirectly brought to bear through the TRIPS Agreement.

With the aid of the “incorporation-by-reference” technique, TRIPS absorbs the essential **regulations of the IPIC Treaty** in Art. 35, and thus makes them binding on the WTO Members. Art. 36 then describes the **scope of owner’s protection**. Exclusive rights do not exist in relation to persons who acted in good faith (Art. 37.1). In addition, arrangements for **compulsory licensing** of layout-designs may be made, provided that the requirements of Art. 31 *lits a-k* applying to patents are complied with. Finally, in deviation from Art. 8 IPIC Treaty, Art. 38.1 and 2 provides that the **minimum term of protection** for integrated circuits be at least ten years. 47

VII. Protection of Undisclosed Information

Art. 39 contains a regulation which can only be classified as the protection of intellectual property in a very loose sense. It envisages the protection of undisclosed information. This also, but not exclusively, concerns the protection of “**know-how**” which is addressed in Art. 39.2. In addition, Art. 39.3 obliges Members to protect data which according to their national law must be made available to the government or governmental agencies in the context of attaining **market approval** for pharmaceutical or agricultural chemical products. In essence, the protection of undisclosed information 48

⁴¹ Cf. for the European Union see Directive 87/54/EEC of the Council of 16 December 1986 on the Legal Protection of Topographies of Semi-Conductor Products, OJ 1986 L 24/36; for Bulgaria see Act of 14 September 1999; for Canada see Act of 6 May 1993; for Germany see Act of 22 October 1987, BGBl. I 1987, 2294 (as last amended by BGBl. I 2004, 390); for Russia see Act of 23 September 1992; for Switzerland see Act of 9 October 1992.

⁴² See *Krieger & Dreier*, GRUR Int. 38 (1989) 10, 729 *et seq.*

can be classified as **protection against unfair competition**, as the reference in Art. 39.1 to Art. 10*bis* PC indicates.

VIII. Control of Anti-Competitive Practices in Contractual Licences

- 49 As already mentioned, the control of anti-competitive practices in contractual licences as addressed in Art. 40 stands in a close relationship with Art. 8.2. In accordance with the latter, Members are entitled to take appropriate measures against the abuse of intellectual property rights. Such **abuse** may occur with the discriminatory issue of contractual licences. This may have **adverse effects on trade** or cause impediments on use and the dissemination of technology (Art. 40.1). Art. 40.2, sentence 2 contains a special authorization, according to which Members can take action against abusive licensing practices of their nationals. In this connection, exclusive grant-back conditions, and the prevention of challenges to the validity of licensed rights, as well as coercive package licensing, are explicitly, but not exhaustively, mentioned. Nevertheless, Art. 40.2, sentence 1 does not preclude Members from tolerating individual competition-limiting licensing practices and licence conditions. The additional provisions in Art. 40.3 and 4 are concerned solely with cooperation among Members.

D. Enforcement of Intellectual Property Rights

- 50 In addition to the material standards discussed under C., the provisions concerning the enforcement of intellectual property rights (Arts 41 to 61) in Part III of the TRIPS Agreement take a prominent position. The enforcement provisions specifically guarantee that the standards set by Part II do not remain “toothless”. According to the central Art. 41.1, Members are obliged to take effective action against every type of violation. This includes expeditious remedies to prevent infringements as well as remedies which constitute a deterrent to further infringements. The **procedures** should also be fair and equitable (Arts 41.2, sentence 1, and 42). In the interests of the efficiency of law enforcement, the procedure should also not be unnecessarily complex or expensive or entail unreasonable time limits or unjustified delays (Art. 41.2, sentence 2). The procedures are to be applied in such a manner that they do not result in additional barriers to trade (Art. 41.1, sentence 2). It is also made clear that Members are not to be affected in the organization of their **judiciary**; in particular there is no obligation to create courts with special competence for intellectual property (Art. 41.5, sentence 1).

The following Arts 42 to 49 contain detailed provisions **regarding the course of the procedure and individual goals to be attained by the claims**. The ability to protect confidential information in judicial procedures in Art. 42, sentence 4 must particularly be emphasized. In addition, Art. 43 contains rules concerning evidence, the burden of proof and evidence produced by the responding party. Details concerning the possible remedies of injunctions, damages and information provision are laid down in Arts 44, 45 and 47. Art. 46 regulates other legal remedies. Art. 48 authorizes the indemnification of defendants who were wrongfully served with infringement proceedings and made victims of an abuse of enforcement procedures. Finally, Art. 49 subordinates possible administrative procedures to the previously outlined principles of civil procedure. 51

Art. 50, which relates to **provisional measures**, has created some excitement. The provision is of great practical significance, since in the area of IPR infringements the right holder usually has a considerable interest in enforcing his or her rights as soon as possible in order to avoid the threat of considerable economic damage. It is therefore pivotal that the courts are in a position to order quick and effective provisional measures in order to prevent the violation of an intellectual property right (Art. 50.1 lit. a). In this regard, Art. 50.2 to 7 stipulates pertinent basic procedural principles. Art. 50.1 lit. b, which contains the authorization to order provisional measures also to **preserve relevant evidence** in cases involving a mere claim of infringement, should also be noted. This provision is particularly relevant for patent law, since it is sometimes very difficult to determine whether a right violation has even occurred. This concerns process patents in particular. The right holder frequently does not have access to a necessary source of information. Corresponding to the TRIPS provisions, Art. 6 of the Enforcement Directive⁴³ establishes a claim to submit evidence enforceable against one's opponent in judicial proceedings. In addition, Art. 7 Enforcement Directive mandates the establishment of a pre-procedural right to preserve evidence, being modelled on the British *Anton Piller* Order and the institution of *saisie-contrefaçon* known from French law. 52

The material and procedural provisions concerning the enforcement of intellectual property rights are supplemented by provisions regarding **border measures** (Arts 51 to 60), which reflect a similar regulatory approach to that taken under the Product Piracy Regulation.⁴⁴ Finally the possibility 53

⁴³ Directive 2004/48/EC of 30 April 2004 on the Enforcement of Intellectual Property Rights (Enforcement Directive), OJ 2004 L 157/45.

⁴⁴ Regulation (EC) No. 3295/94 of 30 December 1994 Laying Down Measures to Prohibit the Release for the Circulation, Export, Re-export or Entry for a Suspensive Procedure of Counterfeit and Pirated Goods (Product Piracy Regulation), OJ 1994 L 341/8, amended through Council Regulation (EC) No. 241/99 of 25 January 1999, OJ 1999 L 27/1.

of **criminal sanctions** deserves attention. In accordance with Art. 61, criminal sanctions are to be provided at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale.

E. Dispute Settlement

54 With the establishment of a dispute settlement procedure oriented on the regulations of GATT 1994 (Art. 64), TRIPS made considerable progress in the enforcement of intellectual property rights on the international plane. Pre-TRIPS, Art. 28 PC offered signatories to the Paris Convention the right to refer disputes to the ICJ, an instrument that was largely ineffective. The dispute settlement procedure which can now be invoked under the TRIPS Agreement leads to binding **panel and Appellate Body decisions**, which can be enforced on the basis of the Dispute Settlement Understanding. Via the incorporation of the Paris Convention (Art. 2.1) and Berne Convention (Art. 9.1) their material standards are subject to interpretation by the WTO adjudicating bodies. The first WTO dispute settlement procedure brought by the EC concerned Art. 11*bis* BC.⁴⁵ To what extent the additional **WIPO Arbitration Center** which has operated since 1 October 1994 in Geneva will gain importance for international dispute settlement in the area of intellectual property rights remains to be seen. In this respect, the disputants must explicitly agree to its jurisdiction.⁴⁶

⁴⁵ See *Ginsburg*, RIDA 187 (2001), 3 *et seq.*

⁴⁶ See in more detail *Frost*, 213 *et seq.*; *Kaboth*, 96 *et seq.*

Introduction III* The TRIPS Agreement in the EC and its Member States, Applicability and Enforcement

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A. General

The question whether the TRIPS Agreement is directly applicable in Community law and the domestic law of the Member States and whether individuals may rely on it before the courts of the EC and its Member States can be judged **only in accordance with Community law and the domestic law of the Member States**. Neither the WTO Agreement nor the TRIPS Agreement contains an obligation under public international law for its Members to apply its provisions directly.¹ Although the WTO Agreement eliminates a large number of the institutional and legal deficiencies of the GATT 1947,² the dispute settlement organs of both the WTO³ and the ECJ⁴ arrive at the conclusion that the WTO Agreement, including the TRIPS Agreement, does not define the manner in which the Members are to implement its provisions. 1

In its *Dior* judgment, the ECJ acknowledged the possibility that the direct applicability of the TRIPS Agreement in the domestic law of the Member States may be judged differently from the way it is regarded in Community law.⁵ The ECJ decided that Community law, “in a field in respect of which the Community has not yet legislated and which consequently falls within the competence of the Member States, [...] neither requires nor forbids that the legal order of a Member State should accord to individuals the right to rely directly on the rule laid down by Article 50(6) of TRIPS 2

¹ See e.g. *Krajewski*, 63.

² *Stoll*, ZaöRV 54 (1994), 241, 257 *et seq.*

³ *US—Section 301 Trade Act*, WT/DS152/R, para. 7.72: “Neither the GATT nor the WTO has so far been interpreted by GATT/WTO institutions as a legal order producing direct effect. Following this approach, the GATT/WTO did not create a new legal order the subjects of which comprise both contracting parties or members and their nationals.”

⁴ C-27 and 122/00, *Omega* [2002] E.C.R. I-2569, Recs 89 *et seq.*; C-149/96, *Portugal v Council*, [1999] E.C.R. I-8395, Recs 35 *et seq.*

⁵ *Cottier*, in: *Bogdandy & Mavroidis & Mény* (eds), 99, 116.

or that it should oblige the courts to apply that rule of their own motion”.⁶ While the ECJ⁷ denies direct applicability in Community law to those provisions of the TRIPS Agreement that fall within the external competence of the EC, the German Federal Court of Justice⁸ and the Austrian Supreme Court⁹ ruled that TRIPS Agreement provisions which have remained within the external competence of the Member States may be applied directly in German and Austrian domestic law.¹⁰

- 3 Since this gives fundamental significance to the distribution of external competences between the EC and its Member States with regard to the enforcement of the obligations arising from the TRIPS Agreement before the courts of the EC and its Member States,¹¹ the distribution of external competences for the TRIPS Agreement between the EC and its Member States will be discussed first, followed by an exploration of the question of how the obligations arising from the TRIPS Agreement vis-à-vis third States that are WTO Members may be enforced in Community law.

B. Distribution of External Competences Between the EC and its Member States in the Context of the TRIPS Agreement

I. General Distribution of Competences

- 4 According to the **principle of conferral of competences**, the EC and its institutions may take action only if this is in fact provided for in the EC Treaty. As was made clear by the ECJ in its Opinion 2/94, this principle applies to both internal and external actions¹² and is laid down in particular in Arts 5.1, 7.1 (2), 202, 211.2, 230.2 and 249.1 ECT. The EC takes action “within the limits conferred upon it by this Treaty” (Art. 5.1 ECT) and “in accordance with the provisions of this Treaty” (Art. 249.1 ECT).
- 5 However, the principle of conferral of competences does not mean that the EC’s competences must be explicitly provided for in the EC Treaty. On the basis of the doctrine of implied powers¹³ as shaped by ECJ case-

⁶ C-300 and 392/98, *Dior*, [2000] E.C.R. I-11307, Rec. 48; see also C-431/05, *Merk v. Merk*, [2007] E.C.R. I-7001, Recs 34 *et seq.*

⁷ *Ibid.*, Recs 44 *et seq.*; C-149/96, *Portugal v Council*, [1999] E.C.R. I-8395, Rec. 47.

⁸ BGHZ 141, 13, 35.

⁹ *Thermenhotel*, GRUR Int. 48 (1999) 3, 279, 281.

¹⁰ See also *Irish High Court, Zwangslizenz*, GRUR Int. 47 (1998) 4, 339 *et seq.*

¹¹ *Hermes*, 101 *et seq.*, argues that the enforcement of the TRIPS Agreement before the EC courts does not depend on whether its provisions fall within the external competence of the EC, but on whether the EC is internationally entitled and obliged under these provisions.

¹² Opinion 2/94, *ECHR*, [1996] E.C.R. I-1759, Rec. 24.

¹³ See with regard to the doctrine of implied powers *Eeckhout*, 58 *et seq.*; *Dörr*, EuZW 1996, 39, 40.

law, the EC is competent to conclude treaties to the extent to which it is authorized to adopt secondary Community law.¹⁴ The EC's efficiency would be endangered if it had no authority to conclude treaties within the scope of its legislative competence and depended on international agreement between the Member States, which would thus be able to prejudice the EC's legislative activities.

In accordance with their nature, EC competences may be subdivided into exclusive and concurrent competences. An EC competence is **exclusive** if the Member States do not have the authority to take action irrespective of any concrete EC activities.¹⁵ By contrast, an EC competence is **concurrent** if the Member States are permitted to act to the extent that the EC has not itself taken any action.¹⁶

If, apart from the EC, several or all Member States and other subjects of international law are involved in a treaty as contracting parties, a distinction needs to be made between shared and parallel external competences. If the treaty falls within the shared external competence of the EC and its Member States, this is a **mixed agreement**.¹⁷

Shared and parallel external competences are mixed forms of exclusive and/or concurrent external competences. **Shared external competence** applies if the EC and its Member States are competent for individual aspects of a treaty.¹⁸ The EC and its Member States may only act together. While the EC's exclusive external competence for individual aspects of a treaty always results in shared external competence, ECJ Opinion 1/76 presumes in connection with the concurrent external competence of the EC that the participation of the EC in the treaty is "necessary for the attainment of one of the objectives of the Community".¹⁹ According to ECJ Opinion 1/94, this requirement applies only if that EC objective is inextricably linked to the treaty or if it has to be accompanied by a treaty in order to be effective.²⁰ In contrast, **parallel external competence** applies if the EC and

¹⁴ Opinion 2/91, *ILO*, [1993] E.C.R. I-1069, Rec. 7; 22/70, *AETR*, [1971] E.C.R. 263, Rec. 15/19.

¹⁵ *Bogdandy & Bast*, Common Mkt L. Rev. 39 (2002), 227, 241.

¹⁶ *Ibid.*

¹⁷ *Heliskoski*, 6 *et seq.*; *Garzón Clariana*, in: *Bourgeois, Dewost & Gaijfe* (eds), 15; *MacLeod, Hendry & Hyett*, 143; *Frid*, 111; *Schermers*, in: *O'Keefe & Schermers* (eds), 23 *et seq.*

¹⁸ *Griller & Gamharter*, in: *Griller & Weidel* (eds), 65, 88. Examples of intellectual property treaties falling within the shared competence of the EC and its Member States are the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT) of 20 December 1996. After the entry into force of the Treaty of Lisbon, Art. 2 C.1 ECT defines as shared competences what was hithero known as concurrent competences.

¹⁹ Opinion 1/76, *Fund for Inland Waterway Vessels*, [1977] E.C.R. 741, Rec. 4.

²⁰ Opinion 1/94, *WTO*, [1994] E.C.R. I-5267, Recs 86 and 100.

its Member States are competent for all aspects of a treaty.²¹ The EC and its Member States can act independently of one another.

II. Specific Distribution of External Competences in the Field of Intellectual Property

- 9 Given the fact that the Treaty of Lisbon of 13 December 2007²² has not yet entered into force,²³ the EC still has no **comprehensive external competence for intellectual property**. However, apart from the external competences of Art. 133.1, Art. 133.5 (1) and Art. 133.7 ECT, the EC can draw on the implied external competence derived from Art. 95.1, sentence 2 ECT and on other external competences in order to conclude treaties in the field of intellectual property.

1. External Competence for the Common Commercial Policy (Art. 133.1 ECT)

- 10 Intellectual property does not fall within the **common commercial policy provision** of Art. 133.1 ECT. This results from ECJ Opinion 1/94, according to which the common commercial policy provision mainly concerns trade with third countries,²⁴ and also from an *argumentum e contrario* to the amendments of Art. 133 ECT, which explicitly mention intellectual property. While pursuant to the ECJ the intellectual property rights affect trade, they do, however, not “specifically relate to international trade; they affect internal trade just as much as, if not more than, international trade”.²⁵
- 11 There are **only two cases** in which the EC has external competence pursuant to Art. 133.1 ECT in the field of intellectual property. Firstly, according to ECJ Opinion 1/78, the EC can draw on Art. 133.1 ECT if trade with third countries forms the essential objective of the treaty and if the protection of intellectual property which is also regulated remains subsidiary or ancillary in nature.²⁶ Secondly, pursuant to ECJ Opinion

²¹ *Rosas*, in: *Dashwood & Hillion* (eds), 200, 203; *Dolmans*, 40 *et seq.* An example of an intellectual property treaty falling within the parallel external competence of the EC and its Member States is the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (Madrid Protocol) of 28 June 1989.

²² Treaty of Lisbon amending the Treaty on European Union and the Treaty Establishing the European Community, signed at Lisbon, 13 December 2007, OJ 2007 C 306/1.

²³ Art. 188 C.1 ECT, replacing Art. 133.1 ECT after the entry into force of the Treaty of Lisbon, defines common commercial policy as including the commercial aspects of intellectual property.

²⁴ Opinion 1/94, *WTO*, [1994] E.C.R. I-5267, Rec. 57.

²⁵ *Ibid.*

²⁶ Opinion 1/78, *Natural Rubber*, [1979] E.C.R. 2871, Rec. 56. This concerns in particular bilateral trade agreements containing ancillary provisions for the organization of purely

1/94, Art. 133.1 ECT is the correct legal basis for treaties which serve the protection of intellectual property but at the same time also concern trade with third countries.²⁷

The EC's external competence for the common commercial policy under Art. 133.1 ECT, which is based on "uniform principles" pursuant to its wording, is **exclusive**.²⁸ 12

2. External Competence for the Commercial Aspects of Intellectual Property (Art. 133.5 (1) ECT)

In accordance with Art. 133.5 (1) ECT introduced by the Treaty of Nice, the EC has external competence for "commercial aspects of intellectual property" beyond Art. 133.1 ECT. This concept requires wide interpretation and comprises, due to the dynamic reference to international economic law, all issues of intellectual property that are regulated in the TRIPS Agreement.²⁹ However, in accordance with Art. 133.6 (1) ECT, this excludes treaties that contain provisions going beyond the EC's internal powers. The external competence pursuant to Art. 133.5 (1) ECT therefore applies in the field of intellectual property only to the extent of the implied external competence derived from Art. 95.1, sentence 2 ECT. 13

Pursuant to Art. 133.5 (4) ECT, the external competence for commercial aspects of intellectual property is **concurrent**³⁰ and, due to the principle of congruence of internal and external powers set out in Art. 133.3 (1), sentence 2 and Art. 133.6 (1) ECT, exclusive only to the extent to which the implied external competence derived from Art. 95.1, sentence 2 ECT is exclusive. 14

3. Authorization to Extend the External Competence to Other Aspects of Intellectual Property (Art. 133.7 ECT)

Art. 133.7 ECT, introduced by the Treaty of Amsterdam and amended by the Treaty of Nice, authorizes the Council by decision to extend the external competence pursuant to Art. 133.1 ECT to other aspects of intellectual property, *i.e.* to aspects not regulated in the TRIPS Agreement. Aspects of intellectual property are not regulated in the TRIPS Agreement if they 15

consultative procedures or clauses calling on the other party to raise the level of protection of intellectual property; see Opinion 1/94, *WTO*, [1994] E.C.R. I-5267, Rec. 68.

²⁷ Opinion 1/94, *WTO*, [1994] E.C.R. I-5267, Recs 55 *et seq.*

²⁸ See, for the first time, 8/73, *Massey-Ferguson*, [1973] E.C.R. 897, Rec. 3.

²⁹ *Herrmann*, Common Mkt L. Rev. 39 (2002), 7, 17 *et seq.*; *Griller & Gamharter*, in: *Griller & Weidel* (eds), 65, 105.

³⁰ *Herrmann*, Common Mkt L. Rev. 39 (2002), 7, 17 *et seq.*; *Lukaschek & Weidel*, in: *Griller & Weidel* (eds), 113, 138; *Griller & Gamharter*, in: *Griller & Weidel* (eds), 65, 94; differently *Neframi*, *Cahiers de droit européen* 37 (2001), 605, 626 *et seq.*

are either excluded from the reference in Art. 9.1 (such as the moral rights stipulated in Art. 6*bis* of the Berne Convention) or are not included in the TRIPS Agreement at all (such as the issues of intellectual property concerning the internet and other digital technologies regulated in the WCT and WPPT). In accordance with Art. 133.6 (1) ECT, the **extension of the external competence to other aspects of intellectual property** is possible only to the extent of the implied external competence derived from Art. 95.1, sentence 2 ECT.

- 16 Because Art. 133.7 ECT contains no limitation that corresponds to Art. 133.5 (4) ECT, a Council decision made on its basis leads, for systematic considerations, to **exclusive** external competence for the field it covers.³¹

4. Implied External Competence (Art. 95.1, Sentence 2 ECT)

- 17 The EC has implied external competence to the extent to which it is authorized pursuant to Art. 95.1, sentence 2 ECT to harmonize the intellectual property laws of the Member States. It can on the one hand overcome the **principle of the protecting country**, according to which the protection of intellectual property depends on the legal order of the State in which protection is sought, by harmonizing the intellectual property laws of the Member States. On the other hand, Art. 95.1, sentence 2 ECT enables the EC to overcome the **principle of territoriality**, pursuant to which the intellectual property rights obtained in a State do not take effect beyond national borders, by creating Community industrial property rights.³²
- 18 Just like the external competence for commercial aspects of intellectual property pursuant to Art. 133.5 (1) ECT, the implied competence derived from Art. 95.1, sentence 2 ECT is **concurrent**.³³ According to the case-law of the ECJ in the *AETR* judgment, both external competences become **exclusive to the extent to which the EC adopts**, on the basis of Art. 95.1, sentence 2 ECT, **secondary Community law that would be affected by a treaty of the Member States**.³⁴ While this can normally

³¹ *Griller & Gamharter*, in: *Griller & Weidel* (eds), 65, 105.

³² In its *Ideal Standard* judgment, the ECJ acknowledged that Community industrial property rights can be created on the basis of Art. 95.1, sentence 2 ECT; see C-9/93, *Ideal Standard*, [1994] E.C.R. I-2789, Recs 57 *et seq.* This is not uncontroversial, though, as most Community industrial property rights were created on the basis of Art. 308 ECT. When it comes into force, the Treaty of Lisbon will introduce an independent and specialized competence in Art. 97a ECT. This provision will enable the EC to create “European intellectual property rights” and to make centralized authorization, coordination and supervision arrangements.

³³ C-491/01, *British American Tobacco*, [2002] E.C.R. I-11453, Rec. 59.

³⁴ See, *inter alia*, Opinion 1/03, *Lugano Convention*, [2006] E.C.R. I-1145, Recs 116 *et seq.*; Opinion 2/00, *Cartagena Protocol*, [2001] E.C.R. I-9713, Rec. 45; Opinion 2/92, *OECD*, [1995] E.C.R. I-521, Rec. 31; Opinion 1/94, *WTO*, [1994] E.C.R. I-5267, Recs 77 and 102 *et seq.*; Opinion 2/91, *ILO*, [1993] E.C.R. I-1069, Rec. 9; 22/70, *AETR*, [1971] E.C.R. 263, Rec. 17/19.

be agreed for regulations,³⁵ the ECJ holds that the effect of directives is not restricted by a treaty of the Member States if both that treaty and the directive in question contain minimum provisions that do not prevent the Member States from adopting stricter domestic provisions.³⁶

The external competence for commercial aspects of intellectual property pursuant to Art. 133.5 (1) ECT and the implied external competence derived from Art. 95.1, sentence 2 ECT are exclusive with regard to the **Community industrial property rights** introduced by regulations, *i.e.* in respect of the Community design,³⁷ the Community plant variety right,³⁸ the Community trademark³⁹ and the geographical indications and designations of origin for agricultural products and foodstuffs,⁴⁰ and with regard to the provisions of the directives in the field of intellectual property that, by way of exception, provide a **maximum level of protection**.⁴¹ 19

The directives in the field of intellectual property are mainly limited to “minimum rules”⁴² or to provisions “which most directly affect the functioning of the internal market”.⁴³ Independently of an explicit authorization, such as *e.g.* that in Art. 6.1 Council Directive 93/83/EEC,⁴⁴ the Member States are in principle not barred from adopting stricter national legal provisions. Different rules apply only if the directives stipulate a certain right **by way of exception** so concretely that it must be assumed that the Member States are not allowed to deviate from that.⁴⁵ 20

Firstly, this is true for the **determination of the term of protection** of copyright and certain related rights in Arts 1–6 Term Directive⁴⁶ and of 21

³⁵ See for possible exceptions 3, 4 and 6/76, *Kramer*, [1976] E.C.R. 1279, Recs 35/38 *et seq.*

³⁶ Opinion 2/91, *ILO*, [1993] E.C.R. I-1069, Rec. 18.

³⁷ Council Regulation (EC) No. 6/2002 of 12 December 2001 on Community Designs (Community Designs Regulation), OJ 2002 L 3/1.

³⁸ Council Regulation (EC) No. 2100/94 of 27 July 1994 on Community Plant Variety Rights, OJ 1994 L 227/1–30.

³⁹ Council Regulation (EC) No. 40/94 of 20 December 1993 on the Community Trade Mark, OJ 1994 L 11/1.

⁴⁰ Council Regulation (EC) No. 510/2006 of 20 March 2006 on the Protection of Geographical Indications and Designations of Origin for Agricultural Products and Foodstuff, (Agricultural Products Regulation), OJ 2006 L 93/12.

⁴¹ *Kaiser*, 154 *et seq.*

⁴² Rec. 33 of Council Directive 93/83/EEC of 27 September 1993 on the Coordination of Certain Rules Concerning Copyright and Rights Related to Copyright Applicable to Satellite Broadcasting and Cable Retransmission, OJ 1993 L 248/15–21.

⁴³ Rec. 3 of First Council Directive 89/104/EEC of 21 December 1988 to Approximate the Laws of the Member States Relating to Trade Marks (Trademark Law Directive), OJ 1989 L 40/1.

⁴⁴ See *fn.* 42 above.

⁴⁵ *Kaiser*, 157 *et seq.*

⁴⁶ Council Directive 93/98/EEC of 29 October 1993 Harmonizing the Term of Protection of Copyright and Certain Related Rights (Term Directive), OJ 1993 L 290/9–13.

the resale right in Art. 8 Resale Directive.^{47, 48} The fact that Art. 7.6 of the Berne Convention and Art. 14 of the Rome Convention merely provide a minimum term of protection for copyright and certain related rights is regarded precisely as an obstacle to the free movement of goods and services according to Recital 2 of the Term Directive. It was necessary “with a view to the smooth operation of the internal market” to harmonize the laws of the Member States “so as to make terms of protection identical throughout the Community”.⁴⁹

- 22 Secondly, this also applies to the rights regulated in **Arts 2, 3, 6, 7 and 9 of Council Directive 92/100/EEC**.^{50, 51} According to Recital 16 of Directive 92/100/EEC, “Member States may provide for more far-reaching protection for owners of rights related to copyright than that required by Article 8 of this Directive”. It results in reverse that the Member States are not allowed to adopt national legal provisions that are stricter than the rights provided in the remaining articles of Directive 92/100/EEC.

5. Other External Competences

- 23 Other external competences of the EC in the field of intellectual property result from Arts 181.1, sentence 2 and 310 ECT. According to ECJ case-law, special external competence in the field of intellectual property is required neither pursuant to Art. 133.1 ECT nor in accordance with Arts 181.1, sentence 2 and 310 ECT if intellectual property is only subsidiarily or ancillary regulated in the treaties falling within these provisions.⁵²

III. Shared and Parallel External Competences

- 24 The TRIPS Agreement is a **mixed agreement** in the field of intellectual property, involving as contracting parties—apart from the EC—all Member States and several other subjects of international law and falling within the shared and also (a fact that is mostly ignored in the relevant literature) the parallel external competence of the EC and its Member States.⁵³ In order to understand the confluence of shared and parallel external competences,

⁴⁷ Directive 2001/84/EC of the European Parliament and of the Council of 27 September 2001 on the Resale Right for the Benefit of the Author of an Original Work of Art (Resale Directive), OJ 2001 L 272/32–36.

⁴⁸ *Kaiser*, 158.

⁴⁹ Rec. 17 Resale Directive refers in this respect to the Term Directive.

⁵⁰ Council Directive 92/100/EEC of 19 November 1992 on Rental Right and Lending Right and on Certain Rights Related to Copyright in the field of Intellectual Property, OJ 1992 L 346/61–66.

⁵¹ *Kaiser*, 158.

⁵² See for developmental cooperation treaties C-268/94, *Portugal v Council*, [1996] E.C.R. I-6177, Rec. 39; see for association treaties 12/86, *Demirel*, [1987] E.C.R. 3719, Rn. 9.

⁵³ *Kaiser*, 366 *et seq.*

one has mentally to split the TRIPS Agreement into two parts: one part the provisions of which underlie the competence of either the EC or the Member States and another for the provisions of which the EC and the Member States are equally competent.

1. Shared External Competence

In its **Opinion 1/94**, the ECJ stated that the competence to conclude the TRIPS Agreement is shared between the Community and its Member States.⁵⁴ The EC had an exclusive external competence only insofar as the prohibition of the release for free circulation of counterfeit goods fell within the scope of the common commercial policy pursuant to Art. 133.1 ECT⁵⁵ and as the involvement of the Member States in the TRIPS Agreement affected secondary Community law in the field of intellectual property.⁵⁶ The ECJ refrained in its Opinion 1/94 from reaching a decision regarding the extent to which the involvement of the Member States in the TRIPS Agreement affects secondary Community law in the field of intellectual property on the grounds that the EC had so far failed to harmonize certain areas of the TRIPS Agreement.⁵⁷ This was based on the thought that in light of the areas of the TRIPS Agreement that have remained under the external competence of the Member States, the external competence of the EC and its Member States is shared in any case. 25

Although the concept of commercial aspects of intellectual property comprises all issues of intellectual property regulated in the TRIPS Agreement, the **introduction of Art. 133.5 (1) ECT through the Treaty of Nice** has not resulted in the EC having exclusive external competence for the TRIPS Agreement. The reason is that in accordance with Art. 133.5 (1) ECT, the external competence for commercial aspects of intellectual property is concurrent and becomes exclusive—just like the implied external competence derived from Art. 95.1, sentence 2 ECT—only to the extent to which secondary Community law that is adopted on the basis of Art. 95.1, sentence 2 ECT is affected by a treaty of the Member States. Because harmonization of intellectual property rights in the EC context does not necessarily have to be accompanied by the TRIPS Agreement to be effective,⁵⁸ the EC's external competence for commercial aspects of intellectual property pursuant to Art. 133.5 (1) ECT and the EC's implied external competence derived from Art. 95.1, sentence 2 ECT result in shared external competence only to the extent to which they have become exclusive. 26

⁵⁴ Opinion 1/94, *WTO*, [1994] E.C.R. I-5267, Rec. 105.

⁵⁵ *Ibid.*, Rec. 71.

⁵⁶ *Ibid.*, Rec. 102.

⁵⁷ *Ibid.*, Rec. 103.

⁵⁸ Opinion 1/94, *WTO*, [1994] E.C.R. I-5267, Rec. 100.

- 27 The EC's exclusive external competence for common commercial policy pursuant to Art. 133.1 ECT extends to **Arts 51–60**, because trade with third countries forms their essential objective.⁵⁹ The EC's external competence pursuant to Art. 133.5 (1) ECT and its implied external competence derived from Art. 95.1, sentence 2 ECT, which are exclusive with regard to the intellectual property rights specifically provided for in the directives, are limited to **Arts 5, 6, 11, 12 and 14.1–3**.⁶⁰

2. Parallel External Competence

- 28 As confirmed by the ECJ's reference to Council Regulation (EC) No. 40/94 of 20 December 1993 on the Community trade mark in the *Hermès* judgment,⁶¹ the TRIPS Agreement was concluded not only on the basis of shared but also of parallel external competence.⁶² Once the ECJ had in its Opinion 1/94 confirmed the existence of shared external competence for the TRIPS Agreement, it no longer needed to go into whether parallel external competence potentially also existed. Upon the Commission's request, the ECJ should not allocate any competences between the EC and its Member States but merely provide an answer to the question whether the EC is exclusively competent to conclude the TRIPS Agreement.⁶³
- 29 The EC's external competence pursuant to Art. 133.5 (1) ECT, which is exclusive with regard to the **Community industrial property rights** introduced by regulations, and the implied external competence derived from Art. 95.1, sentence 2 ECT respectively result in parallel external competence of the EC and its Member States, because the EC's external competence for the Community industrial property rights does not affect the independent external competence of the Member States for their national industrial property rights.⁶⁴
- 30 The parallel external competence of the EC and its Member States not only comprises the **special provisions of Part II** of the TRIPS Agreement insofar as they refer to the Community industrial property rights introduced so far, *i.e.* the Community design, the Community plant variety right, the Community trade mark and the geographical indications and designations

⁵⁹ *Ibid.*, Recs 55 *et seq.*

⁶⁰ *Kaiser*, 370.

⁶¹ C-53/96, *Hermès*, [1998] E.C.R. I-3603, Rec. 28: "However, since the Community is a party to the TRIPS Agreement and since that agreement applies to the Community trade mark, the courts referred to in Article 99 of Regulation No. 40/94, when called upon to apply national rules with a view to ordering provisional measures for the protection of rights arising under a Community trade mark, are required to do so, as far as possible, in the light of the wording and purpose of Article 50 of the TRIPS Agreement."

⁶² *Kaiser*, 366 *et seq.*

⁶³ Opinion 1/94, *WTO*, [1994] E.C.R. I-5267, Rec. 1.

⁶⁴ *Kaiser*, 160. The Community industrial property rights are without prejudice to national industrial property rights; see *e.g.* Art. 3 Council Regulation (EC) No. 2100/94.

of origin for agricultural products and foodstuffs. The parallel external competence of the EC and its Member States also comprises the **general provisions** set out in the other parts of the TRIPS Agreement that are associated with the special provisions.⁶⁵ In detail, this concerns the special provisions of **Arts 15–26 as well as Art. 27.3 lit. b, sentence 2** on the one hand and the general provisions of **Arts 1–8, 41–50 as well as Arts 61–73** on the other.

C. Enforcement of the TRIPS Agreement

Only the obligations arising from the TRIPS Agreement that fall within the exclusive external competence of the EC can be enforced before the EC courts. If the exclusive external competence of the EC has no impact on the external competence of the Member States (parallel external competence), the obligations arising from the TRIPS Agreement can be enforced before the ECJ and the CFI only if the rights concerned are Community industrial property rights and not national industrial property rights. 31

I. Preliminary Questions

The enforcement of the obligations arising from the TRIPS Agreement before the ECJ and the CFI presupposes that the TRIPS Agreement is applicable in Community law. A distinction is to be made between the **direct applicability** of the TRIPS Agreement, as a result of which the provisions of the agreement are applied by the EC institutions as provisions of Community law without the need for further legislative or administrative measures, and the **TRIPS-consistent interpretation of secondary Community law**. 32

1. Direct Applicability of the TRIPS Agreement

The TRIPS Agreement is **not directly applicable in Community law**. Pursuant to the ECJ's case law, the direct applicability of a treaty in Community law presupposes that it is not ruled out by the special nature of that treaty and that the latter contains a clear and precise obligation which is not subject, in its implementation or effects, to the adoption of any subsequent measure.⁶⁶ 33

The ECJ does not always make a clear distinction between the direct applicability of a treaty and its invocability. A treaty is invocable when its

⁶⁵ *Kaiser*, 370.

⁶⁶ See *e.g.* 12/86, *Demirel*, [1987] E.C.R. 3719, Rec. 14; 104/81, *Küpperberg*, [1982] E.C.R. 3641, Recs 22 *et seq.*

- 34 provisions can be relied upon by parties before courts.⁶⁷ Without making it clear that the invocability of a treaty is no prerequisite for its direct applicability but in fact builds upon it,⁶⁸ the ECJ examines, albeit not regularly, beyond the prerequisites already mentioned, whether individuals are entitled to rely on the treaty in litigation.⁶⁹
- 35 In its *Portugal v. Council* judgment, the ECJ decided that the special nature of the WTO Agreement excludes the direct applicability of its provisions.⁷⁰ According to the ECJ, the fact that the courts of other WTO Members dismiss the direct applicability of the WTO Agreement eliminates by way of exception⁷¹ **reciprocity** in the implementation of a treaty of the EC. The WTO Agreement was different from the EC's mainly bilateral trade, association and cooperation agreements, which "introduce[d] a certain asymmetry of obligations, or create[d] special relations of integration with the Community", insofar as it explicitly relied, according to its Preamble, on the principle of negotiations "based on 'reciprocal and mutually advantageous arrangements'".⁷² Direct applicability was ruled out not only for the WTO Agreement as such but—as confirmed by the ECJ in its *Dior* judgment—also for its components and thus for the provisions of the TRIPS Agreement that fall within the exclusive external competence of the EC.⁷³ The sufficient clarity and precision of the WTO Agreement, including the TRIPS Agreement, was no longer relevant.
- 36 According to the lowest common denominator of the definitions offered in the relevant legal literature, the **principle of reciprocity** forms the basis of a legal relationship between two or more subjects of international law according each other identical or equivalent treatment.⁷⁴ A distinction is made between formal and substantive reciprocity. While formal reciprocity already exists if the subjects of international law afford each other any treatment at all, substantive reciprocity results from the actual equivalence of the mutual advantages.⁷⁵

⁶⁷ *Manin*, Revue trimestrielle de droit européen 33 (1997) 3, 399, 401; *Waelbroeck*, 162 *et seq.*

⁶⁸ *Krajewski*, 54; *Peters*, GYIL 40 (1997), 9, 43; *Buchs*, 39 *et seq.*; *Jackson*, AJIL 86 (1992), 310, 317; *Waelbroeck*, 162 *et seq.*

⁶⁹ See *e.g.* C-58/93, *Yousfi*, [1994] E.C.R. I-1353, Rec. 19; 87/75, *Bresciani*, [1976] E.C.R. 129, Rec. 15.

⁷⁰ C-149/96, *Portugal v Council*, [1999] E.C.R. I-8395, Rec. 47. See for similar ECJ case-law with regard to the GATT 1947 *e.g.* 21 to 24/72, *International Fruit Company*, [1972] E.C.R. 1219, Rec. 27.

⁷¹ Differently 104/81, *Küpperberg*, [1982] E.C.R. 3641, Rec. 18.

⁷² C-149/96, *Portugal v Council*, [1999] E.C.R. I-8395, Recs 42 *et seq.*

⁷³ C-300 and 392/98, *Dior*, [2000] E.C.R. I-11307, Recs 44 *et seq.*

⁷⁴ *Simma*, in: *Bernhardt* (ed.), 29, 30.

⁷⁵ *Buck*, 88 *et seq.*; *Drexler*, 43 *et seq.*

Because the principles of national treatment and most-favoured nation treatment and the minimum property rights stipulated in the TRIPS Agreement apply only to nationals of the WTO Members but not to all natural and legal persons subject to their sovereignty, the TRIPS Agreement underlies at least the principle of **formal reciprocity**,⁷⁶ which obliges the WTO Members mutually to apply the TRIPS Agreement.⁷⁷ 37

It is arguable, however, whether the TRIPS Agreement is not subject just to the principle of formal reciprocity but also to that of **material reciprocity**. In this case, a Member could invoke the fact that its nationals received less protection from another Member in order to limit or exclude protection for the nationals of that other Member. The EC, to dismiss the direct applicability of the WTO Agreement in the Community legal order, could invoke the fact that its “nationals”⁷⁸ in turn are granted less protection by their most important trade partners because the latter also discount the direct applicability of the WTO Agreement in their own legal orders. Its “nationals” would be less protected by their most important trade partners because they would come to benefit from the protection of the intellectual property rights provided for in the TRIPS Agreement only once those intellectual property rights had been implemented into domestic law. 38

Neither the TRIPS Agreement nor the WIPO-administered intellectual property treaties are subject to the principle of substantive reciprocity as such.⁷⁹ The treaties, like the intellectual property treaties, that deal with the **introduction of uniform private law** are not based on the principle of substantive reciprocity as long as the contracting parties commit themselves to introducing uniform private law into their legal orders independently of one another. In contrast to the other trade agreements, Art. 1.1 obliges the Members beyond the national treatment and most-favoured nation principles to ensure in Community law and in domestic law respectively the minimum protection of intellectual property provided for in the TRIPS Agreement.⁸⁰ Following the Uruguay Round, intellectual property is no longer seen as just a potential trade obstacle (as it still was in Arts XII:3 lit. c No. iii, XVIII:10 and XX lit. d GATT 1947). On the contrary, effective and adequate protection of intellectual property rights is acknowledged—as clarified by the first Recital of the Preamble to the TRIPS Agreement—to be necessary for international trade. 39

⁷⁶ *Kaiser*, 417 *et seq.*

⁷⁷ *Buck*, 89; *Drexler*, 44.

⁷⁸ Pursuant to footnote 1 of the TRIPS Agreement, nationals of the EC are deemed to mean “persons, natural or legal, who are domiciled or who have a real and effective industrial or commercial establishment” in the EC.

⁷⁹ *Kaiser*, 421.

⁸⁰ *Hermes*, 222 *et seq.*, 298 *et seq.*; *Abbott*, in: *Petersmann* (ed.), 413, 415.

- 40 The TRIPS Agreement is explicitly subject to the principle of material reciprocity only insofar as the **provisions of the Berne Convention** incorporated by Art. 9.1 provide for material reciprocity by way of exception.⁸¹ Neither the provisions of the Paris Convention and the IPIC Treaty⁸² incorporated by Arts 2.1 and 35, nor the “plus elements” of the TRIPS Agreement that transcend these provisions are based on the principle of material reciprocity. This can be explained by the fact that the principle of material reciprocity in the field of intellectual property is generally regarded as a breach of the national treatment principle and of the regulated minimum intellectual property rights.⁸³ The TRIPS Agreement, which adheres to the national treatment principle and, according to its Preamble, has recognized the necessity for effective and adequate protection of intellectual property rights for international trade, is no exception. It would not accord with the intention of the WTO Members if, by way of applying the principle of material reciprocity, the protection of the “plus elements” of the TRIPS Agreement could be made dependent on the level of protection in the legal order of another Member and thus ultimately be limited.
- 41 Even if this makes it clear that the TRIPS Agreement as such does not underlie the principle of material reciprocity, one must bear in mind that the TRIPS Agreement is linked to other trade agreements via dispute settlement pursuant to the DSU. As an **“interdependent” treaty**, the *quid pro quo* of which for the assumed obligations is to be found in the other trade agreements concluded at the same time, the TRIPS Agreement cannot be examined in isolation with regard to the question whether it underlies the principle of material reciprocity.⁸⁴ While the Panel Report *India—Patents (US)* emphasized the special position of the TRIPS Agreement as “relatively self-contained, *sui generis* status within the WTO”, it at the same time through the reference to Art. XVI:1 WTO underlined the significance of the hitherto existing dispute settlement practice under GATT 1947. Insofar as the TRIPS Agreement did not suggest otherwise, it had to be interpreted as part of the comprehensive balance of concessions in the Uruguay Round pursuant to the same rules as applied to the other trade agreements and the WTO Agreement itself.⁸⁵
- 42 The opinion is held in the relevant legal literature that the TRIPS Agreement was subjected to the principle of material reciprocity by its link with the

⁸¹ *Kaiser*, 419. These exceptions concern Arts 2.7, 6.1, 7.8 and 14*ter*.2 of the Berne Convention; see *Drexl*, 124 *et seq.*

⁸² *Buck*, 93.

⁸³ *Ibid.*, 95; *Drexl*, 43 *et seq.*; *Christians*, 112 *et seq.*

⁸⁴ *Kaiser*, 421. See for “interdependent” treaties and the principle of reciprocity *Simma*, 223 *et seq.*

⁸⁵ *India—Patents (US)*, WT/DS50/R, para. 7.19.

other trade agreements via dispute settlement pursuant to the DSU.⁸⁶ Among the prerequisites set out in Art. 22.3 lit. c DSU, the Dispute Settlement Body may grant the injured Member in particular the authorization to “cross retaliate”.⁸⁷ However, as a result of the legal and factual **difficulties in connection with the suspension of obligations under the TRIPS Agreement** that are highlighted in the Decision by the Arbitrators *EC—Bananas III (Ecuador) (Article 22.6—EC)*,⁸⁸ the principle of material reciprocity, if it underlies the TRIPS Agreement, remains ineffective in practice. But if the principle of material reciprocity has no practical effect, the TRIPS Agreement is shaped by it neither through its link with the other trade agreements via dispute settlement nor through the provisions of the Berne Convention that are incorporated by Art. 9.1 TRIPS and provide for material reciprocity by way of exception.⁸⁹

In the end, it remains inconclusive whether the TRIPS Agreement is based on the principle of material reciprocity. While the ECJ, as suggested by Advocate General Tesauro in his *Hermès* opinion, has ostensibly relied on the principle of material reciprocity to make sure that the interpretation of the WTO Agreement is not left to “the ‘political’ institutions, that is to say the Commission and the Council”.⁹⁰ Nevertheless it was ultimately **reasons of legal policy** that brought the ECJ to dismiss the TRIPS Agreement’s direct applicability.⁹¹ 43

As emphasized by the ECJ in its *Portugal v. Council* judgment, direct applicability would have deprived the Community institutions “of the scope for manoeuvre enjoyed by their counterparts in the Community’s trading partners” **externally**.⁹² This scope for manoeuvre mentioned by the ECJ is that of the WTO Members in the negotiation on compensation pursuant to Art. 22.2 DSU and regarding the suspension of concessions or other obligations in accordance with Art. 22.3 DSU. The argument is put forward in the relevant legal literature that concessions or other obligations under the WTO Agreement could no longer be suspended if the EC applied its provisions directly.⁹³ Because the treaties do not have the same rank as 44

⁸⁶ *Ulrich*, in: *Beier & Schricker* (eds), 357, 390 *et seq.*

⁸⁷ See *Stoll*, Article 23 DSU, in: *Wolfrum & Stoll & Kaiser* (eds), Max Planck CWTL, Vol. 2, para. 39.

⁸⁸ Decision by the Arbitrators, *EC—Bananas III (Ecuador) (Article 22.6—EC)*, WT/DS27/ARB/ECU, 24 March 2000; see *Kaiser*, Article 64, paras 40 *et seq.*

⁸⁹ *Kaiser*, 425.

⁹⁰ Opinion of Advocate General, *Tesauro*, C-53/96, *Hermès*, [1997] E.C.R. I-3606, Rec. 35.

⁹¹ *Eeckhout*, JIEL 5 (2002), 91, 95; *Hermès*, 318; *Krajewski*, 59 *et seq.*; *Pischel*, EFARev 6 (2001), 103, 151; *Hilf & Schorkopf*, EuR 35 (2000) 1, 74, 89.

⁹² C-149/96, *Portugal v. Council*, [1999] E.C.R. I-8395, Rec. 46.

⁹³ *Bogdandy*, NJW 52 (1999) 29, 2088, 2089; similarly *Ulrich*, in: *Beier & Schricker* (eds), 357, 390 *et seq.*

secondary Community law but stand above the latter in accordance with Art. 300.7 ECT, secondary Community law used to suspend concessions or other obligations under the WTO Agreement would be subordinate to the directly applicable provisions of the WTO Agreement. If, on the other hand, the direct applicability of the WTO Agreement in the EC was dismissed, with the result that it would have to be implemented insofar as it did not correspond to applicable Community law, the concessions once granted could be suspended through more recent secondary Community law pursuant to the general rule of the precedence of later over earlier law (*lex posterior derogat legi priori*).

- 45 As claimed in the relevant legal literature, the direct applicability of the WTO Agreement and especially GATT 1994 would **not** have led to the **internal harmonization of the laws of the Member States**.⁹⁴ While the ECJ had used the direct applicability of *e.g.* the association agreements under Art. 310 ECT to put in question and harmonize with the specifications of the association agreements the laws of the Member States having exclusive competence for asylum and immigration policy until the introduction of the fourth title of the EC Treaty through the Treaty of Amsterdam, the direct applicability of the WTO Agreement would have had the opposite effect. It could have put in question and harmonized with the specifications of the WTO Agreement secondary Community law in the field of common commercial policy. However, this argument of legal policy is not made sufficiently clear in the case-law of the ECJ.
- 46 Part of the relevant legal literature doubts the value of the **freedom to breach a treaty** as is seen in the retention of the Community institutions' scope for manoeuvre afforded by Art. 22.2 and 3 DSU.⁹⁵ This can be countered by the argument that the direct applicability of treaties is suitable for the effective enforcement of human rights, but not for the WTO Agreement, the acceptance of which rests on a fragile and carefully negotiated balance.⁹⁶ Members directly applying the WTO Agreement can eliminate infringements of the latter faster than other Members. However, the **negotiating position** of the Members directly applying the WTO Agreement is **weak** in comparison with that of the other Members.⁹⁷
- 47 It is not uncommon in this connection for the principle of substantive reciprocity to be introduced into Community or domestic law **unilaterally**, even if it is not provided for in the treaties, for the purpose of enforcing

⁹⁴ *Pischel*, EFARev 6 (2001), 103, 151 *et seq.*; similarly *Cottier*, in: *Bogdandy & Mavroidis & Mény* (eds), 99, 108 *et seq.*

⁹⁵ *Hermes*, 319 *et seq.*

⁹⁶ *Krajewski*, 202.

⁹⁷ *Ibid.*, 201.

individual competition interests.⁹⁸ Examples are Art. 55 of the French Constitution in general, Section 914 (a) of the US Semiconductor Chip Protection Act,⁹⁹ Art. 3.7 of Council Directive 87/54/EEC¹⁰⁰ and Art. 11.3 Database Directive.¹⁰¹

2. TRIPS-Consistent Interpretation of Secondary Community Law

In its *Hermès* judgment, the ECJ applied the **principle of consistent interpretation**¹⁰² to the TRIPS Agreement.¹⁰³ Accordingly, secondary Community law is to be interpreted in light of the TRIPS Agreement provisions that fall within the exclusive external competence of the EC. Direct applicability is irrelevant. If secondary Community law permits several interpretations, the one to be preferred is the one that meets the TRIPS Agreement best. Since the individual TRIPS Agreement provisions are very extensive, less detailed secondary Community law can be endorsed and moulded by a TRIPS-consistent interpretation.¹⁰⁴ However, such interpretation reaches its limits if the wording and purpose of secondary Community law can no longer be harmonized with the TRIPS Agreement.¹⁰⁵ 48

In its *Hermès* judgment, the ECJ did not merely apply to the TRIPS Agreement the principle of consistent interpretation but at the same time extended its validity to the **domestic law of the Member States** by interpreting not provisions of secondary Community law but of the Dutch civil procedure law instead.¹⁰⁶ Since this is logical only if the TRIPS Agreement provisions in the light of which domestic law is to be interpreted take priority over domestic law, the ECJ decided in its *Dior* judgment that the courts of the Member States are required “by virtue of Community law” to consider as far as possible “the wording and purpose of Article 50 of TRIPS” only “in a field to which TRIPS applies and in respect of which the Community has already legislated”, *i.e.* which falls under the exclusive 49

⁹⁸ *Kaiser*, 426 *et seq.*; *O'Regan*, LIEI 22 (1995), 1, 20; *Ulrich*, in: *Beier & Schricker* (eds), 357, 377 *et seq.*; *Buck*, 89 *et seq.*; *Drexler*, 99 *et seq.*

⁹⁹ 17 U.S.C.A. §§ 901–914 (West 2003).

¹⁰⁰ Council Directive 87/54/EEC of 16 December 1986 on the Legal Protection of Topographies of Semiconductor Products, OJ 1987 L 24/36–40.

¹⁰¹ Directive 96/9/EC of the European Parliament and the Council of 11 March 1996 on the Legal Protection of Databases in the Field of Intellectual Property (Database Directive), OJ 1996 L 77/20–28.

¹⁰² C-179/97, *Spain v Commission*, [1999] E.C.R. I-1251, Rec. 11; C-341/95, *Bettati*, [1998] E.C.R. I-4355, Rec. 20; C-61/94, *Commission v Germany*, [1996] E.C.R. I-3989, Rec. 52; C-70/94, *Werner*, [1995] E.C.R. 3189, Rec. 23; C-70/94, *Leifer*, [1995] E.C.R. I-3231, Rec. 24.

¹⁰³ C-53/96, *Hermès*, [1998] E.C.R. I-3603, Rec. 28.

¹⁰⁴ *Cottier*, in: *Cameron & Campbell* (eds), 111, 124 *et seq.*

¹⁰⁵ *Bogdandy*, NJW 52 (1999) 29, 2088, 2089.

¹⁰⁶ C-53/96, *Hermès*, [1998] E.C.R. I-3603, Rec. 28.

external competence of the EC.¹⁰⁷ In a field that falls within the parallel external competence, *i.e.* at the same time under the external competence of the EC and its Member States, the courts of the Member States are bound to the TRIPS-consistent interpretation by the ECJ only insofar as they need to reach a decision on provisions of domestic law referring to the Community industrial property rights.¹⁰⁸

II. Options for Enforcement Before the ECJ and the CFI

- 50 With regard to the possibilities for enforcing the obligations under the TRIPS Agreement before the Community courts, a distinction is to be made between actions available to individuals and actions that can be initiated only by the institutions of the EC and its Member States.
- 51 While individuals are allowed to bring **actions seeking compensation for damage** pursuant to Arts 235, 288.2 ECT without limitation, they can bring **actions for annulment** only against decisions addressed to them or against other acts of secondary Community law provided that the latter are of direct and individual concern to them (Art. 230.4 ECT). Individual concern does not normally exist in respect of the regulations and directives in the field of intellectual property because, in accordance with the *Plaumann* formula used by the ECJ, persons may claim to be individually concerned only if the act of secondary Community affects them “by reason of certain attributes which are peculiar to them or by reason of circumstances in which they are differentiated from all other persons and by virtue of these factors distinguishes them individually just as in case of the person addressed”.¹⁰⁹
- 52 **Actions for failure to fulfil obligations** may be brought either by the Commission pursuant to Art. 226.2 ECT or by another Member in accordance with Art. 227.1 ECT. In the case of the **preliminary reference procedure** pursuant to Art. 234.1 ECT, the ECJ decides on the interpretation of primary and secondary Community law and on the validity of secondary Community law.

1. Actions for Annulment and Preliminary Reference Procedure with Regard to the Validity of Secondary Community Law

- 53 In its jurisdiction on GATT 1947, the ECJ has developed the principle that the legality of secondary Community law within the framework of actions

¹⁰⁷ C-300 and 392/98, *Dior*, [2000] E.C.R. I-11307, Rec. 47.

¹⁰⁸ *Kaiser*, 460 *et seq.*

¹⁰⁹ 25/62, *Plaumann*, [1963] E.C.R. 211, 238.

for annulment pursuant to Art. 230.1 ECT or the validity of secondary Community law within the context of the preliminary ruling procedure in accordance with Art. 234.1 1 lit. b) ECT can be challenged in respect of the EC's treaties only if these are **directly applicable**.¹¹⁰ However, since the TRIPS Agreement provisions that fall within the exclusive external competence of the EC are not directly applicable in Community law, the review of the legality or validity of secondary Community law can **in principle not** be performed on them.

However, should the Commission, in a Community review procedure on the basis of the **Trade Barriers Regulation**,¹¹¹ come to the conclusion that the TRIPS Agreement was not infringed and/or if the Commission negates the required Community interest, the applying Community enterprises can have the Commission's decision reviewed by way of exception through the EC courts. According to the *Fediol* judgment, a review of the legality or validity of the **dismissive Commission's decisions** can be performed on the EC's treaties that are not directly applicable if, firstly, secondary Community law gives individuals the right to invoke the treaties in a special Community procedure¹¹² and if, secondly, secondary Community law refers to the treaties.¹¹³ Following the expiry of Council Regulation (EEC) No. 2641/84¹¹⁴ that formed the basis of the *Fediol* judgment, both requirements are met only by the **Trade Barriers Regulation**. 54

According to the *Nakajima* judgment, a review of the legality or validity of secondary Community law can by way of exception also be performed on the TRIPS Agreement provisions that fall within the exclusive external competence of the EC if the latter **implements a particular obligation entered into within the framework of the TRIPS Agreement**.¹¹⁵ Such a particular obligation is implemented if the EC adopts secondary Community law with the intention of including TRIPS Agreement provisions in secondary Community law and expresses this intention in the Recitals of 55

¹¹⁰ C-280/93, *Germany v. Council*, [1994] E.C.R. I-4973, Rec. 109 *et seq.*; 21 to 24/72, *International Fruit Company*, [1972], 1219, Rec. 7/9.

¹¹¹ Council Regulation (EC) No. 3286/94 of 22 December 1994 Laying Down Community Procedures in the Field of the Common Commercial Policy in Order to Ensure the Exercise of the Community's Rights Under International Trade Rules, in Particular Those Established Under the Auspices of the World Trade Organization; OJ 1994 L 349/71.

¹¹² 70/87, *Fediol*, [1989] E.C.R. 1781, Rec. 22. The *Fediol* judgment is applied to the WTO Agreement, including the TRIPS Agreement; see C-149/96, *Portugal v. Council*, [1999] E.C.R. I-8395, Rec. 49.

¹¹³ 70/87, *Fediol*, [1989] E.C.R. 1781, Rec. 19.

¹¹⁴ Council Regulation (EEC) No. 2641/84 of 17 September 1984 on the Strengthening of the Common Commercial Policy with Regard in Particular to Protection Against Illicit Commercial Practices; OJ 1984 L 252/1.

¹¹⁵ C-69/89, *Nakajima*, [1991] E.C.R. I-2069, Rec. 31. The *Nakajima* judgment is applied to the WTO Agreement, including the TRIPS Agreement; see C-149/96, *Portugal v. Council*, [1999] E.C.R. I-8395, Rec. 49.

secondary Community law.¹¹⁶ If there is no such indication in the Recitals, one must determine by way of interpretation whether secondary Community law was adopted in implementation of the TRIPS Agreement.¹¹⁷ Since the implementation of not directly applicable TRIPS Agreement provisions into secondary Community law is the rule rather than the exception, the scope of application of the type of exception determined by the *Nakajima* judgment is **to be interpreted narrowly**. It presupposes that the EC implements a particular obligation entered into within the framework of the TRIPS Agreement, *i.e.* that the EC does not merely exercise the discretion granted in the TRIPS Agreement,¹¹⁸ and that the obligation implemented into secondary Community law is **at least determinable**. The general avowal to observe various international obligations does not suffice.¹¹⁹

- 56 Secondary Community law adopted by the EC with the intention of implementing a particular obligation entered into within the framework of the TRIPS Agreement first of all includes **Council Regulation (EC) No. 3288/94**¹²⁰ and **Council Decision 94/824/EC**.¹²¹ The EC's intention to implement is made obvious in the Recitals of both acts.¹²² The particular obligation to be implemented is set out in detail.¹²³
- 57 It is doubtful whether this also applies to **Council Regulation (EC) No. 2100/94**. Rec. 29 contains only a general reference to the TRIPS Agreement, which leaves room for the assumption that the obligations to be implemented lack determinability. However, much argues for the interpretation that the EC wanted to include all of the provisions relevant for Community plant variety rights into secondary Community law. As is made clear in Rec. 30, in which the EC announces that "this Regulation should be re-examined for amendment as necessary in the light of future developments", the EC acts on the assumption that Council Regulation (EC) No. 2100/94 is compatible with the TRIPS Agreement.

¹¹⁶ *Berrisch & Kamann*, *Europäisches Wirtschafts- und Steuerrecht* 11 (2000) 3, 89, 95.

¹¹⁷ *Ibid.*

¹¹⁸ *Griller*, *JIEL* 3 (2000), 441, 466.

¹¹⁹ C-280/93, *Germany v. Council*, [1994] E.C.R. I-4973, Recs 111 *et seq.*

¹²⁰ Council Regulation (EC) No. 3288/94 of 22 December 1994 amending Regulation (EC) No. 40/94 on the Community Trade Mark for the Implementation of the Agreements Concluded in the Framework of the Uruguay Round, OJ 1994 L 349/83.

¹²¹ Council Decision 94/824/EC of 22 December 1994 on the Extension of the Legal Protection of Topographies of Semiconductor Products to Persons from a Member of the World Trade Organization, OJ 1994 L 349/201.

¹²² Rec.2 of Council Regulation (EC) No. 3288/94 and Rec. 2 of Council Decision 94/824/EC.

¹²³ Recs 3 and 4 of Council Regulation (EC) No. 3288/94 and Rec. 3 of Council Decision 94/824/EC.

By contrast, the **Biopatent Directive**,¹²⁴ although it refers to the TRIPS Agreement provisions in its Recs 12, 36 and 54, implements no particular obligation entered into within the framework of the TRIPS Agreement.¹²⁵ The reference in Rec. 12 to the requirement of guaranteed patent protection pursuant to the TRIPS Agreement is too general. As underlined by the indication in Rec. 36 that “the TRIPs Agreement provides for the possibility that members of the World Trade Organization may exclude from patentability inventions”, the EC merely exercised the discretion granted in Art. 27.2 TRIPS. Finally, the statement in Rec. 54 that “Article 34 of the TRIPs Agreement contains detailed provisions on the burden of proof which is binding on all Member States” and that therefore it is not necessary for there to be a specific provision in the directive documents that Art. 34 was not implemented. 58

2. Preliminary Reference Procedure with Regard to the Interpretation of Community Law

By way of the preliminary ruling procedure, the ECJ decides moreover pursuant to Art. 234.1 lit. a ECT which TRIPS Agreement provisions fall within the exclusive external competence of the EC¹²⁶ and in accordance with Art. 234.1 lit. b ECT about **how to interpret** the TRIPS Agreement provisions that fall within the exclusive external competence of the EC. 59

3. Actions for Failure to Fulfil Obligations

The TRIPS Agreement provisions that fall within the exclusive external competence of the EC can be enforced through actions for failure to fulfil obligations pursuant to Arts 226, 227 ECT. The determination of failure to fulfil obligations arising from such TRIPS Agreement provisions by the defendant Member does not require the direct applicability of those provisions.¹²⁷ 60

4. Actions Seeking Compensation for Damage

Actions seeking compensation for damage pursuant to Arts 235, 288.2 ECT are justified in accordance with ECJ case law if a Community institution, while exercising an official activity, violates in a sufficiently flagrant or serious way a rule intended to confer rights on individuals in the case of an **administrative injustice**¹²⁸ or a superior rule intended to confer rights 61

¹²⁴ Directive 1998/44/EC of the European Parliament and of the Council of 6 July 1998 on the Legal Protection of Biotechnological Inventions (Biopatent Directive), OJ 1998 L 213/13.

¹²⁵ *Kaiser*, 475 *et seq.*; differently *Hermes*, 344.

¹²⁶ *Royla*, EuR 36 (2001) 4, 495, 520.

¹²⁷ *Kaiser*, 337 *et seq.*

¹²⁸ See e.g. C-352/98 P, *Bergaderm*, [2000] E.C.R. I-5291, Rec. 42.

on individuals in the case of a **legislative injustice**¹²⁹ and thus directly causes damage to the claimant.

- 62 It is disputed in the relevant legal literature whether the provisions of the EC's treaties that may in principle represent rules in the sense of Arts 235, 288.2 ECT¹³⁰ intend to confer rights on individuals only if they are invocable, *i.e.* if they can be relied on by individuals before courts,¹³¹ or also if they at least concern the interests of individuals.¹³² From the point of view of the parallelisation of the prerequisites for the liability of the EC and its Member States in case of a violation of Community law, it is to be assumed, following the *Franovich* judgment,¹³³ that the treaties intend to confer rights on individuals if the content of those rights can be identified on the basis of the provisions.¹³⁴
- 63 The EC courts did not examine these prerequisites in the judgments regarding actions seeking compensation for damage caused to individual enterprises by the EC banana market order¹³⁵ or by the ban on the importation of hormone-treated beef into the EC. Instead the courts repeatedly explained that "given their nature and structure, the WTO agreements are not in principle among the rules in the light of which the Court is to review the legality of measures adopted by the Community institutions"¹³⁶ and the WTO Agreement and its annexes "are not such as to create rights upon which individuals may rely directly before the courts".¹³⁷
- 64 By contrast, some voices in the relevant literature assume, albeit too generally, that the WTO Agreement, including the TRIPS Agreement, does intend to confer rights on individuals.¹³⁸ This can at least be ruled out with regard to the **organizational regulations** of the TRIPS Agreement, which determine the commencement, continuance, amendment and cancellation of the TRIPS Agreement.¹³⁹

¹²⁹ See *e.g.* 5/71, *Schöppenstedt*, [1971] E.C.R. 975, Rec. 11.

¹³⁰ *Reinisch*, EuZW 2000, 42, 45.

¹³¹ *Royla*, EuR 36 (2001) 4, 495, 508 *et seq.*

¹³² *Schoißwohl*, ZEuS 4 (2001) 4, 689, 713 *et seq.*; *Zonnekeyn*, in: *Kronenberger* (ed.), 251, 263; *Reinisch*, EuZW 11 (2000) 2, 42, 45.

¹³³ C-6 and 9/90, *Franovich*, [1991] E.C.R. I-5357.

¹³⁴ *Kaiser*, 342 *et seq.*; *Gasparon*, EJIL 10 (1999), 605, 616.

¹³⁵ Council Regulation (EEC) No. 404/93 of 13 February 1993 on the Common Organization of the Market in Bananas, OJ 1993 L 47/1.

¹³⁶ See *e.g.* C-94/02 P, *Biret*, [2003] E.C.R. I-10565, Rec. 55; C-93/02 P, *Biret*, [2003] E.C.R. I-10497, Rec. 52.

¹³⁷ See *e.g.* T-210/00, *Biret*, [2002] E.C.R. II-47, Rec. 71; T-174/00, *Biret*, [2002] E.C.R. II-17, Rec. 61; T-3/99, *Bananatrading*, [2001] E.C.R. II-2123, Rec. 43.

¹³⁸ *Schoißwohl*, ZEuS 4 (2001) 4, 689, 713 *et seq.*; *Reinisch*, EuZW 11 (2000) 2, 42, 45.

¹³⁹ See in particular Arts 68, 69 and 71 to 73 TRIPS.

Ultimately, it is not relevant whether or not the TRIPS Agreement intends to confer rights on individuals. As is also the case with the exclusion of direct applicability, what tipped the balance in favour of the dismissal by the EC courts of the actions seeking compensation for damage were **reasons of legal policy**.¹⁴⁰ In its *HNL* judgment, the ECJ emphasized that “the legislative authority, even where the validity of its measures is subject to judicial review, cannot always be hindered in making its decisions by the prospect of applications for damages whenever it has occasion to adopt legislative measures in the public interest which may adversely affect the interests of individuals”.¹⁴¹ The ECJ’s reasoning in the *Portugal v. Council* judgment that “to accept that the role of ensuring that Community law complies with [the WTO Agreement provisions] devolves directly on the Community judicature would deprive the legislative or executive institutions of the Community of the scope for manoeuvre enjoyed by their counterparts in the Community’s trading partners”¹⁴² points out the **significance of the efficiency and financial flexibility of the EC institutions** in connection with the WTO Agreement. 65

While the EC would not be deprived of “the scope for manoeuvre enjoyed by their counterparts in the Community’s trading partners” if it had to compensate enterprises adversely affected by a violation of the WTO Agreement, its remaining scope for manoeuvre would, however, be considerably restricted if it had to take potential financial losses into consideration in the negotiation of such compensation and in the decision to accept a suspension of concessions and other obligations. Moreover, the DSU explicitly acknowledges negotiations on compensation and the decision to accept a suspension of concessions and other obligations¹⁴³ and actions seeking compensation for damage would—if they were successful—undermine the **judicial restraint** exercised by the ECJ in the context of economic policy in general and the WTO in particular.¹⁴⁴ 66

Alternatively, the EC may be held liable in the absence of unlawful conduct of its institutions. The Community courts did not rule out liability on the part of the EC under these circumstances but made it contingent on the “existence of ‘unusual’ and ‘special’ damage”.¹⁴⁵ Damage is “special” when it affects a particular circle of economic operators in a disproportionate manner by comparison with other operators and “unusual” when it exceeds 67

¹⁴⁰ *Schoißwohl*, ZEuS 4 (2001) 4, 689, 729 *et seq.*; *Reinisch*, EuZW 11 (2000) 2, 42, 51.

¹⁴¹ C-83 and 94/76, 4, 15 and 40/77, *HNL*, [1978] E.C.R. 1209, Rec. 5.

¹⁴² C-149/96, *Portugal v Council*, [1999] E.C.R. I-8395, Rec. 46.

¹⁴³ *Rosas*, JIEL 4 (2001), 131, 139.

¹⁴⁴ *Kaiser*, 486 *et seq.*

¹⁴⁵ C-237/98 P, *Dorsch*, [2000] E.C.R. I-4549, Rec. 53; T-184/95, *Dorsch*, [1998] E.C.R. II-667, Rec. 59.

the limits of the economic risks inherent in operating in the sector.¹⁴⁶ In case of the EC banana market order, the CFI denied unusual and special damage and regarded the risks of enterprises being adversely affected as **inherent in foreign trade**.¹⁴⁷

III. Enforcement of the TRIPS Agreement Before the Courts of the Member States

- 68 Only those TRIPS obligations that have remained in the external competence of the Member States can be enforced before their courts. If such external competence exists alongside the exclusive external competence of the EC (parallel external competence), the TRIPS Agreement obligations can be enforced before the courts of the Member States only if the rights affected are national and not Community industrial property rights.
- 69 The TRIPS Agreement provisions that have remained in the external competence of the Member States are **in the main directly applicable in the domestic law of most Member States**¹⁴⁸ and must be applied by their institutions like domestic law, without the need for further legislative or administrative measures. However, this does not mean that the TRIPS Agreement provisions that have remained in the external competence of the Member States are enforceable without restrictions, because secondary Community law in the field of intellectual property—even if it is not compatible with those TRIPS Agreement provisions in individual cases—takes priority over conflicting domestic law in accordance with the principle of supremacy of Community law, and thus also over conflicting directly applicable TRIPS Agreement provisions. The courts of the Member States are obliged to leave such conflicting TRIPS provisions “unapplied” without having to “request or await the prior setting aside of such provisions by legislative or other constitutional means”.¹⁴⁹
- 70 It is indeed to be assumed that the EC institutions are obliged in accordance with Art. 10 ECT and the **duty of cooperation** developed pursuant to the ECJ’s case-law on mixed agreements¹⁵⁰ to ensure compatibility with the TRIPS Agreement provisions that have remained within the external competence of the Member States when establishing secondary Community law, and in its *Netherlands v. Parliament and Council* judgment, the ECJ did in

¹⁴⁶ T-184/95, *Dorsch*, [1998] E.C.R. II-667, Headnote 3.

¹⁴⁷ See e.g. T-69/00, *FLAMM*, [2005] II-5393, Recs 202 *et seq.*

¹⁴⁸ See e.g. with regard to Germany BGHZ 141, 13, 35.

¹⁴⁹ See 106/77, *Simmenthal*, [1978] E.C.R. 629, Headnote 4.

¹⁵⁰ Opinion 2/00, *Cartagena Protocol*, [2001] E.C.R. I-9713, Rec. 18; C-25/94, *FAO*, [1996] E.C.R. I-1497, Rec. 48; Opinion 1/94, *WTO*, [1999] E.C.R. I-5267, Rec. 108 ; Opinion 2/91, *ILO*, [1993] I-1061, Rec. 36; Ruling 1/78, *IAEA*, [1978] E.C.R. 2151, Rec. 34. See for more details with regard to the duty of cooperation *Heliskoski*, FYIL 7 (1996), 59, 126.

fact use the conflicting obligations that the Member States would face in the event of an incompatibility as a reason for performing a review of the legality of the Biopatent Directive on the basis of Art. 53 EPC, a treaty of the Member States.¹⁵¹ However, even though the EC declared this Directive compatible with Art. 53 EPC,¹⁵² it is still unclear what consequences would arise from the incompatibility of secondary Community law with treaty provisions that fall within the external competence of the Member States. The incompatibility of secondary Community law with those provisions cannot render it illegal or invalid because they do not become part of domestic law. But if the ECJ were to establish not only incompatibility but also a violation of Art. 10 ECT or of the duty of cooperation, this could in fact result in the illegality or invalidity of secondary Community law.

In most Member States of the EC, a treaty provision is directly applicable 71
in domestic law if it is sufficiently clear and precise in its wording, purpose and content to take legal effect like a domestic provision and if it does not require any further legislative or administrative measures.¹⁵³

However, not all categories of provision of the TRIPS Agreement offer 72
the required clarity and precision. A distinction is to be made for intellectual property treaties between three different categories of regulation: firstly, uniform material, administrative or procedural provisions; secondly, provisions obliging the Members to implement; and, thirdly, organizational provisions.¹⁵⁴ Since provisions of the second category require further legislative measures by use of terms such as “shall” or “are obliged to”, and since the provisions of the third category have no effect at the domestic level but instead determine the commencement, continuance, amendment and cancellation of the TRIPS Agreement, **the only provisions that can possess the required clarity and precision are those of the first category.**

The sufficiently clear and precise TRIPS Agreement provisions that have 73
remained in the external competence of the Member States¹⁵⁵ include:

- Art. 2, Art. 3 and Art. 4 in Part I of the TRIPS Agreement;
- Art. 9, Art. 10 and Art. 13 in Section 1 of Part II of the TRIPS Agreement;¹⁵⁶

¹⁵¹ C-377/98, *Netherlands v. Parliament and Council*, [2001] E.C.R. I-7079, Recs 50 *et seq.*

¹⁵² *Ibid.*, Rec. 62.

¹⁵³ See *e.g.* with regard to Germany BVerwGE 80, 233, 235; 87, 11, 13; 88, 254, 257; see also BGHZ 11, 135, 138; with regard to France *Conseil d'État, Bouillez*, AJDA 49 (1993), 364 *et seq.*; with regard to the Netherlands *Schermers*, Mich. J. Int'l L. 10 (1989), 266, 271 *et seq.* with further references.

¹⁵⁴ See for intellectual property treaties in general *Buck*, 46; *Christians*, 120 *et seq.*

¹⁵⁵ See for more details *Kaiser*, 435 *et seq.*

¹⁵⁶ See with regard to Art. 9 BGHZ 141, 13, 35; with regard to Art. 13 *ibid.* and *Austrian Supreme Court*, GRUR Int. 48 (1999) 3, 279, 281; differently, however, *Hermes*, 255.

- Arts 15.1 and 4, 16 and 18 in Section 2 of Part II of the TRIPS Agreement, under the prerequisite of existing registration procedures in the legal orders of the Members;¹⁵⁷ and
- Arts 22, 23, 26.1 and 3, 27.1, 28, 33, 35–38 in the remaining Sections of Part II of the TRIPS Agreement.¹⁵⁸

74 It is held by the German Federal Government and legal scholars that the provisions of Part III of the TRIPS Agreement are not sufficiently clear and precise.¹⁵⁹ This view can be affirmed only insofar as the Members are explicitly declared not to be obliged,¹⁶⁰ the introduction of certain measures is explicitly left to their discretion,¹⁶¹ a further specification of the provisions, due to the width of the chosen wording, cannot be expected to be achieved through subsequent case-law¹⁶² or the Members would have first to insert certain procedures into their legal orders.¹⁶³ However, the provisions of Part III of the TRIPS Agreement are sufficiently clear and precise on the one hand even if they do contain **uncertain legal terms**, such as *e.g.* “no unreasonable time-limits” in Art. 41.2, sentence 2, which may be specified by the courts of the Members.¹⁶⁴ Since the procedures referred to in Part III have already been established in the legal orders of most Member States of the EC (in contrast to the situation in the legal orders of some developing countries) sufficient clarity and precision are also offered on the other hand by the **provisions that modify these procedures** by stipulating certain procedural rules or legal consequences, such as *e.g.* the authority of the judiciary to order measures for the preservation of evidence granted in Art. 50.1 lit. b.¹⁶⁵

75 If the TRIPS Agreement provisions that have remained in the external competence of the Members are not sufficiently clear and precise, and thus not directly applicable, what comes into consideration is a TRIPS-consistent interpretation of domestic law.

¹⁵⁷ See with regard to Art. 18 *Hermes*, 257.

¹⁵⁸ See with regard to Arts 23 and 26.1 and 3 *Hermes*, 257 *et seq.*; with regard to Art. 27.1 Irish High Court, GRUR Int. 47 (1998) 4, 339 *et seq.*; with regard to Art. 33 the ECJ in C-431/05, *Merk v. Merk*, [2007] E.C.R. I-7001, Rec. 47; with regard to Arts 35–38 *Hermes*, 260.

¹⁵⁹ BT-Drs. 12/7655 (new), 335, 347; *Krieger*, GRUR Int. 46 (1997) 5, 421, 422.

¹⁶⁰ See *e.g.* Art. 41.4, sentence 2 und Arts 41.5, 44.1, sentence 2.

¹⁶¹ See *e.g.* Art. 43.2, 44.2, 45.2, sentence 2, 47, 48.2 and 61, sentence 4.

¹⁶² See *e.g.* Art. 41.3, sentence 1.

¹⁶³ *Dreier*, GRUR Int. 45 (1996) 3, 205, 215.

¹⁶⁴ *Hermes*, 267 *et seq.*

¹⁶⁵ *Hermes*, 269, *Dreier*, GRUR Int. 45 (1996) 3, 205, 215.

IV. Enforcement Before Third Countries that are WTO Members

Potential violations of intellectual property rights outside the EC may first of all be exercised by the legal remedies and procedures of the third country in question. If those remedies and procedures or substantive law do not meet the specifications of the TRIPS Agreement, the holders of the intellectual property rights in question are free to begin domestic proceedings in accordance with the **Trade Barriers Regulation**. 76

In accordance with Art. 4.1 Trade Barriers Regulation, individual enterprises of the EC have the right to ask the Commission for a **review of third-country trade barriers** arising from a violation of the TRIPS Agreement by a third country that is also a WTO Member. After the completion of the review procedure, the result of which must be that Community interests demand an intervention, the EC is authorized pursuant to Art. 12 Trade Barriers Regulation to begin **proceedings before the WTO dispute settlement organs**. 77

The TRIPS Agreement falls within the scope of the Trade Barriers Regulation. The Annexes to the WTO Agreement, and thus also the TRIPS Agreement contained in Annex 1 C, in accordance with Art. 2.2, sentence 2 Trade Barriers Regulation provide **international trade rules** that grant the right to take action against trade practices introduced or maintained by a third country. There is doubt only whether the scope of the Trade Barriers Regulation comprises all TRIPS Agreement provisions¹⁶⁶ or just those to which the exclusive external competence of the EC extends.¹⁶⁷ At first sight, much argues in favour of the view that the scope of the Trade Barriers Regulation comprises only those TRIPS Agreement provisions to which the exclusive external competence of the EC extends. The competences of the EC are to be interpreted in the same way regardless of whether the EC uses them to conclude a treaty or to adopt secondary Community law. 78

A second look, however, reveals differences between the TRIPS Agreement and the Trade Barriers Regulation. Other than the TRIPS Agreement itself, the conclusion of which the EC was unable to base on Art. 133.1 ECT, the international trade rules concerning the TRIPS Agreement disappear in the crowd of international trade rules that may result not only from GATT 1994 but also from other trade agreements of the EC. It is thus to be assumed that in fact the Trade Barriers Regulation could be based 79

¹⁶⁶ Cottier, *Common Mkt L. Rev.* 35 (1998), 325, 358.

¹⁶⁷ Bronckers & McNelis, in: Bogdandy & Mavroidis & Mény (eds), 55, 67 *et seq.*

on Art. 133.1 ECT and that the scope of the Trade Barriers Regulation comprises **all provisions of the TRIPS Agreement**.

80 Community review procedures regarding alleged violations of the TRIPS Agreement have so far been initiated in **five cases**, which concerned Brazil (trade in Cognac),¹⁶⁸ the US (cross-border music licensing),¹⁶⁹ Canada (import of Prosciutto di Parma¹⁷⁰ and of special wines)¹⁷¹ and Turkey (trade in pharmaceutical products).¹⁷² In the second case, the Commission decided on 11 December 1998 to initiate a dispute settlement procedure against the US.^{173, 174, 175}

¹⁶⁸ OJ 1997 C 103/3.

¹⁶⁹ OJ 1997 C 177/5.

¹⁷⁰ OJ 1999 C 176/6.

¹⁷¹ OJ 2002 C 124/6.

¹⁷² OJ 2003 C 311/31.

¹⁷³ OJ 1998 L 346/60. See the Panel Report, *US—Section 110 (5) Copyright Act*, WT/DS160/R, 15 June 2000, and the Notification of a Mutually Satisfactory Temporary Agreement, *US—Section 110 (5) Copyright Act*, WT/DS160/23, 26 June 2003.

¹⁷⁴ OJ 1998 L 346/60. See the Panel Report, *US—Section 110 (5) Copyright Act*, WT/DS160/R, 15 June 2000, and the Notification of a Mutually Satisfactory Temporary Agreement, *US—Section 110 (5) Copyright Act*, WT/DS160/23, 26 June 2003.

¹⁷⁵ OJ 1998 L 346/60. See the Panel Report, *US—Section 110 (5) Copyright Act*, WT/DS160/R, 15 June 2000, and the Notification of a Mutually Satisfactory Temporary Agreement, *US—Section 110 (5) Copyright Act*, WT/DS160/23, 26 June 2003.

Preamble

Members,

desiring to reduce distortions and impediments to international trade, and 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 barriers to legitimate trade;

recognizing, to this end, the need for new rules and disciplines concerning:

- (a) the applicability of the basic principles of GATT 1994 and of relevant international intellectual property agreements or conventions;
- (b) the provision of adequate standards and principles concerning the availability, scope and use of trade-related intellectual property rights;
- (c) the provision of effective and appropriate means for the enforcement of trade-related intellectual property rights, taking into account differences in national legal systems;
- (d) the provision of effective and expeditious procedures for the multilateral prevention and settlement of disputes between governments; and
- (e) transitional arrangements aiming at the fullest participation in the results of the negotiations;

recognizing the need for a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods;

recognizing that intellectual property rights are private rights;

recognizing the underlying public policy objectives of national systems for the protection of intellectual property, including developmental and technological objectives;

recognizing also the special needs of the least-developed country Members in respect of maximum flexibility in the domestic implementation of laws and regulations in order to enable them to create a sound and viable technological base;

emphasizing the importance of reducing tensions by reaching strengthened commitments to resolve disputes on trade-related intellectual property issues through multilateral procedures;

desiring to establish a mutually supportive relationship between the WTO and the World Intellectual Property Organization (referred to in this Agreement as “WIPO”) as well as other relevant international organizations;

Hereby agree as follows:

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CASE LAW

Panel Report, *India—Patents (US)*, WT/DS50/R; Appellate Body Report, *Canada—Patent Term*, WT/DS170/AB/R; Appellate Body Report, *US—Section 211 Appropriations Act*, WT/DS176/AB/R, *US—Section 110 (5) US Copyright Act*, WT/DS160/R.

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A. General

- 1 Preambles usually reflect the **motives** of the parties to the agreement. However, their legal status *vis-à-vis* the substantive provisions of a given international agreement is still not entirely clear.¹ Under Art. 31.2 of the Vienna Convention on the Law of Treaties (VCLT),² which is deemed to codify customary rules of international law, the “wording of the agreement together with preamble and annexes” is to be taken as the basis for the interpretation of an international agreement. For the purpose of interpretation, preambles thus have the same legal relevance and quality as the remaining text of an agreement.³ The preamble therefore has to be distinguished from other means of interpretation, which are only supplementary in character.⁴ Hence, the impression of a lesser legal importance is not based on a diminished legitimate authority but, when considered correctly, on the fact that preambles often contain only general statements. Therefore the application of law must initially be based on the “operative” provisions of the agreement and falls back on the preamble only for the purposes of their interpretation.⁵ Accordingly, the Preamble to the TRIPS Agreement was already drawn up on in the report of the *India—Patents (US)* Panel⁶ and the Appellate Body in the *US—Section 211 Appropriations Act*⁷ and *Canada—Patent Term* cases⁸ for the interpretation of individual articles.

¹ As is the case with the Preamble to the UN Charter, which has a similar structure but which is characterized by a mode of expression which is more moral and emotional: *Kelsen*, 9; allusively also by the ICJ in its *South-West Africa* judgment, ICJ Reports 1966, 32, para. 50.

² UNTS 1155 (1980), 331.

³ On the function of Art. 7 as a tool for interpretation see *Keßler*, Article 7, paras 6, 11.

⁴ See also *UNCTAD/ICTSD*, 1.

⁵ See *Meyn*, in: *Hobe* (ed.), 25, 28 *et seq.*; see also *de Carvalho*, 33, para. 10; see also the function of Art. 7, *Keßler*, Article 7.

⁶ *India—Patents (US)* WT/DS50/R, para. 5.21.

⁷ *US—Section 211 Appropriations Act* WT/DS176/AB/R, para. 216, footnote 151.

⁸ *Canada—Patent Term* WT/DS170/AB/R, para. 59.

The applicability of the general international rules of interpretation to the WTO Agreements as set out in Art. 3.2 DSU, including Arts 31 and 32 VCLT was repeatedly confirmed by the Appellate Body.⁹ Moreover, the relevance of the object and purpose of the TRIPS Agreement as encapsulated in the Preamble has been restated in para. 5 lit. a of the Doha Declaration on the TRIPS Agreement and Public Health.¹⁰ On the other hand, any interpretation based on the Preamble, the Principles and Objectives may go only as far as the actual wording of the provisions.¹¹

The first proposals for an agreement dealing with intellectual property—namely those tabled by the United States¹² and the European Community¹³—did not include a Preamble, but proposals for objectives and principles. It was not until 1990 that a Preamble of the current type was considered useful¹⁴ in view of its introductory function and was thus added,¹⁵ thereby referring to the negotiating mandate of the **Ministerial Declaration of Punta del Este** of 20 September 1986.¹⁶ The mandate contained important instructions concerning the content of the Preamble. According to this declaration, the negotiations for the TRIPS Agreement should serve to clarify the provisions of GATT and, where necessary, to draw up new rules in order to reduce distortions and impediments to international trade. They should take into account the need to promote effective and adequate protection of intellectual property rights and also ensure that measures and procedures to enforce intellectual property rights do not

⁹ See *US—Gasoline*, WT/DS2/AB/R, paras 16 *et seq.*; *Japan—Alcoholic Beverages II*, WT/DS8/AB/R, WT/DS10/AB/R, WT/DS11/AB/R, paras 10–12; *India—Patents (US)*, WT/DS50/AB/R, paras 45–46; *Argentina—Textiles and Apparel*, WT/DS56/AB/R, para. 47; *EC—Computer Equipment*, WT/DS62/AB/R, WT/DS67/AB/R, WT/DS68/AB/R, para. 85; *US—Shrimp*, WT/DS58/AB/R, paras 114–117; and *Guatemala—Cement I*, WT/DS60/AB/R, para. 70; *US—Carbon Steel*, WT/DS213/AB/R, paras 61 and 73 especially in relation to the Preamble, see also *Keßler*, Article 7, para. 6.

¹⁰ *Ministerial Conference*, Declaration on the TRIPS Agreement and Public Health, WT/MIN(01)/DEC/2, 20 November 2001, see also *Keßler*, Article 6.

¹¹ *US—Shrimps*, WT/DS58/AB/R, paras 114–117; see also *de Carvalho*, 33, para. 10.

¹² Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Suggestion by the United States for Achieving the Negotiating Objective, United States Proposal for Negotiations on Trade-Related Aspects of Intellectual Property Rights, MTN.GNG/NG11/W/14, 20 October 1987, 3 November 1987.

¹³ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Guidelines and Objectives Proposed by the European Community for the Negotiations on Trade-Related Aspects of Substantive Standards of Intellectual Property Rights, MTN.GNG/NG11/W/26, July 1988, at II.

¹⁴ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Note by the Secretariat, MTN.GNG/NG11/21, 22 June 1990, para. 14.

¹⁵ See Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Chairman's Report to the GNG, Status of Work in the Negotiating Group (Anell Draft), MTN.GNG/NG11/W/76, 23 July 1990.

¹⁶ Ministerial Declaration on the Uruguay Round: Declaration of 20 September 1986 (Min. Dec.), in: GATT, Basic Instruments and Selected Documents [BISD], also printed in 25 ILM 1623, 1626 (1986).

themselves become barriers to legitimate trade. The CONTRACTING PARTIES also emphasized the objective of establishing multilateral regulations for trade in counterfeit goods, which should be modelled on the legal position under GATT. Lastly, the declaration mandated that the negotiations should not prejudice additional initiatives in the WIPO or other fora.

B. The Basic Conception of TRIPS (Rec. 1)

- 4 The first Recital of the Preamble encapsulates the fundamental purposes of the negotiating mandate that the Members bind themselves to when applying the TRIPS Agreement. It addresses the relationship between intellectual property rights and their enforcement on the one hand, and, on the other, trade as the guiding principle of the WTO, as it was viewed in the negotiations. The main priority is given to the desire to reduce distortions and impediments to **international trade**. The term “trade” includes both regulatory areas of the WTO—trade in goods and that in services.
- 5 It cannot be overlooked, nor is it, in view of the alignment of the WTO to trade, surprising, that the trade aspect is to the fore, as is emphasized in the title of the Agreement which contains the term “trade-related aspects of intellectual property rights”. The TRIPS Agreement presents itself in this respect primarily as a trade agreement, and only secondarily as an agreement for the protection of legally protected private rights.
- 6 In terms of structure, Rec. 1 first addresses the two core objectives which are reduction of distortion and impediments to international trade which continuously dominate WTO policy and which bring intellectual property into relation with the classical disciplines of the WTO. The concept of **distortion** relates to an aspect of fair competition. As far as this is concerned, it is possible to create a reference to the second statement of Rec. 1 of the Preamble concerning the consideration of the need to protect intellectual property rights. The meaning of the term **distortion** is difficult to ascertain. It requires an assessment criterion by which the term “trade” can be assessed and which can be used to determine a possible “distortion”. In this respect, it is noteworthy that trade in pirated goods was described as distortion at the very beginning of the discussion on the relationship between GATT and intellectual property.¹⁷ More generally, it can be assumed that the term “distortion” and the second part of Rec. 1 referring to **the need to promote** effective and adequate **protection of intellectual property rights** expresses the view that, as far as fair competition is concerned, a system of trade requires a certain consistent

¹⁷ On this point see *Correa*, 9 *et seq.*

measure of protection of intellectual property.¹⁸ The term “**impediment**” is easier to clarify in view of the early history of the TRIPS Agreement. The issue here with reference to the third statement is to “ensure that the **measures** and procedures to enforce intellectual property rights **do not themselves become barriers to legitimate trade**”. This point is important primarily because of the early history of the TRIPS Agreement where the issue of permissible trade measures against imports in possible contravention of intellectual property rights played an important role. This aspect is taken up in **Art. 41.1, sentence 2**.

Likewise, Arts 8.2 and 40.1 relate to restrictive practices restraining or adversely affecting trade that result from private use of intellectual property rights. It does not appear to be ruled out *per se* that the rather general term used in the Preamble also covers **trade restrictions by private restrictive trade practices**.¹⁹

Rec. 1 of the Preamble also names **the effective and adequate protection of intellectual property as the means** to reduce distortions and impediments to international trade. What is effective and adequate protection may be subject to different interpretations. For the purposes of implementing the TRIPS Agreement, however, national standards of protection consistent with the Agreement’s obligations are to be considered effective and adequate. There is no room, hence, for an argument of non-effectiveness or non-adequateness to justify the demands of TRIPS Plus protection.²⁰

The Preamble is thus given special status: on the one hand, it does not have the same normative power as the individual Articles of the Agreement since the statements contained in preambles are not intended to be operative provisions in the sense of creating specific rights or obligations. On the other, the Preamble has legal relevance and quality for the interpretation of the provisions of the TRIPS Agreement.

¹⁸ Also *de Carvalho*, 37, who sees the protection of intellectual property rights for the benefit of the individual as also being the secondary objective and cites Recital four of the Preamble for this (32). In Recital one of the Preamble, the effective and adequate protection of intellectual property rights alone is taken into account and in Recital two lit. b only named as a means “*to this end*”.

¹⁹ Recital 1 of the Preamble has gained in importance in this interpretation in the discussion on the scope of the exhaustion under Art. 6. With reference to free trade in goods, it was argued in part that intellectual property rights should not be an entitlement to exclude or restrict parallel trade (international exhaustion), see also *Keßler*, Article 6, paras 6 *et seq.*

²⁰ *Correa*, 1 *et seq.*

C. Need for New Rules and Disciplines Under Rec. 2 of the Preamble

10 Rec. 2 of the Preamble addresses fundamental regulatory aspects of the TRIPS Agreement which were important during its creation and should be realized with its application.

I. Basic Principles of GATT 1994 and the International Agreements (lit. a)

11 Rec. 2 lit. a of the Preamble addresses the applicability of the basic principles of both GATT 1994 and the international agreements and conventions on intellectual property. The Appellate Body in *US—Section 211 Appropriations Act*²¹ identified most-favoured nation treatment (Art. I:1 GATT 1994)²² and national treatment (Art. III GATT 1994)²³ as “cornerstones of the world trading system.” Additional reference is also made to the principles of transparency *inter alia* reflected in Art. X GATT 1994,²⁴ and sovereignty, which can be derived from Art. XX GATT 1994.²⁵ The TRIPS Agreement contains corresponding regulations in Part I.

12 In *India—Patents (US)*, the Panel *inter alia* relied on the TRIPS Preamble to justify the protection of **legitimate expectations**.²⁶ Such protection directed to the establishment and maintenance of competitive conditions in the world trade order is a recognized principle of GATT, which can *inter alia* be derived from Art. XXIII GATT 1994, that being the central regulation concerning dispute settlement.²⁷ However, Art. XXIII GATT 1994 is incorporated into TRIPS expressly only for dispute settlement via Art. 64.1. In order to establish the applicability of the principle of the protection of legitimate expectations beyond dispute settlement, the Panel apparently referred to the “applicability of the basic principles of GATT 1994 and of relevant international intellectual property agreements or conventions”, under Rec. 2 lit. a of the Preamble.

13 The whole extent of the applicability of GATT principles in the TRIPS Agreement has not yet been clarified.²⁸ In any case the use of GATT concepts in the TRIPS context should be treated with reserve²⁹ and analyzed

²¹ *US—Section 211 Appropriations Act*, WT/DS176/AB/R, para. 297.

²² *Stoll & Schorkopf*, Max Planck CWTL, Vol. 1, paras 118 *et seq.*

²³ *Ibid.*

²⁴ See *de Carvalho*, 41. *Stoll & Schorkopf*, Max Planck CWTL, Vol. 1, para. 568.

²⁵ Also *Geisel*, 133 *et seq.*

²⁶ *India—Patents (US)* WT/DS50/R, para. 7.21.

²⁷ *Ibid.*, para. 7.20.

²⁸ See also *Correa*, 6.

²⁹ See also *US—Section 110 (5) US Copyright Act*, WT/DS160/R, para. 6.185.

in each individual case. On the one hand it has to be observed that the TRIPS Agreement should not only be integrated into the GATT/WTO framework, but also in the framework of the Berne Convention.³⁰ On the other hand, the application of GATT principles should not contradict the specific characteristics of the TRIPS Agreement.³¹

II. Availability, Scope and Use of Trade-Related Intellectual Property Rights (lit. b)

The provision of adequate standards and principles in relation to the availability, scope and use of trade-related intellectual property rights was an important yet highly controversial issue during the negotiations on the TRIPS Agreement. The drafters' intention was not to create the system of IPR protection that would be considered as the "optimum" or the "maximum possible return" by specific right holders groups, but one that is "adequate" to safeguard the integrity of the trading system.³² The development and implementation of IPR laws involve constant balancing of interests of the public in access to information and technology, and of those creating new works and inventions in securing a return on their investments.³³ Contrary to the provision of adequate standards, the opposing view proposed a regulation that was essentially restricted to cases of product piracy and based on the existing legal status of GATT. The first-mentioned broad regulatory approach has prevailed and is now embodied in Part II of the Agreement, as is already suggested in its title. 14

III. Means of Enforcement (lit. c)

The effective enforcement of intellectual property rights between private individuals and the enforcement of international contractual obligations between countries constituted a further fundamental concern in the negotiations on the TRIPS Agreement. It was predominantly in the interest of the proponents of the TRIPS Agreement to provide adequate legal bases and also to ensure that the actual requirements for effective enforcement were met with respect to the staffing and equipping of the relevant institutions. Now these aspects are embodied in Part III of the TRIPS Agreement. This should occur with due regard to the differences in the legal systems in individual countries. The leeway left to individual countries is also laid down in Art. 1.1, sentence 3. 15

³⁰ *Ibid.*, para. 6.18.

³¹ See the discussion about the applicability of Non-Violation Complaints in the TRIPS Agreement and the key objectives of GATT and TRIPS, *Petersmann*, The GATT/WTO Dispute Settlement System, 149.

³² *UNCTAD/ICTSD*, Preamble.

³³ *Ibid.*

IV. Prevention and Settlement of Disputes (lit. d)

- 16 As suggested in the preceding paragraph, the interest in improving the enforcement of the international protection of intellectual property related also to the intergovernmental level. Today, effective and adequate procedures for multilateral **prevention and settlement of disputes** between governments are dealt with in Part V. Rules on transparency as well as the DSU are to play a significant role in achieving effective and adequate prevention and settlement of disputes.

V. Transitional Arrangements (lit. e)

- 17 To some extent, the material standards of the TRIPS Agreement go much further than the existing international agreements or conventions on the protection of intellectual property. The implementation of the obligations taken on with the Agreement has so far required and will continue to require extensive legislative and administrative measures particularly in developing countries. Furthermore, there is the necessary establishment of technical and staffing capacities. Therefore, transitional arrangements seemed indispensable in enabling developing countries to take part in the Agreement. They are contained in Arts 65 and 66. On the basis of Art. 66, the Council for TRIPS decided in 2002 to extend the transitional period for least-developed country Members with respect to pharmaceutical products to 1 January 2016.³⁴ In 2005 the Council for TRIPS extended the transitional period for least-developed countries with respect to the overall applicability of the TRIPS Agreement to 1 July 2013.³⁵

D. A “multilateral framework” Concerning Trade in Counterfeit Goods (Rec. 3)

- 18 Initially, product piracy and the trade in pirated goods have triggered the inclusion of intellectual property matters in the world trade legal order.³⁶ Hence, Rec. 3 of the Preamble represents a historical perspective on the

³⁴ Extension of the Transition Period under Art. 66.1 of the TRIPS Agreement for Least-Developed Country Members for Certain Obligations with Respect to Pharmaceutical Products, Decision of the Council for TRIPS, IP/C/25, 27 June 2002.

³⁵ Extension of the Transition Period under Article 66.1 for Least-Developed Country Members, Decision of the Council for TRIPS, IP/C/40, 29 November 2005.

³⁶ In this context, reference must be made to the failed attempt of the United States of America to establish an *Anti-Counterfeit Code (ACC)* in the Tokyo Round; see *Agreement on Measures to Discourage the Importation of Counterfeit Goods*, L/4817, 31 July 1979. There was no agreement on this complex of rules, however. Further information: *Adede*, para. 12. Another concern consisted of the improper granting and use of compulsory licences which, while they did not have an express mention in the Preamble, did receive a remarkably detailed regulation with Art. 31.

major objectives assumed by TRIPS, which is now taken up in Arts 46, 51, 59, 61 and Art. 69.

E. Intellectual Property Rights as Private Rights (Rec. 4)

The recognition of intellectual property rights as private rights was introduced into the Preamble at quite a late state in the negotiations, but is important in a number of respects. On the one hand, the TRIPS Agreement—unlike the GATT—does not impose constraints on measures that States can take at their border, but deeply interferes with national discretion in establishing rights that can be claimed by private parties in national jurisdictions.³⁷ Hence, the TRIPS Agreement has a unique status in the WTO system and like no other agreement penetrates national regulatory autonomy. On the other hand, it is significant that emphasis is placed on the division of responsibility between private individuals and countries. The specific language of Rec. 4 was adopted because some Members raised the concern that, despite the measures taken to empower IPR owners to exercise and defend their rights, governments might be accused of non-compliance with the TRIPS Agreement if right owners failed to enforce their rights.³⁸ Consequently, Rec. 4 makes it clear that Members are not required to proceed *ex officio* against infringements of intellectual property rights, but that this task is primarily assigned to the claimant, who bears the burden of exercising and defending his or her rights.³⁹ 19

F. National Public Policy Objectives (Rec. 5)

Rec. 5 stresses the public interest in the protection of intellectual property, but relates here, notably, to the individual countries and their legal systems. This emphasis, in particular, on the developmental and technological objectives, is reflected in the frequently voiced interest of the developing countries in the use of protected inventions and technology transfer. The reference in Rec. 5 to national systems and the public interests expressed therein could also be understood as an expression of the protection or preservation of the sovereignty of individual States. Developing country delegations had strongly promoted the importance of recognizing the public policy objectives of IPRs during the TRIPS negotiations, and stated that 20

³⁷ *Correa* 10.

³⁸ *de Carvalho*, 32 *et seq.*; *Correa*, 10 *et seq.*

³⁹ *Gervais*, para. 2.08. Others have gone further and submitted that this Recital recognizes IPRs a private property rights and protects those against government intrusion, on this point see also *Correa*, 11.

such policy objectives called for moderating the demands of right holders.⁴⁰ The public interests mentioned in Rec. 5 of the Preamble are given a more exact formulation by the Principles and Objectives of the TRIPS Agreement (Art. 7 and Art. 8).

G. TRIPS Flexibility (Rec. 6)

- 21 Rec. 6 emphasizes the special needs of the least-developed country members (LDCs) which are understood as a sub-group of the developing country Members and are particularly addressed in many regulations. Accordingly, Rec. 6 addresses the “maximum flexibility in the implementation”. This probably means primarily—but not exclusively—transitional arrangements and also measures for technical aid, as are addressed in Arts 66 and 67. It is important however to stress that it is expressed in the Preamble in terms of “maximum” flexibility, as the term “maximum” does not appear in Art. 66.⁴¹ Whether TRIPS flexibility is limited to matters of implementation is not entirely clear. According to a literal understanding, the phrase relates only to transitional arrangements and technical aid. In light of the specific needs of LDCs relating *inter alia* to public health or poverty, it is however doubtful whether Rec. 6 suggests such a restrictive reading. The objective of creating a sound and viable technological base is open to interpretation.

H. Dispute Settlement Through Multilateral Procedures (Rec. 7)

- 22 In the course of the negotiations, the interest of the developing countries in putting a stop to the tendency of some large industrial nations to deal with trade-related conflicts on a bilateral level played an important role. Before the adoption of the TRIPS Agreement, it was not uncommon to agree on so-called BITs and BIPs.⁴² Through the establishment of a multilateral system of dispute settlement and the express exclusion of bilateral forms of dispute settlement, developing countries hoped to reduce bilateral tension.⁴³ However, the attempts at bilateral TRIPS Plus protection and the banning of parallel imports and compulsory licences on a bilateral avenue continued.⁴⁴

⁴⁰ See the Preamble to the Communication from Argentina, Brazil, Chile, China, Colombia, Cuba, Egypt, India, Nigeria, Peru, Tanzania and Uruguay, MTN.GNG/NG11/W/71, 14 May 1990.

⁴¹ See also *UNCTAD/ICTSD*, Preamble.

⁴² *Drahos*, JWIP 4 (2001) 6, 791, 793 *et seq.*

⁴³ *Adede*, para. 31.

⁴⁴ *Drahos*, JWIP 4 (2001), 792 *et seq.*; *cf.* also *Arup*, EIPR 26 (2004) 1, 9.

I. Relationship with the WIPO and Other Relevant International Organizations (Rec. 8)

The jurisdiction of the WIPO and its correlation with TRIPS assumed vital importance in the course of the negotiations. In fact, the relationship between GATT and the WIPO was considered rather tense. In view of the overlapping areas of jurisdiction, Rec. 8 records the interest in mutual support. Art. 68, sentence 4 contains a corresponding direction for consultations and the conclusion of suitable agreements. In this spirit a cooperation agreement was concluded between the WTO and the WIPO on 22 December 1995, and entered into force on 1 January 1995.⁴⁵ The agreement provides for the free exchange of information between the two organisations. However, it may be argued that this Recital accords the WIPO a position that is inappropriate *vis-à-vis* other multilateral organizations in the field of IPR protection such as UNCTAD and downplays their role. In certain areas, such as legal training, the TRIPS Secretariat also cooperates with other international organizations, such as the WHO, UNECE and others.⁴⁶ 23

⁴⁵ See Council for TRIPS, Text of Proposed “Agreement between The World Intellectual Property Organization and The World Trade Organization”, IP/C/6, 13 December 1995, and “Agreement between The World Intellectual Property Organization and The World Trade Organization”, IP/C/6/Add.1, 17 January 1996. Possible opportunities for cooperation were gathered beforehand by the *Informal Contact Group on TRIPS* (under the auspices of the *Sub-Committee on Institutional, Procedural and Legal Matters*) with the Report by the Chairman as approved by the Sub-Committee, PC/IPL/7/Add.2, 25 November 1994.

⁴⁶ A list of the individual cooperations is regularly drawn up by the WTO Secretariat. The most recent data are to be found in the documents of the Council for TRIPS, WTO Secretariat Technical Cooperation in the TRIPs Area, IP/C/W/406, 23 October 2003 and WTO Secretariat Technical Cooperation in the TRIPS Area, IP/C/W/375, 12 September 2002.

PART I

GENERAL PROVISIONS AND BASIC PRINCIPLES

Article I

Nature and Scope of Obligations

1. Members shall give effect to the provisions of this Agreement. Members may, but shall not be obliged to, implement in their law more extensive protection than is required by this Agreement, provided that such protection does not contravene the provisions of this Agreement. Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice.
2. For the purposes of this Agreement, the term “intellectual property” refers to all categories of intellectual property that are the subject of Sections I through 7 of Part II.
3. Members shall accord the treatment provided for in this Agreement to the nationals of other Members.^[1] In respect of the relevant intellectual property right, the nationals of other Members shall be understood as those natural or legal persons that would meet the criteria for eligibility for protection provided for in the Paris Convention (1967), the Berne Convention (1971), the Rome Convention and the Treaty on Intellectual Property in Respect of Integrated Circuits, were all Members of the WTO members of those conventions.^[2] Any Member availing itself of the possibilities provided in paragraph 3 of Article 5 or paragraph 2 of Article 6 of the Rome Convention shall make a notification as foreseen in those provisions to the Council for Trade-Related Aspects of Intellectual Property Rights (the “Council for TRIPS”).

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^[1] When “nationals” are referred to in this Agreement, they shall be deemed, in the case of a separate customs territory Member of the WTO, to mean persons, natural or legal, who are domiciled or who have a real and effective industrial or commercial establishment in that customs territory.

^[2] In this Agreement, “Paris Convention” refers to the Paris Convention for the Protection of Industrial Property; “Paris Convention (1967)” refers to the Stockholm Act of this Convention of 14 July 1967. “Berne Convention” refers to the Berne Convention for the Protection of Literary and Artistic Works; “Berne Convention (1971)” refers to the Paris Act of this Convention of 24 July 1971. “Rome Convention” refers to the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, adopted at Rome on 26 October 1961. “Treaty on Intellectual Property in Respect of Integrated Circuits” (IPIC Treaty) refers to the Treaty on Intellectual Property in Respect of Integrated Circuits, adopted at Washington on 26 May 1989. “WTO Agreement” refers to the Agreement Establishing the WTO.

481–505; *A. Peters*, The Position of International Law Within the EC Legal Order, *GYIL* 40 (1997), 9–77; *J. H. Reichman & D. Lange*, Bargaining around the TRIPS Agreement: The case for ongoing public-private initiatives to facilitate worldwide intellectual property transactions, *Duke J. Comp. & Int'l L.* 9 (1998) 1, 11–68; *J. O. Berkey*, The ECJ and Direct Effect for the GATT, *EJIL* 9 (1998) 4, 626–657; *T. Hartley*, International Law and the Law of the European Union—A Reassessment; *British Year Book of International Law* 72 (2001), 1–35; *J. H. Currie*, Public International Law, 2001; *J. Klabbers*, International Law in Community Law: The Law and Politics of Direct Effect; *Yearbook of European Law* 21 (2001–2002), 263–298; *G. Bellem & A. Nollkaemper*, Giving Effect to Public International Law and European Community Law Before Domestic Courts: A Comparative Analysis of the Practice of Consistent Interpretation, *EJIL* 14 (2003) 3, 569–590; *F. M. Abbott & T. Cottier*, Dispute Prevention and Dispute Settlement in the Field of Intellectual Property Rights and Electronic Commerce: US-Section 211 Omnibus Appropriations Act of 1998 ('Havana Club'), in: *E.-U. Petersmann & M. A. Pollack* (eds), *Transatlantic Economic Disputes: The EU, the US, and the WTO*, 2005; *A. Cassese*, International Law, 2005, 429–450; *B. A. Boczek*, International Law: A Dictionary, 2005; *M. D. Evans*, International Law, 2006; *R. Howse & D. J. Neven*, US-Section 211 Omnibus Appropriation Act of 1998, in: *H. Horn & P. Mavroidis* (eds), *The American Law Institute Reporter's Studies on WTO Case Law: Legal and Economic Analysis*, 2007, 482–522; *M. Dixon*, *Textbook on International Law*, 2007; *D. I. Bainbridge*, *Intellectual Property*, 6th ed. 2007.

CASE LAW

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A. General

Art. 1 specifies the **legal nature** and the **scope of regulation** of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). Art. 1.1, sentences 1 and 3 address the WTO Members' and thus TRIPS Members' obligation under public international law to adhere to the provisions of the Agreement and implement them in to their national legal systems. Furthermore, as pointed out in Art. 1.1, sentence 2, Members may, but shall not be obliged to, to provide **more extensive protection**, provided that such protection does not contravene the provisions of this Agreement.¹ 1

In contrast to other international treaties dealing with the protection of intellectual property the TRIPS Agreement contains no detailed definition of important terms of the Agreement used in it. By virtue of the reference made to the provisions of the Paris Convention (1967), the Berne Convention (1971), the Rome Convention and the Treaty on Intellectual Property in Respect of Integrated Circuits (IPIC Treaty), the definitions used in these international treaties are also valid within the framework of the TRIPS Agreement. Art. 1.2 merely refers to the types of intellectual property regulated through the Agreement itself. The **points of attachment**, *i.e.* the question what is protected by the TRIPS Agreement, are regulated in Art. 1.3. 2

B. The Duties of the Members (Art. 1.1)

I. Implementation of the TRIPS Agreement

Without the acceptance of domestic validity, international law lacks the force to penetrate the national legal order.² Art. 1.1, sentence 1 ties in with this **principle of implementation and application** and orders Members to give effect to the provisions of the TRIPS Agreement. It thus concerns the integration of TRIPS provisions into the national legal sphere. With regard to the implementation of treaties under public international law, Members follow different approaches. Art. 1.1, sentence 3 accommodates to these differences and leaves the Members considerable discretion in respect 3

¹ *Gervais*, para. 2.18 with a historical outline; *Correa*, 22 *et seq.* differentiates and argues that with regard to the enforcement provisions (Part III of the TRIPS Agreement) and the Preamble (IPRs should not "become barriers to legitimate trade") the provisions of the TRIPS Agreement could be regarded as a "maximum-standard".

² *Buergenthal*, *Recueil des Cours* 235 (1992) IV, 303, 320–321; *Betlem & Nollkaemper*, *EJIL* 14 (2003) 3, 569, 573.

of the fulfilment of their duties, allowing them to refer to the traditions of their legal systems and their legal practices.³

- 4 The exact way in which a Member fulfils its duty of applying and implementing the TRIPS Agreement in accordance with Art. 1.1, sentences 1 and 3 depends on the (constitutional) law of that Member. Depending on the different school of thought (Monism, Dualism or a variation thereof), they have developed different methods that determine the domestic validity of treaties which had been agreed under public international law. First, implementation may be achieved by way of a **transformation** of provisions of public international law into domestic law. In this case, the legal norm applied will be a domestic one, which either adopts the treaty as a whole or which transfers each individual provision into national law.⁴ Alternatively, a State may choose to **execute** a treaty under public international law by way of a governmental application command that bestows validity within domestic law on the treaty itself.⁵ Finally, implementation may be achieved through **incorporation** of the treaty provisions into national law. In contrast to execution, incorporation leads to direct validity of the treaty within domestic law. Incorporation, however, does not create an independent domestic legal norm as is the case with implementation by transformation. Thus, the treaty continues to form the basis for the domestic validity.⁶ In any case, the decision of how to implement an international treaty is exclusively a national matter. If, however, a Member avails itself of the possibility to implement through a domestic legal norm, the latter must offer a stable legal basis also before national courts.⁷

II. Direct Applicability and Invocability

- 5 Domestic validity of international rights and obligations is to be distinguished from their direct applicability. While the former remains a national domain, the latter depends on **additional treaty-related criteria**. Hence, in order to qualify for direct application, the international norm must possess domestic validity *and* be sufficiently precise, clear and unconditional. It must not require a further act of implementation by the domestic authorities. If the international norm, beyond these requirements, provides for the conferral of subjective rights or duties to individuals, it may directly be invoked before national courts (**invocability**). Both, direct applicability

³ *India—Patents (EC)*, WT/DS79/R, para. 7.41; *India—Patents (US)*, WT/DS50/AB/R, para. 59.

⁴ *Boczek*, 14; *Cassese*, 221; *Currie*, 196; *Dixon*, 95; *Evans*, 428 *et seq.*

⁵ *Cassese*, 221.

⁶ *Boczek*, 13; *Cassese*, 220; *Dixon*, 94 *et seq.*

⁷ *India—Patents (US)*, WT/DS50/AB/R, paras 62 *et seq.*

and invocability build on domestic validity of the treaty and add further criteria arising from the international treaty itself.

Public international treaty law traditionally addresses rights and obligations between the contracting parties *i.e.* normally States or international organizations as the subjects of public international law between which the respective treaty was concluded. Therefore already, direct application and the creation of subjective rights and duties of individuals remains the exception. This also applies where individual provisions of a treaty—as is *e.g.* the case with the TRIPS Agreement—concern the legal relationship between individuals. The issue does however only arise, if Members accept the direct applicability and invocability of provisions of the Uruguayan Round Agreements, in particular, of the TRIPS Agreement in principle. Although the concepts and their additional criteria stem from the treaty as such, their interpretation and application is left to the Members' disposition. In other words, the direct applicability and invocability of the norm must correspond to the subjective will of the Members. As a result, the grant of direct effect to a legal rule turns out to be a **political** question.⁸ Because the WTO Agreements are not based on reciprocity in enforcement, Members will often tune their positions on direct application to that of other Members.⁹ It thus comes at no surprise that denial of direct application by the mayor market players—the US, the EC and Japan—inspires a widespread understanding among the Members.¹⁰

Notwithstanding, several Members such as Austria¹¹ and Spain¹² have granted direct legal effect to certain TRIPS provisions to the extent the provisions do not regulate a matter of Community competence.¹³ If a Member does,

⁸ *Betlem & Nollkaemper*, EJIL 14 (2003) 3, 569, 573.

⁹ Also *Reichman & Lange*, Duke J. Comp. & Int'l L. 9 (1998) 1, 11, 21.

¹⁰ See for example 19 USC § 3512 lit. c (1) which provides that “[n]o person other than the United States—(A) shall have any cause of action or defense under any of the Uruguay Round Agreements or by virtue of congressional approval of such an agreement, or (B) may challenge, in any action brought under any provision of law, any action or inaction by any department, agency, or other instrumentality of the United States, any State, or any political subdivision of a State on the ground that such action or inaction is inconsistent with such agreement.” *Cf.* also *Jackson & Davey & Sykes*, 223 *et seq.*; See the jurisprudence of the ECJ, in particular, Joined Cases 21–24/72, *International Fruit Company*, [1972] E.C.R. I-1219; C-280/93, *Germany v. Council*, [1994] E.C.R. I-4973; C-149/96, *Portugal v. Council*, [1999] E.C.R. I-8395, Recs 36 *et seq.* See also C-69/89, *Nakajima v Council*, [1991] E.C.R. I-2069, Recs 31 *et seq.* and C-70/87, *Fediol v Commission*, [1989] E.C.R. I-1781. Valuable analytical discussions provide *Klabbers*, Yearbook of European Law 21 (2001–2002), 263–298; *Hartley*, British Year Book of International Law 72 (2001), 1–35; *Berkey*, EJIL 9 (1998) 4, 626–657; *Peters*, GYIL 40 (1997), 9–77.

¹¹ On the direct applicability of most TRIPS provisions in Austria, see 1646 Blg. stenographic protocols NR XVIII. GP 1049 *et seq.*

¹² With regard to Art. 70 TRIPS, see decision 217/06 of the juzgado comercio 2 Barcelona, *Laboratorios Cinfa v. Warner-Lambert Company*.

¹³ But see the UK position on Art. 32 in *Lenzing AG's European Patent (UK)*, Re Times,

in principle, not accept direct applicability of the treaty provision, it can give effect to the TRIPS Agreement in accordance with Art. 1.1, sentences 1 and 3 only by adopting a concretising domestic legal norm.

III. The Granting of Minimum Rights

- 8 With a view to the protection of intellectual property, the TRIPS Agreement contains minimum rights, the level of protection of which Members are, in principle, free to exceed in accordance with Art. 1.1, sentence 2.¹⁴ In addition to national treatment and the provisions on substantive reciprocity,¹⁵ the granting of specific minimum rights ranks among the **core principles** of the traditional international treaties on the protection of intellectual property.¹⁶ Not until the mid-nineteenth century, when States were discussing the conclusion of international treaties in order to improve the protection of domestic right holders abroad, it became apparent that this was possible only by imposing an obligation to afford minimum protection. Now and then, the creation of a uniform international system has been impeded by the considerable legal differences between States.¹⁷
- 9 The conclusion of international treaties on the protection of intellectual property follows the **principle of territoriality**. The TRIPS Agreement reinforces this principle to a great extent. Hence, the Agreement **does not create uniform protection** among the Members, but aims at **harmonizing the protection** of intellectual property on the national level. The principle of territoriality is contrasted by the transience of intellectual

January 17, 1997 (Pat Ct). [1997] R.P.C. 245; and on TRIPS provisions relating to industrial designs in *Azyrak-Hamway International Inc's Licence of Right Application, Re Industrial Designs* (PO) Patent Office, [1997] R.P.C. 134, which reads "TRIPS is not directly applicable in United Kingdom law in the field of industrial designs". Affirmative *J. McCormick*, EIPR 19 (1997) 4, 205–207. Concerning the EC Member States scope of regulation, see Joined Cases C-300/98 and C-392/98, *Dior et al.*, [2000] E.C.R. I-11307, Rec. 48 and C-431/05, *Merk v. Merk*, [2007] E.C.R. I-7001, Rec. 34 read: "On the other hand, in a field in respect of which the Community has not yet legislated and which consequently falls within the competence of the Member States, the protection of intellectual property rights, and measures adopted for that purpose by the judicial authorities, do not fall within the scope of Community law. Accordingly, Community law neither requires nor forbids that the legal order of a Member State should accord to individuals the right to rely directly on the rule laid down by Article [...] of TRIPS or that it should oblige the courts to apply that rule of their own motion."

¹⁴ Concerning the discussion of the legal nature of the TRIPS provisions as minimum rights see footnote 3.

¹⁵ As an exception to the principle of national treatment some provisions provide for a material reciprocity, whereupon a non-national can be denied national treatment in the event that his or her State of nationality does not grant the claimed treatment, either.

¹⁶ *Worthy*, EIPR 16 (1994) 5, 195.

¹⁷ For an outline of the motives for the conclusion of TRIPS, see *Katzenberger & Kur*, in: *Beier & Schricker* (eds), 1, 7 *et seq.*; *Reinbothe & Howard*, EIPR 13 (1991) 5, 157 *et seq.*, 160 *et seq.*; *Reichman*, *Fordham Intell. Prop. Media & Ent. L.J.* 4 (1993) 1, 171 *et seq.*; *Ricketson*, IIC 26 (1995) 6, 872, 886 *et seq.* and *Worthy*, EIPR 16 (1994) 5, 196–197 describe the major advancements of TRIPS substantive standards *vis-à-vis* traditional IP conventions.

property. Once published it is non-crowable and can easily be used across borders, whereas its protection may differ from State to State. Differing regimes, however, hold the potential for establishing significant impediments to international trade. In this respect, TRIPS seeks to **counteract the disadvantages of the territoriality principle** and to improve the right holders' legal position abroad by providing a minimum level of harmonization.

Finally, specific minimum rights constitute a necessary complement to the principle of national treatment, because national treatment alone establishes merely formal equal treatment of nationals and non-nationals without guaranteeing a specific level of protection.¹⁸ Inasmuch as a Member provides for advanced protection within its national law, this also privileges foreigners in line with national treatment. For the rest, the protection of foreign right holders is safeguarded through the minimum rights. 10

However, according to Art. 1.2, sentence 2, advanced protection through the laws of the TRIPS Members must not contravene the TRIPS Agreement itself. The provision reflects the **strained link** between the protection of intellectual property and the removal of trade barriers.¹⁹ Before the conclusion of the TRIPS Agreement, IP related measures were often considered trade restrictive. Traditionally, Members relied on GATT Art. XX lit. d²⁰ to justify their imposition. In fact, both insufficient and excessive protection of intellectual property result in trade barriers. If the right holders were granted excessive protection in respect of their intellectual property, market access for competitors and their foreign like products would unduly be restricted. This may lead to distortions of competition by way of the development of monopolies as well as to import restrictions. Likewise, monopolies will reduce the incentive to use IP for the furtherance of knowledge, learning and for the creation of new IP the trade-related aspects of which will potentially impede cross-border trade. Inadequate protection on the other hand will discourage owners to consent to their products being exported. They will worry about their innovative achievements being misused in product piracy and for counterfeit goods,²¹ which in turn may lead to considerable financial losses. Accounting for the conflicting interests of creators, competitors, users and of the society at large is the primer purpose of intellectual property 11

¹⁸ See *Elfring*, Article 3, para. 2; *Evans*, JWIP 2 (1999) 5, 707, 711; *Stachelin*, 52.

¹⁹ *Katzenberger & Kür*, in: *Beier & Schricker* (eds), 1, 3 describe the difficult balance with regard to the Preamble.

²⁰ See *Reyes-Knoche & Arend*, Article XX lit. d GATT 1994, in: *Wolfrum, Stoll & Seibert-Fohr* (eds), Max Planck CWTL, Vol. 3, paras 11, 12.

²¹ Both terms are defined in footnote 14 to Art. 51. See in detail *Vander*, Article, 51 paras 3, 7.

law and whenever these strained relations bear an impact on cross-border trade, they become a matter of the World Trade Order.²²

- 12 Because of the rather ambiguous language in Art. 1.1, sentence 2, the specific definition of the upper limits of protection continues to be debated. In view of the careful balance TRIPS seeks to retain, it is difficult to conceive advancements of protection that do not unduly impede said balance. For instance, any extension of the length or width of protection or the ease of acquisition requirements will regularly disturb the **difficult relationship between owners, competitors and users**. It has thus forcefully been argued that TRIPS establishes maximum protection with regard to certain provisions. *Correa* and *de Carvalho* rightly point out that more extensive protection to right holders is hardly conceivable in relation to the enforcement standards of Part III which are inspired by the perception of a fair and equitable treatment of both parties.²³ “[P]rovisions of this Agreement” which the Members shall not contravene, in particular, include **Arts 7 and 8** on objectives and principles of the TRIPS Agreement. Accordingly, intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations. Intellectual property rights shall be without prejudice to the protection of public health and nutrition, and to the promotion of the public interest in sectors of vital importance to their socio-economic and technological development.²⁴ In *Canada—Pharmaceutical Patents*, the Panel emphasized the **significance of Arts 7 and 8 for the balance of rights and interpretation** of provisions.²⁵ When turning to the merits of the case, the Panel did however not live up to its pronouncements and drew neither on Art. 7 nor on Art. 8. As a result, there has been no case where a Member was found to act in contradiction to the objectives and principles of TRIPS. Such stepmotherly treatment of Arts 7 and 8 can hardly be reconciled with the negotiators’ intent. Rather, it was the declared view of the delegates to maintain a careful balance between rights and obligations of right holders in consideration of the underlying public

²² With regard to the relation between the protection of intellectual property and the trade liberalization, see *Cottier*, *Aussenwirtschaft* 47 (1992) 1, 79 *et seq.*; *Evans*, *World Competition* 18 (1994/1995) 2, 137, 141 *et seq.*

²³ *Correa*, 24; also *de Carvalho*, 32.

²⁴ See in further detail *Kefler*, Article 7, paras 2 *et seq.* and *Brand*, Article 8, paras 8 *et seq.*

²⁵ *Canada—Pharmaceutical Patents*, WT/DS114/R, para. 7.26 reads “Obviously, the exact scope of Article 30’s authority will depend on the specific meaning given to its limiting conditions. The words of those conditions must be examined with particular care on this point. Both the goals and the limitations stated in Articles 7 and 8.1 must obviously be borne in mind when doing so, as well as those of other provisions of the TRIPS Agreement which indicate its object and purposes.”

policy objectives.²⁶ Whether this approach will inspire the definition of the upper limits of protection by giving a reasoned reading to *inter alia* Arts 7 and 8, or whether the limiting clause in Art. 1.1, sentence 2 will shrink to mere analytical significance awaits further elaboration also in WTO dispute settlement proceedings.²⁷

In any case, to the extent Members make use of their rights in accordance with Art. 1.2, sentence 2 and provide for advanced protection, they need to comply with the principle of non-discrimination.²⁸ 13

C. The Notion of Intellectual Property (Art. 1.2)

Art. 1.2 addresses the notion of intellectual property. Instead of giving a clear cut definition of the term, the provision refers to the rights that are granted to intellectual property according to Part II, Sections 1 to 7 namely Arts 9–39. These include copyright and related rights (Arts 9 *et seq.*), trademarks (Arts 15 *et seq.*), geographical indications (Arts 22 *et seq.*), industrial designs and utility models (Arts 25 *et seq.*), patents (Arts 27 *et seq.*), layout designs (topographies) of integrated circuits (Arts 35 *et seq.*) as well as the protection of undisclosed information (Art. 39).²⁹ The **vague language** of Art. 1.2 leaves open whether the TRIPS Agreement applies only to the rights explicitly provided for in Part II, or whether it attaches to the intellectual property as such. In the latter case, the general provisions of Part I and the enforcement mechanisms laid down in Part III would also cover rights in respect of intellectual property not explicitly provided for under the Agreement. Moreover, if the categories of intellectual property listed in Art. 1.2 are considered merely illustrative, the disciplines of Part I and III were to be extended to other intellectual property not mentioned in TRIPS.³⁰ 14

In *US—Section 221 Appropriations Act*, the WTO adjudicating bodies were invited to decide whether the TRIPS Agreement attaches to the rights of intellectual property or rather to the intellectual property as such.³¹ The 15

²⁶ Trade Negotiating Committee, Mid Term Meeting, MTN.TNC/11, 21 April 1989, 21, para. 5; *Reichman & Lange*, Duke J. Comp. & Int'l L. 9 (1998) 1, 11, 20.

²⁷ Also *Fox*, Vand. J. Transnat'l L. 29 (1996) 4, 481, 492 supports a meaningful consideration and balance of competing interests for purposes of Art. 1.1, sentence 2.

²⁸ *de Carvalho*, 56; *Weiß & Herrmann*, para. 916.

²⁹ A more specific definition of intellectual property may be found in Art. 2 (viii) WIPO Convention of 1976 which reads: “‘intellectual property’ shall include the rights relating to: literary, artistic [...]”.

³⁰ This would for instance concern utility models that are provided for by the Paris Convention but not by TRIPS.

³¹ See for a detailed account on the decision *Abbott & Cottier*, in: *Petersmann & Pollack* (eds), 429–450, *Howse & Neven*, in: *Horn & Mavroidis* (eds), 482–522.

case arose in relation to trade names the protection of which was not specifically regulated by TRIPS but by Art. 1.2 PC. The Panel held that a textual reading of the words “all categories” in Art. 1.2 TRIPS suggests that the list of categories was exhaustive and that the incorporation clause of Art. 2.1 *conditioned* the Members’ obligations under the Paris Convention.³² Accordingly, the Panel found the MFN and national treatment obligation not applicable in relation to categories of intellectual property not set forth in Art. 1.2, *e.g.* trade names. The EC challenged this decision and, indeed, the Appellate Body reversed the Panel’s findings on Art. 1.2. First, it found that the protection of trade names was explicitly required by Art. 8 PC which is by reference in Art. 2.1 TRIPS incorporated into the TRIPS Agreement.³³ Specifically on the interpretation of Art. 1.2, it held:

The Panel interpreted the phrase ‘intellectual property’ refers to all categories of intellectual property that are the *subject* of Sections 1 through 7 of Part II (emphasis added) as if that phrase read ‘intellectual property means those categories of intellectual property appearing in the *titles* of Sections 1 through 7 of Part II.’ To our mind, the Panel’s interpretation ignores the plain words of Article 1.2, for it fails to take into account that the phrase ‘the subject of Sections 1 through 7 of Part II’ deals not only with the categories of intellectual property indicated in each section *title*, but with other *subjects* as well. For example, in Section 5 of Part II, entitled ‘Patents’, Article 27(3)(b) provides that Members have the option of protecting inventions of plant varieties by *sui generis* rights (such as breeder’s rights) instead of through patents. [...] Under the Panel’s theory, such *sui generis* rights would not be covered by the *TRIPS Agreement*. The option provided by Article 27(3)(b) would be read out of the *TRIPS Agreement*.

Moreover, we do not believe that the Panel’s interpretation of Article 1.2 can be reconciled with the plain words of Article 2.1. Article 2.1 explicitly incorporates Article 8 of the Paris Convention (1967) into the *TRIPS Agreement*.³⁴

- 16 In particular, the Appellate Body rejected the Panel’s view that the Members’ obligations under the Paris Convention were *conditioned* by the phrase “in respect of” in Art. 2.1 TRIPS. The Appellate Body noted that since the protection of trade names was the very subject matter of Art. 8 PC, the conditioning approach of the Panel would render the provision’s expressed inclusion into TRIPS redundant. In this respect, the panellist had—according to the Appellate Body—failed to give meaning and effect to all the terms of a treaty being a corollary to the general rules of interpretation under the VCLT.³⁵ Following the reasoning of the Appellate Body, the TRIPS Agreement extends to all **categories of subject matter** described in Part II of the TRIPS Agreement and the provisions of other IP conven-

³² *US—Section 211 Appropriations Act*, WT/DS176/R, para. 8.26.

³³ *US—Section 211 Appropriations Act*, WT/DS176/AB/R, paras 331 *et seq.*

³⁴ *Ibid.*, paras 335–336.

³⁵ *Ibid.*, paras 337–339.

tions that the Members need to apply. In this respect, the Members are not only obliged in relation to the categories of intellectual property indicated in each Section's *title*, but with other *subjects* mentioned therein as well.³⁶ Beyond that the TRIPS Agreement is not applicable.³⁷

With regard to the specific subject matters the TRIPS Agreement attaches 17
to, the Appellate Body's findings on Art. 6*quinquies* A.1 PC are instructive. In this context, the Appellate Body made it clear that TRIPS trademark provisions do not relate to claims of ownership. From this the Appellate Body followed that national laws regulating ownership must respect the procedural obligation under Art. 42 TRIPS concerning the assertion of rights only, but are not subject to any other TRIPS disciplines.³⁸ As a result, TRIPS **establishes obligations only in respect of the rights** granted to intellectual property and not to intellectual property as such. In sum, the substantive coverage of TRIPS is limited to the rights that are provided for in Part II, Sections 1–7 of the TRIPS Agreement and the incorporated IP conventions. Accordingly, national rules on other types of intellectual property (*e.g.* non-original databases) or additional rights (*e.g. sui generis* protection for databases) will not be affected by any of the obligations resulting from the TRIPS Agreement; nor can they be the subject of dispute settlement proceedings in line with the DSU. In particular, there is no obligation to provide for national or most-favoured nation treatment in accordance with Arts 3 and 4.

The conception of intellectual property in the meaning of TRIPS as a 18
right rather than the actual work or invention also facilitates the understanding of IP protection under TRIPS. For instance, it would be difficult to see information that is only protected against unfair competition but does not give rise to exclusive rights as intellectual property. In turn, it comes easier to attach to the right to act against those that have dishonestly acquired or used trade secrets than to the trade secrets themselves.

Uncertainties remain to the extent that TRIPS allows the provision of dif- 19
ferent entitlements, such as in the case of industrial designs or computer programs.

³⁶ *Gervais*, para. 2.20. See for an outline of the treatment of databases, domain names, breeders' rights, utility models and specific rules on unfair competition *Correa*, 36 *et seq.* See also *Reichman*, *Fordham Intell. Prop. Media & Ent. L.J.* 4 (1993) 1, 171, 249 *et seq.* on utility models.

³⁷ Also *Gervais*, para. 2.19; *de Carvalho*, 62; *Correa*, 35.

³⁸ *US—Section 211 Appropriations Act*, WT/DS176/AB/R, para. 148.

D. TRIPS Beneficiaries (Art. 1.3)

I. Concept of Nationality

20 Art. 1.3, sentence 3 makes it clear who is to benefit from the TRIPS disciplines. In accordance with the provision, protection shall be granted to the **nationals of other Members**. Footnote 1 provides a further clarification of the TRIPS nationality concept and must hence be read together with sentence 1. It states that nationals referred to in the Agreement shall be deemed, in the case of a separate customs territory Member of the WTO, to mean persons, natural or legal, who are domiciled or who have a real and effective industrial or commercial establishment in that customs territory.³⁹ Accordingly, TRIPS recognizes, alike many other international treaties concerning the standing of individuals, other close links that can be demonstrated between the national and the Member, such as domicile, residence of effective establishment.⁴⁰ This approach is in line with the *effet util* jurisprudence of international courts and tribunals and, at the same time, accounts for the social roots and background of works and inventions.⁴¹ However, nationality of a Member is but one basis for the eligibility for protection under the TRIPS Agreement. Moreover, Art. 1.3, sentence 2 envisages protection to nationals of the contracting parties to certain IP conventions. The provision lists the Paris Convention, the Berne Convention, the Rome Convention and the IPIC Treaty as such treaties. The enumeration is exhaustive. Therefore, if nationals of one of the IP conventions meet the criteria relevant under those conventions, they will also benefit from the TRIPS disciplines.⁴² As a consequence of the incorporation by reference in Art. 2.1 TRIPS, the provisions of those conventions also bind Members that are not party to the respective Agreement.

21 The particular meaning of separate customs territories under footnote 1 is not entirely clear. While the EC is so far the only separate customs territory that is a Member to the WTO, the Panel in *EC—Trademarks and Geographical Indications* accepted the European submission that the EC is not a “separate customs territory Member of the WTO” within the meaning of footnote 1. It held that nationals of EC Member States, for the purposes of the TRIPS Agreement, are not defined by that footnote 1.⁴³ Accordingly, with respect to natural persons, under the domestic law of the European

³⁹ Customs Unions are acknowledged as independent Members. See *de Carvalho*, 63.

⁴⁰ This is also implied by the Panel’s findings in *EC—Trademarks and Geographical Indications*, WT/DS174/R, paras 7.191–7.205.

⁴¹ *Nottebohm case* (second phase) Judgement of 6 April 1955, ICJ Reports 1955, 4, 13 *et seq.*; *Islamic Republic of Iran and United States of America*, Decision No. DEC 32–A18–FT, at 25 (6 April 1984), reprinted in 5 IRAN-U.S. C.T.R. 251, 265 (“Case A18”).

⁴² Such as the MFN principle and the NT obligations as well as the enforcement mechanism.

⁴³ *EC—Trademarks and Geographical Indications*, WT/DS174/R, paras 7.191–7.205.

Community, any person who is a national of an EC Member State is a citizen of the European Union and, accordingly, an EC national, and with respect to legal persons, the domestic law of the European Community does not contain a specific definition of nationality, but any legal person considered a national under the laws of an EC member State would also be an EC national.

II. Nationals of Other Members

As a result of Art. 1.3, sentence 1, the TRIPS Agreement is exclusively applicable to matters of international reference.⁴⁴ Consequently, the TRIPS Agreement does not cover the domestic relationship between a Member and its nationals. In other words, Members remain free to determine the national standard of protection which may be lower or higher than under the TRIPS Agreement. In general however, Members will want to prevent discrimination against their own nationals and to adapt their respective laws on the protection of intellectual property at least to the level of the TRIPS Agreement. Failure to do so will result in **reverse discrimination**, the permissibility of which is judged on the basis of the respective Member's (constitutional) law. 22

III. Protection via Incorporated IP Conventions

1. General

Art. 1.3, sentence 2 refers to the criteria of protection (points of attachment) of the Paris Convention, the Berne Convention, the Rome Convention and the IPIC Treaty and thus leaves it to those conventions to determine who will be eligible for protection. As a result, protection is granted to natural and legal persons eligible for protection provided under the above-mentioned treaties. **Criteria for eligibility for protection** are those that tie in with the person or subject of the protection in question and that determine whether a specific subject may principally be considered for protection under the treaty. The **fiction of membership** to these treaties provided for in Art. 1.3, sentence 2 makes it clear that the criteria for eligibility for protection are also definitive for protection under TRIPS.⁴⁵ By this means, Art. 1.3 solves quite elegantly the problem of defining these criteria itself. In particular, the provision avoids the identification of the connecting factors of copyright, related rights and design protection. As a consequence, if a treaty to which reference is made in Art. 1.3 does not make protection 23

⁴⁴ *Inter alia Katzenberger*, in: *Beier & Schriker* (eds), 59, 70.

⁴⁵ *Cf.* the criticism with regard to a similar technique of reference in Art. 3 WPPT of *Ficsor*, 601 *et seq.*

depend on nationality but on circumstances that lay in the work as such; anyone fulfilling these treaty-specific criteria will come under the nationality concept of TRIPS.⁴⁶ This is irrespective of whether such person is a national of a WTO Member or not. Therefore, the ultimate determination of nationality for the purpose of TRIPS protection is left to each treaty. TRIPS does not add any further requirement.

- 24 Footnote 2 of Art. 1.3 specifies the determinative versions of the treaties that are incorporated by reference.

2. The Paris Convention

a) Relevant Provisions

- 25 The relevant provisions laying down the criteria of eligibility of protection under the Paris Convention are Arts 1–12 and 19 PC of its 1967 version as explicitly incorporated through Art. 2.1 TRIPS. Moreover, Sections 2–5 and 7 of Part II PC provide further clarification of those criteria and are thus also relevant to the TRIPS Agreement. Finally, if a Member exceeds the TRIPS standards with regard to IP that is covered by the Paris Convention, it must equally observe the relevant criteria.

b) Eligibility for Protection Under the Paris Convention

- 26 Art. 2.1 PC ties protection to the **criterion of nationality**. Hence, protection is to be granted to the nationals of other WTO Members. While determination of nationality, in principle, remains a national domain, Art. 2.2 PC requires that “no requirement as to domicile or establishment in the country where protection is claimed [...] be imposed upon nationals of countries of the Union for the enjoyment of any industrial property rights.” Beyond that, States are free to adopt rules on formal nationality for natural or legal persons.
- 27 In addition, Art. 3 requires that nationals of countries outside the Union who are domiciled or who have **real and effective industrial or commercial establishments** in the territory of one of the countries of the Union be treated in the same manner as nationals of the countries of the Union. Pursuant to Art. 24 PC, nationals of certain sovereign territories the responsibility for the foreign relations of which lies with a particular State are equal to the nationals of that State. With regard to the protection under TRIPS, this means that also persons that do not possess formal WTO Member nationality may enjoy protection if they prove a genuine link to a Member.

⁴⁶ *Correa*, 41.

The nationality of **natural persons** is determined in accordance with the law of the Member in question. Usually, stateless persons or refugees are not covered. In the event of a multiple nationality it suffices if the natural person in question is a national of one WTO Member. The nationality in question must be at the time of acquisition of the relevant protection right, which normally occurs when the right is claimed.⁴⁷ The criteria of domicile and establishment are alike formal nationality to be determined by the State in which protection is sought. 28

Legal persons are entitled to protection provided that they are legal persons of another WTO Member. This is *e.g.* the case for legal persons under public law or private legal persons that are under national law regarded as domestic in another Member.⁴⁸ According to the Anglo-American legal tradition, a domestic legal person is a legal person **incorporated** under the laws of the specific State, while pursuant to the Continental-European view a domestic legal person is a legal person of the State where it has its **seat of management**. Real and effective industrial or commercial establishment is assessed from an economic perspective. The presence of an industrial **branch** may thus suffice for purposes of protection if said branch genuinely carries out an economic activity. 29

From Art. 3 PC it follows that nationals of Union States that are not Members of the WTO but who fulfil the above-mentioned criteria of the Paris Convention are equal to nationals of WTO Members. However, the provision is subsidiary to Art. 2 PC *i.e.* it applies only if the person is not a formal national of a Union State and protection is sought in *another* Member. Nationals may thus not claim protection in their *own* countries on the ground that they have an establishment in another Member.⁴⁹ 30

3. The Berne Convention

a) Relevant Provisions

According to Art. 9.1 TRIPS, relevant provisions dealing with intellectual property, in particular with the eligibility for protection, are set out in Arts 1–21 of the Berne Convention. Sentence 2 of the provision however makes it clear that “Members shall not have rights or obligations under this Agreement in respect of the rights conferred under Article 6*bis* of that Convention or of the rights derived therefrom.” This standard of copyright 31

⁴⁷ See for further particulars with regard to the criteria of nationality *Bodenhausen*, Art. 2.1 PC, para. b.

⁴⁸ See Arts 4 *et seq.* ILC Draft Articles on Diplomatic Protection, Official Records of the General Assembly, Sixty-first Session, Supplement No. 10 (A/61/10).

⁴⁹ See also *Bodenhausen*, Art. 3 PC, paras c and d.

protection is further clarified by Arts 10–13 TRIPS and national copyright provisions of the Members.

b) Eligibility for Protection Under the Berne Convention

i) Nationality, Residence and First Publication

- 32 According to Art. 3.1 lit. a BC, authors who are **nationals** of a Union country enjoy protection for both their published and their unpublished works. Consequently, TRIPS copyright protection is conferred to the nationals of the other WTO Members. Because protection does not depend on a formal grant but follows automatically from the creation of the work, they may be different conceptions as to when nationality must be present for purposes of claiming rights in respect of the work. The vast majority of Members refer to the beginning of the copyright-claim which is for unpublished works the time of creation.⁵⁰ Others attach the nationally requirement to the time of the alleged infringement.⁵¹ If the infringement takes place after the death of the author, the author's nationality at the time of death is decisive.⁵² This approach reflects the strong connection between the work and its factual author which renders the nationality of legal successors redundant. Where a work owes its creation to the joint effort of several authors it often suffices if one of the co-authors is a national of a WTO Member.⁵³ If, however, the contributions of the authors may be distinct from each other, each part is to be assessed individually.⁵⁴ In accordance with Art. 31 BC, the nationals of certain sovereign territories the responsibility for the foreign relations of which lies with a Member may be granted the same protection as the nationals of that Member.
- 33 In accordance with Art. 3.2 BC, “authors who are not nationals of one of the countries of the Union but who have their **habitual residence**

⁵⁰ Cf. Sec. 154.1 read together with Sec. 154.4 lit. a and Sec. 154.5 lits a and b Copyright, Design and Patent Act (CDPA) of 1988—available at: http://www.opsi.gov.uk/acts/acts1988/UKpga_19880048_en_1.htm (last accessed 7 May 2008) or Sec. 32.1 lit. a Australian Copyright Act 1968—available at: <http://www.comlaw.gov.au/ComLaw/Legislation/ActCompilation1.nsf/framelodgmentattachments/585873DD102894C1CA25732300207841> (last accessed 29 May 2008); Sec. 2 lit. 1 Indian Copyright Act 1957—<http://education.nic.in/CprAct.pdf> (last accessed 29 May 2008).

⁵¹ Cf., for instance Sec. 154.1 read together with Sec. 154.4 lit. b CDPA 1988.

⁵² For instance Sec. 13 lit. c (2) (i) Indian Copyright Act 1957; Sec. 154.4 lit. b CDPA 1988. See on the whole issue of the time the nationality criterion becomes applicable and what happens, if the nationality of the authors changes, *Ricketson & Ginsburg*, paras 6.66–6.67.

⁵³ Cf. § 120.1, sentence 2 German Copyright Act (*UrheberG*, BGBl. I 1980, 1; as last amended by BGBl. I 2006, 1318). Also Sec. 82 Australian Copyright Act 1968 and 17 USC § 101, 104 lit. b (1). But Sec. 13 Explanation Indian Copyright Act 1957 where the conditions conferring copyright must be satisfied by all the authors of the work. UK copyright accounts in cases of joint authorship only to those authors who satisfy the nationality requirements (Sec. 154.3 CDPA 1988). See *Bainbridge*, 64.

⁵⁴ Cf., for instance, Sec. 7 CDPA 1988; Sec. 2 lit. z Indian Copyright Act 1956; § 8 German Copyright Act, Sec. 10 Australian Copyright Act 1968; 17 USC § 101.

in one of them shall [...] be assimilated to nationals of that country.” Therefore, the decisive aspect to be taken into consideration with regard to the TRIPS Agreement is habitual residence within the sovereign territory of a WTO Member. In contrast to the criterion of domicile, that of habitual residence is determined by actual circumstances, thus extending protection also to refugees or stateless persons.⁵⁵ If the habitual residence changes or the person resides in more than one place, national courts will have to elaborate guiding principles one of which could be the manner of use in the individual case.⁵⁶ Also with regard to the relevant time the habitual residence criterion becomes applicable, the Convention does not contain any specifics. Determination remains therefore a matter of national law of the country in which protection is sought.⁵⁷

Authors who are neither nationals nor habitual residents of a Member may nevertheless qualify for protection if their works were first published in one of the Members’ territory or published simultaneously in the sovereign territory of a WTO Member and another State, Art. 3.1 lit. b BC.⁵⁸ The notion of ‘**published works**’ is defined in Art. 3.3, sentence 1 BC,⁵⁹ according to which it is vital for any published work that it be published with the author’s consent and disseminated to the public in such manner “as to satisfy the reasonable requirements.” Thus, certain publications released without permission or on the basis of compulsory licences are excluded. Satisfaction of the reasonable requirements leaves room for an individual assessment according to the relevant circle of addressees. As set out in Art. 3.4 BC, simultaneous publication takes place if a work is released in two or more countries within thirty days of its primary publication. In such a case, both publications are protected. 34

ii) Cinematographic Works and Works of Art

From Art. 4 lit. a BC and Art. 1.3 TRIPS it follows that the authors of cinematographic works are protected under the TRIPS if they have their headquarters (for legal persons) or habitual residence (for natural persons) within the sovereign territory of a WTO Member. For co-productions, it is sufficient if one of the co-producers possess the headquarters or habitual residence in such territory.⁶⁰ Pursuant to Art. 4 lit. b BC, protection is conferred to “authors of works of architecture erected in a country of the 35

⁵⁵ This is also reflected in §§ 122, 123 German Copyright Act. Cf. 17 USC §§ 101, 104 lit. b (1). See also *Ricketson & Ginsburg*, para. 6.06.

⁵⁶ In principle to this problem, see *Ricketson & Ginsburg*, para. 6.09.

⁵⁷ Cf. also Sec. 154.1 lit. b CDPA 1988. See in further detail *Ricketson & Ginsburg*, paras 6.07–6.08.

⁵⁸ For the implementation in the US, see 17 USC § 101.1 lits A, B and C. and in Australia, see Sec. 32.2 Australian Copyright Act 1968; Sec. 13.2 (i) Indian Copyright Act 1957.

⁵⁹ Art. 3.3, sentence 2 BC refers to specific performances, which are not published works in terms of this provision.

⁶⁰ For the historical development of the provision, see *Ricketson & Ginsburg*, para. 6.16.

Union or of other artistic works incorporated in a building or other structure located in a country of the Union.”⁶¹ In case of lit. b, protection does not attach to the creator but to the place of erection or incorporation. By reference in Art. 1.3 TRIPS, this work-related criterion of Art. 4 lit. b BC does also apply to WTO Members.

iii) Protection in the Country of Origin of the Work

36 Art. 5 BC concerns both the standard of protection inside and outside the country of origin. Whenever the Convention is applicable by way of Arts 3 or 4 BC, the foreign works is to be granted national treatment (Art. 5.1, alternative 1) and the minimum standards of protection laid down in the Convention (Art. 5.1, alternative 2). Art. 5.3, sentence 1 BC makes it clear that the Convention does not apply in the country of origin the protection standard in which is governed by national law. The concept of the **country of origin** is defined in Art. 5.4 BC. It relates to the Union country of first publication (lit. a), to the Union country of first publication if simultaneously published also in non-Union countries (lit. b) and, for architectural or cinematographic works, to the Union country of erection or the maker’s headquarters/habitual residence respectively (lit. c).⁶²

37 However, any author who is **not a national of the country of origin of the protected work** shall enjoy in that country the same rights as national authors in accordance with Art. 5.3, sentence 2 BC. Therefore, the national regulatory autonomy recognized by sentence 1 is restricted to the extent that the country of origin of a work may not make the standard of protection depend on the nationality of the author. As a result, authors may irrespective of their nationality enjoy national treatment and protection under the Berne Convention provided that their works are first published, their works of art are erected or incorporated or the maker of their cinematographic works has the headquarter or habitual residence **in a country of the Union**. Protection will then tie in with the characteristics of the work instead of the nationality of the author. The TRIPS Agreement adopts this concept by reference in Art. 1.3.

4. The Rome Convention

a) Relevant Provisions

38 Different with regard to the Paris Convention and the Berne Convention, the TRIPS Agreement does not incorporate any provisions of the Rome

⁶¹ The work must be incorporated permanently and not only on a temporarily basis. See e.g. Sec. 32.3 Australian Copyright Act 1968; 17 USC § 101, 104 lit. b (4). Sec. 13.2 (iii) Indian Copyright Act 1957 requires location in India.

⁶² An excellent analysis of the concept of the country of origin is provided by *Ricketson & Ginsburg*, paras 6.53 *et seq.*; see also *Sterling*, para. 7.24.

Convention. Therefore, the criteria for eligibility for protection under the Rome Convention are relevant exclusively to the rights granted to performers, producers of phonograms and broadcasting organisations by Art. 14 TRIPS.

b) Eligibility for Protection

In accordance with Art. 4 lits a–c RC, protection under the Convention exclusively attaches to the **performance**. Pursuant to Art. 4 lit. a RC, performers shall be protected if “the performance takes place in another Contracting State.” Furthermore, Art. 4 lit. b RC provides for the protection of performances incorporated in a phonogram which is protected under Art. 5 RC. Finally according to Art. 4 lit. c RC, protection is granted for performances “not being fixed on a phonogram” but “carried by a broadcast” protected by Art. 6 RC. 39

Art. 5.1 RC deals with points of attachment for producers of phonograms. It provides that 40

1. Each Contracting State shall grant national treatment to producers of phonograms if any of the following conditions is met:
 - (a) the producer of the phonogram is a national of another Contracting State (criterion of nationality);
 - (b) the first fixation of the sound was made in another Contracting State (criterion of fixation);
 - (c) the phonogram was first published in another Contracting State (criterion of publication).

Accordingly protection pursuant to Art. 5 RC is triggered by place of first fixation of the sound or first publication of the phonogram, if the producer is not already a national of a Contracting State. However, Art. 5.3 RC entitles Contracting States not to apply the fixation or, alternatively, the publication criterion upon declaration and notification with the Secretary-General of the United Nations. Likewise, any State which, on October 26, 1961, grants protection to producers of phonograms solely on the basis of the criterion of fixation may, in accordance with Art. 17 RC, declare that it will apply the criterion of fixation alone by a notification deposited with the UN Secretary-General at the time of ratification, acceptance or accession. Arts 14.6 and 1.3, sentence 3 TRIPS recognize the Members’ autonomy to provide for conditions, limitations, exceptions and to make reservations to the extent permitted by the Rome Convention. The latter provision, however, slightly modifies Arts 5.3 and 17 RC and requires the Members to file their notifications to the Council for TRIPS. Art. 5.2 RC contains provisions on simultaneous publication that correspond to Art. 3.4 BC. 41

Art. 6.1 RC specifies the points where protection attaches to for broadcasting organizations. The provision makes the grant of national treatment depend on the fulfilment of either condition namely: 42

- (a) the headquarters of the broadcasting organisation is situated in another Contracting State;
- (b) the broadcast was transmitted from a transmitter situated in another Contracting State.

43 In accordance with Art. 6.2 RC, both conditions may be combined. As made clear by Art. 1.3, sentence 3 TRIPS, Members availing themselves of such limitation of protection are obliged to notify to the Council for TRIPS.

5. The IPIC Treaty

44 The Treaty on Intellectual Property in respect of Integrated Circuits (IPIC Treaty) is, in part, incorporated into the TRIPS Agreement. Art. 35 TRIPS obliges Members to observe Arts 2–7 (with the exception of Art. 6.3), 12 and 16.3 of the IPIC Treaty. With regard to the eligibility of protection, the IPIC Treaty attaches to **formal or effective nationality** and distinguishes between natural and legal persons. Art. 5.1 (i) IPIC Treaty provides that natural persons who are nationals of, or are domiciled in the territory of any of the other Contracting Parties be protected. Under Art. 5.1 (ii) IPIC Treaty, protection is conferred to “to legal entities which or natural persons who, in the territory of any of the other Contracting Parties, have a real and effective establishment for the creation of layout-designs (topographies) or the production of integrated circuits.” By reference in Art. 1.3, the nationality concept of IPIC also applies to WTO Members.

Article 2* Intellectual Property Conventions

1. In respect of Parts II, III and IV of this Agreement, Members shall comply with Articles I through 12, and Article 19, of the Paris Convention (1967).
2. Nothing in Parts I to IV of this Agreement shall derogate from existing obligations that Members may have to each other under the Paris Convention, the Berne Convention, the Rome Convention and the Treaty on Intellectual Property in Respect of Integrated Circuits.

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A. Concept

Art. 2 is part of a wider context. It was intended to fulfil the wish expressed in the Preamble to create “a mutually supportive relationship between the WTO and the World Intellectual Property Organization.” A comprehensive overhaul of the international law regarding intellectual property under the auspices of the WTO was rejected, because the conventions administered by WIPO already formed a solid foundation for the project. The conventions’ sustainability suffered only from the drawback that their various memberships did not overlap enough and that they were, on several points, not able to protect intellectual property satisfactorily on a worldwide level as part of a comprehensive world trade order. In addition, during the negotiations regarding the TRIPS Agreement it was not considered realistic to bring the membership of individual conventions regarding the protection of intellectual property exactly into line with the corresponding conventions of the WTO via mandatory membership and ratification.¹ The TRIPS Agreement avoids these problems by means of a material reference, in the form that it obligates its Members, regardless of whether or not the convention in question has been ratified, to apply and conform to particular material rules of convention law.

¹ Cf. also: *Stoll & Raible*, in: *Prieß & Berrisch* (eds), 572.

- 2 Art. 2 pursues **two connected goals: Para. 1** incorporates the material provisions of the Paris Convention in their most protective form, namely that of the 1967 Revision of Stockholm (also referred to as Paris Convention (1967)), into the TRIPS Agreement. These adapted² provisions are intended to form a uniform starting point for commercial legal protection across the WTO. The other TRIPS regulations materially supplement and concretize these Paris Convention provisions (*e.g.* extending the priority rule of Art. 4 PC to service marks through Art. 62.3 TRIPS; limitation of the matter excluded from patentability in Art. 27.2 TRIPS) or, by means of different interpretation standards, giving them a wider content (so-called “**Plus-Elements**”). The convention rules are also materially supplemented by their adaptation, because it enables the enforcement procedures and remedies of Arts 41 *et seq.* and the WTO **dispute settlement procedure** to be applied to them.³ Furthermore, the Council for TRIPS has jurisdiction to consider the adapted Paris Convention regulations, which contributes to a uniform interpretation. Art. 2.1 also stipulates that the regulations of the Stockholm Revision are applicable to those Members which have not joined the Paris Convention or have joined, but not its latest version. It should be noted, however, that in some points, TRIPS follows a “**Paris Minus**”-Approach.⁴ For example, in respect of patent protection, TRIPS protection is less generous than the protection guaranteed by the original Art. 4*bis* PC due to the existence of Art. 6 TRIPS.⁵
- 3 **Para. 2** is intended to ensure that the most important international agreements in the area of intellectual property rights will not have their validity infringed upon by the regulations of the TRIPS Agreement. Even after the TRIPS Agreement comes into force, the Members will still have to fulfil the duties they have undertaken in previous conventions.

B. Historical Development

- 4 The question whether, and to which degree, the current conventions administered by WIPO and pertaining to intellectual property law should form the basis of the TRIPS Agreement was debated during the entire Uruguay Round. WIPO itself fed the debating process with background information regarding the object and development of the conventions. Furthermore, WIPO was not supposed to have anything more than an observer status.⁶

² Regarding this term, see *Brand*, Article 9, para. 11.

³ *Ibid.*, para. 3.

⁴ Explicitly *de Carvalho*, para. 2.16.

⁵ See footnote to para. 95 below.

⁶ Negotiation Group on TRIPS, including Trade in Counterfeit Goods, Meeting of 10 June 1987, Note by the Secretariat, MTN.GNG/NG11/2, 23 June 1987; *cf.* also the

After a proposal of the European Community to oblige the Members to join the Paris Convention, the revised Berne Convention and the Rome Convention, failed due to practical reasons,⁷ an Australian proposal, the so-called “Incorporation Solution”, from July 1989 was adopted. This proposal recommended the incorporation of the material provisions of the Paris Convention and revised Berne Convention into TRIPS via a cross-reference.⁸ In contrast to the Berne Convention,⁹ after some initial debates between industrial and developing States regarding the patent regulations of the Paris Convention,¹⁰ a consensus was reached on the extent to which they should be incorporated and differences of opinion were dropped. During the further course of the Uruguay Round, the text of Art. 2.1 remained therefore largely unchanged. The Anell Draft of 23 July 1990 still referred to the incorporation of the “material regulations”, referring to both the Berne Convention and Paris Convention. In the Brussels Ministerial text, the reference to the Berne Convention was considered redundant and removed, because it contained no more content than was already present in Art. 9.1 TRIPS. Later the reference to “material” or “relevant” provisions was replaced by a specific and exhaustive list of the referenced provisions in order to prevent diverging interpretation. This, however, did not affect the content. Only in the Brussels Draft was Art. 2.2 finally included in TRIPS.¹¹ The *travaux préparatoires* do not give much information regarding the motives of the negotiating parties for this.

C. Adaptation of the Paris Convention (Art. 2.1)

Art. 2.1 obliges WTO Members to “comply” with the material provisions of the Paris Convention at their highest level of protection, namely the version from the Stockholm Act 1967. The choice of the word “comply”¹² indicates that the Members have an active duty to bring their laws into

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rejected application of WIPO’s General Director, Arpad Bogsch, with a request for the full participation of WIPO in the Uruguay Round: Negotiation Group on TRIPS, including Trade in Counterfeit Goods, Communication from the Director General of the World Intellectual Property Organization, MTN.GNG/NG11/W/1, 25 February 1987; see also: *UNCTAD/ICTSD*, 40 *et seq.*

⁷ See *Brand*, Article 9, para. 2.

⁸ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Standards and Norms for Negotiations on Trade-Related Aspects of Intellectual Property Rights, Communication from Australia, MTN.GNG/NG11/W/35, 12 July 1989, 1 *et seq.*; see also *Brennan*, Retransmission, 66 *et seq.*; *Ross & Wasserman*, in: *Stewart* (ed.), 2241–2271.

⁹ *Cf. Brand*, Article 9, para. 2.

¹⁰ *Cf. Negotiation Group on TRIPS*, including Trade in Counterfeit Goods, Meeting of 12–14 July 1989, Note by the Secretariat, MTN.GNG/NG11/14, 12 September 1989, paras 67–85.

¹¹ See *UNCTAD/ICTSD*, 43–48.

¹² For a comprehensive interpretation of this term, see: *UNCTAD/ICTSD*, 48 *et seq.*

conformity with the adapted Paris Convention provisions: Through Art. 2.1, Arts 1–12 and Art. 19 PC become integral parts of this Agreement. They must be interpreted to apply to “WTO Members” and not to “countries of the Union.”¹³ Art. 1.3, which establishes the legal fiction that all Members are Union parties of the WIPO administered conventions, supports such a reading.¹⁴ Consequently, Art. 2.1 contains a **prohibition on differential treatment**. The provisions are valid independently of whether or not a WTO Member is simultaneously a Union country under the Paris Convention or not,¹⁵ and this includes those provisions of the Paris Convention, which according to their wording only attribute rights and duties to “countries of the Union.” Any contrary opinion would violate the purpose of Art. 2.1 that the Members unanimously declared during the Uruguay Round, namely to create a uniform minimum standard with the cross-reference in this norm.

- 6 Art. 2.1 is a **parallel rule to Art. 9.1, sentence 1**, which adapts the proprietary regulations of the Berne Convention onto the level of the 1971 Revision of Paris, **and to Art. 35**, which incorporates certain provisions of the Treaty on Intellectual Property in Respect of Integrated Circuits (IPIC Treaty), which has not yet entered into force. In regards to their purpose and *modus operandi*, the three provisions are to be **interpreted in the same manner**. **Dispute settlement decisions**, which have been issued regarding the *modus operandi* of one provision can therefore also be applied to the other two. The position of Art. 2.1 in Part I (General Provisions and Basic Principles) is justified by the fact that the Paris Convention—in contrast to the Berne Convention and IPIC Treaty adapted through Art. 9.1 and Art. 35 respectively—does not regulate a single intellectual property right, but rather contains provisions regulating the entire area of commercial legal protection including the law regarding unfair competition. Considering the overlap between the adapted Paris Convention provisions and the rest of the TRIPS regulations, it would, however, have been more concise and clearly arranged to place the relevant regulations in the second section of TRIPS, which regulates protective rights.

I. Nature of the Reference

- 7 The reference to the norms of the Paris Convention in Art. 2.1 is—like the corresponding references in Art. 1.3, Art. 3.1, Art. 15.2, Art. 16.2 and

¹³ *de Cavalho*, para. 2.16; regarding the parallel provision of Art. 9.1 see *US—Section 110(5) Copyright Act*, WT/DS160/R, para. 6.18.

¹⁴ Also *Elfring & Arend*, Article 1, para. 23.

¹⁵ Similar, *US—Section 211 Appropriations Act*, WT/DS176/AB/R para. 125; *UNCTAD/ICTSD*, 50; *de Cavalho*, para. 2.16; *Stoll & Raible* in: *Prieß & Berrisch* (eds), 572; *Weiß & Herrmann*, para. 920; of a different opinion is *Nolff*, 33 *et seq.*

3, Art. 22.2 lit. b, Art. 39.1, Art. 62.3 and Art. 63.2, sentence 3—**static**. A future successful revision of the Paris Convention would not change the obligations of the Members in any way. This follows from footnote 2 to Art. 1.3, which differentiates between a reference to the “Paris Convention” and the “Paris Convention 1967”. Only the former, which is only applied in Art. 2.2, is a **dynamic reference**, including the provisions of the Paris Convention in their current version. The Members’ obligation to observe Arts 1–12 and 19 PC is not merely a reference to the text of the provisions. If the negotiating partners of the Uruguay Round had wanted that, they could have written the same or similar provisions word for word into TRIPS.¹⁶ In regards to the related reference in Art. 9.1 TRIPS to the provisions of the Berne Convention, it is generally accepted that with these provisions the Berne *Acquis* was simultaneously adopted into TRIPS.¹⁷ The same principle applies to the *Acquis* of the Paris Convention.¹⁸ Along with the practice of the countries of the Union up to 1 January 1995, the *travaux préparatoires* of the revisional conferences to the Paris Convention, as well as the consultations and resolutions made there must be considered in interpreting and applying the adopted norms in the framework of Arts 31–33 VCLT.¹⁹ Accordingly, due to reasons of timing, the **Joint Recommendation Concerning Provisions on the Protection of Well Known Marks** from 1999 does **not** belong to the *Acquis*,²⁰ whereas the unanimous decision of the Union countries that the norms of the Paris Convention can be directly applied, as well as the **pre-existing interpretation of relevant terms**, such as “expiration” (Art. 5A PC) or “trade names” (Art. 8 PC).²¹

The Members’ obligation to adhere to the provisions of the Paris Convention is, however—like the reference to the provisions on the Berne Convention in Art. 9.1—**not a simple incorporation** of the Paris Convention provisions *telles-quelles*.²² This is made apparent by the limitation of the obligation in Art. 2.1 to “Parts II, III and IV” of the TRIPS Agreement which contain rules regarding the availability, scope and exercise of intellectual property rights, as well as their implementation, acquisition and perpetuation. These are the areas of intellectual property law which the Paris Convention also regulates. The Preamble, the General Provisions and Basic Principles of

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¹⁶ Abbott, in: Petersmann (ed.), 413, 420 *et seq.*; Netanel, VA. J. Int’l L. 37 (1997) 2, 441, 452.

¹⁷ US—Section 110 (5) Copyright Act, WT/DS160/R, paras 6.62 *et seq.*; Brennan, 71; Gervais, EIPR 26 (2004) 2, 75, 79; Netanel, VA. J. Int’l L. 37 (1997) 2, 441, 445.

¹⁸ Also Canada—Pharmaceutical Patents, WT/DS114/R; para. 7.14; critical, but agreeing in the final result UNCTAD/ICTSD, 51.

¹⁹ Regarding this time limitation, see *Brand*, Article 9, para. 19.

²⁰ Joint Recommendation Concerning Provisions on the Protection of Well Known Marks (WIPO), 20–29 September 1999, available at: <http://www.wipo.org/news/en/index> (last accessed 25 March 2008).

²¹ See in more detail paras 82, 100 below.

²² Likewise UNCTAD/ICTSD, 52; *Hermes*, 246; Netanel, VA. J. Int’l L. 37 (1997) 2, 441, 449 *et seq.*; of a different opinion is Abbott, in: Petersmann (ed.), 413, 421; Brennan, 73.

Part I and the rules regarding Dispute Prevention and Settlement between Members of Part V of the Agreement are excluded from the effect of Art. 2.1. The Preamble as well as the regulations of Parts I and V of the TRIPS Agreement must, however, be taken into consideration when interpreting the referenced Paris Convention provisions. In particular the General Provisions and Basic Principles of the TRIPS Agreement, as well as the Preamble can lead to stronger trade-related reading of the adapted provisions in certain cases. This **TRIPS Dimension** of the referenced provisions means that the interpretation of the original Paris Convention provisions and those taken over by TRIPS will deviate from each other in the future. For Members that are simultaneously union countries of the Paris Convention this could, in some cases, lead to a **conflict between their obligations stemming from the Paris Convention and their rights and obligations according to TRIPS**.²³ Therefore, contrary to practically universal practice, one cannot speak of an “incorporation” of the Paris Convention provisions into the TRIPS Agreement. Incorporation only exists in those cases where a legal text or legal concept is taken up in such a way that its identity is preserved.²⁴ Considering the trade-related cloak in which TRIPS wraps the absorbed Paris Convention provisions, it is better to speak of an **adaptation**.

- 9 In scholarly literature, a very far-reaching effect of this adaptation is sometimes assumed. TRIPS is supposed to have unhinged the Paris Convention—and also the Berne Convention through Art. 9.1, sentence 1—from its context, which provides rights only for non-nationals.²⁵ A correct reading of the Agreement does **not**, however, permit the inference that the adapted provisions are **relevant** for **purely domestic cases**.²⁶ This is made apparent by the unambiguous wording of Art. 1.3, according to which the Agreement only grants rights and duties *vis-à-vis* the nationals of other Members. Reverse discrimination against own nationals therefore remains possible.²⁷

²³ See for more detail para. 114 below.

²⁴ See the evidence provided by *Brand*, Article 9, para. 11.

²⁵ *Drexler*, 321; *Henning-Bodewig*, in: *Schricker & Henning-Bodewig* (eds), 21, 33 *et seq.*; *Reger*, 291; the draft of the United States of 1988 remains unclear. See Negotiation Group on TRIPS, including Trade in Counterfeit Goods, Suggestion by the United States for Achieving the Negotiating Objective, Revision MTN.GNG/NG11/W/14/Rev.1 17 October 1988, para. 4, which states that the “contracting parties shall *in their domestic law* comply [...]” (Emphasis added).

²⁶ See *Brand*, Article 9, para. 12.

²⁷ Cf. inter alia *Elfring & Arend*, Article 1, para. 22; *Weiß & Herrmann*, para. 917; *Katzenberger*, in: *Beier & Schricker* (eds), 59, 70.

II. Direct Applicability

Arts 1–12 and Art. 19 Paris Convention can in their adapted form be directly applied, as long as the constitutional law of the respective Member permits a direct applicability of international regulations.²⁸ This requires that the Paris Convention provisions in question have the character of private legal rules, and furthermore that they are sufficiently clear, specific and unconditional. That the wording of Art. 2.1 only stipulates an obligation for the Members does not speak against a direct applicability of the adapted Paris Convention norms.²⁹ The wording is irrelevant, because the Preamble to TRIPS describes the rights granted by the Agreement, which include the adapted provisions, as “private rights”. Furthermore, outside of TRIPS, the possibility of a direct effect of the Paris Convention provisions has already been acknowledged,³⁰ and there are no indications that the Members wanted to do away with this effect within the framework of world trade law.

Of the adapted provisions, the regulations regarding the material and personal scope of applicability (Arts 2, 3 PC), as well as the regulations regarding national treatment of non-nationals (Art. 2.1 PC) fulfil the requirements of private law, and those of clarity, specificity and unconditionality. Regarding the minimum rights of the holder of an intellectual property right, the **general regulations** of the priority rights of Art. 4 PC, the grace period for the payment of maintenance fees of Art. 5*bis*.1 PC, and the protection at international exhibitions of Art. 11 PC, as well as the **trademark rules** of Arts 5C, 6–6*quinquies*,³¹ 6*septies*, 7, 7*bis*.1,³² and 8 PC,³³ the **patent rules** of Arts 4*bis*–4*quater*,³⁴ 5*ter*,³⁵ 5*quater*³⁶ and Art. 5A with the exception of para. 2,³⁷ and finally the **unfair competition rules** of Art. 10*bis* PC³⁸ are directly applicable. The limitations which the adapted

²⁸ *Hermes*, 247; *Kreibich*, 165 *et seq.*; regarding the direct applicability of TRIPS in general see *Elfring & Arend*, Article 1, paras 5–7; *Drexel*, GRUR Int. 43 (1994) 10, 777, 779; *Reger*, 82 *et seq.*; *Staelin*, 138; and with particular regard to the EC see *Kaiser*, Introduction III, paras 33 *et seq.*

²⁹ *Duggal*, IPRax 2002, 101, 105; in contrast *Reger*, 296.

³⁰ *Bundesgerichtshof, Öffentliche Schallplattenübertragung*, BGHZ 11, 135, 138; *Hermes*, 247.

³¹ *Bodenhausen*, History and Principal Rules, para. 4; particularly for Art. 6*bis* PC, see *Kür*, GRUR 96 (1994) 5, 330, 334; of a different opinion: *Miosga*, 49; of a different opinion regarding Art. 6*ter* PC: *Baumbach & Hefermehl*, Art. 6*ter* PC, para. 1; *Ladas*, 566; in this regard of the same opinion expressed here *Marbach & Hiltl & Meisser* (eds), 350.

³² *Bodenhausen*, Art. 7*bis* PC, para. b.

³³ *Ibid.*, History and Principal Rules, para. 4.

³⁴ *Ibid.*

³⁵ *Ibid.*

³⁶ *Ibid.*; *Gansser*, IIC 11 (1980) 1, 1, 17; *Kunz-Hallstein*, GRUR Int. 32 (1983) 6–7, 548, 550.

³⁷ *Bodenhausen*, Art. 5A PC, para. a.

³⁸ *OLG Nürnberg, IP-Rechtsprechung* 1983, No. 123, 304, 305 *et seq.*; *Beater*, § 4, para. 13; *Bodenhausen*, Art. 10*bis* PC, para. b; *Reger*, 17; *Schricker*, in: *Großfeld* (ed.), 985, 988 *et seq.*; of a

provisions of the Paris Convention impose on the legal acts of the Members, take on a direct effect³⁹ via the minimum rights in the semi-rigid system.⁴⁰ In contrast, Arts 10*ter*, 12 and 19 PC, which do not establish private rights, the open regulation regarding service marks in Art. 6*sexies* PC, as well as the confiscation rules of Arts 9 and 10 PC are not directly applicable. The claims regulated therein require that appropriate national laws regarding confiscation are in place.⁴¹

- 12 Since not only the Member States of the European Community, but also the European Community itself is a Member to the WTO, Art. 2.1 TRIPS makes Arts 1–12 and Art. 19 PC in their adapted form a **part of the law of the European Community**, the interpretation of which lies under the jurisdiction of the ECJ. On the level of European Community law, those provisions of the Paris Convention which fulfil the necessary requirements must also be **directly applied**.⁴² This is significant for the developing European intellectual property law (up to this point in the areas of commercial protection: Community trademarks and Community designs). These rules of community-wide intellectual property protection must satisfy the standards of the **adapted Paris Convention provisions**.

III. Interpretation

- 13 According to Art. 29.1 lit. a PC only the French text of the convention is authentic. According to Art. 29.1 lit. c PC in cases of doubt the French text is therefore authoritative. Within the framework of TRIPS this rule does not apply, because Art. 2.1 does not contain a reference to Art. 29 PC. Instead, the adapted provisions must be interpreted under Art. XVI WTO Agreement, according to which the **English, French and Spanish** texts of WTO documents are all equally authoritative. This means that Art. 33 VCLT must be applied. According to Art. 33 VCLT, differences in terminology in different equally authentic texts must be interpreted in such a way that the various terms have the same meaning. WTO panels have also made it clear that they are following this practice, an example being the interpretation of the adapted provisions of the Berne Convention in *US—Section 110 (5) Copyright Act*.⁴³ The WTO rules regarding the authentic-

different opinion: *Baumbach & Hefermehl*, Art. 10*bis* PC, para. 1; *Fezer*, Art. 10*bis* PC, paras 1 *et seq.*; *Miosga*, 107 *et seq.*

³⁹ Decisively for Art. 13 BC as adapted via Art. 9.1, sentence 1 TRIPS, see *Bundesgerichtshof, Öffentliche Schallplattenübertragung*, BGHZ 11, 135, 139; for the corresponding regulations of the Paris Convention, see *Bodenhausen*, History and Principal Rules, para. 3.

⁴⁰ See para. 121 below.

⁴¹ *Hermes*, 255, fn. 257; *Marbach & Hilti & Meisser* (eds), 352.

⁴² See in further detail *Brand*, Article 9, para. 15.

⁴³ *US—Section 110 (5) Copyright Act* (17 U.S.C. §§ 101–1332), WT/DS160/R, para. 6.229, fn. 204.

ity of the linguistic version of the Paris Convention provisions do not alter a **pre-existing interpretation of the terminology**, which, as a Paris *Acquis*, must be considered within the framework of TRIPS.

Originally, according to Art. 28.1 PC, the ICJ was and is the competent **institution** for the interpretation of the Paris Convention.⁴⁴ However, this basic rule does not apply to Arts 1–12 and Art. 19 PC within the TRIPS Agreement. In the absence of a reference to Art. 28 PC, Art. IX:2, sentence 1 WTO Agreement is to be applied instead, according to which an official interpretation of the “incorporated” provisions of the Paris Convention can be made exclusively by the Ministerial Conference and the General Council, which exercise their interpretational prerogatives on the recommendation of the Council for TRIPS. The decisions of the panels and Appellate Body also *de facto* contribute to the interpretation process, but are only formally binding *inter partes*.⁴⁵ 14

For the interpretation of the adapted Paris Convention provisions, Arts 31–33 VCLT are to be applied **methodically**. Within the context of dispute settlement, this follows from Art. 3.2 DSU.⁴⁶ Art. 30 VCLT is not applicable, because the adapted provisions of the Paris Convention came into force as TRIPS provisions at the same time as all the other provisions of the Agreement.⁴⁷ 15

IV. Significance of the Reference

The adaptation of the material law of the Paris Convention is particularly significant in two regards: the most tangible is the influence of the **term intellectual property** in Art. 1.2 TRIPS and therefore the scope of the Agreement. The adapted provisions of the Paris Convention expand the term intellectual property beyond the literal reading of Art. 1.2.⁴⁸ This was acknowledged by the Appellate Body in its report in the *US—Section 211 Appropriations Act*,⁴⁹ contrary to the opinion of the Panel.⁵⁰ This means foremost that Members must provide protection for trade names (Art. 8 PC)⁵¹ and against unfair competition (Art. 10*bis* PC).⁵² Neither of these 16

⁴⁴ More detailed is *Bodenhausen*, Art. 28 PC, para. b.

⁴⁵ *Japan—Alcoholic Beverages*, WT/DS8/AB/R para. 14; see also *Rogers & Whitlock*, Am. U. Int'l L. Rev. 17 (2002) 3, 481 *et seq.*

⁴⁶ *Netanel*, VA. J. Int'l L. 37 (1997) 2, 441, 449 *et seq.*

⁴⁷ *US—Section 110 (5) Copyright Act*, WT/DS160/R, para. 6.41.

⁴⁸ See in further detail *Elfring & Arend*, Article 1, paras 14–20.

⁴⁹ *US—Section 211 Appropriations Act*, WT/DS176/AB/R, paras 333 *et seq.*; also the ECJ in C-245/02, *Anheuser Busch*, [2004] E.C. R. I-10989, Rec. 91; regarding the entire issue: *Heim*, GRUR Int. 54 (2005) 7, 545, 547 *et seq.*

⁵⁰ *US—Section 211 Appropriations Act*, WT/DS176/R, para. 8.41.

⁵¹ See paras 81–83 below.

⁵² See paras 109–111 below.

areas of intellectual property protection was mentioned in the original TRIPS provisions.

- 17 Furthermore, Art. 2.1 has particular significance for those Members who have not joined the Paris Convention, or have not joined it in its 1967 version, for those Members who were unable to join the Paris Convention at all⁵³ and, finally, for those who are not obligated on the basis of other international treaties—especially on the basis of Art. 5.1 lit. a, Protocol 28 to the Agreement Creating the European Economic Area⁵⁴—to observe the material standards of the Paris Convention. They are entitled and obliged to provide legal protection according to the requirements of the 1967 standard, thereby becoming **de facto countries of the Union**. On 23 July 2008, 21 of 153 WTO Members, twelve of whom did not belong to the Paris Convention at all,⁵⁵ and nine which had joined the Paris Convention, but not in its latest version,⁵⁶ belonged to the group of Members for whom Arts 1–12 and Art. 19 PC are not directly applicable.
- 18 How **effective** Art. 2.1 is, is made apparent by the fact that a total of 26 Members joined the Paris Convention or ratified Arts 1–12⁵⁷ in the 1967 Stockholm version after joining the WTO. Seven Members became parties of the Paris Convention shortly before their accession to the WTO.⁵⁸ The reaction of the Members to Art. 2.1 is thus very similar to that observed for Art. 9.1, sentence 1.⁵⁹ Such behaviour is sensible to the extent that the relevant Members by acceding to the Paris Convention receive a right to participate in the institutions of WIPO,⁶⁰ and thus move up from a position as *de facto* Union countries to full members. This full membership is particularly attractive when a State is interested in bringing the Paris Convention

⁵³ These are the European Community, the Holy See and Hong Kong, which now belongs to China, but which joined the WTO on the 1.1.1995, at which time it was still a colony of the United Kingdom.

⁵⁴ Printed in BGBl. II 1993, 414.

⁵⁵ Next to the European Communities, the Holy See and Hong Kong, these were Brunei, Cape Verde, Fiji, Macao, Macedonia, the Maldives, Myanmar, the Solomon Islands, Taiwan and Thailand.

⁵⁶ The following States belong to this group: Argentina (for Arts 1–12 PC: Lisbon version), the Bahamas (for Arts 1–12 PC: Lisbon version), the Dominican Republic (The Hague version), Malta (for Art. 1–12 PC: Lisbon version), New Zealand (for Arts 1–12 PC: London version), Nigeria (Lisbon version), the Philippines (for Arts 1–12 PC: Lisbon version), Zambia (for Arts 1 PC: Lisbon version), Sri Lanka (for Arts 1–12 PC: London version) and Tanzania (for Arts 1–12 PC: Lisbon version).

⁵⁷ Iceland and Canada had ratified Arts 13–30 PC in the Stockholm version before their accession to the WTO.

⁵⁸ Albania, Oman, Nepal, Panama, Pakistan, Saudi Arabia, St. Kitts & Nevis, as well as Turkey, which had, however, observed Arts 12–30 PC in the Stockholm version since 16 May 1976.

⁵⁹ Cf. *Brand*, Article 9, para. 23.

⁶⁰ On this topic see already *Drexel*, 330.

provisions to bear in an authentic manner, *i.e.* without the TRIPS-conditioned interpretation and application particularities.

V. Fundamental Concepts and Development of the Paris Convention

The Paris Convention is a multilateral international treaty, through which 19 in 1883 the contracting parties joined together to form a Union as a subject of international law for an unspecified period of time, the so-called “Paris Union”, Arts 1, 16, 18 PC.⁶¹ Starting with 14 founding States, which, amongst others, did not include Germany,⁶² by 1 August 2008, the Paris Union counted 173 States, including all European and almost all major non-European States, among them the People’s Republic of China. The purpose of the Paris Convention is the protection of industrial property. According to Art. 1.2 PC, this includes patents, utility models, industrial designs or models, trademarks, service marks, trade names and indications of source or appellations of origin, as well as protection against unfair competition, but no *sui generis* rights of plant breeder protection or copyright law. The latter is given an international area of reference by the Berne Convention, the UPOV Convention is concerned with the protection of new varieties of plants.⁶³

The Paris Convention has been reformed at revisional conferences approximately every ten years. This was planned from the very beginning (*cf.* 20 Art. 18.1 PC), in order to adjust the union system to the factual and legal developments in the member countries, and to enable the increasing uniformity of industrial protection laws. In total, six successful revisions have taken place, in Brussels (1900), where an additional protocol to the Paris Convention was passed, Washington (1911), The Hague (1925), London (1934), Lisbon (1958), and Stockholm (1967).⁶⁴ A further revisional conference began with a meeting in Geneva (1980), a second meeting in Nairobi (1981) and culminated in a third meeting, again in Geneva (1983). It failed, however, due to irreconcilable conflicts of interest between the developed

⁶¹ Regarding the legal status of the Union and its effects on the union principal, see *Buck*, 108 *et seq.*

⁶² The reason for the German reticence was, on the one hand, the particularities of the German patent law which had just been passed in 1877, and on the other hand, the foreign policy of Bismarck, which relied on bilateral as opposed to multilateral treaties; for more detail see *Beier & Kur*, GRUR Int. 40 (1991) 10, 677, 678. Under pressure from German industry, the government agitated for an amendment to the provisions of the Union regarding priority and compulsory working; after these amendments were made in the Brussels Additional Protocol of 1900, Germany declared its accession effective from 1 May 1903; in this regard, see *Piehler*, 17.

⁶³ See *Byrne*, *passim*.

⁶⁴ Two further revisional conferences in Rome 1886 and in Madrid 1890 failed; *cf. Bogsch*, Industrial Property 1983, 187, 195.

and developing States. Since then, no further efforts have been made to attempt a new revision of the Paris Convention.⁶⁵

- 21 The revisional activity contributed to the continual adjustment of the entire regulatory system to the changing times. However, it always remained an exercise in mending holes and has led to the fact that today many **elements of the Convention are neither linguistically nor structurally clear**: The text of the provisions, which is today five times as long as the original from 1883, has kept the numeration of the Articles as it appeared in the original version. New provisions were inserted with a Latin suffix (*e.g.* Art. 4*ter* PC). Provisions that became too extensive during the revisional process were sometimes broken up into several norms, which in addition to their original number, carry a Latin capital letter, to indicate their original connection (*e.g.* Art. 5A PC).
- 22 The Paris Convention did not create an international uniform law of industrial protection, neither did it create transnational intellectual property rights. The interests and views of the Union States were too disparate for such an accomplishment. In the main, the Paris Convention pursued **four goals**: first, the worldwide circulation of the idea of industrial protection, second, the standardization of the various protections provided, third, the gradual improvement of the protection of industrial property, until all Union States reached a common basic level, and fourth, the streamlining of the process for attaining international protection.⁶⁶
- 23 In working towards the achievement of the second goal (standardization) the Paris Convention leaves the various national protective laws of the parties fundamentally intact. Similarly, it does not disturb the principle of **territorial sovereignty**, according to which industrial protection laws are limited in effect to the territory of the State in question. Instead the Convention aims to ensure international protection of industrial activity through the principle of **national treatment**: According to Arts 2 and 3 PC, in the Union States there can be no separate, less favourable law for non-nationals; the Union States are obliged to give all those who conduct business activities, who are nationals of another Union State or have their place of residence or their commercial headquarters in another Union State, at least the same protection within their jurisdiction as they would their own citizens according to national law (principle of assimilation). The Paris Convention does not follow the principle of reciprocity.⁶⁷ The domestic protection that is to be offered on the basis of the Paris Convention cannot be denied to

⁶⁵ Regarding the failure of the revisional process see *Kretschmer*, GRUR 85 (1983) 1, 20.

⁶⁶ *Beier*, GRUR Int. 32 (1983) 6–7, 339, 341.

⁶⁷ *Bodenhausen*, History and Principal Rules, para. 3; *Ullmann*, in: *Benkard* (ed.), para. 15; *Ballreich*, GRUR Int. 32 (1983) 6–7, 470, 475; critical *de Carvalho*, para. 2.6.

foreign Union citizens on the grounds that corresponding protection would not be forthcoming in the foreign national's State of origin.

The pursuit of the third goal (**minimum protection**), that was already envisaged at the original conference in 1883, proved difficult. From revisional conference to revisional conference, more and more minimum protection for holders of industrial property was accomplished slowly and with great effort, *e.g.* the priority rule (Art. 4 PC) or the right of the inventor to be mentioned in the patent (Art. 4*ter* PC). Through the guarantee of these minimum rights the Paris Convention also effects the standardization of the national law of its contracting parties. The same goal is pursued by various obligations regarding legislative activity that the Convention obliges its parties to fulfil. 24

VI. Examination of the Provisions in Detail

The adapted norms of the Paris Convention will be discussed systematically in the following. They will be organized according to the respective intellectual property rights in the order in which those rights appear in the TRIPS Agreement. The comment will particularly focus on the TRIPS dimension of the adopted provisions. Whenever the provisions are not **directly applicable** this is specifically mentioned. All in all, the **adaptation of the Paris Convention provisions** is a **failure**—more so than the parallel adaptation of the provisions of the Berne Convention in Art. 9.1 TRIPS.⁶⁸ Several of the provisions referenced in Art. 2.1 overlap with other TRIPS provisions, others are devoid of relevant content within the WTO framework (*e.g.* Art. 1.1 PC). A **revision** at a future ministerial meeting seems highly advisable. The reference of Art. 2.1 in its current form should be limited to the subsequently named norms of the “General Regulations” of the Paris Convention that apply to more than one intellectual property right. Furthermore, clauses should be inserted at the beginnings of Sections 2–5 and 7 of the Second Part of TRIPS that reference those provisions of the Paris Convention that concern the respective intellectual property right. References to those regulations that completely overlap with TRIPS provisions would need to be left out. The newly composed referenced norms should each read: “As a part of and according to the requirements of this Agreement the Members observe in addition to the regulations named in Art. 2.1 regarding this Section as well as Parts I, III and IV of this Convention, the Arts X, Y and Z of the Paris Convention (1967).” 25

⁶⁸ *Cf. Brand*, Article 9, para. 28.

1. General

a) Union (Art. 1.1 PC)

26 According to adapted Art. 1.1 PC the Members form a Union for the protection of industrial property. Just like the parallel norm of the adapted Art. 1 BC, this provision does not create a new organisational unit under the auspices of the WTO.⁶⁹ Rather the association, which is set up as a body, is the WTO itself, which through Art. 1.1 PC attains an additional goal. Other than this, the Union principle mentioned in Art. 1.1 PC is only an expression of the close connection between the Members. As a consequence the withdrawal of a Member does not affect the survival of the Union,⁷⁰ though admittedly, this is already apparent from **Art. XV WTO Agreement**. To the extent the Union principle within the framework of the Paris Convention guarantees that two Union States, which have not ratified a common version are bound to each other, it is irrelevant for TRIPS, as long as there is only one version of this Agreement.

b) Terminology (Art. 1.2 PC)

27 Art. 1.2 PC defines the terms of the protected rights contained in the adopted provisions. These are subsumed under the term, “**industrial property**”, which includes patent law, utility models and industrial designs,⁷¹ the law of trademarks⁷² as well as the law pertaining to unfair competition. That this protection, as Art. 1.3 PC notes, also applies to the areas of agriculture and extractive industries, such as mining, is self-explanatory. **Service marks are not covered**. Art. 6*sexies* PC obligates Members to protect these, however. Within the limitations of Art. 15.1 TRIPS, they are free to decide on the concrete form of this form of protection.

c) Personal Scope (Arts 2, 3 PC)

28 Arts 2 and 3 PC regulate the personal applicability of the adapted provisions and, via Art. 1.3, sentence 2 TRIPS, also the area of applicability of the remaining provisions of the Convention which pertain to industrial legal protection. Accordingly, all nationals of a Member are entitled to protection. The definition in footnote 1 to Art. 1 TRIPS regarding the **definition of a national** is also binding for the adapted Art. 2.1 PC.⁷³

29 **Art. 3 PC** extends the protection of the adapted provisions to nationals of non-WTO Members, so long as they are **domiciled** or have a real and

⁶⁹ *Ibid.*, para. 29.

⁷⁰ See regarding the Union principle in more detail *Buck*, 108 *et seq.*

⁷¹ Which protection designs and utility models should precisely receive is not detailed in the treaty; an attempt at a definition is made by *Bodenhausen*, Art. 1 PC, para. e.

⁷² This includes trademarks, manufacturer's marks and company symbols.

⁷³ See *Elfring & Arend*, Article 1, paras 25 *et seq.*

effective industrial or commercial establishment in the territory of a WTO Member. Stateless persons and refugees therefore do not enjoy any protection under the adapted provisions. This corresponds to **Art. 3 TRIPS** that overrides the adapted Art. 3 PC—but not its *Acquis*. Regarding the **commercial or industrial establishment** only the person, under whose name the establishment is run, is protected by the Paris Convention/TRIPS.⁷⁴ Mere financial control of a legally independent establishment, for example, is not sufficient to be granted protection.⁷⁵ A company branch counts as an effective industrial or commercial establishment, however if only rooms have been rented or a dependent employee is running the business of the branch this does not suffice.⁷⁶ **Nationals of a country** cannot call upon the protection of the Convention in that country, even if they are domiciled or have their commercial or industrial establishment in the territory of another WTO Member.⁷⁷

d) National Treatment (Art. 2.1 PC)

Art. 2.1 PC demonstrates that the adapted provisions do not establish a uniform law for all WTO Members. Instead, sentence 1 sets the nationals of other WTO Members on par with the nationals of the State from which the non-national is seeking protection. This integral principle of national treatment—as part of the broader non-discrimination principle—of the Paris Convention is **largely overridden** within the context of TRIPS by **Art. 3**.⁷⁸ The Panel in *US—Section 211 Appropriations Act*⁷⁹ apparently maintained that the non-discrimination clauses of the WIPO Conventions exist independently next to that of Art. 3.1 TRIPS. This, however, cannot be reconciled with the wording of Art. 3.1, sentence 1 TRIPS, which makes the provisions subject to the exceptions of the Paris Convention, the Berne Convention and IPIC Treaty. This means that their non-discrimination provisions are otherwise absorbed by Art. 3.1 TRIPS. They remain relevant, however, next to footnote 3 to Art. 3 TRIPS for the interpretation of the term “protection of intellectual property”.

The **superimposition** of Art. 3.1 TRIPS **changes the content of the principle of national treatment**. The Paris Convention itself merely obliges its members to provide the nationals of other Union States with

⁷⁴ *Baumbach & Hefermehl*, Art. 3 PC, para. 1; cf. *Elfring & Arend*, Article 1, paras 27, 29.

⁷⁵ *UK—Patent Office Trademark Trial and Appeal Board, Atlas*, GRUR Int. 24 (1975) 3, 99; *Baumbach & Hefermehl*, Art. 3 PC, para. 1; of a different opinion is *Blum*, GRUR Ausl. 13 (1964) 10, 513.

⁷⁶ *Baumbach & Hefermehl*, Art. 3 PC, para. 1.

⁷⁷ *Ibid.*, para. 3; *Bodenhausen*, Art. 3 lit. d PC, para. c.

⁷⁸ So *Stoll & Raible*, in: *Priß & Berrisch* (eds), 573.

⁷⁹ *US—Section 211 Appropriations Act*, WT/DS176/AB/R, para. 239 reads: “In addition to Article 2 (1) of the Paris Convention (1967), there is also *another* national treatment provision in the TRIPS Agreement” (Emphasis added).

the same protection “that the relevant laws would currently entitle their own nationals to” (Art. 2.1 PC). In the Paris Convention’s original scope of application this leaves some room for asymmetries or imbalances in protection in areas of the law in which the Convention only regulates non-discrimination, but does not provide for any minimum standards.⁸⁰ For instance, patent protection may be denied to foreigners to the extent it is also denied to nationals. The Union State in question need not fear retaliation from other Union States, because the principle of non-discrimination does not depend on reciprocity.⁸¹ If a Union Country denies both foreigners and nationals a certain right, a second Union Country that does provide its nationals with corresponding protection cannot deny this protection to the nationals of the first Union Country in order to force it to provide that protection. Under the auspices of the WTO such asymmetries have been largely abolished. Similar to GATT Art. III:4, **Art. 3.1 TRIPS** obliges the Members to give the nationals of other WTO Members a “treatment” that is “no less favourable” than that given to its own nationals. Even if domestic nationals are denied patent protection, Members must grant the minimum rights under TRIPS to the nationals of other Members.

- 32 **Art. 2.3 PC** contains **exceptions to national treatment** pertaining to the legal provisions regarding court proceedings and the administrative process, the jurisdiction of courts and public agencies, as well as the designation of an address for service and the appointment of an agent. These include, for example, the provisions which make a claim of a foreigner dependent on a security deposit to cover court fees or the appointment of a domestic agent, as well as rules which make the jurisdiction of courts dependent on the domicile of the claimant.⁸² However, these exceptions are valid **only in modified form within the context of TRIPS**.⁸³ **Art. 3.2 TRIPS** qualifies them, in that the procedural rules in question need to be necessary to ensure that law in conformity with TRIPS is observed. Moreover, the procedural rules must not be applied in such manner that they constitute a veiled trade restriction. Whether the latter is true, is to be decided on a case by case basis.⁸⁴

e) Minimum Rights (Art. 2.1, Sentence 1 PC)

- 33 In addition to treatment as a national, nationals of other Members can also call upon the rights “specially provided” by the Paris Convention, Art. 2.1, sentence 1 PC. Thereby nationals gain a guaranteed minimum

⁸⁰ See *de Cavalho*, para. 2.6.

⁸¹ *Actes de Paris* (1880), 39 *et seq.*; *de Cavalho*, para. 3.4.

⁸² However, obligations stemming from other international treaties must be taken into consideration.

⁸³ See *Elffing*, Article 3, paras 13 *et seq.*

⁸⁴ *Cf. US—Imports of Certain Automotive Spring Assemblies*, L/5 333, BISD, 30S/107, para. 56.

protection in the territory of all WTO Members, with the exception of their home jurisdiction. This minimum protection develops a **subsidiary significance** when the protection provided by the jurisdiction providing the relevant protection for intellectual property does not meet the minimum standards set by the adopted Convention rules. In this case, the national of another WTO Member can call directly on the provisions of the Paris Convention. If, however, the provisions of the jurisdiction of protection go beyond those standards, he can base his claim on those provisions. In their home jurisdiction, nationals do not enjoy this possibility. As a result, they may be in a worse position than nationals of other WTO Members (discrimination against own nationals). However, it is admissible to interpret domestic law in the spirit of the adapted provisions and thus ameliorate the effect of discrimination against own nationals, as has on some occasions already been put into practice.⁸⁵

f) The Requirements of Protection and Exceptions

According to Art. 2.1, sentence 2 PC, nationals of other WTO Members are only entitled to the protection of the adapted Paris Convention provisions, *i.e.* national treatment and minimum rights, when they fulfil the formalities and conditions which are established by the jurisdiction of protection. Members, however, do not enjoy complete freedom to create such hurdles or regulations. Para. 2 forbids them to make the domicile or business establishment of a applicant in the State in which protection is sought a condition of granting a protection. **Para. 3** contains some **reservations** in favour of the Members. They are at liberty to pass provisions relating to court and administrative procedure. This includes, in particular, provisions such as the requirement that non-nationals deposit a security at the court and legal aid. Furthermore, the Members can freely regulate “jurisdiction”, meaning the competence of public agencies in proceedings or in relation to the registration or annulment of intellectual property rights, as well as the delimitation of competences in the administrative hierarchy.⁸⁶ Finally, Members are permitted to establish rules regarding the designation of an address for service and the appointment of an agent.⁸⁷

34

g) WTO Priority (Art. 4 PC)

If the prospective holder of an intellectual property right which needs registration seeks protection in several jurisdictions he or she would need to file applications in all those jurisdictions simultaneously without special regulation. Otherwise the applicant would run the risk of losing his rights in all jurisdictions but the one of first filing. The original filing for a patent,

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⁸⁵ See for instance *Bundesgerichtshof: KIM-Mohr*, GRUR 77 (1975) 3, 135, 137.

⁸⁶ *Baumbach & Hefermehl*, Art. 2 PC, para. 6.; *cf.* also *Bodenhausen*, Art. 2.3 PC, para. c.

⁸⁷ See para. 32 above.

for example, would extinct the novelty for every subsequent application in another Member. A simultaneous filing of the patent in several Members is, however, hardly practicable. Through the important principle of the right of priority of Art. 4 PC, the so-called “**Union Priority**” resolves this difficulty.⁸⁸ Within the framework of TRIPS it is **better** to speak of a “**WTO Priority**”. Art. 4B.1 PC explains the effect of the WTO Priority. With the first filing of an application, applicants are treated as if they simultaneously filed for their right in all Members, for which they later undertake subsequent filing. Circumstances that occur between the first filing and subsequent filings, especially filings and publications of third parties regarding the same matter do not invalidate the subsequent filings. The WTO Priority is mandatory for all intellectual property rights mentioned in Art. 1 PC with the exception of **service marks**, which are explicitly excluded from priority protection.⁸⁹ Members are, however, according to **Art. 62.3 TRIPS**, expected to implement priority protection for service marks, too.

- 36 In order to enjoy the protection of Art. 4 PC, **more than one filing** is necessary. First, the relevant right must be notified to a Member according to and in compliance with its own provisions, Art. 4A.2 PC. This Member does not have to be the home country of the applicant.⁹⁰ The first filing triggers the time period for the second filing in another Member of the applicants’ choice. If the proprietor of the protected position undertakes a second filing, this will be dated back to the date of the first filing, Art. 4A.1 PC, whereby it is irrelevant if the first filing is granted or not. Even if the first filing is denied, the principle of WTO Priority still applies, Art. 4A.3 PC.
- 37 Contrary to the unclear wording, only persons who at the time of **first filing** are nationals of a Member or belong to the group of people who are to be treated as nationals according to Art. 3 PC are entitled to make such submission.⁹¹ A first filing is considered to be a regular filing in accordance with Section A.3, when it meets the national formal requirements and its date of filing can be adequately established; neither the formal correctness of the application nor the material registrability of the object of protection is relevant.⁹²

⁸⁸ Comprehensively on the Union priority see the contributions of *Ruhl* and *Wieczorek*. See also *Daus*, *Journal of the Patent and Trademark Society* 77 (1995), 138.

⁸⁹ *Actes de Lisbonne* (1958), 624, 628, 633, 757; *Baumbach & Hefermehl*, Art. 4 PC, para. 1; *Bodenhausen*, Art. 4A.1 PC, para. f; of a different opinion is *Mitscherlich*, *GRUR Int.* 28 (1979) 1, 26, 28.

⁹⁰ *Wieczorek*, 121 *et seq.*; *Ullmann*, in: *Benkard* (ed.), para. 32.

⁹¹ *Ullmann*, in: *Benkard* (ed.), para. 30; *Bodenhausen*, Art. 4A.1 PC, para. c.

⁹² *Baumbach & Hefermehl*, Art. 4 PC, para. 2; *Bodenhausen*, Art. 4A.3 PC, para. b; *Beier & Straus*, *GRUR Int.* 40 (1991) 4, 255, 256.

Subsequent filings in other Members, in which the applicants or their legal successors⁹³ seek protection, are subject to a time limit. For patents and utility models, the time limit is twelve months, for industrial designs and trademarks only six, Art. 4C.1 PC. The time limit is generally calculated according to the laws of the Member in whose jurisdiction protection is sought, though the regulations of Section C.2 and 3 take precedence. 38

WTO Priority only ensures the precedence of the filing. **Rights of third parties**, that existed prior to the day of first filing, are reserved in accordance with the national law of each Member, Art. 4B, sentence 2 PC. These rights also include objections stemming from substantive law as well as contractual rights and rights of use.⁹⁴ Furthermore, WTO Priority does not apply *ex officio*. The applicant must assert priority according to the requirements of the law in the Member in which protection is sought. 39

The WTO Priority regulation is **not without problems**. The time limit of one year for the subsequent filing is often too short, in particular for patents. It is often not possible for the applicant to determine the economic viability of his innovation in the time allotted. However, if the 12 month term expires, the applicant loses the ability to make more filings, because the innovation is no longer considered novel, as is required for any subsequent filing in most other Members. 40

h) Reference to Protected Positions (Art. 5D PC)

The adapted version of Art. 5D PC regulates what is already self-explanatory: Members can not make protection of industrial property dependent on whether there is an indication of the right in question on the products themselves. Such a regulation would place an excessive burden on the owners of the product. The Members are, however, free to mandate other legal consequences for a failure to affix an indication of the relevant protected position to the product, for example, criminal prosecution as a misdemeanour or a right of the holder of the industrial property right to sue for damages.⁹⁵ 41

i) Grace Period for the Payment of Fees (Art. 5bis PC)

Art. 5bis PC contains a **minimum** grace period of **six months** for the payment of fees when the law of a Member demands that nationals of other WTO Members pay fees for the maintenance of their industrial 42

⁹³ Legal successors may, irrespective of the reason of succession, file a second application, provided they are nationals of State party; cf. *Baumbach & Hefermehl*, Art. 4 PC, para. 3; cf. *Bodenhausen*, Art. 4A.1 PC paras b, h, i; different *Trüstedt*, GRUR Ausl. 8 (1959) 11, 573.

⁹⁴ *Bundesgerichtshof, Flächentransistor*, GRUR 68 (1966) 6, 309; *Baumbach & Hefermehl*, Art. 4 PC, para. 4.

⁹⁵ *Actes de La Haye* (1925), 496 *et seq.*; *Bodenhausen*, Art. 5D PC, para. c; *Suthersanen*, paras 22–38.

property rights (para. 1). This only applies to fees for maintenance and not for the acquisition or renewal of industrial property rights.⁹⁶ If the holder of the rights is in arrears with the payment of maintenance fees this should not immediately result in the expiration of the right.⁹⁷ According to Art. 5*bis*.1 PC such a consequence shall only arise when the grace period has expired—with possible retroactive effect to the original payment date. Members may impose a fee for making use of the grace period. **Para. 2** contains a **special provision for patents**. Unlike para. 1, para. 2 refers to the scenario in which the patent in question has already lapsed, because the maintenance fee was not paid. In this case, Members can determine whether a restoration is possible. This shows that a restoration of other industrial property rights than patents that have lapsed due to non-payment is not possible. Because of its broad formulation Art. 5*bis*. 2 PC **is not directly applicable**.

j) Protection at Exhibitions (Art. 11 PC)

- 43 The lack of protection for intellectual property rights, relating to objects that were presented at international exhibitions was one of the crucial reasons for the original acceptance of the Paris Convention. In this context, Art. 11 PC obligates Members to provide temporary protection to industrial property rights at exhibitions. Currently, this provision has little importance, since there is hardly a trade fair today which fits the narrow definition of an exhibition⁹⁸ used in 11 PC.⁹⁹ According to Art. 11.2 PC, the temporary protection at exhibitions does not extend the periods of priority protection of Art. 4 PC. However, Members are free to let the priority period start from the date the produces are introduced into the exhibition, thereby shortening the time period if the right of priority is later invoked. According to Art. 11.3 PC, every Member can demand to see the documentary evidence it considers necessary to prove the identity of the article exhibited and the date of its introduction.

k) Industrial Property Services; Publication (Art. 12 PC)

- 44 International industrial property protection is not conceivable without national administrative offices to register and publish protected rights. Therefore, Art. 12 PC obliges each Member to establish a central office to fulfil these functions. Within the framework of TRIPS **it is not sufficient for several Members to establish a common office**, since the Agreement does not refer to Art. 13.3 lit. b PC which allows for this

⁹⁶ *Cour de cassation, Société Jacobs*, GRUR Int. 47 (1998) 4, 338 with comments by Szönyi; Bodenhausen, Art. 5*bis* PC, para. c.

⁹⁷ Bodenhausen, Art. 5*bis* PC, para. b.

⁹⁸ Cf. the agreement of the Paris Convention signatories regarding international exhibitions of 28 November 1928.

⁹⁹ *Marbach & Hiltl & Meisser* (eds), 129; *Troller*, 44.

possibility via special agreement.¹⁰⁰ The purpose of the office must be the communication to the public of the explicitly named industrial property rights—patents, utility models, industrial designs and trademarks. Since the Hague Revision of 1925, Art. 12.2 PC prescribes the method by which this communication is to be achieved, namely through the publication of a regular periodical. This has proven to be the most practical solution. Whether and how public information regarding the other objects of industrial property rights not mentioned in Art. 12 is to be achieved is left to the individual Members.

Art. 12.2 lits a and b **contain some special provisions** relating to the form and content of the publication of **patents and registered trademarks**. Concerning patents, these are the name of the proprietor of the patent and a short description of the invention; regarding trademarks, a reproduction of the registered mark. Information regarding a right of priority, if such a right exists, is to be published as well (Art. 4D.2, Art. 5 PC). The public offices are not—as in common practice—prevented by Art. 12 PC from publishing information that goes beyond the minimum requirements. **Trademarks** are, according to **Art. 12.2 lit. b** PC, usually published in form of a reproduction after registration. This rule **collides with Art. 15.5 TRIPS**, according to which publication should occur prior to or immediately following the registration of the trademark. In addition, a reasonable opportunity for annulment must be provided. This rule overrides the regulation of the adapted Art. 12.2 lit. b PC regarding trademarks. This means that a publication of the trademark before its registration and without an image of the trademark generally fulfils the requirements of TRIPS. Members that are at the same time parties of the Paris Convention cannot, however, make use of this option, because in that case they would fail to fulfil their obligations under said Convention. Art. 12 PC does not pertain to any private rights and is therefore **not directly applicable**. 45

1) Special Agreements (Art. 19 PC)

Through the adaptation of Art. 19 PC, TRIPS—itself a special agreement in the meaning of this provision—ensures that the Members retain the possibility of concluding agreements regarding the protection of industrial property outside of the WTO framework. These agreements, however, **can not contradict the Paris provisions**. In contrast to the parallel norm Art. 20 BC, Art. 19 PC makes no mention of agreements concluded before TRIPS came into force.¹⁰¹ Only Art. 2.2 TRIPS is relevant in this 46

¹⁰⁰ This affects, for example, the African-Madagascar office for industrial property; see *Bodenhausen*, Art. 12, para. b.

¹⁰¹ See *Brand*, Article 9, para. 78.

respect. Art. 19 PC does not affect private rights and therefore **cannot be applied directly**.

2. Trademarks

47 Of all industrial property rights, the parties of the Paris Convention achieved the greatest consensus in regards to the law of trademarks. Accordingly, regulations regarding the law of trademarks are scattered over the entire Paris Convention. Firstly, the general provisions, namely Arts 2 and 3 PC, the priority rule of Art. 4 PC, the regulation of the grace period in Art. 5*bis* PC, as well as the provisions of Arts 9, 11 and 12 PC are made applicable to trademarks. Special regulations pertaining to trademarks are located in Art. 5C and D and Arts 6–7*bis* PC. These rules mostly do not concern service marks; these kind of marks receive only a rudimentary protection though Art. 6*sexies* PC, which is, however, enhanced by Art. 15.1 TRIPS.¹⁰²

a) Compulsory Use; Multiple Use (Art. 5C PC)

48 Art. 5C PC addresses the compulsory use of trademarks. As the history of this norm indicates, it does **not apply to service marks**.¹⁰³ In comparison to patents, there is less public interest pertaining to the use of trademarks. Many jurisdictions, however, have established rules governing the use of trademarks to maintain a right, in order to prevent the registration of trademarks, which are only registered to block out others. **Para. 1** does not obligate Members to introduce compulsory use. It remains within their own discretion to do so. However, if they do decide for compulsory use, para. 1 contains two cumulative conditions under which the Member may declare the registration of the mark in question to be invalid: the elapse of a reasonable period, which gives the owner of the mark the chance to place it on the market, and the inability of the owner to justify his lack of action. **Including** this paragraph in TRIPS was, however, **superfluous**. **Art. 19.1 TRIPS** contains the same provision, but substantiates in sentence 1 that the time period is “reasonable” only if it is at least of three years’ duration, and in addition contains examples of grounds for justification in sentence 2.¹⁰⁴ Art. 5C.1 PC also does not retain any legal significance in the form of an *Acquis* to this provision, since there is no such *Acquis*.

49 The adapted Art. 5C.2 PC is supposed to **prevent** that rules for the compulsory use of trademarks become **too strict**. It determines that in respect to compulsory use according to para. 1 or Art. 19.1 TRIPS respectively, using a trademark in different forms does not entail invalidation, so long as it does not alter the distinctive character of the mark. The only beneficiaries

¹⁰² See in further detail *Schmidt-Pfitzner*, Article 15, para. 17.

¹⁰³ *Actes de Lisbonne* (1958), 624, 628, 633, 755, 757; *Bodenhausen*, Art. 5C PC, para. a.

¹⁰⁴ See in greater detail *Schmidt-Pfitzner*, Article 19, paras 1 *et seq.*

of this provision are the proprietor of the trademark and the licensees.¹⁰⁵ Art. 5C.2 PC is meant to safeguard compulsory use against narrow-minded or petty interpretation. Small alterations, for example, translations or variations in elements of the trademark should remain possible. Whether a modification affects the distinctive character of the mark is decided upon by the administrative offices or courts of the State in which the mark is used in its modified form. Some Members, for example Germany, apply this interpretation rule in purely domestic matters as well.¹⁰⁶

Art. 5C.3 PC allows **co-proprietors** to use the same trademark for identical or similar products, provided that this does not mislead the public or run contrary to the public interest. The term “co-proprietors” does not only include co-owners and others with shared claims, but also companies within a corporate group.¹⁰⁷ The simultaneous use by the proprietor of a trademark and a licensee on the basis of a licensing agreement is not regulated by para. 3.¹⁰⁸ The problem of use through a proxy is also not regulated by this paragraph. **Art. 19.2 TRIPS** fills both of these **gaps**.¹⁰⁹ Today, very few legal orders see multiple use of a mark as grounds for its invalidity. 50

b) Independence of the Trademark (Art. 6 PC)

Adapted Art. 6 PC, which is a parallel norm to the patent regulation of Art. 4bis PC, does not create uniform international trademarks. It only lays down the **general principle** that trademarks are independent. This means that the validity of a foreign trademark can only be determined according to the requirements in the **country in which protection is sought**, and not according to any differing requirements in the country of origin (paras 1, 2).¹¹⁰ Likewise, the invalidity or the re-assignment of the trademark in one Member cannot influence the legal situation in another Member.¹¹¹ This already follows from the language of Art. 2.1 PC/Art. 3 TRIPS.¹¹² Therefore it is irrelevant that Art. 6 PC only applies to trademarks.¹¹³ **Service marks** are subject to national treatment to precisely the same degree as trademarks are. The limitation of Art. 6 PC’s scope to 51

¹⁰⁵ *Bodenhausen*, Art. 5C PC, para. f.

¹⁰⁶ *Cf. Bundesgerichtshof, KIM-Mohr*, GRUR 77 (1975) 3, 135.

¹⁰⁷ *Baumbach & Hefermehl*, Art. 5 PC, para. 1; *Fezer*, Art. 5C PC, para. 2; *Miosga*, 42; of a different opinion are *Busse & Starck*, Art. 5 PC, para. 3; *Heydt*, GRUR Ausl. 7 (1958) 10, 457.

¹⁰⁸ *Baumbach & Hefermehl*, Art. 5 PC, para. 1; *Bodenhausen*, Art. 5C PC, para. j; *Busse & Starck*, Art. 6 PC, para. 3; *Fezer*, Art. 5 PC, para. 1.

¹⁰⁹ See in greater detail *Schmidt-Pflizner*, Article 19, paras 4–5.

¹¹⁰ *Cf. US—Section 211 Appropriations*, WT/DS176/AB/R, paras 132 *et seq.*

¹¹¹ *Cf. Schmidt-Szalewski*, Duke J. Comp. & Int’l L. 9 (1998) 1, 189, 195.

¹¹² *Cour de Cassation Paris, Oméga*, GRUR Ausl. 8 (1959) 5, 299; *Cour d’appel Bruxelles, Quaker State*, GRUR Ausl. 14 (1965) 6, 306; *Swiss Federal Court, Trafalgar*, GRUR Int. 18 (1969) 2, 62 and *Yarop*, GRUR Int. 18 (1969) 19, 400; *Fezer*, Art. 6 PC, para. 1.

¹¹³ Likewise *Bodenhausen*, Art. 6 PC, para. b.

“nationals of a Member” in para. 2 is also irrelevant. It is evident that in accordance with Art. 3 PC this rule also applies to the nationals of other WTO Members. The main purpose of Art. 6 PC is to clarify uncertainties that had grown out of earlier versions of the norm.¹¹⁴ **Within the framework of TRIPS** it seems to be **superfluous**. **Art. 6.3 PC** very much highlights the independence of trademarks: Once a trademark has been registered in a Member its fate cannot be influenced by eventual further registrations including those in the country of origin. **Exceptions** to the concept of Art. 6 PC arise from the right of priority pursuant to Art. 4 PC and from Art. 6quinquies PC for the *telle-quelle* marks and for IR-Marks according to Art. 6.2 MAM in its Nice version.

c) Well-Known Marks (Art. 6bis PC)

52 Art. 6bis PC serves to protect well-known foreign marks against **confusion, dilution and piracy**. As a concretization on the prohibition of misuse of intellectual property, Art. 6bis.1 PC in its adapted form requires Members to reject or delete the registration of trademarks that are identical to a well-known mark (sentence 1) or liable to be confused with a well-known mark (sentence 2) and to forbid the use of a trademark liable to create confusion.¹¹⁵ When this provision was included in the Paris Convention in 1925, many of the Union countries provided very little or no protection to well-known marks that were not registered in their own jurisdiction. An acquisition by third parties could easily occur.¹¹⁶ In the dilution of known marks involved in this practice, the Union countries recognized a potential for unfair competition and consumer confusion that could not be tolerated.¹¹⁷ In the case of acquisition of a trademark liable to confusion, adapted Art. 6bis PC is **supplemented by** the adapted **Art. 10bis.3 No. 1 PC**, which permits protection of the well-known mark in the field of the law of unfair competition.

53 **Not only trademarks but also trade names** (e.g. *Wells Fargo*) enjoy this protection,¹¹⁸ not so, however, service marks.¹¹⁹ In this respect, Art. 6bis PC is supplemented by **Art. 16.2 and 3 TRIPS**. The provision extends *inter alia* Art. 6bis PC's scope of application to the use of well-known trade-

¹¹⁴ *Ibid.*, para. a; *Busse & Starck*, Art. 6 PC, para. 1.

¹¹⁵ In more detail *Marbach & Hilti & Meisser* (eds), 130, see also *Stoll & Raible*, in: *Prieß & Berrisch* (eds), 583.

¹¹⁶ See *Kur*, in: *Beier & Schricker* (eds), 93, 104 *et seq.*; *Schneider*, GRUR Int. 47 (1998) 6, 461, 462.

¹¹⁷ *Actes de La Haye* (1925), 453–55; *Bodenhausen*, Art. 6bis PC, para. d.

¹¹⁸ *Fürstlich Liechtensteinischer Oberster Gerichtshof, Wells Fargo*, GRUR Int. 29 (1980) 8–9, 529; *Tribunal Supremo, Wells Fargo Express, S.A.*, GRUR Int. 29 (1980) 8–9, 538 with comments by *Pietzke, Baumbach & Hefermehl*, Art. 6bis PC, para. 2.

¹¹⁹ *Bodenhausen*, Art. 6bis PC, para. c; Of another opinion are *Baumbach & Hefermehl*, Art. 6bis PC, para. 2.

marks in relation to services if the use indicates a connection between the service and the owner of the registered trademark and that the interests of the owner are likely to be damaged by this connection. According to Art. 6*bis*.1, sentences 1 and 2 PC, well-known marks are not only protected against identical marks, but against those with which they could likely be confused.

Art. 6*bis* PC represents a **minimum right**. If a Member provides more extensive protection to owners, this protection must also be granted to those entitled to non-discriminatory treatments according to Arts 2 and 3 PC, provided that they fulfil the requirements of the protection.¹²⁰ Art. 6*bis* PC's adoption is significant for the TRIPS Agreement since many Members have passed national regulations that refer directly to this provision (*e.g.* § 10.1 German Trademark Act). 54

The protection of a well-known foreign mark has three **requirements**. 55 First the mark in question must have reached the point of being **well-known**. The mark does not need to be a global mark or one with an international reputation;¹²¹ being well-known only in a foreign country is, however, not enough.¹²² It is necessary that the relevant national participants in the market generally know that a national of another Member or another trademark proprietor who is entitled to protection according to adapted Art. 3 PC uses that trademark.¹²³ No uniform State practice has emerged concerning when a use is well-known, therefore no Paris *Acquis* regarding this topic exists that could be consulted within the framework of TRIPS.¹²⁴ Only the criteria for the determination whether a mark is well-known are clear: the market share of the good for which the mark is used, the distinctiveness of the mark, the type of good, the distribution system, the duration of use, and the proliferation of the mark, the duration and scale of advertisement for the mark, the duration of use of identical or similar marks by third parties, as well as the good or bad faith of the mark's proprietor are definitive.

Art. 16.2, sentence 2 TRIPS expands and concretizes Art. 6*bis* PC in two respects. Firstly, it extends the protection of the Paris Convention for well-known marks in that such protection is also to be extended when the 56

¹²⁰ *Kür*, GRUR 96 (1994) 5, 330, 334; *Kür*, in: *Beier & Schrieker* (eds), 93, 105.

¹²¹ *Kür*, in: *Beier & Schrieker* (eds), 93, 106; *Busse & Starck*, Art. 6*bis* PC, para. 2.

¹²² *Corte di Cassazione, Toplin*, GRUR Int. 16 (1967) 2, 74; *Baumbach & Hefermehl*, Art. 6*bis* PC, para. 2; The criterion is not unproblematic, since the worldwide use of a mark is sometimes impossible; *cf.* WIPO, WKM/CE/III/3, 20 October 1997, para. 38; *Schneider*, GRUR Int. 47 (1998) 6, 461, 462, 467.

¹²³ *Gervais*, para. 2.170; *Reichsgericht, De vergulde Hand*, RGZ 170, 302, 307; *Busse & Starck*, Art. 6*bis* PC, para. 2; *Heydt*, GRUR 54 (1952) 7, 321, 323 *et seq.*

¹²⁴ *Kür*, GRUR 96 (1994) 5, 330, 334; regarding the various opinions *Fezer*, Art. 6*bis* PC, para. 4.

mark in question has achieved the necessary degree of public knowledge purely through advertisement.¹²⁵ Secondly, Art. 16.2, sentence 2 TRIPS answers a question about which the Paris Convention was silent, namely how to identify the relevant participants in the market when determining whether or not a mark is well-known. Art. 6*bis* PC only prescribes that the element of being well-known must be established in the opinion of the administrative office of the State in which the registration or the use of the mark to be protected is occurring. Art. 16.2, sentence 2 TRIPS concretizes this requirement. It obliges the Members to rely on the “relevant sector” when determining whether a mark is well-known. This usually means that only a fraction of the public in the sense of an interested circle of specialists is to be taken into consideration.¹²⁶

57 The second requirement for protection as a well-known mark is that the trademark concerned has been already **used** by a WTO national. According to Art. 6*bis* PC it is only necessary that the mark has been used somehow.¹²⁷ A registration in a Member is not necessary—protection of well-known marks is a form of **trade-mark protection independent of registration**. The use of the well-known mark does need to have occurred domestically—however, without this the criteria of being well-known tend to only be given in exceptional cases.¹²⁸

58 Finally, according to adapted Art. 6*bis* PC, the protection of well-known marks requires that the mark, the use of which is being contested, must have been **filed or registered for identical or similar goods**¹²⁹ to those which the well-known mark is used for.¹³⁰ This leaves gaps of protection in jurisdictions that do not have provisions protecting known or famous marks against dilution or exploitation of their reputation through use for dissimilar products. This gap is at least partially filled by **Art. 16.2 and 3 TRIPS** which decrees that well-known marks also be protected against trademarks that are registered or would be registered for dissimilar products.¹³¹ Such protection, however, is applicable only when the use of

¹²⁵ Cf. *Schmidt-Pfitzner*, Article 16, paras 18–19; *Knaak*, in: *Schricker & Beier* (eds), *Die Neuordnung des Markenrechts in Europa*, 19, 24; *Schneider*, GRUR Int. 47 (1998) 6, 461, 467 reads into Art. 16.2 TRIPS that the international recognizability of a mark is sufficient to garner protection as a well-known mark. Different *Correa*, 190.

¹²⁶ Cf. *Schmidt-Pfitzner*, Article 16, para. 18; also Swiss RKGE (*Eidgenössische Rekurskommission für geistiges Eigentum*), *Joyride*, sic! 1998 51, 52; *Marbach & Hilti & Meisser* (eds), 130; *Schneider*, GRUR Int. 47 (1998) 6, 461, 467.

¹²⁷ *Bodenhausen*, Art. 6*bis* PC, para. f.

¹²⁸ Swiss HGer SMI 1977, 60; *Marbach & Hilti & Meisser* (eds), 131.

¹²⁹ According to Art. 16.2–3 TRIPS, this also applies to service marks.

¹³⁰ Misunderstandable in this regard *Schmidt-Szalewski*, Duke J. Comp. & Int'l L. 9 (1998) 1, 189, 199.

¹³¹ On this account, TRIPS requires well-known marks to be registered. This reflects only a minimum standard. Members are free to provide protection for well-known marks from non-competing products, independent of a registration; critical is *Celli*, 108 *et seq.*; See

a trademark liable to confusion with the well-known mark is used unfairly to create the image of a connection between the dissimilar product and that of the mark's proprietor.

The protection of well-known marks according to Art. 6bis PC yields the following legal consequences: The registration of a mark which could be confused with the well-known one is to be rejected, protection of an IR-mark is to be denied. If the mark which could be confused with the well-known one is already registered it is to be removed from the register or protection is to be denied to it. If the national law of the Member so permits, the rejection of the registration or its removal should occur *ex officio*, otherwise upon the request of the owner of the well-known mark (para. 2). Since Art. 6bis PC is also to be understood as prohibiting the use of the potentially confusing mark, owners of foreign well-known marks may sue users to cease and desist from use of identical or potentially confusing marks¹³² before the courts—they can also file a claim for summary judgment and other preliminary rulings. A request for deletion is only admissible after a minimum time period of five years if the respondent who brought about the registration of the potentially confusing mark acted in good faith. If the respondent acted by contrast in bad faith, there is no minimum time period to be observed, Art. 6bis.3 PC does not ordain a minimum time period for the prohibition on use. The Members are, however, free to set such a time period for themselves.¹³³ 59

During a plenary session in September 1999, the WIPO States passed a **“Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks.”**¹³⁴ However this recommendation is not binding.¹³⁵ It also has no significance for the interpretation of the adapted Art. 6bis PC, because the recommendation was passed after TRIPS came into force and therefore does **not** belong to the relevant **Paris Acquis**.¹³⁶ The Joint Recommendation elevates protection under Art. 6bis PC to the level that the provision has acquired in its adapted form under by TRIPS. Moreover, in respect of whether use of a trademark is necessary in order for it to be considered well-known, the recommendation goes further than TRIPS.¹³⁷ In addition, the recommendation serves to reduce uncertainties 60

for an example before UK courts *Imperial Tobacco Ltd v. Berry Bros & Rudd Ltd* (unreported, October 31, 2001) (Pat Ct); see also *Ballantyne*, EIPR 24 (2002) 8, 415.

¹³² *Baumbach & Hefermehl*, Art. 6bis PC, para. 7.

¹³³ *Bodenhausen*, Paris Art. 6bis PC, para. k; *Fézer*, Art. 6bis PC, para. 12.

¹³⁴ Joint Recommendation Concerning Provisions on the Protection of Well Known Marks (WIPO) of 20–29 September 1999, available at: <http://www.wipo.org/news/en/index> (last accessed 3 April 2008).

¹³⁵ *Kür*, GRUR 101 (1999) 10, 866, 875.

¹³⁶ See para. 7 above.

¹³⁷ *Correa*, 191; *Kür*, GRUR 101 (1999) 10, 866, 875.

in Art. 6*bis* PC; in particular, it includes a positive and negative catalogue which helps to determine whether a mark is well-known.

d) Official Marks (Art. 6*ter* PC)

- 61 According to adapted Art. 6*ter* PC, Members are obligated to prevent armorial bearings, flags, and other State emblems of other Members, their official signs and hallmarks indicating control and warranty, as well as heraldic imitation from being registered as a trademark. If they have been registered they must be invalidated. Their use is to be forbidden through appropriate measures—in the case of State armorial bearings independently of whether they are under trademark protection (para. 9). The same protection is enjoyed by trademarks of international organizations to which at least one Member belongs (para. 1 lit. b). With the exception of State armorial bearings, the protection of official marks depends upon a communication which is to be made towards WIPO also within the framework of the TRIPS-Agreement (Art. 6*ter*.3 lit. a PC).¹³⁸ Art. 6*ter* PC does not apply to service marks.¹³⁹
- 62 What qualifies a trademark as an official mark in terms of adapted Art. 6*ter* PC is defined in the decision of the Council for TRIPS referred to above.¹⁴⁰ Accordingly, official marks are all abstract representations that a Member uses as an indication of its sovereignty. These can be flags, armorial bearings, seals, hymns, symbols of orders and honour symbols, stamps, as well as monetary coins and bills, not however—according to the Paris *Acquis*—national symbols (e.g. the “*Britannia*” as a personification of Great Britain or the French “*Marianne*”) or the signs of regional and communal bodies.¹⁴¹ Official signs and hallmarks indicating control and warranty are officially designated symbols that identify that a certain product has been checked against certain requirements.¹⁴² The prohibition on registration and use of Art. 6*ter* PC also applies to heraldic imitations. A heraldic imitation is given when the mark in question possess the character of an armorial bearing despite a variation in the warranty or control symbol, and when it is understood by the public as an official or similar symbol.¹⁴³
- 63 Art. 6*ter* PC contains a list of exceptions from protection granted under para. 1: The Members are not obliged to protect the marks named in

¹³⁸ See Council for TRIPS, Implementation of the Obligations under the TRIPS Agreement Stemming from the Incorporation of Provision of Art. 6*ter* of the Paris Convention (1967), IP/C/7, 12 January 1996, para. (i).

¹³⁹ *Bodenhausen*, Art. 6*ter*.1–2 PC, para. d.

¹⁴⁰ IP/C/7; *Fezer*, Art. 6*ter* PC, para. 2.

¹⁴¹ *Actes de Lisbonne* (1958), 245; *Bodenhausen*, Art. 6*ter*.1–2 PC, para. c; *Marbach & Hilti & Meisser* (eds), 350.

¹⁴² *Bodenhausen*, Art. 6*ter*.1–2 PC, para. g.

¹⁴³ *Fezer*, Art. 6*ter* PC, para. 4.

Art. 6ter.1 lits a and b PC when the competent authorities have allowed their use (para. 1 lit. a). The same applies when the use of the mark is not capable of creating the impression in the public that there is a connection between the user and the seal-holding organization (para. 1 lit. c). By the same token, marks of international organisations, on which rights have been acquired in good faith are excepted from the prohibition on registration. For official marks indicating control and warranty Art. 6ter.1 PC only applies when they are used for identical or similar goods, Art. 6ter.2 PC. Such trademarks are indeed only introduced for certain goods or services. According to adapted Art. 6ter.8 PC, nationals of a Member, who are empowered to use that Member's official or other marks, are also allowed to use these even if the marks resemble those of another Member. Except in cases of bad faith, for which Art. 6ter.7 PC is applicable, all previously registered trademarks are also exempt from the prohibition of Art. 6ter.1 PC. The decisive point in time is the coming into force of adapted Art. 6ter PC, *i.e.* the 1 January 1995.¹⁴⁴

Art. 6ter.3–7 PC regulate the exchange of lists of official marks, as well as official marks pertaining to warranty and control and the corresponding stamps. The decision of the Council for TRIPS of 11 December 1995 contains more detailed regulations regarding the application of the adapted provisions within the context of the TRIPS Agreement.¹⁴⁵ 64

e) Assignment of Trademarks (Art. 6quater PC)

Art. 6quater PC enables Union States to tie the assignment of a trademark to the transfer of the business to which it belongs, so long as they permit the transfer of that portion of the business which is located in the State in which the mark is protected to suffice. The original intent of this regulation was to ensure the independence of the mark that was granted through Art. 6 PC. In many Union countries it was only possible to transfer a mark together with the entire **business**, even if parts of the business were located in a State in which a transfer was not planned. The fact that Art. 6 PC is largely meaningless in the context of TRIPS has implications for Art. 6quater PC: It was also superfluous to “incorporate” it into the TRIPS Agreement. Regarding the tying of trademarks to the business of its proprietor, Art. 6quater PC is overridden by **Art. 21 TRIPS**, which requires the free transfer of marks.¹⁴⁶ 65

However, it should be noted that Art. 21 TRIPS only speaks of “the transfer of the business”, while Art. 6quater.1 PC also mentions the “good- 66

¹⁴⁴ This follows from Art. 6ter PC; see *Bodenhausen*, Art. 6ter.1–2 PC, para. 1; *Busse & Starck*, Art. 6ter PC, para. 4.

¹⁴⁵ See IP/C/7.

¹⁴⁶ *Cf. Schmidt-Pfitzner*, Article 21, para. 5; also *de Carvalho*, para. 2.15.

will” (“transfer of the business or goodwill”). From this it follows that Members are still allowed to tie the assignment of a mark to the transfer of a “goodwill”.¹⁴⁷ To this extent, Art. 6*quater*.1 PC is not overridden by Art. 21 TRIPS and therefore retains via Art. 2.1 TRIPS an independent scope of application.

f) *Telle-Quelle* Protection (Art. 6*quinquies* PC)

- 67 Art. 6*quinquies* PC addresses the problem that the obstacles to registration regarding the form of the trademark imposed by Members vary highly. Historically, Art. 6*quinquies* PC goes back to a provision of Russian law, which only permitted marks in Cyrillic lettering.¹⁴⁸ Today, the capability of numbers and letters to be used as trademarks is a focus of attention.¹⁴⁹ Adapted Art. 6*quinquies* PC deviates from the non-discrimination principle in favour of the trademark owner, because this principle fails when the law of the importing State does not acknowledge a foreign sign as a trademark. The provision ensures the uniform protection of trademarks, that were registered in the country of origin, in the other Members in that it demands that such trademarks are to be protected “*telle-quelle*” (= **unaltered**). This means that Members must permit the trademark in question to be filed in the same form it is registered in the country of origin and that it can usually claim protection.¹⁵⁰ However, Art. 6*quinquies* PC does not contain a definition of the signs and symbols capable of being protected as a trademark, but declares instead the law of the country of origin to be authoritative. This has led to an ongoing controversy about whether a Union country must register a symbol the form and content of which would not be registrable according to its national laws.¹⁵¹ In view of the adaptation of Art. 6*quinquies* PC by TRIPS this argument is, however, without significance: **Art. 15.1 TRIPS bindingly determines the circle of symbols** which can be protected.¹⁵² Since Art. 15.1, sentences 1 and 2 TRIPS have extended the provision of Art. 6*sexies* PC to include the obligation to register **service marks**, these as well have obtained the possibility of receiving *telle-quelle* protection according to Art. 6*quinquies* PC, which is not the case in the original context of the provision.

¹⁴⁷ *Gervais*, para. 2.196.

¹⁴⁸ *Busse & Starck*, Art. 6*quinquies* PC, para. 1. See for the historical development of Art. 6*quinquies* PC *Ellwood*, Trademark Rep. 46 (1956) 1, 36, 37.

¹⁴⁹ *Schmidt-Szalewski*, Duke J. Comp. & Int'l L. 9 (1998) 1, 189, 195.

¹⁵⁰ *Cf.* also *Schmidt-Pfitzner*, Article 15, para. 20.

¹⁵¹ In favour of registration is *Bundespatentgericht, Eignungsfähigkeit von Kennzeichen und Beschaffenheitsangabe als Marke*; Patentgerichtsentscheid 7, 215; *Bundesgerichtshof, Füllkörper*, GRUR 97 (1995) 11, 732 *et seq.*; *Busse & Starck*, Art. 6*quinquies* PC, para. 3; *Fézer*, Art. 6*quinquies* PC, para. 4; *Different Troller*, 50.

¹⁵² See in greater detail *Schmidt-Pfitzner*, Article 15, paras 2 *et seq.*

Nationals of other WTO States enjoy *telle-quelle* protection **if** they can prove that their symbol was registered in compliance with the laws of the country of origin, Art. 6*quinquies*A, sentence 1 PC. A certificate of registration suffices to fulfil this burden of proof. The subsequent registration must, however, match the registration in the country of origin, Art. 6*quinquies*C, sentence 2 PC. A trademark is duly registered in the country of origin when the registration is formally compliant. Whether the symbol enjoys material protection is irrelevant.¹⁵³ Neither registering a trademark in the country of origin nor its use is enough to establish *telle-quelle* protection on its own;¹⁵⁴ it can, however, substantiate priority, Art. 6*quinquies*F PC. In contrast to an independent domestic trademark, a *telle-quelle* mark's existence is dependent upon registration in the country of origin, Art. 6*quinquies*D PC.¹⁵⁵ According to Art. 6*quinquies*A, sentence 2 PC, the country of origin is the Member in which the person registering has a real and effective commercial or industrial establishment, or, if he or she has no establishment, the Member in which he or she is domiciled, or if he or she is not domiciled in the Member, the Member of which he or she is a national. In the first two cases the person filing does not have to be a national of a WTO Member. This follows from Art. 3 PC/Art. 3 TRIPS. In order to prevent "forum shopping", the person filing is not allowed to freely determine his or her country of origin.

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During the registration process and the opposition procedure, a national of another WTO Member can invoke the *telle-quelle* clause, and by doing so can limit the examination of the trademark's eligibility to be protected to the principles of Art. 6*quinquies* PC.¹⁵⁶

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Concerning the **scope of the foreign trademark's *telle-quelle* protection**, Art. 6*quinquies* PC only determines a deviation from the principle of non-discrimination to the benefit of other WTO nationals. Likewise it derogates from Art. 6.1 PC, according to which the applicable national law sets the conditions for a lodgement and registration of manufacturing and trademarks. This follows from the object and purpose of the norm, as well as from Art. 6*quinquies*B No. 3 PC. There is also widespread agreement regarding the fact that the law of the country of origin determines the legality of a particular trademark's form. The authorities of the importing State are precluded to re-examine whether the symbol in question is actually a mark. This is significant for the so-called "new forms of trademarks" (trademarks

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¹⁵³ *Fezer*, Art. 6*quinquies* PC, para. 2.

¹⁵⁴ *Busse & Starck*, Art. 6*quinquies* PC, para. 4.

¹⁵⁵ IR-Marks, which according to Art. 6.2 MAM usually become independent after five years, constitute an exception.

¹⁵⁶ *Bundesgerichtshof, Z-Tech*, GRUR 93 (1991) 11, 839; *Bundesgerichtshof, Füllkörper*, GRUR 97 (1995) 11, 732, 733; *Fezer*, Art. 6*quinquies* PC, para. 1.

that are perceived through smell, hearing and touch), which the national laws of a number of Members do not acknowledge as trademarks.¹⁵⁷

71 Beyond that, the legal practice of the individual Members differs. Some Members hold the opinion that *telle-quelle* protection is limited to the form of the foreign trademark,¹⁵⁸ others, such as Germany, also protect its content.¹⁵⁹ Essentially this controversy revolves around whether the reasons for rejection listed in Art. 6*quinquies*B PC are exhaustive. To regard the list as exhaustive is possible only if the provision is attributed, at least to this extent, some material effect. The Appellate Body was invited to rule on this question in *US—Section 211 Appropriations*.¹⁶⁰ In agreement with the Panel it found that the **scope of *telle-quelle* protection** that Art. 6*quinquies* PC provides within the framework of TRIPS is **limited to the form** of the trademark. It correctly based these findings on a corresponding resolution of the Union States in the final protocol of the original Paris Convention from 1883, according to which the content of the trademark is subject to examination by the authorities in the importing State. Likewise, the level protection is determined by the law of the importing State. Thus, within the framework of TRIPS “*telle-quelle*” only means “as the mark is registered in the country of origin”, and not as the proprietor desires or is permitted to use it.¹⁶¹

72 **Art. 6*quinquies*B PC** contains a—within the framework of TRIPS non-exhaustive¹⁶²—**catalogue with reasons for rejection**, whereby the rejection of a symbol as a trademark is admissible but not obligatory¹⁶³ when its registration in the State in which protection is sought would violate the rights of third parties (B, sentence 1 No. 1) and when the symbol would be devoid of any distinctive character or consist exclusively of descriptive terms (B, sentence 1 No. 2). These are indications which serve to designate the type, quality, quantity, purpose, as well as the value or place of origin

¹⁵⁷ See C-283/01, *Shield Mark v. Kist*, [2003] E.C.R. I-14313, Recs 15 *et seq.*; *Bundesgerichtshof, Hörzeichen*, GRUR 90 (1988) 4, 306.

¹⁵⁸ *Swiss Federal Court, YOPI*, GRUR Int. 24 (1975) 8–9, 316; *US—District Court of Columbia, Lemon Tree II*, GRUR Int. 23 (1974) 10, 373; *Celli*, 227; *Troller*, 50; *Medcalf*, GRUR Ausl. 10 (1961) 10, 461, 471; *Munzinger*, GRUR Ausl. 7 (1958) 10, 464.

¹⁵⁹ *Bundesgerichtshof, Flava & Erdgold*, BGHZ 22, 1, 16; *Bundesgerichtshof, LEMONSODA*, GRUR 76 (1974) 12, 777; *Bundesgerichtshof, LITAFLEX*, GRUR 89 (1987) 8, 525; *Bundesgerichtshof, Eignungsfähigkeit von Kennzeichen und Beschaffenheitsangabe als Marke*; Patentgerichtsentscheid 7, 215; *Bundesgerichtshof, Naturgetreue Abbildung*, Bundespatentgerichtsentscheid 11, 259; UK Patent Office Trademark Trial and Appeal Board, *Atlas*, GRUR Int. 24 (1975) 1, 99; *US District Court of North Carolina, FINA*, GRUR Int. 24 (1975) 2, 98; *v. Gamm*, Wettbewerb in Recht und Praxis 23 (1977) 4, 230.

¹⁶⁰ *US—Section 211 Appropriations Act*, WT/DS176/AB/R, paras 122–148; see also *Dinan*, *Fordham Int'l L.J.* 26 (2003) 2, 337, 360 *et seq.*

¹⁶¹ *DPA, Anginorectol*, GRUR Ausl. 8 (1959) 5, 295; *Fézer*, Art. 6*quinquies* PC, para. 4.

¹⁶² See para. 73 below.

¹⁶³ *Cour de Paris, Côte d'Or*, GRUR Ausl. 10 (1961) 4, 185; *Fézer*, Art. 6*quinquies* PC, para. 5.

of the product or the time of their production. **Symbols and letters** are not specifically named by Art. 6*quinquies*B, sentence 2 PC as potentially not having a distinctive character. They, however, fall under the term “sign” and can therefore be excluded from *telle-quelle* protection.¹⁶⁴ This is also true for signs that when used as a trademark would infringe on morality or public policy, particularly in those cases, in which they are liable to deceive the public (B, sentence 1 No. 3). Whether morality or public policy is infringed upon is to be determined according to domestic law; whether the danger of deception exists is to be decided upon by domestic trade circles.¹⁶⁵

Independent of the grounds for rejection listed in Art. 6*quinquies*B PC, the grounds for denial of Art. 6*ter* PC must also be taken into consideration, Art. 6*ter*.10 PC. Furthermore, on the basis of the decision of the Appellate Body in *US—Section 211 Appropriations Act* additional grounds for rejection are admissible since the *telle-quelle* effect of adapted Art. 6*quinquies* PC is limited to the form.¹⁶⁶ Rejection must however not contradict the goals of the adapted part of the Paris Convention as a whole. 73

When assessing the protectability of the mark, in particular concerning the reasons for rejection according to Art. 6*quinquies*B PC, all circumstances of the individual case are to be considered according to **Art. 6*quinquies*C PC**, especially the trademark’s **duration of use**. These are to be determined according to the general principles of the law of marks with regard to the circumstances in the country in which protection is sought.¹⁶⁷ Thus, the market acceptance of the trademark in the country of origin is only of limited significance to the examination of the distinctive character pursuant to Art. 6*quinquies*B, sentence 1 No. 2 PC. Concerning the need to keep a sign freely available (*i.e.* not to allow it to become registered as a mark), however, also those circumstances which have no effect domestically are to be taken into consideration.¹⁶⁸ 74

g) Service Marks (Art. 6*sexies* PC)

Equal treatment of service marks and other trademarks could not be established during the revisional conferences of the Paris Convention.¹⁶⁹ TRIPS now closes this lacuna. Adapted Art. 6*sexies*.1 PC requires Members to 75

¹⁶⁴ *Busse & Starck*, Art. 6*quinquies* PC, para. 7.

¹⁶⁵ *Bundesgerichtshof, LEMONSODA*, GRUR 76 (1974) 12, 777; *Busse & Starck*, Art. 6*quinquies* B and C PC, paras h and i.

¹⁶⁶ *US—Section 211 Appropriations Act*, WT/DS176/AB/R, paras 147 *et seq.*

¹⁶⁷ *Swiss Federal Court, Discotable*, GRUR Int. 23 (1974) 11, 413; *Bundesgerichtshof, LEMONSODA*, GRUR 76 (1974) 12, 777; *Bodenhausen*, Art. 6*quinquies* B and C PC, para. g; *Busse & Starck*, Art. 6*quinquies* PC, para. 9; *Fezzer*, Art. 6*quinquies* PC, para. 14; *Troller*, 52.

¹⁶⁸ *Bundesgerichtshof, RIGIDITE II*, GRUR 96 (1994) 5, 366; *Fezzer*, Art. 6*quinquies* PC, para. 14.

¹⁶⁹ *Actes de Lisbonne* (1958), 624, 626 *et seq.*, 628, 633, 755, 757; *Bodenhausen*, Art. 6*sexies* PC, para. a.

generally protect service marks.¹⁷⁰ Under the auspices of WIPO, it was left to the Union countries how, and to what extent, they would protect service marks. Specific legislative steps were not demanded of them—protection against unfair competition was sufficient.¹⁷¹ This has changed under TRIPS: Art. 6*sexies*.2 PC which permits Members to stipulate the registration of service marks, is **superfluous** in this context. Art. 15.1, sentences 1 and 2 TRIPS stipulate the registrability of service marks, and therefore go beyond protection against unfair competition¹⁷² In view of Art. 62.3 TRIPS, service marks enjoy priority protection in accordance with adapted Art. 4 PC.

h) Registration in the Name of the Agent or Representative (Art. 6*septies* PC)

76 The purpose of Art. 6*septies* PC is to protect foreign proprietors of trademarks, including service marks,¹⁷³ against certain actions of disloyal agents and representatives.¹⁷⁴ In practical terms, this area is usually significant in cases of conflicts resulting from the termination of international distribution agreements. This provision covers the unauthorized filing of a trademark in a Member as well as its registration without approval. In both cases, trademarks are concerned, which were already registered in a Member, or at least are identical or capable of being confused with¹⁷⁵ a trademark that the owner has filed.¹⁷⁶ **Agents or representatives** in terms of this provision are trade representatives, contract negotiators, commission agents or merchants and suppliers as well as distribution licensees and genuine licensees,¹⁷⁷ not, however, mere customers.¹⁷⁸ The agent must hold his position at the time the trademark was filed for registration.¹⁷⁹ Depending on the law of the relevant Member, Art. 6*septies*.1 PC permits the owner to oppose the registration, to demand its cancellation, or to have it assigned to him.

¹⁷⁰ Different *Gervais*, para. 2.160.

¹⁷¹ *Actes de Lisbonne* (1958), 633, 634 *et seq.*, 756 *et seq.*; *Bundesgerichtshof*, Scholl, BGHZ 42, 44, 52; *Bodenhausen*, Art. 6*sexies* PC, para. b; *Busse & Starck*, Art. 6*sexies* PC, para. 1; *Fezer*, Art. 6*sexies* PC, para. 1; *Moser v. Filseck*, GRUR Ausl. 8 (1959) 2, 86.

¹⁷² *Kür*, in: *Beier & Schricker* (eds), 93, 100 *et seq.*; *WIPO*, para. 88.

¹⁷³ This is apparent from the position of Art. 6*septies* PC; *cf.* also *Bodenhausen*, Art. 6*septies* PC, para. b.

¹⁷⁴ Critical regarding the purpose of the norm is *ibid.*; *Ingerl*, GRUR 100 (1998) 1, 1.

¹⁷⁵ *Actes de Lisbonne* (1958), 681; *Bauer*, GRUR Int. 20 (1971) 12, 496, 501; *Bodenhausen*, Art. 6*septies* PC, para. c; *Miosga*, 81; Of another opinion is *Ingerl*, GRUR 100 (1998) 1, 1, 4.

¹⁷⁶ See for the priority requirement *Ingerl*, GRUR 100 (1998) 1, 1, 3. Different *Bauer*, GRUR Int. 20 (1971) 12, 496, 500.

¹⁷⁷ *Riehle*, 224, fn. 11; *Bodenhausen*, Art. 6*septies* PC, para. b.

¹⁷⁸ *Bauer*, GRUR Int. 20 (1971) 12, 496, 499; *Ingerl*, GRUR 100 (1998) 1, 1, 2; regarding the exclusion of customers see *Actes de La Haye* (1925), 347, 348, 467; *Bauer*, GRUR Int. 20 (1971) 12, 496, 497; *Moser v. Filseck*, GRUR Ausl. 8 (1959) 2, 86.

¹⁷⁹ *Ingerl*, GRUR 100 (1998) 1, 1, 2.

Art. 6*septies*.2 PC extends this protection in the case of unauthorized use 77 to include a **claim for injunction**, irrespective of whether the agent has initiated a registration of the trademark. Action under Art. 6*septies*.1–2 PC may be prevented if the agent can provide sufficient justification. Grounds for justification could possibly be a lapse of the owner's interests regarding the trademark, for example, ceasing to use the mark due to a permanent stop of production, not, however the acquisition of goodwill by the agent—this is not protected by the law of marks.¹⁸⁰ Not only the agent, but also any legal successor is subject to these claims.¹⁸¹ According to Art. 6*septies*.3 PC, each Member can decide to make the assertion of the owner's rights dependent on the observance of a certain time period.

i) Independence from the Product (Art. 7 PC)

Adapted Art. 7 PC is related to the patent provision of Art. 4*quater* PC. 78 It ensures that a Member cannot deny the registration of a trademark on grounds that are directed against the product for which the mark is meant to be used. There are **three major cases** to be taken into consideration, in which the sale is prohibited:¹⁸² First, when a product can not be sold in the jurisdiction of protection due to the existence of a State-controlled monopoly there (materials suited to starting fires, spirits, tobacco, etc.), second, when according to the law of the jurisdiction of protection the sale infringes on morality, and third, when the product has not or not yet been approved for sale (particularly applicable to pharmaceutical products). The provision, however, only protects the registration of the trademark, not its use. An attempt at the Lisbon Revisional Conference to extend the regulation to include the use or the duration of the exclusive right to use the trademark, failed.¹⁸³ **Art. 15.4 TRIPS** extends the scope of the provision to include service marks.

j) Collective Marks (Art. 7*bis* PC)

In accordance with Art. 7*bis*.1 PC, Members shall accord protection to 79 collective marks, *i.e.* to trademarks of associations. This does not include those that belong to States or other public bodies for which Art. 6*ter* PC is applicable. The term **association** is to be interpreted broadly. It includes any plurality of natural or legal persons united to pursue a common goal.¹⁸⁴ A Member can only deny the registration of a collective mark, when it

¹⁸⁰ *Bauer*, GRUR Int. 20 (1971) 12, 496, 502. A different opinion on goodwill is held by *Bodenhausen*, Art. 6*septies* PC, para. i; *Ingerl*, GRUR 100 (1998) 1, 1, 4.

¹⁸¹ *Ingerl*, GRUR 100 (1998) 1, 1 5. Different *Bauer*, GRUR Int. 20 (1971) 12, 503.

¹⁸² *Actes de Paris* (1880), 89; *Bodenhausen*, Art. 7 PC, para. b; *Busse & Starck*, Art. 7 PC, para. 1.

¹⁸³ *Actes de Lisbonne* (1958), 694, 704, 761, 763; See for the background to the reform attempts *Moser v. Filseck*, GRUR Ausl. 8 (1959) 2, 86, 87.

¹⁸⁴ *Fézer*, Art. 7*bis* PC, para. 1.

is clear that the existence of the association is contrary to the law of the country of origin (Art. 7bis.1 PC), meaning the association's country of origin, not that of the collective mark.¹⁸⁵ In accordance with Art. 7bis.2 PC, Members may determine under which conditions the collective mark is to be protected. They are free to regulate the law of associations and the transfer of associations' signs, etc. If the collective mark violates the public interest, protection can even be completely withdrawn. However, Art. 7bis.3 PC requires Members to acknowledge the association's existence according to the regulations of the country of origin. Thus, the legal capacity of the association will be determined by the country of origin.¹⁸⁶

k) Trade Names (Art. 8 PC)

80 Art. 8 PC is one of the few provisions of international law that deals with the protection of signs of companies. It obligates the Members to protect foreign trade names. This is particularly significant, because as pointed out by the Appellate Body in *US—Section 211 Appropriations Act*, trade names only became “intellectual property” and thus a **subject of protection of the TRIPS Agreement by means of the adoption of Art. 8 PC**.¹⁸⁷ Despite the broad language, only persons within the scope of Arts 2, 3 PC or the corresponding TRIPS provisions are entitled to protection.¹⁸⁸ Art. 8 PC prohibits the jurisdiction of protection from making the protection of foreign trade names dependent upon a lodgement or registration in that State or another State, in particular the country of origin—even in cases, where a duty to register is mandatory for domestic trade names.¹⁸⁹ A **discrimination against the Member's own nationals** is therefore possible. Furthermore, Art. 8 PC prescribes that foreign trade names are to be protected irrespective of whether they are wholly or partially a component of a trademark. In consequence, a trade name that is a component of a trademark continues to exist even if the trademark in question lapses.¹⁹⁰ In all other respects, Members may make protection of trade names dependent upon their own requirements, *e.g.* protection against confusion with another trademark.¹⁹¹

¹⁸⁵ *Bodenhausen*, Art. 7bis PC, para. e; *Troller*, 55.

¹⁸⁶ *Bundespatentgericht, D mit Frostblumen*, GRUR Int. 16 (1967) 2, 72, 73; *Fezer*, Art. 7bis PC, para. 1.

¹⁸⁷ *US—Section 211 Appropriations Act*, WT/DS176/AB/R, paras 333 *et seq.*; C-245/02, *Anheuser Busch*, [2004] E.C.R. I-10989, Rec. 91; *Heim*, GRUR Int. 54 (2005) 7, 545, 547 *et seq.*

¹⁸⁸ *Actes de Paris* (1880), 98, 100; *Bodenhausen*, Art. 8 PC, para. b.

¹⁸⁹ *Aensao*, GRUR Int. 45 (1996) 4, 413; *cf.* also *SU Iveco NV v. Iveco Oy* (not published) and *Körkeamaki*, EIPR 16 (1994) 6, D 143.

¹⁹⁰ This was one of the main reasons for the original inclusion of Art. 8 PC. See *Actes de Paris* (1880), 97; *Bodenhausen*, Art. 8 PC, para. e; *Saint-Gal*, GRUR Ausl. 13 (1964) 6, 289, 290.

¹⁹¹ *Bodenhausen*, Art. 8 PC, para. c; *Heim*, GRUR Int. 54 (2005) 7, 545, 546; *cf.* also *Bundesgerichtshof, FROMMLA*, GRUR 104 (2002) 11, 972, 973.

The Members remain free to determine what they regard as a “**trade name**” and decide independently by which methods and to which extent they want to protect trade names. This results from the great differences of trade name protection at an international level.¹⁹² Some instructions can, however, be deduced from adapted Art. 9 and Art. 10^{ter} PC. Considering the extensive protection that trade and service marks enjoy under TRIPS, trade names it stands to reason that in this context there should be at least enough room for protection as a trade name when a sign directly refers to a company and not to its products.¹⁹³ Whether, and to what extent, the foreign trade name is protected in the country of origin does not determine the scope of protection in the country in which protection is sought.¹⁹⁴ Such a dependency would contradict the principle of national treatment.

On the basis of *US—Section 211 Appropriations Act*, the **ECJ** held in *Anheuser Busch* that a trade name can be a sign in the sense of **Art. 16.1, sentence 1 TRIPS**, the use of which may be forbidden by the mark owner.¹⁹⁵ By the same token, a trade name may qualify as a pre-existing right in the meaning of Art. 16.1, sentence 3 TRIPS provided it falls within the temporal scope of application of the TRIPS Agreement.¹⁹⁶

1) Seizure (Art. 9 PC)

Art. 9 PC contains detailed regulations for the seizure of products which unlawfully bear a trademark or trade name. Despite the elaborate regulations in paras 1, 2, 3 and 5 the provision is **not directly applicable** and does go much beyond the national treatment obligation of Art. 2.1 PC/Art. 3.1 TRIPS. Indeed, Art. 9.6 PC permits Members, which do not implement seizure in accordance to the preceding paragraphs, to replace this instrument by other measures or legal remedies available to their own nationals. Art. 9 PC is **supplemented by Art. 51 TRIPS** according to which Members may accept an application for seizure only on “valid grounds” for suspecting the importation of counterfeit goods.¹⁹⁷ It should be noted that Art. 51 TRIPS is **not applicable to trade names**

¹⁹² Cf. *Celli*, 111 *et seq.*; *Ladas*, 1599; *Novoa*, GRUR Int. 25 (1976) 6, 275; For an outline of the different positions at the revisional conferences, see *Heim*, GRUR Int. 54 (2005) 7, 545, 546.

¹⁹³ Likewise *Celli*, 112.

¹⁹⁴ BGHZ 130, 276, 280, *Torres* with comments by *Fézer*, GRUR 97 (1995) 12, 829; OLG Frankfurt, *Rothschild*, GRUR 86 (1984) 12, 891, 894; *Baumbach & Hefermehl*, Art. 8 PC, para. 1; *Beier & Kunz-Hallstein*, GRUR Int. 31 (1982) 6, 362, 364 *et seq.*; *Bodenhausen*, Art. 8 PC, para. c; *Fézer*, Art. 8 PC, para. 1.

¹⁹⁵ C-245/02, *Anheuser Busch*, [2004] E.C.R. I-10989, Recs 58 *et seq.*

¹⁹⁶ *Ibid.*, Rec. 91.

¹⁹⁷ See for more detail *Vander*, Article 51, para. 5.

or geographical indications.¹⁹⁸ These are—unlike in Arts 9 and 10 PC—not mentioned in the provision.¹⁹⁹

3. Indications of Source and Appellations of Origin (Arts 10 and 9 PC)

- 84 Since the The Hague Revisional Conference of 1925, the Paris Convention also governs, “indications of source or appellations of origin” (Art. 1.2 PC). Neither term is defined in any more detail.²⁰⁰ In addition to MFN and national treatment (Arts 2, 3 PC), indications of source and appellations of origin also enjoy protection according to more specific Art. 9 read together with Art. 10 and Art. 10*ter* PC. These provisions, however, do not afford comprehensive protection, but concern only selected issues²⁰¹ and offer the lowest level of protection of all international agreements.²⁰²
- 85 Not until the Lisbon Revisional Conference of 1958, Art. 10 PC referred to Art. 9 PC in “cases of direct or indirect use of a false indication regarding the identity of the producer, manufacturer or merchant.”²⁰³ Art. 10 PC is a minimum standard—also for indications and appellations from third party States.²⁰⁴ Not only geographical indications of source, but all types of indication of source are protected (*e.g.* “hand made”).²⁰⁵ However, the provision is **not** specific enough to be **directly applicable**. Products that unlawfully bear an indication of source may, according to Art. 9 and Art. 10 PC, be **seized** in both, the country where the unlawful affixation occurred and the country into which the goods were imported.²⁰⁶ Further mandatory civil and criminal legal remedies are not outlined. In particular, the provision does not envisage injunctive relief, although this would be of much practical importance.
- 86 Seizure requires **objective and formal false indication**.²⁰⁷ Merely **misleading appellations** do not suffice for seizure.²⁰⁸ The interpretation of the term “direct or indirect use of a false indication of the source of

¹⁹⁸ Art. 9 PC is applicable to these via the reference in adapted Art. 10 PC.

¹⁹⁹ See *de Carvalho*, para. 2.16.

²⁰⁰ *Conrad*, in: *Dimwoodie & Hennessey & Perlmutter* (eds), 317.

²⁰¹ According to *Knaak*, in: *Beier & Schriker* (eds), 117, 119 *et seq.* the protection is “rudimentary”; *Krieger*, GRUR Int. 33 (1984) 2, 71, 72 calls it “unvollkommen”.

²⁰² See for a comparative overview *Strauch & Arend*, Before Articles 22–24, paras 40 *et seq.*

²⁰³ In this regard, see the reports of the Members of the German delegation, GRUR Ausl. 8 (1959) 2, 58.

²⁰⁴ *Reger*, 125.

²⁰⁵ See in more detail *Bodenhausen*, Art. 10 PC, para. d.

²⁰⁶ Paras 3–6 contain more detailed rules regarding seizure.

²⁰⁷ *Reger*, 123, fn. 311.

²⁰⁸ The general prohibition to mislead of Art. 10*bis*.3 was not extended to geographic indications. Such attempt failed at the 1958 Revisional Conference of Lisbon; in this regard, see *Ladas*, 1579; *Reger*, 123.

the goods” depends on the relevant public view of the country in which protection is sought. Indirect use refers to the selling or distribution of the good without explicitly specifying the origin, but the product packaging or advertisement suggests a certain origin.²⁰⁹ The country in which protection is sought also determines whether the indication is a protected indication of origin or a generic or imaginary term.²¹⁰ The great leeway the Members enjoy further devalues the protection of Arts 9 and 10 PC. It hardly extends the national treatment obligation:²¹¹ Foreign, misleading indication of source or appellation of origin remain permissible through the use of a corrective delocalizing addition. The risk to mislead the public that is inherent in such a procedure, is covered neither by Art. 10 PC nor by the special provisions concerning unfair competition in Art. 10*bis* PC²¹²—in particular Art. 10*bis*.2 PC.²¹³

4. Industrial Designs and Models

The TRIPS Agreement contains in its Arts 25 and 26 specific regulations for industrial designs and models. The adapted provisions of the Paris Convention regarding designs and patterns parallel TRIPS in this area. In addition to the basic principles contained in Arts 2, 3, 4, 5D, 5*bis*.1, 11 and 12 PC, these include provisions regarding compulsory use of the design (Art. 5B PC) and the obligation to protect designs in general (Art. 5*quinquies* PC).

87

a) Compulsory Use; Import (Art. 5B PC)

Art. 5B PC states that industrial designs and models cannot be forfeited, either by failure to work or by import. The term “forfeiture” is identical to that used in Art. 5A PC. Regarding the prohibition on forfeiture due to a lack of use, Art. 5B PC, like Art. 5A PC, serves the abolition of a working requirement.²¹⁴ Also with regard to design law, Members are generally free to define “failure to work”, in particular, whether this requires complete non-working, or also covers insufficient use. In any case, a use is given if an object is produced which contains the industrial design or model in question.²¹⁵ Corresponding to adapted Art. 5A PC, **TRIPS** requires that importation from another Member be acknowledged as domestic use.

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²⁰⁹ *Bodenhausen*, Art. 10 PC, para. c.

²¹⁰ See also *Bodenhausen*, Art. 10 PC, para. d.

²¹¹ See para. 84 above.

²¹² *Knaak*, in: *Beier & Schricker* (eds), 117, 120; See in greater detail *Conrad*, in: *Dimwoodie & Hennessey & Perlmutter* (eds), 317.

²¹³ The applicability of Art. 10*bis*.2 PC is controversial. It is outlined by *Strauch & Arend*, Before Articles 22–24, paras 37.

²¹⁴ For the historical development of the norm see *Beier*, GRUR 100 (1998) 3–4, 185, 192 *et seq.*

²¹⁵ *Bodenhausen*, Art. 5B PC, para. c.

- 89 Adapted Art. 5B PC does not prevent Members from taking measures other than forfeiture against failure or insufficient use. In particular, Members retain the right to grant **compulsory licences**. The negotiation protocols from the London Revisional Conference of 1934, which are to be considered within the framework of TRIPS as part of the Paris *Acquis*, explicitly state this.²¹⁶ Also the TRIPS negotiation history supports this interpretation: The explicit prohibition of compulsory licences in the Anell Draft²¹⁷ did not become part of the final agreement. So far, the practical significance of compulsory licences in the area of industrial designs is limited.²¹⁸ Even before the London Revisional Conference of 1934, most of the Union States of the Paris Convention had refrained from using compulsory licences to redress failure to work.²¹⁹ They were simply not necessary in view of the limited scope and term of protection for designs and the broad the room for new creations. This, however, might change for those Members which, like **Germany** (with the 2004 **Reform of Industrial Design Law**), have created exclusive rights for industrial designs protecting providing like patent protection exclusive protection for the idea of the respective aesthetic idea as such and not only protection against copying.²²⁰ In cases where the level of exclusivity provided by design protection reaches this level, a need for compulsory licensing is conceivable.
- 90 Altogether, the Paris Convention provides owners of designs better protection than patent holders when it comes to failure to work but also in cases of importation. **The lack of use of designs “shall not, under any circumstance”** (“*ne peut être atteinte*”) **lead to the forfeiture** of the design right, (Art. 5B PC), while the patent holder will risk forfeiture pursuant to Art. 5A.3 PC, provided that compulsory licences do not suffice. To this extent, the provision accounts for the lesser economic interest in local working of design rights.

²¹⁶ *Actes de Londres* (1934), 380, 460, 515; also *Bodenhausen*, Art. 5B PC, para. c; *Beier*, GRUR 100 (1998) 3–4, 185, 193. Of a different opinion is *Ladas*, 903 *et seq.*

²¹⁷ *Cf.* Negotiation Group on TRIPS, including Trade in Counterfeit Goods, Status of Work in the Negotiation Group, Chairman’s Report to the GNG (Anell Draft), MTN. GNG/NG11/W/76, 23 July 1990, para. 17. On the admissibility of compulsory licences in design law under TRIPS, see *Ridder*, 137 *et seq.*; see also *Kür*, in: *Beier & Schricker* (eds), 141, 147; *Moncayo von Hase*, in: *Corea & Yusuf* (eds), 93, 135 *et seq.*

²¹⁸ *Cf.*, however, Sec. 33.1, 2 and 3 of the Japanese Act for the Protection of Designs and South Africa’s Sec. 21 Designs Act 1993.

²¹⁹ See for the arguments against the necessity of non-consensual licences for designs and models *Beier*, GRUR 100 (1998) 3–4, 185, 194.

²²⁰ *Cf.* § 38.1 German Industrial Designs Act, *GeschmacksmusterG* (BGBl I 2004, 390 *et seq.*, as last amended by BGBl. I 2007, 2897); see also *Brand*, in: *Halfmeier et al.* (eds), 81, 99 *et seq.*

b) **Obligation to Protect (Art. 5*quinquies* PC)**

According to Art. 5*quinquies* PC, all Members shall afford protection to industrial designs. This does however not require protection *sui generis*; it is sufficient to protect industrial designs by other means. Copyright law and the law against unfair competition are usually relevant in this respect.²²¹ Within the framework of TRIPS, Art. 5*quinquies* PC is **completely overridden by Art. 25.1 TRIPS**. The TRIPS Agreement stipulates more detailed requirements for protection which the Paris Union could not agree upon when Art. 5*quinquies* PC was adopted at the Lisbon Revisional Conference of 1958.²²² 91

5. Patents

The Paris Convention contains a number of provision regarding patents. Their scope and significance, however, does not come near that of the regulations relating to trademarks. The most important rule is probably the priority rule established by Art. 4 PC. In addition, Arts 4*bis*, 4*ter* 4*quater* and Art. 5A PC concern patent protection. Of these provisions, only Art. 5A PC, which regulates the forfeiture and compulsory licences, has direct bearing on Arts 27–34 TRIPS. 92

a) **Independence of Patents (Art. 4*bis* PC)**

Adapted Art. 4*bis* PC parallels Art. 6 PC on trademarks and guarantees the independence of patents which have been acquired for the same invention in other Members or in third party States. Independence of patents is of great practical significance when parallel patents are no longer maintained in some of the jurisdictions where protection was originally sought for.²²³ According to Art. 4*bis*.2 PC, patents filed during the priority time period remain independent of both as regards the grounds for **nullity and forfeiture**,²²⁴ and as regards their **normal term of protection**. This follows already from the national treatment principle. Art. 4*bis*.5 PC determines that the invocation of priority shall not affect the patent's duration of protection. Applicants may however encounter difficulties resulting from such independence. The differing or matching form of claims, for instance, will have no bearing on the interpretation of other patents. Due to the different requirements for protection among the Members, the patent grants in other WTO Members are not even considered as an indication for a domestic patentability. 93

²²¹ *Bodenhausen*, Art. 5*quinquies* PC, para. b; *Gervais*, para. 2.243; *Suthersanen*, para. 22–27; *Kur*, in: *Beier & Schricker* (eds), 141, 144 *et seq.* Accordingly, the applicable national laws determine exceptions to the protection of industrial designs and models.

²²² See *Bodenhausen*, Art. 5*quinquies* PC, para. a.

²²³ See *Bertschinger & Geiser & Münch*, 23; *Bogsch*, *Industrial Property* 1983, 187, 199.

²²⁴ *Corte die Cassazione, Billion Patente*, GRUR Int. 19 (1970) 5, 161, 162; *Ullmann*, in: *Benkard* (ed.), para. 21; *de Carvalho*, paras 2.8 *et seq.*

- 94 The independence of patents in regards to their duration of protection limits the possibility of the Members to provide for an **international exhaustion**. Art. 6 TRIPS, however, excludes the issue of exhaustion from the TRIPS Agreement so that the principle of independence is not applicable to this extent.²²⁵ This also affects protection of the patent holders under **Art. 28.1 lit. a TRIPS** against the importation of patented products. Because protection against importation is subject to Art. 6 TRIPS (see footnote 6), Members need not observe the independence of the patent in this regard.
- 95 The regulation of Art. 4*bis* PC only applies to **patents for invention**. To the extent that a Member grants patents of introduction, it may restrict the term of protection to that applicable to a foreign patent which has been granted not for novelty but for mere importation.²²⁶

b) Moral Rights (Art. 4*ter* PC)

- 96 Art. 4*ter* PC is the only adapted provision of the Paris Convention which contains a **moral right**, namely the right of the inventor to have his name mentioned in the patent. As long as the Members ensure that the inventor can assert his right to be named, they are free to determine the particularities of such right, for instance, whether the inventor can contractually waive this right,²²⁷ or whether such a waiver would be inconsistent with the character of a moral right.²²⁸

c) Patentability Despite Restrictions on Sale (Art. 4*quater* PC)

- 97 Art. 4*quater* PC precludes Members from rejecting or invalidating a patent on the sole ground that the sale of the patented product or of a product obtained by a patented process is restricted or limited by national law. This concerns situations in which the products do not meet **security or quality requirements**, or in which a Member has granted a monopoly over the manufacture or sale of the product.²²⁹ A patent should then not be automatically excluded from registration or invalidated, because the patent could outlast the sale restriction or the manufacturing or sales monopoly could be maintained through the use compulsory licences or another forms of permission.²³⁰ The term “restrictions and limitations” also includes the complete prohibition on sale. Art. 4*quater* PC, however, only covers cases

²²⁵ *Sec de Carvalho*, para. 2.8.

²²⁶ *Actes de Washington* (1911), 249, 251, 259; *Bodenhausen*, Art. 4*bis* PC, para. b.

²²⁷ At the 1934 Revision Conference of London, making the contractual renunciation of the inventor's right to be named, invalid was considered, but ultimately not implemented; cf. also *Bertschinger & Geiser & Münch*, 23.

²²⁸ *Bodenhausen*, Art. 4*ter* PC, para. b.

²²⁹ Austrian Patent Office, *Tabakfeuchthalteverfahren*, GRUR Ausl. 10 (1961) 10, 483; *Ullmann*, in: *Benkard* (ed.), para. 22.

²³⁰ *Bodenhausen*, Art. 4*quater* PC, para. b.

in which the sale, but not the manufacture of the patented product or the patented process is subject to restrictions. If the Members so wish they may prevent manufacture of the products as such or prohibit its sale, because it infringes on public security. Within the TRIPS Agreement, this follows directly from **Art. 27.2 TRIPS**.²³¹

d) **Compulsory Licences (Art. 5A PC)**

Adapted Art. 5A PC limits the Member's freedom to declare the forfeiture of patents and to grant compulsory licences. 98

The term "**forfeiture**" refers to all measures of the competent authorities that lead to the annulment of the industrial property right, for example, a revocation, a retraction or a declaration of invalidity of a patent.²³² The Paris Convention is no comprehensive regulation of forfeiture; it is limited to two peculiar issues: Firstly, Art. 5A.1 PC declares that Members may not forfeit a patent²³³ because the patented product was manufactured in another Member. The provision reflects the special situation in the 19th century's struggle against compulsory working.²³⁴ It does not have much practical relevance today. Secondly, forfeiture is **subsidiary** to the grant of a **compulsory licence**. Proceedings concerning forfeiture may, in accordance with Art. 5A.3 PC, not commence until the lapse of two years since the first compulsory licence was granted. Moreover, it may only be declared when granting compulsory licences does not suffice to prevent abuses. 99

Also for **compulsory licences** Art. 5A PC creates a rather loose regulatory framework. In accordance with **para. 2**, which is not directly applicable, Members are entitled to take "legislative measures providing for the grant of compulsory licences to prevent the abuses which might result from the exercise of the exclusive rights conferred by the patent, for example, failure to work." Art. 5A.3–4 PC qualify this entitlement. Despite the formulation of Art. 5A.2 PC, Art. 5A PC is **not exclusive**. Members retain their ability to regulate compulsory licences in order to prevent the abuse of patents under their national laws.²³⁵ Rather, Art. 5A.2 PC contains guidelines for compulsory licences to specifically redress or prevent abuses. Since Art. 5A 100

²³¹ See in more detail *Reyes-Knoche*, Article 27.2, paras 1 *et seq.*

²³² *Bodenhausen*, Art. 5A PC, para. c; *Pohl*, 144; *Pfanner*, GRUR Int. 34 (1985) 6, 357, 367.

²³³ Art. 5A PC does not cover importation from third States. *Bodenhausen*, Art. 5A PC, para. d.

²³⁴ *Akerman*, 327; *Aracama-Zorraquín*, Industrial Property 14 (1975) 3, 92, 99.

²³⁵ *Actes de Lisbonne* (1958), 393–395, 407–410, 421 *et seq.*; *Bundesgerichtshof, Polyferon*, GRUR 98 (1996) 3, 190, 192; *Mexican Tribunal Colegiado del Primer Circuito en Materia Administrativa, forfeiture for failure to work*, GRUR Int. 33 (1984) 9, 529, 530 with comments of *Wittenzellner*; *R. v. Comptroller-General (ex parte Parke Davis & Company)* [1953] R.P.C. 89 (QBD); *Parke Davis & Company v. Comptroller-General and British Drug Houses Ltd.* [1954] R.P.C. 169 (H.L.); For a comprehensive analysis, see *Pohl*, 147 *et seq.*; and further *Bodenhausen*, Art. 5A PC, para. g; *Pfanner*, GRUR Int. 34 (1985) 6, 357, 366 *et seq.*

PC goes back to the Sec. 24 Patents Act 1907, UK case law may be instructive for the interpretation of the notion of **abuse**. Accordingly, compulsory licences should relate to certain behaviour of the patent holder which is contrary to the purpose and object of patent protection.²³⁶ As an example of abuse, Art. 5A.2 PC mentions the failure to work or insufficient working of the patent. However, the provision may also cover cases in which the patent holder is unable or refuses to meet the economic needs for the protected objects under reasonable terms.²³⁷ Members are free to define further situations of abusive behaviour by patent holders.²³⁸ There is no limitation as to the potential form of compulsory licences (*e.g.* judicial or statutory, by means of a compulsory contract or by means of an act of state) following from Art. 5A PC.

101 Compulsory licences, which are granted irrespective of the patent holder's behaviour, are **not** related to **abuse**. This is of particular relevance when the grant of the compulsory licence is triggered by the nature of protected invention itself, as was provided for in the UK Sec. 41 Patents Act 1949 for pharmaceutical inventions and food.²³⁹ In addition, patent law permits compulsory licences irrespective of Art. 5A.2–4 PC, in cases of dependent patents (*e.g.* improvements) and for the protection of national security.²⁴⁰ Likewise, Art. 5A PC does not affect **other possibilities for intervention in patent law**, for example the State's right of using private inventions as provided by § 13 German Patent Act²⁴¹ or 28 U.S.C. § 1498 in the United States. On the other hand, adapted Art. 5A.2 PC is limited by **Art. 31 lit. c TRIPS**. As a result, compulsory licences for semi-conductors are, even in cases of abuse, only permissible for two reasons: to ensure public, non-commercial use and to eliminate established cases of anti-competitive practices.

102 The trade-related context of **TRIPS** necessitates its own interpretation of the notion of **domestic use or local working**. While Members are, pursuant to adapted Art. 5A.2 PC, generally free to interpret domestic use, the wider context Arts 27.1 and 31 TRIPS implies that the patent holder exercises his property right when the product is provided on the domestic market, be it through local production or through importation.²⁴²

²³⁶ Likewise *Bodenhausen*, Art. 5A PC, para. g. Critical of this subcategorization is *Pohl*, 149, fn. 25.

²³⁷ *Reichsgericht, Underwood-Buchungsmaschine*, RGZ 93, 50, 53; *Reichsgericht, Platinvakuumröhrchen*, RGZ 106, 214, 215 *et seq.*; *Reichsgericht, Farbstoffe*, GRUR 25 (1923), 173, 174; *Reichsgericht, Edison-Akkumulator*, GRUR 30 (1928), 705, 709.

²³⁸ *Actes de Londres* (1934), 174.

²³⁹ Regarding this provision *Neumeyer*, GRUR Ausl. 17 (1958) 1, 1, 15.

²⁴⁰ *Bodenhausen*, Art. 5A PC, para. g.

²⁴¹ *PatentG*, BGBl. 1981 I, 1; as last amended by BGBl. I 2007, 2166 *et seq.*; (amendment in force since 13 December 2007).

²⁴² *de Carvalho*, para. 2.16; *cf.* also *Eikermann*, Article 31, para. 12 *et seq.*

Adapted Art. 5A.4 PC prevents Members from granting compulsory licences 103
for a failure of or insufficient use until four years have lapsed since the patent application was submitted or three years since the patent was granted, whichever period expires last. If the patent holder can justify “his inaction by legitimate reasons”, *i.e.* if there is prove that legal, economic or technical barriers prevent the (sufficient) local working, the compulsory licences shall not be granted. Any compulsory licence must not be exclusive and can only be transferred together with that part of the enterprise or goodwill, which is concerned with exploiting the licence.²⁴³ Art. 5A.4 PC does not apply to **other cases of compulsory licencing** for abuse or licences granted in the public interest or for relieving dependent patents.²⁴⁴

Art. 5A.5 PC addresses **protection of utility models** (“second tier protection”),²⁴⁵ However, the provision has not gained practical relevance, due to the matter protected by utility models and due to the short duration of their protection.²⁴⁶ The clear wording precludes compulsory licencing of other rights regulated in Paris Convention (*expressio unius exclusio alterius*). 104

e) Limitations on Patent Protection in Cases of Importation (Art. 5ter PC)

Art. 5ter PC regulates the conflict between the rights of the patent holder 105
and the needs of **cross-border trade**. It stipulates that the use of patented devices forming part of a vessel (No. 1) or respectively of an aircraft or a land vehicle (No. 2) of a Member, do not infringe the patent when the vehicles or objects temporarily or accidentally enter the territory of another Member and thus the jurisdiction of another system of legal protection. The owners of the vehicle therefore do not have to apply for a licence. However, only the use of patented devices is exempted, not the manufacture or sale of such devices on board the vehicle in question. In cases of No. 1 vessels belong to a Member if they fly its flag.²⁴⁷ The temporary nature of the stay is not precluded when the vehicle regularly visits the territory of the Member within the context of international transportation.²⁴⁸

²⁴³ *Bodenhausen*, Art. 5A PC, para. o.

²⁴⁴ *Actes de Lisbonne* (1958), 416–417, 527; *Bodenhausen*, Art. 5A PC, para. l.

²⁴⁵ For a legal comparison on this issue see *Goebel*, GRUR 103 (2001) 10–11, 916; *Janis*, Harv. Int'l L.J. 40 (1999) 1, 151.

²⁴⁶ *Cf. Bodenhausen*, Art. 5A PC, para. p.

²⁴⁷ *Ibid.*, Art. 5ter PC, para. e.

²⁴⁸ *Actes de La Haye* (1925), 435; *Ullmann*, in: *Benkard* (ed.), para. 27.

106 The scope of Art. 5*ter* PC is clearly **limited to patents**. Notwithstanding, it clearly served as model for the Community Designs Directive and the Community Designs Regulation.²⁴⁹

f) Importation of Products Manufactured by a Patented Process (Art. 5*quater* PC)

107 Art. 5*quater* PC is the only provision dealing with the protection of patents abroad. However, the narrow language limits the provision to a certain category of patents where it regulates the scope of protection only in relation to a specific case: the protection of patented processes against importation of products manufactured according to said process. Art. 5*quater* PC makes clear that the importation of products manufactured by a patented process is to be considered a violation of the patented process. It thus accounts for one of the basic concerns in patent law.²⁵⁰ In both cases the patent holder is entitled to prevent the respective actions. With the adoption of the TRIPS Agreement, adapted Art. 5*quater* PC has lost much of its significance to the more comprehensive rights conferred under **Art. 28.1 lit. b TRIPS**.²⁵¹

6. Law of Unfair Competition (Art. 10*bis* PC)

108 Rules regarding unfair competition are contained in Art. 10*bis* and Art. 10*ter* PC. While Art. 10*bis* PC addresses substantive requirements of protection, Art. 10*ter* PC refers to the legal remedies attaching to protection. The latter are also applicable to trademarks and geographical indications.²⁵²

109 Art. 10*bis* PC creates a minimum level of protection.²⁵³ Members are obliged to provide WTO nationals effective protection against unfair competition (para. 1). **Art. 10*bis*.2 PC²⁵⁴ defines the parameters** of this protection. Accordingly, every act of competition is unfair, “that is contrary to honest practices in industrial or commercial matters.” The wording covers all types of unfair practices, not only those listed in Art. 10*bis*.3 PC.²⁵⁵ Similar to § 3 German Unfair Competition Act,²⁵⁶ immorality is not mentioned as a requirement of unfair competition. The precise meaning of the term “honest practices” which was inspired by French law is to be deduced from the treaty

²⁴⁹ Cf. *Suthersanen*, para. 22–040.

²⁵⁰ In this regard and with an overview of the history of the norm see *Kunz-Hallstein*, GRUR Int. 32 (1983) 6–7, 548, 549 and *Bodenhausen*, Art. 5*quater* PC, para. a.

²⁵¹ See *Reyes-Knoche*, Article 28, para. 5.

²⁵² With regard to Art. 10*ter* PC see para. 113 below.

²⁵³ See for a comprehensive outline *Norton*, Fordham L. Rev. 68 (1999) 1, 225, 250 *et seq.*

²⁵⁴ See further *Reger*, 17 *et seq.*

²⁵⁵ *Dworkin*, in: *Vaver & Bently* (eds), 175, 178; *Norton*, Fordham L. Rev. 68 (1999) 1, 225 (239).

²⁵⁶ *Gesetz gegen unlauteren Wettbewerb* BGBl. I 2004, 1414 *et seq.*; as last amended by BGBl. I 2006, 3367, 3374.

itself.²⁵⁷ In the context of TRIPS “honest practices” must be understood as trade related. Thus international trade customs will frequently carry greater significance in this respect. In addition, the official footnote to **Art. 39.2 TRIPS** needs to be taken into consideration. It contains a definition of violations of honest practices including illustrative examples which are also applicable to adapted Art. 10*bis* PC.²⁵⁸

Art. 10*bis*.2 PC does not determine a uniform standard of protection. It is based on the commercial “practices”, which will vary from Member to Member. Therefore the legal conceptions and values of the jurisdiction in which protection is sought are equally relevant.²⁵⁹ 110

Adapted **Art. 10*bis*.3 PC** lists **cardinal violations** against honesty and fairness in commercial matters, which the Members are particularly bound to prevent. They establish a minimum standard of protection.²⁶⁰ According to No. 1, acts that are capable of creating confusion with the establishment, the goods, or the industrial and commercial activities of a competitor are to be prevented. This concept corresponds to the passing off concept and injurious falsehood in UK tort law.²⁶¹ It includes cases of unfair competition and trademark law, for example, the imitation of products and the use of trade names, but also the form or packaging of a product.²⁶² The mere deception of consumers, however, does not fall under the scope of No. 1. Members are, under No. 2, required to take action against “false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor.”²⁶³ In contrast to the prohibition of defamation under German unfair competition law (“Anschwärzungsverbot”), the provision only covers statements the falseness of which has been proven.²⁶⁴ Members are, however, not precluded from providing further protection.²⁶⁵ Art. 10*bis*.3 No. 3 PC finally prohibits the misleading of the public regarding the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the good. There is no explicit wording addressing the 111

²⁵⁷ *Bodenhausen*, Art. 10*bis* PC, para. d; *Reger*, 17 *et seq.*; See for an example from the jurisprudence: Italian *Corte di Cassazione*, GRUR Ausl. 7 (1958), 535.

²⁵⁸ Similar *Gervais*, para. 2.357.

²⁵⁹ *Bodenhausen*, Art. 10*bis* PC, para. d; *Baumbach & Hefermehl*, Art. 10*bis* PC, para. 2; *Beater*, § 4, para. 16; *Henning-Bodevig*, in: *Schricker & Henning-Bodevig* (eds), 21, 31.

²⁶⁰ *Bodenhausen*, Art. 10*bis* PC, para. c.

²⁶¹ See *Dworkin*, in: *Vaver & Bently* (eds), 175, 178 *et seq.*; *Bently & Sherman*, 705–65.

²⁶² *Actes de La Haye* (1925), 476; *Actes de Londres* (1934), 198.

²⁶³ The interpretation of the term “course of trade” is equally relevant to Art. 20 TRIPS.

²⁶⁴ *Beater*, § 4, para. 19. The French attempt to expand the scope of the norm to include defamation based on true facts has so far been unsuccessful.

²⁶⁵ *Actes de Londres* (1934), 418; *Bodenhausen*, Art. 10*bis* PC, para. g.

origin of the good.²⁶⁶ To this extent, **Art. 22.2 TRIPS supplements** adapted Art. 10*bis* PC.

7. Protection of Trade Secrets

112 The Paris Convention does not contain any provisions that specifically deal with the protection of confidential information. **Art. 10*bis* PC** can, however, be seen as a **general clause** for the protection of confidential information.²⁶⁷ During the Uruguay Round, the delegates recognized this fact, as is evidenced by the reference to Art. 39.1 TRIPS. Accordingly, the protection of confidential information is considered as a subcategory of protection against unfair competition.²⁶⁸ This allocation, however, does not render Art. 39 TRIPS redundant. Indeed, Art. 39 TRIPS, goes much further than adapted Art. 10*bis* PC, in that it offers a definition of “confidential information” (Art. 39.1 TRIPS).

8. Legal Remedies (Art. 10*ter* PC)

113 Art. 10*ter*.1 PC obliges the Members, to provide adequate **legal remedies** nationals of other Members to effectively redress infringements of Arts 9–10*bis* PC. Injunctions are effective when they are granted irrespective of whether the alleged infringer knew or had reason to know about the infringement. Claims for damages, however, may be made subject to knowledge of the infringer. **Art. 10*ter*.2 PC** requires **equal treatment to foreign trade associations**. Accordingly, they shall be entitled to take remedial action against infringements on fair competition to the same extent as is envisaged for comparable domestic institutions. Art. 10*ter*.2 PC, however, does not go beyond a national treatment obligation. In particular, industrial and mercantile federations are not exempt from demonstrating legal capacity and standing.²⁶⁹ Within the EC, the freedom of establishment pursuant to Arts 43, 48 ECT may ease this threshold. The notion of industrial or mercantile associations and federation does not include consumer protection groups.

D. Interrelation with Other IP Conventions (Art. 2.2)

114 Art. 2.2 ensures that TRIPS does not prejudice the validity of the major IP conventions. The premier purpose of the provision is not to facilitate the

²⁶⁶ *Bodenhausen*, Art. 10*bis* PC, para. h.

²⁶⁷ *Cf. Reger*, 254 refers to the corresponding resolution of the AIPPI at the Congress of 25–30 June 1995 in Montreal. See for a different opinion *Blakeney*, 103; *Kreibich*, 26.

²⁶⁸ See *Peter & Michaelis*, Article 39, paras 9 *et seq.*

²⁶⁹ *Cour d'appel de Paris, Old Scotch Whisky*, GRUR Ausl. 10 (1961) 1, 67, 68; *Baumbach & Hefermehl*, Art. 10*ter* PC, para. 1; *Fezer*, Art. 10*ter* PC, para. 1.

autonomous development of these conventions but to provide TRIPS the legal basis to pursue also a “**minus-approach**” to the **Paris and Berne Conventions**.²⁷⁰ This creates a conflict for Members, who are simultaneously parties to the WIPO conventions. By joining the WTO they run the risk of violating Art. 19 PC and Art. 20 BC. In turn, it is self-understood that TRIPS does not affect the obligations of the signatories to the WIPO conventions, which are not WTO Members.²⁷¹

I. Covered Conventions

Art. 2.2 affects countries that are WTO Members and at the same time signatories of the Paris Convention, the Berne Convention, the Rome Convention and/or the Treaty on Intellectual Property in Respect of Integrated Circuits. They must comply with the conventions in their most recent version. This is apparent from the wording of Art. 2.2. In contrast to Arts 2.1 and 9.1, Art. 2.2 only speaks of the “Berne Convention”, the “Rome Convention”, etc. and not of the “Berne Convention 1971”.²⁷² Accordingly, in the case of a future successful revision of the conventions, Members are to observe additional obligations created by those revisions.²⁷³ 115

To the extent that jurisdictions are already parties to the WTO and the mentioned WIPO Conventions, Art. 2.2 has only **declaratory function**. Art. 19 PC, Art. 20 BC or Art. 21 RC respectively, already prohibit them to adopt or join agreements which fall below the present standard of protection. 116

In addition to the Paris Convention and the Berne Convention, Art. 2.2 TRIPS ensures the continuation of the Rome Convention and the IPICT Treaty. The **Rome Convention** is the key agreement in the area of related rights. Agreed upon in 1961, it counts now (1 August 2008), 86 signatories. TRIPS safeguards the continued relevance of the Convention, but—in contrast to Art. 9.1 regarding the Berne Convention—does not adapt its material provisions, although such an adaptation was intended in the Anell Draft of 23 July 1990.²⁷⁴ It was ultimately rejected because the Rome Convention was not as widely accepted as the Berne Convention.²⁷⁵ Especially, common law countries seem to resist acknowledging copyright 117

²⁷⁰ Cf. para. 2 above and *Brand*, Article 9, para. 2.

²⁷¹ The direct instructions receive the Members via Art. 2.2 TRIPS: The norm deliberately speaks of “Members”—a term TRIPS and the WTO use to refer to only their own signatories; cf. in this regard: *Katzenberger*, in: *Beier & Schriker* (eds), 59, 63; The term “Member States” is not correct because international organizations may well be WTO Members too. See with regard to the EC *Drexler*, GRUR Int. 43 (1994) 10, 777 *et seq.*

²⁷² Cf. in this regard the footnote 2 to Art. 1.3 TRIPS.

²⁷³ Of a different opinion is *de Carvalho*, para. 2.22.

²⁷⁴ Cf. *UNCTAD/ICTSD*, 42 *et seq.*

²⁷⁵ *Ibid.*, 49 *et seq.*; *Barbosa*, Barry L. Rev. 8 (2007), 43, 54 *et seq.*, 69; see also *Reinbothe*, GRUR Int. 41 (1992) 10, 707, 709.

related rights. Therefore the Rome Convention is less suited than the Berne Convention to set out an “international standard” on which TRIPS could build. The **IPIC Treaty** which was adopted under the auspices of WIPO formulates general principles of protection for topographies of integrated circuits. However, it has not yet entered into force.²⁷⁶ Considering that its fundamental regulations were adopted in Arts 35–37 TRIPS, it seems unlikely that it will ever acquire independent significance.

118 The Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods from 1891, the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration from 1958, two special agreements in the sense of Art. 19 PC, as well as the Madrid Agreement Concerning the International Registration of Marks (MAM) from 1891, the Trademark Law Treaty (TLT) from 1994, and the Patent Cooperation Treaty (PCT) from 1970 are not mentioned in Art. 2.2 TRIPS. It was considered not necessary to regulate the relationship between TRIPS and these conventions, because their content does not overlap with TRIPS.²⁷⁷ For the Patent Convention Treaty, Trademark Law Treaty and the MAM this was obvious, because TRIPS does not concern the international registration procedures of IP entitlements. These procedures can at most be seen as admissible “reasonable procedures and formalities” in the sense of Art. 62.1 TRIPS. The autonomy of the international registration agreements is underlined in Art. 5 TRIPS. Therefore, the national treatment obligations Art. 3 and the principle of most-favoured nation treatment of Art. 4 are not applicable to proceedings stemming from agreements concerning the acquisition or maintenance of rights adopted under the WIPO roof. With regard to the Lisbon Agreement and the Madrid Agreement on Indications of Source there are connections with the term “geographic indication of source”. The obligations of the few Members that have ratified these conventions are, however, not affected.²⁷⁸

119 The WIPO Conventions that were agreed after TRIPS, namely the **WIPO Copyright Treaty** (WCT) and the **WIPO Performances and Phonograms Treaty** (WPPT) of 1996 are not covered by Art. 2.2 TRIPS. This is not harmful, since there are **no legal relationships** between them and TRIPS. Art. 1.1, sentence 2 WCT and Art. 1.3 WPPT make clear that these two WIPO Conventions do not affect the obligations of their signatories under TRIPS.²⁷⁹ Inversely, it follows from Art. 1.1, sentence 2

²⁷⁶ *Stoll & Raible* in: *Prieß & Berrisch* (eds), 599. At the time the TRIPS Agreement was agreed, only China, Egypt, Ghana, Guatemala, India, Liberia, Yugoslavia and Zambia had joined the IPIC Treaty. See also *Blakeney*, 97. In the meantime only St. Lucia has joined.

²⁷⁷ *Fezer*, para. 30; *Kür*, in: *Beier & Schricker* (eds), 93, 96–97; *Schmidt-Szalewski*, *Duke J. Comp. & Int'l L.* 9 (1998) 1, 189, 206.

²⁷⁸ See in more detail *Strauch & Arend*, Before Articles 22–24, paras 43 *et seq.* and 59 *et seq.*

²⁷⁹ *Reinbothe & v. Lewinski*, Art. 1 WCT, para. 13; Art. 1 WPPT, para. 13.

WCT and Art. 1.3 WPPT that TRIPS does not affect the obligations of the signatories of WCT and the WPPT arising from those agreements. WCT and WPPT provisions inspired by the TRIPS Agreement²⁸⁰ are to be interpreted and applied independently of their model.²⁸¹ Like Art. 2.2 TRIPS, both the WCT and the WPPT ensure that their signatories comply with their obligations arising from the Berne Convention and the Rome Convention.²⁸²

II. Members' Obligations

Art. 2.2 concerns only such **regulations that impose “obligations”** 120 on Members.²⁸³ Thus, it divides the provisions of the conventions referred to into two groups: Provisions of the first group are binding on Members. The TRIPS Agreement cannot deviate from these. The second group of provisions allows Members to limit the scope of a certain rights, or to make the granting of a certain right dependent on certain requirements, without requiring minimum standards of protection. Examples of the latter group are Art. 5*bis*.2 PC, which enables a reinstatement of patent law, and the rights in Art. 14*ter* BC. The TRIPS Agreement may derogate from such regulations.²⁸⁴

Problematic are rules that set a certain minimum standard, but leave 121 the Members some ability to exercise their own discretion in their interpretation. For example, Art. 9 BC stipulates a minimum standard for copyright, but at the same time includes a non-exclusive catalogue of exceptions. Arts 10, 10*bis*, 13 BC,²⁸⁵ as well as the adapted Art. 5A.3 and 4 PC on compulsory licensing of patents²⁸⁶ and Art. 6*quinquies* PC on *telle-quelle* protection of trademarks belong to this type of provision. The rights themselves describe minimum rights of copyright and trademark owners. Union Countries are not free to further limit those rights. Thus, TRIPS can not derogate from them to the extent they establish minimum rights to the benefit of the right holder because Members are in this respect “under an obligation”. Members can, however, derogate from such obligations under the Paris Convention and the Berne Convention as long as the derogations are advantageous to proprietors of IP rights. This is compliant with Art. 1.1 TRIPS and the regulations of Art. 19 PC and Art. 20 BC.

²⁸⁰ Especially, Art. 1.2 and Arts 2, 4, 5, 7, 10, 14.2 WCT and Art. 1.1 WPPT.

²⁸¹ *Reinbothe & v. Lewinski*, Art. 1 WCT para. 12.

²⁸² Art. 1.2 WCT, Art. 1.1 WPPT; *Macdonald & Suthersanen & Garrigue*, 19, 25.

²⁸³ To this extent, unclear *UNCTAD/ICTSD*, 48.

²⁸⁴ *Cf.* the technically similar provision of Art. 1.3 WCT: *Reinbothe & v. Lewinski*, Art. 1 WCT para. 15.

²⁸⁵ *Gervais*, para. 2.33.

²⁸⁶ *de Carvalho*, para. 2.18 misqualifies this provision as he does not recognize a third group of provisions.

III. Problematic Issues

1. Berne Convention

122 A problem exists with regard to Art. 10.1 TRIPS according to which **computer programs** are to be treated as literary works in the sense of the Berne Convention. Furthermore, Arts 14.3 and 6 TRIPS as well as Art. 70.2 TRIPS declare certain provisions of the Berne Convention valid for performers and the producers of sound recordings and broadcasting organizations. A literal reading of these provisions would alter the Berne Convention protection regime without going through the designated revisional process for such alterations. Said changes would therefore be invalid pursuant to Art. 20 BC. The Members, however, did not intend to alter the Berne Convention. Instead, they wished to create additional rights that would take effect within the framework of TRIPS only. Thus, Arts 10.1, 14.3 and 6 TRIPS should be added the limiting clause “in the context of this Agreement”.²⁸⁷

2. IPIC Treaty

123 The entering into force of the IPIC Treaty could create a conflict for signatories, who are also WTO Members because TRIPS made some alterations to the rules taken in the IPIC Treaty with regard to the protection of topographies.²⁸⁸ The missing reference to **Art. 6.3 IPIC Treaty** does not harm in this respect since the waiver of compulsory licences represents a permissible extension of the legal position of the right holder.

3. Cross-Retaliation

124 Somewhat more problematic is the fact that Art. 22.3 lit. c DSU permits Members to cross-retaliate. Upon authorization by the DSB, they are entitled to suspend their obligations arising from the TRIPS Agreement towards violating Members even if said Members breached GATT, GATS or other non-TRIPS provision. Cross-retaliation does also cover the Members’ obligations under the adapted provisions of the WIPO conventions. Whether the suspension also relates to the Members original obligations as Union countries to these conventions is not entirely clear. Even if the Members were entitled to suspend their original Union obligations, it is unclear whether this would amount to *de facto* suspension, or whether by joining the WTO the Members agreed to a **temporary legal suspension** of their obligations stemming from these conventions. In *EC—Bananas III*, the arbitrators correctly refused to answer the question whether availing of Art. 22.3 lit. c DSU only allows a suspension of TRIPS or also of WIPO

²⁸⁷ Similar *Blakeney*, para. 4.01.

²⁸⁸ See in more detail *Klopfmeier*, Article 35, para. 3.

obligations.²⁸⁹ A WTO organ has no authority to adjudicate on the existence or dissolution of obligations arising from conventions outside of the WTO legal order.²⁹⁰

Some commentators take the position that cross-retaliation enables Members to legally suspend their obligations out of the Paris Convention and the Berne Convention.²⁹¹ It is argued that the guarantee of Art. 2.2 TRIPS only refers to Parts I—IV, not however to Part V, which contains the relevant reference to the WTO Dispute Settlement procedure. This approach is not conclusive. It misconceives the aims of the drafters of Art. 2 TRIPS²⁹² and ignores its declaratory character in relation to Art. 19 PC and Art. 20 BC. Since Members of TRIPS and the WIPO Conventions are not fully identical, the *lex posterior* rule as codified in Art. 30.3 VCLT is not applicable.²⁹³ Therefore some commentators interpret Art. 19 PC and Art. 20 BC as preventing unconditional, not, however temporal suspension of obligations.²⁹⁴ This, however, is inconsistent with the clear wording of Art. 19 PC, Art. 20 BC (“do not contravene”). *De facto* cross-retaliation of WIPO obligations may thus only be avoided, if the **Members’ submission to the DSU** is conceived as an implicit *pactum de non petendo* in the context of the WIPO Conventions which prevents them from invoking rights and obligations arising under the Berne or the Paris Convention in the case of cross-retaliation. According to Arts 30, 45 VCLT, Union States are free to suspend their obligations *inter partes*.²⁹⁵

²⁸⁹ *EC—Bananas III*, WT/DS27/ARB/ECU, para. 152.

²⁹⁰ *Cf. Stoll*, Art. 22 DSU, in: *Wolfrum & Stoll & Kaiser* (eds), Max Planck CWTL, Vol. 2, para. 30; *Neumann*, 642.

²⁹¹ *Ibid.*; *Weiß & Herrmann*, para. 921.

²⁹² *Sec de Carvalho*, para. 2.21.

²⁹³ In more detail *Vranes*, *EuZW* 12 (2001) 1, 10, 14.

²⁹⁴ *Neumann*, 643.

²⁹⁵ *Vranes*, *EuZW* 12 (2001) 1, 10, 14.

Article 3* National Treatment

1. Each Member shall accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection^[3] of intellectual property, subject to the exceptions already provided in, respectively, the Paris Convention (1967), the Berne Convention (1971), the Rome Convention or the Treaty on Intellectual Property in Respect of Integrated Circuits. In respect of performers, producers of phonograms and broadcasting organizations, this obligation only applies in respect of the rights provided under this Agreement. Any Member availing itself of the possibilities provided in Article 6 of the Berne Convention (1971) or paragraph 1(b) of Article 16 of the Rome Convention shall make a notification as foreseen in those provisions to the Council for TRIPS.
2. Members may avail themselves of the exceptions permitted under paragraph 1 in relation to judicial and administrative procedures, including the designation of an address for service or the appointment of an agent within the jurisdiction of a Member, only where such exceptions are necessary to secure compliance with laws and regulations which are not inconsistent with the provisions of this Agreement and where such practices are not applied in a manner which would constitute a disguised restriction on trade.

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GATT Panel Report, *US—Spring Assemblies*, L/5333, BISD, 30S/107; Panel Report, *Indonesia—Autos*, WT/DS54/R, WT/DS55/R, WT/DS59/R, WT/DS64/R; Panel Report, *EC—Trademarks and Geographical Indications*, WT/DS174/R; *US—Section 211 Appropriations Act*, WT/DS176/R; Appellate Body Report, *US—Section 211 Appropriations Act*, WT/DS176/AB/R.

CROSS REFERENCES

Art. 5.1 BC; Art. II UCC; Arts 2, 4–6 RC; Art. 2 PC; Art. 3 WCT; Art. 4 WPPT; Art. 1703 NAFTA.

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* The commentary is translated by Susanne Kruse, professional graduate translator.

^[3] For the purposes of Articles 3 and 4, “protection” shall include matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in this Agreement.

A. Introduction

National treatment is one of the **major principles** in world trade law¹ and international intellectual property law.² In the mid-nineteenth century, the worldwide expansion of trade created the need for right holders to extend protection to intellectual property abroad, which they had hitherto been denied due to the restriction of national laws to their own nationals (principle of territoriality). With the adoption of a national treatment clause, TRIPS introduced an effective tool for harmonizing national legislation and tradition on intellectual property rights, which often codified opposing views on the need for and extent of protection.³ The significance of national treatment rests first of all in enabling right holders to obtain the same degree of intellectual property protection as nationals, at least in those countries providing for the protection of intellectual property.

At the same time, the principle of national treatment—in contrast to uniform legislation—has no effect on national law, since there is an obligation to provide only **formal equal treatment**.⁴ Thus, Members still have considerable discretion in regulating their intellectual property protection, enabling them to accommodate their national policies. This, however, reveals the disadvantage of national treatment: it says nothing about the respective level of protection. Given that intellectual property is insufficiently protected by national laws, the principle of national treatment is incapable of improving such protection. In order to provide a guaranteed level of protection, national treatment needs to be complemented by minimum rights, as is normally the case in international treaties. Where there are considerable differences in protection between the Members, such international treaties also contain provisions on **material reciprocity as an exception** to the principle of national treatment. In accordance with these provisions, a national of another Member may be denied protection if corresponding protection is not also provided by the national's government. These provisions are meant to counteract the “free-rider effect”, which signifies that the nationals of Members with a low level of protection benefit from a high level of protection in other countries in accordance with the principle of national treatment.

¹ See detailed and in general to the principle of national treatment: *Flory*, 36 *et seq.*; *Matsushita & Schoenbaum & Mavroidis* (eds), 233 *et seq.*; *Mavroidis*, 127 *et seq.*; *Stoll & Schorkopf*, Max Planck CWTL, Vol. 1, 139 *et seq.*; *Van den Bossche*, 326 *et seq.*

² *Reichman*, Int'l Law. 29 (1995) 2, 345, 347 *et seq.*; *Yusuf*, in: *Correa & Yusuf* (eds), 15.

³ *Yusuf*, in: *Correa & Yusuf* (eds), 15.

⁴ *Evans*, JWIP 2 (1999) 5, 707, 711.

- 3 Together with the principle of most-favoured nation treatment pursuant to Art. 4, national treatment aims at **eliminating discrimination** between the nationals of the Members.⁵

B. National Treatment in the TRIPS Agreement

I. Scope of Application

- 4 In accordance with Art. 3.1, sentence 1, the national treatment obligation extends to the **protection of intellectual property**. The term intellectual property is defined in Art. 1.2.⁶ Pursuant to footnote 3 of Art. 3, “protection” comprises “matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights”. With regard to the exercise of intellectual property rights, footnote 3 limits the notion of protection to matters specifically addressed in the TRIPS Agreement. This definition leads to the conclusion that Members are obliged to grant national treatment also in respect of the availability, acquisition, scope, maintenance and enforcement of intellectual property rights exceeding the minimum standards set out in Parts II, III and IV of the TRIPS Agreement. It is irrelevant in this regard whether further rights granted by one Member have also been acknowledged by another Member. The national treatment obligation generally applies independently of the law of the Member whose national is to be protected.
- 5 The treatment of foreign intellectual property is governed by the respective rights which are granted to a national right holder **directly for a specific subject of protection**.⁷ These include all civil, criminal or administrative provisions concerning the availability, acquisition, scope, maintenance and enforcement of intellectual property rights. Such provisions may result not only from the laws specifically serving intellectual property purposes but also from general rights. Only the **content of the respective norm** determines the relevant treatment. National treatment is to be granted not just in respect of legal provisions but also with a view to administrative actions or judicial practice.⁸ On the basis of the similar language contained in Art. 3.1 TRIPS Agreement and GATT Art. III:4,⁹ the Appellate Body in *US—Section 221 Appropriations Act* considered the jurisprudence on Art. III:4 of the GATT 1994 to be important in interpreting also the national treat-

⁵ See *Elfring & Arend*, Article 4, paras 5 *et seq.*

⁶ See for the term of intellectual property *Elfring & Arend*, Article 1, paras 14 *et seq.*

⁷ *Yusuf*, in: *Correa & Yusuf* (eds), 16.

⁸ *Kerever*, RIDA 158 (1993), 74, 81.

⁹ See in detail, *Hestermeyer*, Art. III GATT 1994, in: *Wolfrum & Stoll & Seibert-Fohr* (eds), Max Planck CWTL, Vol. 3, paras 66 *et seq.*

ment obligation in the TRIPS Agreement.¹⁰ Furthermore, the Panel detected in *EC—Trademarks and Geographical Indications* for the first time a violation of the national treatment clause and gave an important approach for the interpretative method of the TRIPS national treatment clause.¹¹

The limitation of national treatment regarding the exercise of intellectual property rights to the rights set out in the TRIPS Agreement makes it clear that the Members may include in their regulations new ways of exercising rights without being obliged to grant them to the nationals of other Members.¹² Moreover, effects on intellectual property protection may also result from governmental measures such as subsidies or tariffs which benefit the Member's own nationals. Such measures result in **de facto discrimination** against nationals of other Members. The national treatment clause is not applicable to such discriminatory acts, since, owing to the limitation of footnote 3 of Art. 3, it is not the use of intellectual property in general, but only its use concerning the rights granted in the Agreement which is covered by national treatment.¹³ Consequently, such measures are not directly related to a subject of protection and therefore are not intellectual

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¹⁰ *US—Section 211 Appropriations Act*, WT/DS176/AB/R, para. 242.

¹¹ *EC—Trademarks and Geographical Indications*, WT/DS174/R, paras 7.154 *et seq.*; see the conclusion of the Panel: “[...]with respect to the application procedures, insofar as they require examination and transmission of applications by governments, the Regulation accords other WTO Member nationals less favourable treatment than it accords the EC’s own nationals, inconsistently with Article 3.1 of the TRIPS Agreement.” And “[...] with respect to the objection procedures, insofar as they require the verification and transmission of objections by governments, the Regulation accords less favourable treatment to the nationals of other Members, inconsistently with Article 3.1 of the TRIPS Agreement.” And “[...] with respect to the government participation required in the inspection structures under Article 10, and the provision of the declaration by governments under Article 12a(2)(b), the Regulation accords less favourable treatment to the nationals of other members than to the EC’s own nationals, inconsistently with Article 3.1 of the TRIPS Agreement.”

¹² In contrast thereto it is in the BC ambiguous, if new titles for compensation like cultural charges, royalty or charges for copying are right holders’ rights in the sense of Art. 5.1 BC and therefore are covered by the national treatment rule. Member States often provide for payment to right holders or their legal successors from social capital. The right holder’s authority is to be approved only if he is entitled to make use of a certain creation in the concrete case. In the case of general payments from social capital not depending on a certain creation, the obligation to national treatment pursuant to Art. 5.1 BC has to be denied. See for this problem in general: *Gervais*, paras 2.40 *et seq.* On the interpretation of the notion “nationals of other members”, see the Panel’s observations in, *EC—Trademarks and Geographical Indications*, WT/DS174/R, paras 7.141 *et seq.*

¹³ *Indonesia—Autos*, WT/DS54/R, WT/DS55/R, WT/DS59/R, WT/DS64/R, paras 14.275 *et seq.* In this case, the Panel examined the Indonesian “National Car Programme.” On the relationship between Art. 3 and Art. 20 TRIPS, the Panel noted with specific emphasis on the term “specifically addressed” in footnote 3 of the TRIPS Agreement: “[...] if a foreign company enters into an arrangement with a pioneer company it does so voluntarily and in the knowledge of any consequent implications for its ability to use any pre-existing trademark. In these circumstances, we do not consider the provisions of the National Car Programme as they relate to trademark can be construed as ‘requirements’, in the sense of Article 20.”

property provisions. Thus such factual or indirect discriminatory treatment is consistent with the TRIPS Agreement.

- 7 As regards the temporal scope of application Arts 65 *et seq.* are to be considered. As set down in Art. 65.1 and 2, Arts 3, 4 and 5 apply with the commencement of general application of the Agreement that is on 1 January 1996 even to those developing country Members that were entitled to delay the date of application of the remaining provisions until 1 January 2000. According to Art. 66.1, this regulation also applies to least-developed country Members which have had to apply the other provisions of the TRIPS Agreement only since 1 January 2006.

II. Legal Consequences

- 8 In accordance with Art. 3.1, sentence 1, “each Member shall accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection of intellectual property [...]”.¹⁴ Apart from equal treatment, this allows for favoured treatment of nationals of other Members. Moreover, the Panel in *US—Section 211 Appropriations Act* found no violation of Art. 3, where a Member **offset** unfavourable elements of treatment by a more favourable treatment in another respect, given there is an inner connection between those acts.¹⁵

III. Exceptions

1. Exceptions in Traditional Conventions

- 9 Art. 3 provides for far-reaching exceptions from the principle of national treatment. Pursuant to Art. 3.1, sentence 1, the exceptions provided for in the Paris Convention (PC), the Berne Convention (BC), the Rome Convention (RC) and the Washington Treaty on Intellectual Property in Respect of Integrated Circuits (IPIC Treaty) also apply by analogy to the national treatment obligation in accordance with the TRIPS Agreement.

¹⁴ See *ibid.*, paras 14.273 *et seq.*: “It would not be reasonable to construe the national treatment obligation of the TRIPS Agreement [...] as preventing the grant of tariff, subsidy or other measures of support to the national companies on the grounds that this would render the maintainance of trademark rights by foreign companies wishing to export to that market relatively more difficult.”

¹⁵ Cf. *US—Section 211 Appropriations Act*, WT/DS176/R referring to *US—Section 337*, paras 5.11 *et seq.*: “The mere fact, that imported products are subject under section 337 to legal provisions that are different from those applying to products of national origin, is in itself not conclusive in establishing inconsistency with Article III:4. It would follow [...] that any unfavourable elements of treatment, provided that the results [...] have not been less favourable. Elements of less and more favourable treatment could thus only be offset against each other to the extent that they always would arise in the same cases and necessarily would have an offsetting influence on the other.”

a) Paris Convention

The Paris Convention, in its **Art. 2.3**, envisages an exception to the principle of national treatment in respect of legal provisions “relating to judicial and administrative procedure and to jurisdiction, and to the designation of an address for service or the appointment of an agent”. This *e.g.* includes provisions which make the legitimacy of a foreigner’s case dependent on the lodging of security for costs or which declare the competence of courts at the place of residence of the national plaintiff. However, obligations resulting from other international agreements are to be observed at all times. 10

Art. 3.2 TRIPS imposes **special requirements** on exception provisions in relation to judicial and administrative procedures. Such exceptions are only allowable, if they “are necessary to secure compliance with laws and regulations which are not inconsistent with the provisions of this [the TRIPS] Agreement” and must not be applied “in a manner which would constitute a disguised restriction on trade”. The presence of a “disguised restriction on trade” is dependent on the provision applicable in the individual case.¹⁶ 11

b) Berne Convention

As an exception to the principle of national treatment, **Art. 2.7, sentence 2 BC** provides that **works of applied art** “protected in the country of origin solely as designs and models shall be entitled in another country of the Union only to such special protection as is granted in that country to designs and models”. Some States protect works of applied art not as works in the sense of the Berne Convention but as designs and models in the sense of the Paris Convention, with specific protection prerequisites such as deposit or registration. However, if the country in question fails to provide such special protection, works of applied art are always to be protected as artistic works, thus precluding that the author will be left completely unprotected. 12

With regard to authors who are nationals of countries outside the Union and in accordance with **Art. 6.1 BC**, a country of the Union “may restrict the protection given to the works of authors who are, at the date of the first publication thereof”, not nationals and “not habitually resident in one of the countries of the Union”, should the other country outside the Union fail “to protect in an adequate manner the works of authors who are nationals of one of the countries of the Union”. This regulation shall prevent authors who are nationals of countries outside the Union with a low level of protection from benefiting from such one way protection. However, the wording of Art. 6.1 BC facilitates only a restriction on and not a complete denial of protection. In accordance with Art. 3.1, sentence 3 13

¹⁶ *US—Spring Assemblies*, L/5333, BISD, 30S/107, para. 56.

TRIPS, any Member making use of this exception must notify the Council for TRIPS.¹⁷

- 14 As a further exception to the principle of national treatment, **Art. 7.8 BC** provides that the **duration of protection** is limited to “the term fixed in the country of origin of the work”.
- 15 In accordance with **Art. 14ter.2 BC**, **subsequent rights** concerning original artistic works and original manuscripts of writers and composers “may be claimed in a country of the Union only if legislation in the country to which the author belongs so permits”. However, insofar as such country of the Union does provide subsequent rights, it must adhere to the principle of national treatment. Consequently, the provisions of Art. 14ter.2 BC are not intended to express the Party’s ability to deny foreign nationals any protection that it grants to its own nationals, because the provision would be undermined in this case.
- 16 In accordance with **sentence 2 of Art. 30.2 lit. b BC**, any Party of the Union may restrict the protection granted in respect of the **translation right** to works of the country of origin if the latter is a country outside the Union availing itself of a reservation as set out in the Berne Convention provision and declare that, rather than protecting the right of translation in accordance with Art. 8 BC, it intends to grant such protection under the rules of Art. 5 of the Berne Convention in its version of 1896. Art. 5 BC provides authors in respect of works protected under the Berne Convention in countries other than the county of origin, the same rights as national authors. The enjoyment and exercise of these rights shall be independent of the existence of protection in the country of origin of the work. So, the means of redress afforded to the author to protect his or her rights are subject to the laws of the country where protection is claimed. By contrast, any party of the Union may as well restrict the legal protection in relation to the right of translation of works whose country of origin is a country availing itself of a reservation pursuant to Art. 30.2 lit b, sentence 1 BC.

c) Rome Convention

- 17 **Art. 15.1 RC** authorizes the signatories to provide for exceptions in respect of “private use”, the “use of short excerpts in connection with the reporting of current events”, “ephemeral fixation by a broadcasting organisation by means of its own facilities and for its own broadcasts” and “use solely for the purposes of teaching or scientific research”. Furthermore, **Art. 15.2 RC** permits the signatories also to apply the same restrictions as they apply

¹⁷ The Council for TRIPS compiled in its meeting of 27 February 1997 a draft paper: Notifications of laws and regulations relating to Articles 3, 4 and 5 of the TRIPS Agreement, IP/C/9, 12 March 1997.

with regard to rights in literary and artistic works for any related protection rights. With a view to the TRIPS Agreement, these exceptions are relevant merely to the rights granted in Art. 14, because the national treatment clause of Art. 3.1 refers only to this situation.

Art. 13 lit. d and Art. 16.1 lit. b RC enable signatories to deny 18
broadcasting organizations exclusive rights for “the communication to the public of their television broadcasts if such communication is made in places accessible to the public against payment of an entrance fee”. In accordance with Art. 3.1, sentence 3, any Member availing itself of this opportunity must notify the Council for TRIPS accordingly. In any such case, the other Members are also no longer obliged to grant corresponding exclusive rights (Art. 16.1 lit. b, 2nd main clause RC).

d) IPIC Treaty

Art. 5.2 IPIC Treaty provides for an exception to the principle of national 19
treatment similar to the one set down in Art. 2.3 PC. Accordingly, the Members are free from any obligation to apply the principle of national treatment with a view to provisions relating to the appointment of a legal representative, the designation of a domestic address for contact and procedure facilitation or other “special rules applicable to foreigners in court proceedings”. Attention should be paid to the special requirements of Art. 3.2 TRIPS regarding exceptions. Thereafter, these exceptions shall only be applied, if they are necessary to secure compliance with laws and regulations which are not inconsistent with the provisions of the TRIPS Agreement and where such practices are not applied in a manner which would constitute a disguised restriction on trade. So, Art. 3.2 of the TRIPS Agreement provides for an exception of the allowed exceptions.

2. Exceptions Concerning Related Protection Rights

Pursuant to **Art. 3.1, sentence 2 TRIPS**, the national treatment obligation 20
in respect of performers, producers of phonograms and broadcasting organizations applies only with regard to the rights provided under the TRIPS Agreement. This exception is designed to prevent nationals of States which are not Parties to the Rome Convention from benefiting from an advanced protection which their home country fails to grant by way of the principle of national treatment. This restriction accommodates the considerable differences in protection contained in the laws of the Members.¹⁸ Moreover, many of the WTO Members are not Parties to the Rome Convention and do not wish to exceed the protection set out in

¹⁸ *Gervais, 98 et seq.; von Lewinski, GRUR Int. 46 (1997) 8–9, 667, 671; Staehelin, 48.*

Art. 14 TRIPS. In accordance with this purpose and the clear definition in Art. 3.1, sentence 2, the national treatment obligation is restricted to the rights provided by the TRIPS Agreement even if the Members exceed these rights and, rather than providing for the prevention possibilities of Art. 14.1, grant exclusive rights instead.¹⁹

¹⁹ Pursuant to §§ 77, 78 German Copyright Act (*UrheberG* BGBl. I 1980, 1, last amended by BGBl. I 2006, 1318) for instance performing artists are given exclusive rights concerning the recording, copying and dissemination, whilst Art. 14.1 TRIPS just provides for prevention. Taking this view, Art. 3.1, sentence 2 TRIPS obliges Germany to grant the nationals of other Members prevention rights only provided for in Art. 14. Following a different opinion the wording is not well-defined and the term national treatment is not to be taken literally.

Article 4 Most-Favoured Nation Treatment

With regard to the protection of intellectual property, any advantage, favour, privilege or immunity granted by a Member to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other Members. Exempted from this obligation are any advantage, favour, privilege or immunity accorded by a Member:

- (a) deriving from international agreements on judicial assistance or law enforcement of a general nature and not particularly confined to the protection of intellectual property;
- (b) granted in accordance with the provisions of the Berne Convention (1971) or the Rome Convention authorizing that the treatment accorded be a function not of national treatment but of the treatment accorded in another country;
- (c) in respect of the rights of performers, producers of phonograms and broadcasting organizations not provided under this Agreement;
- (d) deriving from international agreements related to the protection of intellectual property which entered into force prior to the entry into force of the WTO Agreement, provided that such agreements are notified to the Council for TRIPS and do not constitute an arbitrary or unjustifiable discrimination against nationals of other Members.

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Art. I GATT (1994); Art. II GATS; Art. 5 ECT; Art. 308 NAFTA.

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A. Introduction

I. Relevance of Most-Favoured Nation Treatment

- 1 The principle of most-favoured nation (MFN) treatment belongs to the **cornerstones** of the development and liberalization efforts of the GATT.¹ Together with the principle of national treatment, most-favoured nation treatment serves to prevent discriminatory action and the reduction of trade barriers as well as to open the Members' internal markets.²
- 2 Hitherto, most-favoured nation treatment has been of **no major significance** in **multilateral treaties for the protection of intellectual property rights**.³ While MFN treatment is the driving force in reducing barriers to market access in respect of trade in goods, the protection of intellectual property rights is predominantly shaped by the principle of national treatment and minimum standards. In order to prevent fraudulent action and the misuse of rights, the standard of protection existent in a Member is decisive for the protection of intellectual property.⁴
- 3 Given its intangible nature, intellectual property is globally accessible from the time of its first publication. Market access conditions are usually irrelevant to its protection. Not until the gradual reduction of trade tariffs did the so-called non-tariff barriers, including insufficient or excessive protection of intellectual property gain importance. The incorporation of the MFN principle traces the new political developments in the protection of intellectual property in the TRIPS Agreement.
- 4 It is, in particular, the small- and medium-size industries which benefit from the most-favoured nation principle. By means of MFN treatment, they enjoy the same advantages as are granted in other Members.⁵ Thus, those small- and medium-size industries favoured the inclusion of a MFN provision in the TRIPS Agreement during the Uruguay Round.⁶ In fact,

¹ US—Section 211 Appropriations Act, WT/DS176/AB/R, para. 297. See for the basic principle and effects of MFN Treatment: *Cottier*, *Aussenwirtschaft* 47 (1992), 79, 94; *Yusuf*, in: *Correa & Yusuf* (eds), 3, 16; See also *Correa*, 66; *Flory*, 33 *et seq.*; *Matsushita & Schoenbaum & Mavroidis*, 201 *et seq.*; *Mavroidis*, 110 *et seq.*; *Stoll & Schorkopf*, *Max Planck CWTL*, Vol. 1, 119 *et seq.*; *Van den Bosche*, 309 *et seq.*

² *Flory*, 177.

³ In contrast thereto many bilateral agreements on intellectual property protection concluded in the 19th century contain the principle of most-favoured nation treatment. *Gervais*, paras 2.50 *et seq.*

⁴ *Ibid.*

⁵ For details and theoretical foundations of the MFN principle, see *Stoll & Schorkopf*, *Max Planck CWTL*, Vol. 1, paras 119 *et seq.*

⁶ See, for instance, Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Guidelines proposed by the European Community, MTN.GNG/NG11/W/16, 20 November 1987. See also *Ross & Wasserman*, in: *Stewart* (ed.), 2271.

several big industrialized Members, in particular the United States, had already adopted a number of bilateral agreements on intellectual property treatment with a high standard of protection before the commencement of the Uruguay Round.⁷

II. Concept and Effects

Most-favoured nation treatment aims at **reducing trade discrimination** between the Members of the WTO. Given its fundamental relevance, the inclusion of a MFN provision in the TRIPS Agreement signifies a great policy commitment. However, the effects of such a principle within the scope of intellectual property protection are highly disputed. On the one hand, it is asserted that MFN leads to a multiplication of protection standards and at the same time eliminates discrimination.⁸ In addition, it has been stressed that MFN adds a dimension of legal certainty. While advantages that are granted according to national treatment may be withdrawn at any time, Members must, pursuant to the MFN obligation, accord any preferential treatment accorded to the nationals of another Member to the nationals of all other Members.⁹ On the other hand, caution has been voiced about the possible risks of stagnation in international protection standards of intellectual property that may be caused by applying an MFN standard.¹⁰ Members may feel inclined to abstain from negotiating and adopting new agreements, *e.g.* regional agreements, which give due consideration to the particular need for higher protection standards, in order to avoid the obligation to grant protection to other Members which themselves are not willing to improve international protection standards. Another problem addressed concerns the practical application of the MFN principle. The examination of the level of protection granted to the national that has been accorded the most favourable treatment in the particular case may cause a number of difficulties.

However, it needs to be emphasized, that, because of the vast array of exceptions to the MFN principle set out in Art. 4 *lits a-d* TRIPS, the effects are expected to remain small.¹¹ The fears raised about stagnation of the further development of international intellectual property protection have not yet proven to be true. This is demonstrated by the newly adopted agreements in the framework of the World Intellectual Property Organization

⁷ *Arup*, 186; *Correa*, 66; *Yusuf*, in: *Correa & Yusuf* (eds), 3, 17; *e.g.* semi-conductor agreement between US and Japan and other countries.

⁸ *Cottier*, *Aussenwirtschaft* 47 (1992), 79, 95; *Flory*, 177.

⁹ *Evans*, *JWIP* 2 (1999) 5, 707.

¹⁰ *Pejfer*, *GYIL* 39 (1996), 100, 128.

¹¹ *Gervais*, paras 2.51 *et seq.*

(WIPO), in particular, the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT).

- 7 Furthermore, Members will regularly provide for their nationals, protection which corresponds to the MFN treatment granted to foreigners. Accordingly the national treatment principle is already fostering equality of the different Members' nationals. It is only in rare cases that the principle of MFN gains **relevance** distinct from national treatment since national intellectual property laws regularly do not discriminate among nationals of other countries.¹²

B. The Most-Favoured Nation Treatment in the TRIPS Agreement

I. Content and Scope of Application

- 8 According to Art. 4, sentence 1, Members shall, “with regard to the protection of intellectual property, [accord] any advantage, favour, privilege or immunity granted by a Member to the nationals of any other country [...] immediately and unconditionally to the nationals of all other Members”. This includes all measures, regardless of whether they were adopted before or after the entry into force of the TRIPS, which improved the legal standing of nationals of other Members. The interpretation of the notion ‘intellectual property’ is to be derived from Art. 1.2. footnote 3.¹³ Art. 3 defines the content of the term “protection” of intellectual property in the sense of Arts 3 and 4 of the Agreement. Members are obliged to provide MFN treatment “immediately and unconditionally”, which implies that nationals of other Members acquire a right to equal treatment as soon as nationals of another Member enjoy such favourable treatment. MFN treatment is to be accorded without any conditions or reservations.¹⁴
- 9 The principle of MFN itself is well protected by Art. X:2 WTO Agreement, which provides that amendments to Art. 4 TRIPS “shall take effect only upon acceptance by all Members”. Arts 65 *et seq.* define the **temporal scope** of Art. 4. Pursuant to Art. 65.2, Arts 3, 4 and 5 TRIPS apply

¹² In fact, in *EC—Trademarks and Geographical Indications*, WT/DS174/R, WT/DS290/R, the Panel after finding a violation of the National Treatment obligation exercised judicial economy in respect of the MFN claim. In *US—Section 221 Appropriations Act*, WT/DS176/AB/R, the Appellate Body reversing the Panels findings, declared the US measure as inconsistent with the NT and the MFN principle contained in Arts 3, 4 TRIPS. For details see, below paras 10 *et seq.*

¹³ See *Elfring*, Article 1, paras 14 *et seq.*

¹⁴ *Gervais*, paras 2.50 *et seq.*

to developing country Members, which are entitled to delay the date of application of the remaining TRIPS provisions until 1 January 2000. This also holds true for least-developed country Members which, according to Art. 66.1 TRIPS, shall not be required to apply the remaining provisions of the TRIPS Agreement for a period of 10 years from the date of entry into force of the WTO Agreement on 1 January 1995.

II. US—Section 221 Appropriations Act and EC—Trademarks and Geographical Indications

In *US—Section 221 Appropriations Act*, the Appellate Body for the first time found a violation of the MFN principle.¹⁵ It reversed the Panel's conclusions that Sections 211(a)(2) and 211(b) of the US Omnibus Appropriations Act of 1998 did not deny Cuban nationals any advantage, favour, privilege or immunity that they accord to other foreign nationals.¹⁶ After making clear that its mandate was restricted to discrimination of "original owners" only,¹⁷ the Appellate Body observed that the US regulation distinguished between two different "original owners" who could assert rights relating to trademarks that are the same or similar as a Cuban trademark used in connection with a business or assets that were confiscated in Cuba. Under otherwise identical circumstances, there would be one "original owner" that is a Cuban national and one that is a non-Cuban foreign national.¹⁸ US counter-arguments that the discrimination was eliminated through administrative procedures or otherwise offset were rejected. Based on these findings, the Appellate Body determined that there was MFN violation concerning original owners, which in this case paralleled a violation of the national treatment obligations.¹⁹ It is interesting to note that the Appellate Body applied analogous reasoning to the claims made in respect to both, Art. 3 and Art. 4 when examining the measure. Also and in particular the approach that the Appellate Body took with regard to "offsetting measures" deserves attention because it does not *per se* exclude that such measures could be relevant to the determination of MFN consistency but merely states that "[t]he fact that Section 515.201 of Title 31 CFR *could* also apply to a non-Cuban foreign national does not mean, however, that it would offset *in each and every case* the discriminatory

¹⁵ Sections 211(a)(2) and 211(b) regulated transaction and payment authorizations of marks, trade names, or commercial names that are the same as or substantially similar to marks, trade names, or commercial names used in connection with a business or assets that were confiscated by the Cuban Government.

¹⁶ *US—Section 221 Appropriations Act*, WT/DS176/R, paras. 8.148.

¹⁷ See *US—Section 221 Appropriations Act*, WT/DS176/AB/R, para. 304. The Appellate Body therefore did not review the Panel's findings on the issue of "successors-in-interest".

¹⁸ *Ibid.*, paras 308–309.

¹⁹ With regard to the findings on National Treatment see also, *Elfring*, Article 3, paras 5 *et seq.*

treatment imposed by Sections 211(a)(2) and (b) on Cuban original owners.”²⁰ Finally, the Appellate Body used the findings made in its trademark analysis also in the context of trade names.²¹

- 11 MFN arose a second time in the *EC—Trademarks and Geographical Indications* case where the US claimed the European Regulation to be inconsistent with the most-favoured nation obligations in TRIPS “and the Paris Convention” because it would impose conditions of reciprocity and equivalence on the availability of protection. In this case, the Panel established a **two-pronged analysis in respect of MFN consistency**. According to the Panel’s approach, the challenged measure must, first, concern the protection of intellectual property, secondly, constitute an advantage, favour, privilege or immunity to nationals of another Member that is not accorded immediately and unconditionally to the nationals of any other country.²² With regard to the first condition, the Panel referred to the definition of “protection” in footnote 3 and recalled its earlier findings in the national treatment context.²³ On the second criterion, it reaffirmed its earlier conclusion that the favourable registration procedure under Arts 12a and 12b of the European Regulation was not available for GIs located in third countries. This amounted according to the Panel to an advantage, favour, privilege or immunity that—as it was subject to the satisfaction of the equivalence and reciprocity conditions—was not accorded immediately and unconditionally. At this point, the Panel did not continue its examination but exercised judicial economy instead because it considered that in view of the already existing national treatment violation any “further conclusion on the MFN obligation would provide no additional positive contribution to a solution to this dispute.”²⁴ The claims made by the US with regard to the application and objection procedures and the Member States’ execution of the EC Regulation were rejected.²⁵ In the latter case, it was acceptable to the Appellate Body that the EC relied on its internal *sui generis* constitutional arrangements according to which Community laws are generally executed through the Member States. Due to missing executive organs on the Community level, the Member States were, therefore, *de facto* acting as organs of the EC, for which the Community would be responsible under WTO law and international law in general.

²⁰ *US—Section 221 Appropriations Act*, WT/DS176/AB/R, para. 317.

²¹ *Ibid.*, paras 352, 353.

²² *EC—Trademarks and Geographical Indications*, WT/DS174/R, WT/DS290/R, paras 7.689–7.709.

²³ *Ibid.*, paras 7.699–7.702.

²⁴ *Ibid.*, paras 7.703–7.709.

²⁵ *Ibid.*, paras 7.717–7.727.

III. Exceptions

Art. 4 lits a-d lists a number of advantages, favours, privileges or immunities accorded by a Member which are exempted from the MFN obligation. 12

1. International Agreements on Judicial Assistance or Law Enforcement (Art. 4 lit. a)

In accordance with Art. 4 lit. a, advantages, favours, privileges or immunities which are derived from international agreements on judicial assistance or law enforcement are not subject to MFN treatment. This exception aims at ensuring the bilateral nature of such international agreements. In order to fall within the exception of Art. 4 lit. a the international agreement must be of a general nature and not particularly limited to the protection of intellectual property. International agreements which specifically serve to protect intellectual property are covered by the exception clause of Art. 4 lit. d. 13

The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958,²⁶ the Brussels Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters of 27 September 1968²⁷ and the Lugano Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters of 16 September 1988²⁸ are significant examples of international agreements on law enforcement. As international agreements on judicial assistance, the Hague Convention on the Service abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of 15 November 1965²⁹ and the Hague Convention on the Taking of Evidence Abroad in Civil or Commercial Matters of 18 March 1970³⁰ may be mentioned. 14

2. Provisions of the Berne Convention (1971) or the Rome Convention (Art. 4 lit. b)

In accordance with Art. 4 lit. b, advantages, favours, privileges or immunities which are granted in accordance with the provisions of the Berne Convention (1971) or the Rome Convention, concerning material reciprocity are exempted from the MFN obligation. The Berne Convention contains such provisions in Art. 2.7 sentence 2, Art. 6.1, Art. 7.8, Art. 14^{ter}.2 and in Art. 30.2 lit. b. The Rome Convention contains similar provisions in Art. 15 and Art. 16.1 lit. b. 15

²⁶ UNTS 330 (1959), 3.

²⁷ UNTS 1262 (1982), 153.

²⁸ UNTS 1659 (1992), 13.

²⁹ UNTS 658 (1969), 163.

³⁰ UNTS 847 (1972), 231.

3. Related Rights (Art. 4 lit. c)

- 16 In parallel with the national treatment provision, the MFN obligation allows for an exemption “in respect of the rights of performers, producers of phonograms and broadcasting organizations not provided under this Agreement”, Art. 4 lit. c.³¹

4. International Agreements Prior to the Entry into Force of the WTO Agreement (Art. 4 lit. d)

- 17 Art. 4 lit. d exempts all **international agreements** relating to the protection of intellectual property from the MFN obligation if they “**entered into force prior to the entry into force of the WTO Agreement**, provided that such agreements are notified to the Council for TRIPS.”³² To qualify for the exemption, such agreements should not “constitute an arbitrary or unjustifiable discrimination against nationals of other Members.” The clause aims at enabling Members to exclude certain concession in relation to intellectual property protection made by them in the past from MFN treatment, which they could not conceive at the date of adoption of the concessions. Those Members will therefore not be obliged to extend those concessions to the nationals of non-signatory States. Accordingly, the term “related” should be understood broadly. Thus, the provision covers both international agreements which specifically regulate the protection of intellectual property and other agreements with single provisions on intellectual property protection,³³ such as the EC Treaty.³⁴ In addition, it appears that subsequent notification of the agreement is effective retrospectively and prospectively.³⁵

³¹ See also *Elfring*, Article 3, para. 20.

³² See the notification format issued by the Council for TRIPS, Notification of Laws and Regulations relating to Articles 3, 4 and 5 of the TRIPS Agreement: Format for One Option, IP/C/9, 12 March 1997.

³³ Dismissive: *Einhorn*, Common Mkt. L. Rev. 35 (1998) 5, 1069, 1075.

³⁴ With regard to the EC it causes problems that nationals of WTO Members that do not belong to the EC can demand national treatment and most-favoured nation treatment in respect of those rights, the EC Member States are obliged to grant such treatment to nationals of other EC Member States because of Art. 12 ECT. Such an obligation would be inappropriate, since it would be without equivalent. This would counteract the intention of Art. 4, sentence 2 lit. d TRIPS. There is broad acceptance of this conclusion. As to the reasoning there are different opinions. Here it is held that agreements that do not serve the protection of intellectual property are also covered by lit. d. Following a different opinion, the TRIPS Agreement is as *lex posterior* overriding Art. 12 ECT. A third opinion proposes that the EC is a quasi non-national unity, so that the concessions made pursuant to Art. 12 are intrastate concessions and do not fall under Arts 3 and 4 TRIPS; see *Peijfer*, GYIL 39 (1996), 100, 130.

³⁵ *Gervais*, paras 2.51 *et seq.*

However, if an agreement falling within the scope of Art. 4 lit. d is subsequently amended, such amendments must abide by the principle of MFN. In this situation, the Members cannot assert that the MFN obligation was inconceivable for them.³⁶ The language of Art. 4 lit. d is very clear in this respect as it merely addresses concessions derived from international agreements which entered into force before the entry into force of the WTO Agreement. Hence, later amendments and concessions are not covered. 18

³⁶ *de Carvalho*, 88.

Article 5*
Multilateral Agreements on Acquisition or Maintenance of Protection

The obligations under Articles 3 and 4 do not apply to procedures provided in multilateral agreements concluded under the auspices of WIPO relating to the acquisition or maintenance of intellectual property rights.

- 1 In accordance with Art. 5, the obligations in respect of national and most-favoured nation treatment resulting from Arts 3 and 4 **do not apply** to procedures “relating to the acquisition or maintenance of intellectual property rights” that are “provided in multilateral agreements concluded under the auspices of the WIPO”. Such provisions concern **certain administrative procedures** brought into line with the laws and traditions of the Members of a special agreement. Therefore, they normally require membership of the particular agreements.¹ If national treatment and most-favoured nation treatment were to be applied in respect of the procedural provisions, these provisions, which are configured especially in the framework of the special agreement, would be applicable even without membership. This would cause legal uncertainty in some cases.
- 2 In any particular case, it is necessary to examine which provisions of the WIPO convention law concern procedures for the acquisition and maintenance of intellectual property rights. Current agreements that fall within the scope of Art. 5 TRIPS are the Madrid Agreement (and Protocol) Concerning the International Registration of (Factory or Trade) Marks of 14 April 1891 in its Stockholm version of 14 July 1967 (MAM and PMAM), the Hague Agreement Concerning the International Deposit of Industrial Designs (and Models) of 6 November 1925 in its version of 28 November 1960, the Treaty on International Cooperation in the Field of Patent Law of 19 June 1970 (Patent Cooperation Treaty) and the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure of 28 April 1977.

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ *Gervais*, para. 1.85.

Article 6 Exhaustion

For the purposes of dispute settlement under this Agreement, subject to the provisions of Articles 3 and 4, nothing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights.

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A. General

- 1 Art. 6 addresses the highly controversial issue of the international exhaustion of intellectual property rights.
- 2 Exhaustion fundamentally concerns the scope of the rights arising out of intellectual property. It describes the right holder's loss of the right of control over the subsequent use of the protected subject matter which arises the first time it is put into circulation. With all necessary differentiation according to the individual intellectual property rights, the problem of **international exhaustion** relates to the issue of whether the putting into circulation which results in exhaustion in the sense of the territoriality principle is valid solely for the particular legal system (national exhaustion), for a specific regional economic area (so-called regional exhaustion) or worldwide (so-called international exhaustion). The law of a very small number of States, including developing countries in particular, provides for international exhaustion.¹ An example for the practice of international exhaustion is the legislation of South Africa which attracted international attention. The South African Medicine and Related Substances Control Amendment Bill² provoked intense diplomatic protest from the United States and the European Community, and a lawsuit³ by 39 pharmaceutical companies. Within the European Common Market there exists a form of regional exhaustion.⁴ Otherwise national exhaustion prevails in most jurisdictions. In Switzerland, for instance, the Swiss Federal Supreme Court decided in favour of national exhaustion for patents, although it has adopted a rule of international exhaustion for trademarks and copyrights.⁵
- 3 The issue of international exhaustion is linked to the problem of **parallel imports**. In the case of exhaustion on a purely national basis, the right holders retain control of the import of the subject matter into a third country as long as they have rights in that country as well. They can therefore provide for differentiated conditions covering every national market. If,

¹ See the overview in *Correa*, 87 *et seq.* and *UNTD-ICTSD*, 111.

² Medicines and Related Substances Control Amendment Bill, Act No. 132 of 1997, SA Health 132, <http://www.doh.gov.za/docs/legislation/acts/1997/act90.pdf> (last accessed 3 October 2007), in detail on the Medicines and Related Substances Control Amendment Bill see *Kongolo*, *JWIP* 4 (2001) 5, 609 *et seq.*

³ Notice of Motion, Case No. 4183/98, *Pharmaceutical Manufacturers Association of South Africa et. al. vs. The President of the Republic of South Africa, the Honourable Mr. N.R. Mandela N.O et. al.*, 18 February 1998, <http://www.cptech.org/ip/health/sa/pharmasuit.html> (last accessed 3 October 2007).

⁴ See the fundamental decision C-355/96, *Silhouette International Schmied Gesellschaft mbH & Co. KG v. Hartlauer Handelsgesellschaft mbH*, [1998] E.C.R. I-4799.

⁵ *Kodak SA v. Jumbo-Markt AG*, 4C.24/1999/*rnd*, 7 December 1999. Recently the rule of national exhaustion for patents has been questioned, available at: <http://www.presseportal.ch/de/pm/100002276/100537270/interpharma> (last accessed 3 October 2007).

on the other hand, the exhaustion applies on a regional or international level, then it also acts by virtue of the first putting into circulation in other countries in the regional economic area, or worldwide. The import of a product protected by intellectual property titles into those third countries in which the exhaustion applies is thus no longer subject to the agreement of the right holder.

B. Historical Development

The **negotiation history** of the provision is featured by contentious discussions. When the US submitted its first proposal dealing with Intellectual Property in 1987 there was no provision for an exhaustion settlement.⁶ The problem of parallel imports was, however, being discussed at a rather early stage of the negotiations.⁷ A draft submitted by the European Community in July 1988 provided for an exhaustion rule at least in relation to trademarks.⁸ In the course of further negotiations, it was remarked several times that parallel imports should not be prevented by border measures because of intangible rights.⁹ A proposal by the United States which provided for a national exhaustion rule for trademarks met the objection of the Indian delegation which considered the application of international exhaustion to be more suitable.¹⁰ The **divergent opinions** essentially emanating from

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⁶ Suggestion by the United States for Achieving the Negotiating Objective, United States Proposal for Negotiations on Trade-Related Aspects of Intellectual Property Rights, Negotiation Group on TRIPS, including Trade in Counterfeit Goods, Meeting of Negotiation Group of 12–14 July 1989, Note by the Secretariat, MTN.GNG/NG11/14, 12 September 1989, 20.

⁷ An intermediate report of the Secretariat on the 1988 negotiations records the opinion of some of those involved in the negotiations that parallel imports do not mean counterfeit products and that, for this reason, the parties to the agreement should not be obliged to enact legal instruments to prevent the parallel import of goods, Negotiation Group on TRIPS, including Trade in Counterfeit Goods, Trade in Counterfeit Goods: Compilations of Written Submissions and Oral Statements, Note by the Secretariat, MTN.GNG/NG11/W/23, 26 April 1988, paras 27, 26.

⁸ The wording of this draft left latitude for the interpretation of the formulation of the exhaustion regime in each case: “Limited exceptions to the exclusive rights conferred by a trademark, which take account of the legitimate interests of the proprietor of the trademark and of third parties, may be made, such as fair use of descriptive terms and exhaustion of rights.” Guidelines and objectives proposed by the European Community for the negotiations on trade-related aspects of substantive standards on intellectual property rights, Guidelines and Objectives proposed by the European Community, Negotiation Group on TRIPS, including Trade in Counterfeit Goods, Guidelines and Objectives Proposed by the European Community for the Negotiations on Trade-Related Aspects of Substantive Standards of Intellectual Property Rights, MTN.GNG/NG11/W/26, 7 July 1988, para. III.D.3.b(i).

⁹ Negotiation Group on TRIPS, including Trade in Counterfeit Goods, Meeting of Negotiation Group of 3–4 July 1989, Note by the Secretariat, MTN.GNG/NG11/13, 16 August 1989, para. D7; MTN.GNG/NG11/14, para. 26.

¹⁰ MTN.GNG/NG11/14, para. 45. See in general Negotiation Group on TRIPS, including Trade in Counterfeit Goods, Communication from Argentina, Brazil, Chile, China,

a division between developed and developing countries were also displayed in the subsequent chairman's report which envisaged a concept of national exhaustion in Part A, whereas in Part B laying down the Members' freedom to set up their own exhaustion rules.¹¹ The Brussels Draft included the express right of Members to standardize their own exhaustion regimes.¹² It was only later that the phrase "for the purposes of dispute settlement" was included at the request of the developing countries.

C. Interpretation

- 5 The discussions in relation to the interpretation of Art. 6 may be grouped into three major questions. Firstly, there is controversy about the legal character of Art. 6, and in particular the question has arisen as to whether Art. 6 could be deemed a substantive or merely a procedural provision. Secondly, the issue of exhaustion has also been discussed in relation to the provisions of the GATT and other WTO Agreements. Thirdly, views differ about the definition of the term exhaustion.

I. Legal Character

- 6 The introductory part of Art. 6 "**for the purposes of dispute settlement under this Agreement**" relates to the WTO's dispute settlement system as laid down in Art. 64 and the DSU. It has therefore been argued that Art. 6 only precludes issues of exhaustion being dealt with within the WTO dispute settlement, but does not preclude the issue of exhaustion being addressed in the context of the substantive provisions of the TRIPS Agreement.¹³ Supporters of the "**procedural opinion**" thus refer to substantive TRIPS provisions that may be invoked to argue for or against the application of a particular exhaustion regime.¹⁴ However, even among

Colombia, Cuba, Egypt, India, Nigeria, Peru, Tanzania and Uruguay, MTN.GNG/NG11/W/71, 14 May 1990, which included an international exhaustion regulation: Para (1) (i) for patents and 7 (2) for trade marks.

¹¹ Negotiation Group on TRIPS, including Trade in Counterfeit Goods, Status of Work in the Negotiation Group, Chairman's Report to the GNG, MTN.GNG/NG11/W/76, 23 July 1990.

¹² The Brussels Draft corresponds to the Ministerial Text of December 3, 1990 (MTN.TNC/W/35-2/Rev.1). Art. 6 of the Brussels Draft states: "Subject to the provisions of Articles 3 and 4 above, nothing in this Agreement imposes any obligation on, or limits the freedom of, PARTIES with respect to the determination of their respective regimes regarding the exhaustion of any intellectual property rights conferred in respect of the use, sale, importation or other distribution of goods once those goods have been put on the market by or with the consent of the right holder."

¹³ Ullrich, in: *Beier & Schricker* (eds), 357, 362 *et seq.*; *Freytag*, 219.

¹⁴ See *Slonia*, *Transnationales Wirtschaftsrecht* (2003) 18, 31 *et seq.* with further references.

the supporters of the “procedural opinion” there is a broad **spectrum of interpretations of the law** on the issue of whether substantive provisions of the TRIPS Agreement take a stand on exhaustion. Thus, on the one hand, namely on the basis of Arts XXVII, XXVIII and XX GATT 1994 it is argued that an international exhaustion is not suggested by the TRIPS Agreement.¹⁵ On the other hand, it is asserted that the **interest in maximizing trade liberalization**, which is the *raison d'être* of the WTO as stipulated in **Rec. 1 of the Preamble**,¹⁶ must also be taken into consideration for the purpose of assessing Art. 6. Accordingly, it is to be assumed that the legal system of the WTO on the whole favours international exhaustion.¹⁷

Where the conclusion is drawn that substantive provisions of the TRIPS Agreement prohibit or require an international exhaustion regime, it is sometimes argued that actions could be brought before national courts, if a national legal system recognizes the direct applicability of WTO law.¹⁸ In case of the direct applicability of WTO law, the matter in dispute could be deemed national but not WTO law from the perspective of the procedural opinion. Therefore these actions before national courts would not conflict with the wording of Art. 23 DSU¹⁹ which only covers WTO agreements.²⁰ One could further bring forward the argument that the express exclusion of the issue of exhaustion only from the dispute settlement understanding could be regarded as an indicator for the possibility of national court actions. However, in the end the focus has to be drawn on the consistent application of the TRIPS which would be compromised if national jurisdictions allowed the direct applicability. Since allowance of national court actions could be one of the few practical consequences of the procedural opinion and currently most national jurisdictions refuse to recognize the direct applicability of WTO law,²¹ the procedural opinion, does not lead to a result of any practical significance.²²

Supporters of the “substantive opinion” regard Art. 6 as an “agreement to disagree”.²³ As the parties to the TRIPS Agreement could not reach

¹⁵ *Straus*, in: *Beier & Schricker* (eds), 160, 194.

¹⁶ *Keßler*, Preamble, paras 4 *et seq.*

¹⁷ *Abbott*, JIEL 1 (1998) 4, 607, 632 *et seq.*; *Verma*, IIC 29 (1998) 5, 534, 540 *et seq.*; *Correa*, 79 *et seq.*

¹⁸ *Freytag*, 219.

¹⁹ In this direction *Slonia*, *Transnationales Wirtschaftsrecht* (2003) 18, 31 *et seq.*

²⁰ On the question of the DSU as a self-contained regime, see WT/DS152/R and WT/DS165/R.

²¹ For the European Community see C-149/96, *Portugal v. Council*, [1999] E.C.R. I-8395; recently C-377/02, *Léon von Parys v. Belgisch Interventie-en Restitutiebureau (BIRB)*, [2005] E.C.R. I.1465.

²² *Herrmann*, in: *Nettesheim & Sander* (eds), 148.

²³ See *Bronckers*, *Common Mkt. L. Rev.* 31 (1994) 6, 1245, 1268; *Bronckers*, *JWT* 32 (1998) 5, 137, 142; *Michaelis & Bender*, in: *Hilf & Oeter* (eds), 446, para. 31; *Pacón*, in: *Beier & Schricker* (eds), 329, 337 *et seq.*

a consensus about a specific exhaustion regime applicable under TRIPS, the decision in favour of national, regional or international exhaustion is considered to be left to the discretion of the WTO Members.

- 9 Indeed, the negotiations to Art. 6 speak in favour of the “substantive opinion” because the Brussels Draft included the express right of Members to standardize their own exhaustion regimes. Although the express right was removed in the final draft, it is clear that the parties to the TRIPS Agreement could not decide on a particular exhaustion regime and that the contentious wording “For the purposes of dispute settlement” was included at the request of the developing countries. It appears unlikely that the developing countries thereby intended to limit their right to choose an appropriate exhaustion regime. Moreover, the interpretative principle of *in dubio mitius* which is widely recognized in international law as a supplementary means of interpretation supports the view that Art. 6 does not impose a duty to establish a specific exhaustion regime. In this respect it has been clarified by the Appellate Body in *EC—Hormones* that “[t]he principle of ‘*in dubio mitius*’ applies in interpreting treaties, in deference to the sovereignty of states. If the meaning of a term is ambiguous, that meaning is to be preferred which is less onerous to the party assuming an obligation, or which interferes less with the territorial and personal supremacy of a party, or involves less general restrictions upon the parties.”²⁴
- 10 The Doha Ministerial Conference in 2001 finally made it clear that a national decision in favour of international exhaustion is fully in line with the TRIPS Agreement and that Members have the discretion to choose an appropriate exhaustion regime.²⁵ As part of the discussions on the availability of essential drugs to fight infectious diseases, the Ministerial Conference in its **Declaration on the TRIPS Agreement and Public Health** in 2001 in Clause 5 lit. d specified: “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 the national treatment provisions of Arts 3 and 4.”²⁶ The Declaration, which can be considered an authentic interpretation of the TRIPS Agreement,²⁷ confirms the gist of Art. 6 that is each country is entitled to regulate the formulation of the exhaustion according to its own perception and to protect itself in this respect from being reviewed as part of a dispute settlement mechanism. It is sometimes argued that the authentic interpretation of Clause 5 lit. d of the Doha

²⁴ WT/DS26/AB/R, WT/DS48/AB/R, para. 165 and fn. 154.

²⁵ See also *Correa*, 80; *Slotboom*, JWIP 6 (2003) 3, 421, 433.

²⁶ WT/MIN(01)/DEC/2.

²⁷ The same is argued in *Hestermeyer*, GRUR Int. 53 (2004) 3, 194 *et seq.* with further references; see also *Gallus*, JWIP (2004), 169, 171; *Slotboom*, JWIP 6 (2003) 3, 421, 433 *et seq.*

Declaration is limited to the public health context.²⁸ But, TRIPS provisions usually apply to all sectors.²⁹ Moreover, the wording of Clause 5 lit. d does not provide for such a limitation.³⁰ However, the Doha Declaration leaves open the question whether the discretion of the Members to establish their own exhaustion regime is based on an “agreement to disagree” with respect to the “substantive opinion” or is the result of an interpretation of the substantive provisions of the TRIPS Agreement in the context of the “procedural opinion.”

In any case, most-favoured nation treatment or national treatment will apply to any exhaustion regime the Members have opted for. This has been realized by making exhaustion under TRIPS Art. 6 **“subject to the provisions of Articles 3 and 4”**. Accordingly, exhaustion can indeed be dealt with within the dispute settlement proceedings for the limited purposes of having discriminatory effects. It is, therefore, possible to conclude that, by virtue of Art. 6, national exhaustion rules must at least observe that non-nationals be treated in the same way as nationals in accordance with Art. 3³¹ and the obligation of most-favoured nation treatment in accordance with Art. 4.³² 11

II. Relationship with Other WTO Agreements

Art. 6 states that “for the purposes of dispute settlement under this Agreement nothing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights.” Art. 6 relates to **“this Agreement”** and contains a type of content exclusion: no claims shall be derived and no conclusions drawn from the TRIPS Agreement as a whole by way of dispute settlement relating to the issue of exhaustion. This wording of Art. 6 raises the question whether the WTO adjudicating bodies could deal with exhaustion on the basis of Art. XI GATT 1994,³³ which prohibits both import- and export-restrictions.³⁴ In light of the Appellate Body’s strong emphasis on textual interpretation,³⁵ and its understanding that GATS and TRIPS³⁶ as well as GATT and GATS can generally be applied simultaneously where “overlapping” obligations of the Members are 12

²⁸ Herrmann, *EuZW* (2002), 37, 42; *Slonia*, *Transnationales Wirtschaftsrecht* (2003) 18, 35; *de Carvalho*, 106.

²⁹ See *Rott*, 249.

³⁰ Without limitation to the field of public health *UNTAD/ICTSD*, 106.

³¹ See in detail *Elfring*, Article 3.

³² See in detail *Elfring & Arend*, Article 4.

³³ *Herrmann*, *EuZW* 13 (2002) 2, 37, 41 appears to advocate this argument *de Carvalho*, 105.

³⁴ In this context national and regional exhaustion regimes could be deemed as import- and export restrictions.

³⁵ See *UNTAD/ICTSD*, 106.

³⁶ See *Cottier & Stucki*, in: *Dutoi* (ed.), 54; *Freytag*, 241.

concerned,³⁷ Art. 6 TRIPS appears not to prevent the issue of exhaustion from being dealt within the context of other WTO Agreements.

- 13 However, the principle of effective treaty interpretation must lead to the conclusion that such disputes under GATT and GATS are not allowed.³⁸ According to the principle of effective treaty interpretation, an interpretation may not result in whole clauses being made redundant or useless.³⁹ If an exhaustion regime could be challenged under agreements other than TRIPS, it would be possible to circumvent the preclusion from the dispute settlement of matters of IPR exhaustion by initiating disputes under GATT or GATS.⁴⁰ This understanding of Art. 6 TRIPS has been confirmed by the wording of Clause 5 lit. d of the Doha Declaration as the comprehensive term “without challenge” includes all WTO Agreements.⁴¹

III. Definition of Exhaustion

- 14 The key element of exhaustion in general is **consent**. Only acts done with the free and informed consent of the patent owner give rise to the exhaustion of patent rights. Nevertheless, developing countries, in particular, have argued that the consent of the patent owner to the first act of introduction of the product into the market incorporating the claimed invention is not a necessary condition for exhaustion. Exhaustion should *e.g.* also occur when the first sale takes place under a compulsory licence.⁴² However, such a broad definition of exhaustion is not in line with the common understanding of the term exhaustion.⁴³ In a free market environment whose principles buttress the TRIPS Agreement, the State’s sovereign decision may never replace the free will of the patent owner.⁴⁴ Even the Brussels Draft contained a definition of exhaustion that made exhaustion subject to the patent owner’s consent to the first sale.⁴⁵ Finally Art. 6.5 of the IPIC Treaty explicitly refers to the consent of the holder of the right, which is also an indicator outside of TRIPS for the common understanding of the term exhaustion.⁴⁶

³⁷ See *Davey & Zdouc*, in: *Cottier & Mavroidis* (eds), 64 *et seq.* with further references; *Gamharter*, 40.

³⁸ With the same result *Slotboom*, *JWIP* 6 (2003) 3, 421, 435.

³⁹ “An interpreter is not free to adopt a reading that would result in reducing whole clauses or paragraphs of a treaty to redundancy or inutility.” See *WT/DS2/AB/R*, para. 23.

⁴⁰ *Bronckers*, *JWT* 32 (1998) 5, 137, 145 *et seq.*; *Herrmann*, in: *Nettesheim & Sander* (eds), 151 doubts this argument because of the different objectives of GATT and TRIPS, but does not clearly describe the consequences of the different objectives for dispute settlement under GATT.

⁴¹ *Gamharter*, 41.

⁴² See *UNIAD/ICTSD*, 107.

⁴³ See *Kampf*, *AVR* 40 (2002) 1, 90, 117; *Rott*, *GRUR Int.* 52 (2003) 2, 103, 113.

⁴⁴ *de Carvalho*, 110.

⁴⁵ See *Gervais*, para. 2.40.

⁴⁶ *Correa*, 84 *et seq.*, by contrast draws the conclusion, that the drafters of the TRIPS Agreement, certainly knowledgeable of Art. 6.5 IPIC Treaty, opted to give Members more

Exhaustion under a compulsory licence that is in line with the fundamental principles underlying the TRIPS Agreement may be conceivable only under specific circumstances. This may be the case when the compulsory licence is based on national anti-trust law and both the *rationale* of the compulsory licence and the protection of fair competition would be hindered because exhaustion does not take place.⁴⁷ Such a definition of exhaustion also reflects Art. 31 lit. k TRIPS. According to this provision, the use of an invention without the authorization of the patent owner is possible under less stringent conditions if such use aims to stop practices that have been deemed anti-competitive by a judicial or administrative decision. In such cases, even the conditions laid down in Art. 31 lits b and f may be disregarded. 15

If the key element of exhaustion in general is the consent of the right holders, it further needs to be discussed, to what extent it is left to the discretion of the right holders to define the concrete conditions of their consent or—more precisely—to impose contractual territorial restrictions on licensees and wholesalers to prevent parallel trade. Basically, this is a matter of national competition laws. In the US, for instance, the patentee may impose contractual limitations to avoid the effects of the doctrine of exhaustion under the theory of implied licence.⁴⁸ For the European Community, the ECJ ruled that a measure restricting competition that has been imposed unilaterally (other than bilateral agreements)⁴⁹ does not amount to an agreement prohibited by Art. 81.1 ECT.⁵⁰ However, unilateral contractual measures to limit parallel trade may theoretically constitute an abuse under Art. 82 ECT.⁵¹ From the perspective of TRIPS, WTO Members may adopt certain measures to prevent the (contractual) abuse of intellectual property rights according to Arts 8.2, 31 lit. k, 40 TRIPS. But concerning contractual practices to limit parallel trade it should be generally left to the discretion of the private sector to prohibit the sale of goods in other WTO Members' 16

leeway in determining the scope for exhaustion in the field of IPRs. The Washington Treaty never entered into force, as it failed to obtain the necessary number of ratifications therefore.

⁴⁷ See on this point *Heinemann*, 501; *Wolff*, 167; see C-241/91, *Radio Telefis Eireann (RTE) and Independent Television Publications Ltd (ITP) v. Commission of the European Communities*, [1995] E.C.R. I-743, Recs 90 *et seq.*

⁴⁸ *Correa*, 82 *et seq.*, who illustrates the implied licence theory by the case *Beecham Group v International Products Ltd*, decided by the High Court of Kenya but does not link the issue to anti-trust law.

⁴⁹ See C-306/96, *Javico International and Javico AG v Yves Saint Laurent Parfums SA (YSLP)*, [1998] E.C.R. I-01983.

⁵⁰ See C-2/01 P and C-3/01 P, *Bundesverband der Arzneimittel-Importeure eV and Commission of the European Communities v. Bayer AG*, [2004] E.C.R. I-00023.

⁵¹ See C-53/03, *Synetairismos Farmakopoion Aitolias & Akarnanias (Syfait) and Others v. GlaxoSmithKline plc and GlaxoSmithKline AEVE*, [2005] E.C.R. I-04609. The court found that it had no jurisdiction to answer the questions. See also the Opinion of *Mr Advocate General Jacobs* delivered on 28 October 2004, who emphasizes the negative impact of parallel trade on R&D.

territories on a contractual basis since there currently exists no consistent exhaustion regime among the Members. There could be a different assessment in case there will be a coherent exhaustion regime on the basis of international exhaustion in all WTO Members in the future.⁵²

⁵² See *Heinemann*, 616, fn. 209 with respect to the Draft International Antitrust Code (DIAC).

Article 7 Objectives

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

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A. General

1 Art. 7¹ jointly with Art. 8 and the Preamble belong to the core provisions of the TRIPS Agreement. Compared to Art. 8 under the heading “Principles,”² Art. 7 which deals with “Objectives” of the TRIPS Agreement has hardly assumed any practical significance although the provision always raised highly controversial academic discussion. The provision goes back to a proposal made by the developing countries³ that were concerned about the impact that too strong intellectual property rights might have in the economic development and social welfare.⁴ While Arts 7 and 8, in the Anell draft of 1990⁵ still being joint under the single heading “Principles,” mention the inventor or creator,⁶ the current provision addresses the “right holder”. That way, the Agreement reveals its orientation towards investors rather than inventors or creators. In this respect, TRIPS provides a stimulus to the exploitation of inventions and other IP works and supports the actual inventors and creators only indirectly by promoting a market for their creative activity. The personal rights aspect of intellectual property protection under the TRIPS is thus marginal. This is also indicated by the fact that the reference to the “balance between rights and obligations” was added later. In its present form, the provision aims for taking into account the interests of the developing countries within the TRIPS regime that were concentrated—as the current wording demonstrates—on the implications of technology-related intellectual property rights.⁷

¹ Art. 7 corresponds with Paragraph 5 of the Preamble. See also *de Carvalho*, 46.

² See, *Brand*, Article 8.

³ See Art. 2 of Part II of Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Communication from Argentina, Brazil, Chile, China, Colombia, Cuba, Egypt, India, Nigeria, Peru, Tanzania and Uruguay, MTN.GNG/NG11/W/71, 14 May 1990.

⁴ *Cf. Gervais*, para. 2.75.

⁵ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Chairman’s Report to the GNG, Status of Work in the Negotiating Group (Anell Draft), MTN.GNG/NG11/W/76, 23 July 1990.

⁶ The text stated: “Principles—8B.1 PARTIES recognize that intellectual property rights are granted not only in acknowledgement of the contributions of inventors and creators, but also to assist in the diffusion of technological knowledge and its dissemination to those who could benefit from it in a manner conducive to social and economic welfare and agree that this balance of rights and obligations inherent in all systems of intellectual property rights should be observed. 8B.2 In formulating or amending their national laws and regulations on IPRs, PARTIES have the right to adopt appropriate measures to protect public morality, national security, public health and nutrition, or to promote the public interest in sectors of vital importance to their socio-economic and technological development. 8B.3 PARTIES agree that the protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and enhance the international transfer of technology to the mutual advantage of producers and users of technological knowledge.”

⁷ Brazil initially expressed criticism that the earlier proposals did not make clear the connection between the recognition of intellectual property rights and the promotion of domestic technological development. This was because the promotion of the development of society and growth were objectives of the Uruguay Round and were, moreover, also seen as the fundamental objectives of the national legal systems. The Brazilian delegation

B. The Objectives in Detail

Despite its sweeping title, Art. 7 relates only to the protection and the enforcement of intellectual property rights. Moreover, the provision expressly addresses only the technology policy aspect. This conclusion can be derived from the fact that the provision speaks of “technical innovations”, “technical knowledge” and technology. Patent law is particularly relevant in this respect. On the other hand, the fields of copyright and related rights as well as trademarks, geographical indications, and industrial designs are not fully covered by this provision. This imbalance is possibly attributable to the developing countries’ preoccupation on the impact of higher standards of IP protection relating to the access to innovations and the products and services derived therefrom.⁸ It does not rule out from the outset, however, the provision relating also to intellectual property rights other than patent rights provided that these apply to technical innovations or the transfer and dissemination of technology.⁹ The provision also applies to trade secrets, for example, which in the wider sense can also involve “technical” innovations or knowledge even if they are not patentable.¹⁰ 2

From the promotion of technical innovation, on the one hand, to the transfer and dissemination of technology, on the other, Art. 7 addresses fundamental factors which play a role in the formulation of intellectual property rights and, above all, patent law. The carefully drafted “contributes to” indicates that the intellectual property right and its enforcement can only lay down the general framework for these processes.¹¹ Other factors like social and 3

raised a critical objection to the fact that the TRIPS Agreement created an advantage for technologically advanced countries which benefited from higher standards of protection in developing countries, while developing countries, by contrast, as users of the technology, had no equivalent advantages and yet incurred costs; see Negotiation Group on TRIPS, including Trade in Counterfeit Goods, Meeting of Negotiation Group of 17–21 October 1988, Note by Secretariat, MTN.GNG/NG11/10, 30 November 1988, para. 9. The last-mentioned assumption is confirmed by a study by the World Bank, according to which the United States makes a large profit from the TRIPS standards, estimated to be 19 billion US dollars; see *World Bank*, 133.

⁸ See *Correa*, 92; *Correa*, International Review, 543 also points out that negotiations on issues not directly related to access to and use of technology were overall less controversial between the North and South, while they often created considerable tensions between developed countries themselves

⁹ *de Carvalho*, 109.

¹⁰ It remains unclear whether *de Carvalho*, 109, 113, is of the opinion that company and trade secrets do not fall within the scope of Art. 7 at all. On the one hand, he states that trade secrets may have a relevant role in promoting technology transfer. On the other hand, he concludes that the protection of trade secrets has no bearing whatsoever on the dissemination of technology. In any case, he does not distinguish between trade secrets which are capable of increasing the level of technical innovation and trade secrets which are subject to the transfer or dissemination of technology.

¹¹ An expectation heard, for example, in the document from the Dominican Republic and Honduras, Communication from the Dominican Republic and Honduras, WT/GC/W/119, 3 November 1998, para. 29 and in which, in preparation for the third Ministerial

political stability and a reliable court system also have a significant impact on technical innovation and the transfer and dissemination of technology.

- 4 The term “**promotion of technical innovation**” covers every development of a technical nature which leads to the improvement of an existing product or service or the creation of a new product or service. The term innovation has to be distinguished from the term invention.¹² Whereas an invention consists solely of technical knowledge, which cannot be exploited without additional investment, a technical innovation covers the whole period of research and development up to implementation, leading to commercial maturity.¹³ Therefore a **technical invention** is only a preliminary stage of a technical innovation. Patent law with its patent stipulations is able to provide further guidance on how the term is to be understood. It must be emphasized, however, that Art. 7 is not limited to the field of patentable inventions.
- 5 The term “**transfer and dissemination of technology**” can relate to the arbitrary and legally correct transfer of technologies and the rights to use them (*e.g.* through licences). But the term can also be regarded, from a more general perspective, as the becoming available of technical knowledge with the prospect of its application, for example by publication, teaching and research. The wording goes further than the initial drafts, which referred to the international transfer of technology at this point. In particular, the current wording unequivocally includes national mechanisms and thus makes it clear that the promotion of **technical innovations** and their dissemination is not just a question of international commercial law but also one of national commercial and legal policy. A practical example for a (rather successful) national policy is China’s current strategy “market for technology” which sometimes has been criticized by developed countries.¹⁴ Under the mentioned policy, the Chinese government attempts to exploit the potential of the Chinese market to exert pressure on foreign companies to transfer their technology (especially within public tenders) through local content requirements or the necessity to establish joint ventures in certain industries (*e.g.* in the automotive sector). Nevertheless, the wording “transfer and dissemination of technology” naturally includes the international transfer of technology, which is also addressed in Art. 8.2 (Principles), Art. 40 (Control of Anti-Competitive Practices in Contractual Licences)

Conference in Seattle, the review of the implementation of the TRIPS Agreement in view of the achievement of the objectives and principles (Art. 7 and Art. 8) was also suggested.

¹² *Demaret*, 5. *Machlup*, 36, 56, 74, 78.

¹³ See *Sasdi*, 47.

¹⁴ For instance see the comment of the German chancellor Dr. Angela Merkel: „Wir müssen deutlich machen, dass wir nichts zu verschenken haben“, available at: <http://www.bundeskanzlerin.de/nm_5300/Content/DE/Interview/2006/05/2006-05-23-china-mutzu-kritischen-toenen.html>, 3 October 2007 (last accessed 27 May 2008).

and Art. 66.2 (Least-Developed Country Members). A number of studies¹⁵ have been conducted to assess the impact of IPR on **technology transfer**. Often it is argued that a solid patent system would promote the transfer of know-how.¹⁶ However, this link between IPR and technology transfer or **FDI** could not be empirically proved yet.¹⁷ This demonstrates again that IPRs are but one of many factors that affect cross-border flows of technology.¹⁸

At the Doha Ministerial Conference in November 2001 the Members agreed to establish a **Working Group on Trade and Technology Transfer in the WTO**.¹⁹ The main task of the working group is to explore possible recommendations on steps that might be taken within the mandate of the WTO to increase flows of technology to developing countries.²⁰ In Paragraph 7 of the **General Council Decision Implementation of Paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health of 30 August 2003**,²¹ the Members reiterated their intention to cooperate by paying special attention to the transfer of technology with reference to Art. 66.2 TRIPS and Art. 7 of the **Doha Declaration**. However, the language on the transfer of technology is considerably weaker than the language used elsewhere in the Decision.²² For instance, in the General Council Decision it is stated that “the Members **recognize** the desirability of promoting the transfer of technology and capacity building” and that “importing members and exporting members are **encouraged** to use the system set out in this decision in a way which would promote this objective”. Therefore the **General Council Decision** and other WTO agreements relating to transfer of technology²³ have been considered a mere “best endeavour” clause which presumably would not be implemented.²⁴ But despite the weak wording of the Decision, one should also bear in mind that the General Council Decision did not intend to provide a comprehensive solution on technology transfer, but focused more on the “para. 6 problem” concerning **compulsory licences**.²⁵ As early as 19 February 2003 the Council for TRIPS decided that the developed countries

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¹⁵ See especially *Maskus*.

¹⁶ *Rott*, 43.

¹⁷ *Braga & Fink*, Duke J. Int'l & Comp. L. 9 (1998) 1, 163 *et seq.*; see also *Abbott*, JWIP 5 (2002) 1, 15, 21.

¹⁸ *Correa*, 99.

¹⁹ WT/MIN(01)/DEC/1, para. 37.

²⁰ See the Report (2006) of the Working Group on Trade and Transfer of Technology to the General Council, WT/WGTTT/8, 15 November 2006, para. 14.

²¹ WT/L/540.

²² See *Gamharter*, 226.

²³ See *Correa*, 98.

²⁴ *Islam*, JWIP 8 (2005) 5, 676, 686.

²⁵ See *Quirin*, Article 31 lit. f and Article 31*bis*.

would be required to write frequent reports about the implementation of their obligation to promote the transfer of technology.²⁶

- 7 The reference to the **“mutual advantage of the producers and users of technical knowledge,”** to **a manner conducive to social and economic welfare** and the emphasis on a **balance between rights and obligations** amplifies that Art. 7 is not only aimed at accommodating the interests of society as a whole, but also seeks to protect and promote specific individual interests. The notion “social and economical welfare” may be invoked for the incorporation of higher social values in the TRIPS Agreement. The interests of the users of technical knowledge were *e.g.* addressed by **UN Commission on Human Rights**. The Commission raised the question to what extent WTO panels and the Appellate Body should consider international **human rights law** in the interpretation of the provisions of the TRIPS Agreement, in particular, the **International Covenant on Economic, Social and Cultural Rights (ICESCR)**. In this context, the High Commissioner reported to the Fifty-second Session of the Commission on Human Rights (Sub-Commission on the Promotion and Protection of Human Rights) that “there are potential links between human rights and the TRIPS Agreement” and pointed out that the objectives set out in Art. 7 of the TRIPS Agreement “recognize a need for balance”.²⁷ Although not clearly stated, the High Commissioner apparently assumes in his conclusions that the TRIPS Agreement should be interpreted in the light of the ICESCR, highlighting the fact that 111 WTO Members had ratified the ICESCR. Consequently, a human rights approach would explicitly place the promotion and protection of human rights, in particular, those in the ICESCR, at the heart of the objectives of intellectual property protection, rather than as only permitted exceptions that are subordinated to other provisions of the TRIPS Agreement. However, it has to be noted that the status of the ICESCR, which *e.g.* has not been ratified by the US, as customary international law is widely disputed²⁸ and therefore the ICESCR is only binding upon the Members that ratified it.

²⁶ See *Slonia*, *Transnationales Wirtschaftsrecht* (2003) 20, 12; IP/C/28.

²⁷ Sub-Commission on the Promotion and Protection of Human Rights, *The impact of the Agreement on Trade-Related Aspects of Intellectual Property Rights on human rights*, E/CN.4/Sub.2/2001/13, 27 June 2001, para. 16.

²⁸ See *Rott*, 94; *Bard*, *Iowa L. Rev.* 70 (1985) 5, 1279 *et seq.*, this question has been left open by *Correa*, 100 *et seq.*

C. Art. 7 put to a Test: Canadian Patent Legislation

Some of the substantive provisions of the TRIPS Agreement reflect what is commonly referred to as “constructive ambiguity”.²⁹ This ambiguity leaves room for interpretation, mainly through dispute settlement. The customary rules of **interpretation** of public international law as codified in Arts 31 and 32 of the Vienna Convention on the Law of Treaties (VCLT) have repeatedly been held applicable to the interpretation of agreements under the WTO umbrella in accordance with Art. 3.2 DSU.³⁰ Likewise, the TRIPS Agreement must be interpreted in the light of its context, object and purpose and consequently in the light of Art. 7.³¹

The practical relevancy of Art. 7—often in conjunction with Art. 8 and references to the Preamble—has been elaborated on in several dispute settlement decisions and in resolutions of the competent WTO bodies.

In *Canada—Pharmaceutical Patents*³² the function of Art. 7 as a tool for the **interpretation** and application of the TRIPS Agreement was contested by the European Community. In this case, negotiations were conducted on the interpretation of Art. 30 (“Exceptions to Rights Conferred”) in conjunction with Art. 7. Canada cited Arts 7 and 8 as the relevant provisions for the interpretation of Art. 30. The European Community, in contrast, considered in Arts 7 and 8 to be declaratory and argued that a balancing of goals had already taken place in the negotiation of the Articles of the TRIPS Agreement. The interests mentioned in Arts 7 and 8 must therefore not be drawn on again in interpreting Art. 30 since this would involve taking the values mentioned in Arts 7 and 8 into account twice over.³³ While the Panel expressly decided against this argument of the European Community it did not follow Canada’s reasoning. According to the Panel, the **objectives and limitations which follow from Arts 7 and 8** had to be

²⁹ *Gamharter*, 74.

³⁰ See *US—Gasoline*, WT/DS2/AB/R, para. 17; *Japan—Taxes on Alcoholic Beverages*, WT/DS8/AB/R, WT/DS10/AB/R, WT/DS11/AB/R, paras 10–12; *India—Patents*, WT/DS50/AB/R, paras 45–46; *Argentina—Textiles and Apparel*, WT/DS56/AB/R, para. 47; *EC—Computer Equipment*, WT/DS62/AB/R, WT/DS67/AB/R, WT/DS68/AB/R, para. 85; *US—Shrimp*, WT/DS58/AB/R, paras 114–117; and *Guatemala—Cement I*, WT/DS60/AB/R, para. 70.

³¹ Some observers have read ‘should’ to mean that Art. 7 is a mere ‘encouraging’ provision, the interpretation value of which is equivalent to that of any preambular provision. However, the place of this provision in Part I of the Agreement lifts its legal status. See *Correa*, 93, *Gervais*, para. 2.75. On the legal status of the Preamble, see *Kessler*, Preamble, para. 1.

³² *Canada—Pharmaceutical Patents*, WT/DS114/R.

³³ *Ibid.*, para. 7.25 “The EC did not dispute the stated goal of achieving a balance within the intellectual property rights system between important national policies. But, in the view of the EC, Articles 7 and 8 are statements that describe the balancing of goals that had already taken place in negotiating the final texts of the TRIPS Agreement. According to the EC, to view Article 30 as an authorization for governments to ‘renegotiate’ the overall balance of the Agreement would involve a double counting of such socio-economic policies.”

taken into consideration in the interpretation of Art. 30 in the same way as those from other provisions of the TRIPS Agreement, which reveal the sense and purpose of the Article.³⁴ It is interesting that the Panel then drew neither on Art. 7 nor on Art. 8 during the subsequent interpretation of Art. 30 even though this procedure would have been the obvious one, since Canada as well as Australia, Brazil and Colombia had referred to these regulations. The Panel left things at an interpretation of the wording of Art. 30, however, and so did not address this matter.

- 11 In *Canada—Patent Term*, the Appellate Body made clear that its findings did “not in any way prejudge the applicability of Arts 7 or 8 of the TRIPS Agreement in possible future cases with respect to measures to promote the policy objectives of the WTO Members that are set out in those Articles” and that those provisions still awaited appropriate **interpretation**.³⁵
- 12 This heightens the significance of the **Declaration on the TRIPS Agreement and Public Health of 14 November 2001**,³⁶ which was passed at the **Doha Ministerial Conference**. This Declaration addressed the controversy concerning the granting of **compulsory licences** for the supply of essential drugs to fight against AIDS and other infectious diseases. Para. 5 lit. (a) directly refers to Art. 7 TRIPS mandating that the provisions of the TRIPS Agreement should be applied and interpreted in the light of its objectives and purposes.³⁷ It can therefore be concluded that the fact that a measure is supportive of the protection of **public health** by a WTO Member **in itself** arguably contributes to the measure being consistent with the TRIPS Agreement in light of the Doha Declaration.³⁸ Also the formulation of Art. 8.1 makes it clear that public health is an interest that is capable of being advanced in consistency with the TRIPS Agreement and that measures of patent law may be necessary to protect this goal even if other public policy instruments are available.³⁹ WTO adjudicating bodies

³⁴ *Ibid.*, para. 7.26: “Obviously, the exact scope of Article 30’s authority will depend on the specific meaning given to its limiting conditions. The words of those conditions must be examined with particular care on this point. Both the goals and the limitations stated in Articles 7 and 8.1 must obviously be borne in mind when doing so, as well as those of other provisions of the TRIPS Agreement which indicate its object and purposes.”

³⁵ *Canada—Patent Term*, WT/DS170/AB/R, para. 101.

³⁶ WT/MIN(01)/DEC/2; see also *Keßler*, Article 6, para. 10.

³⁷ In light of the divergence of views on the significance of Arts 7 and 8, a direct reference to those provisions was finally dropped. In the lead-up to the Doha Conference the US took the view that Art. 7 only set out the objectives that full implementation of the TRIPS Agreement intended to achieve. Where the standards for rights and enforcement were not met through full implementation, the objectives would not be met either, Council for TRIPS, Minutes of Meeting, IP/C/M/33, 2 November 2001, para. 161. See on this point *Gamharter*, 141 *et seq.*

³⁸ *Gamharter*, 139.

³⁹ See also *Howse*, JWIP 3 (2000) 4, 493, 504. Any other sector has to be qualified as such.

will have to apply the TRIPS Agreement in future as it was clarified by the Doha Declaration. Further reference to Art. 7 TRIPS was made by the **Doha Ministerial Declaration** of 20 November 2001 which laid down the basis and the mandate for the WTO Doha Round and, at the same time, also dealt in detail with the ongoing review mechanism and the negotiations. Specifically with regard to Arts 7 and 8, the declaration notes that “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.”⁴⁰

Although the Members and the DSB confirmed the function of Art. 7 as a tool for the **interpretation** and application of indefinite legal terms such as those stipulated in Art. 30, in particular, it is clear that Arts 7 and 8 cannot be invoked as general exception clauses to override the obligations of TRIPS⁴¹ to the benefit of developing countries.⁴² The objectives formulated in Arts 7 and 8 may however be helpful in the interpretation of other, “operational” yet broadly and ambiguously phrased provisions of TRIPS. Although the Appellate Body may have briefly raised this question in *Canada—Patent Term*, it did not answer it.⁴³ 13

⁴⁰ In the final declaration of the Ministerial Conference in Doha, WT/MIN(01)/DEC/1, para. 19.

⁴¹ Different *Correa*, 97; *Moncayo von Hase*, in: *Correa & Yusuf* (eds), 133; *Smith*, N.C.J. Int'l L. & Com. Reg. 26 (2000) 1, 143, 159; *Pohl*, 171; *Reichmann*, N.Y.U.J. Int'l L. & Pol. 29 (1996–1997) 1, 11, 35; See on this point *Kampf*, AVR 40 (2002) 1, 90, 100; *Gamharter*, 71.

⁴² *Rott*, 11.

⁴³ *Canada—Patent Term*, WT/DS170/AB/R, para. 101.

Article 8* Principles

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

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CROSS REFERENCES

Art. XX GATT 1994; Arts IX, XIV, XXVIII GATS; Art. 5A PC.

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* The commentary is translated by Susanne Kruse, professional graduate translator.

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A. Concept

The purpose of Art. 8 becomes clear only when read in connection with Art. 7. Both Articles were consolidated into one joint provision in an earlier draft of the Agreement. Art. 7 states the “promotion of technological innovation and [...] the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge” as the immediate objective of the Agreement. Art. 8 can be seen as a **corrective** of this basic principle. Many Members feared that the strengthening of intellectual property rights by the means of TRIPS might hamper their efforts to fight potential cases of abuse.¹ Art. 8 TRIPS meets this fear by leaving the Members the necessary regulatory autonomy to restrict the protection of intellectual property as far as this is motivated by the protection of particular public interests (para. 1) or by the behaviour of IPR holders (para. 2: abuse of intellectual property rights or restrictions on trade). In its capacity as a corrective, Art. 8 serves at the same time as a general interpretation rule for the entire Agreement. 1

With regard to the **interpretation** of Art. 8, one needs to take into account that the authorization granted by it is limited in two ways. It is bound to respect the goals of the relevant paragraph and does not allow the Members to depart from the other provisions of the TRIPS Agreement (compatibility clause). The view Art. 8 is an “exception clause” and therefore requires narrow interpretation,² is challengeable. Art. 8 is not a proper exception;³ therefore the *in dubio mitius* rule that demands attention in the interpretation of international treaties does not apply. 2

B. Historical Development

Like Art. 7, Art. 8 is not modelled after a another, earlier rule.⁴ In particular the conventions administered by the WIPO (Paris Convention, Berne Convention) contain no comparable provisions. This is also true for the 3

¹ *de Carvalho*, 133.

² Similar with respect to Art. XX GATT: *C. Cherry*, Environmental Regulation within the GATT Regime, UCLA L. Rev. 40 (1993) 4, 1061, 1083; *J. Klabbers*, JWT 26 (1992), 63, 70, 88.

³ See below.

⁴ See also *UNCTAD/ICTSD*, 119.

aspects of competition law covered by Art. 8.2. Regarding these, however, the Havana Charter of 1948 and the failed TOT Codex can be seen as indirect preparatory works.⁵ Still, Art. 8.2 is more distantly related to those approaches than Art. 40.1–2.

- 4 Wording and meaning of Art. 8 hark back to the proposal of a group of developing countries during the Uruguay Round.⁶ The Anell Draft of 23 July 1990 reflects this proposal.⁷ It contains **three essential differences** from the current version. First, the present-day Arts 7 and 8 were still combined in one joint provision, which was split up in the interest of greater clarity in the Brussels Draft of December 1990.⁸ Second, apart from goals which justify measures by Members pursuant to the current Art. 8.1, the Anell Draft of 23 July 1990 contained two more goals: public morality and national security. Finally, the Anell Draft still lacked the obligation of the Members to respect the further TRIPS provisions. This “compatibility clause” was put through by the industrialized countries in the Brussels Draft in order to safeguard the highest possible level of protection of individual intellectual property rights.⁹ The Dunkel Draft made no more than minor linguistic changes to the Brussels Draft, with no implications for its content.

C. Qualification of the Provision

- 5 The position of Art. 8 TRIPS in the General Provisions raises the question whether it is an **independently applicable norm**¹⁰ or simply a program clause. If the latter is true, the competences of the Members result from the individual provisions of Parts II *et seq.* of the Agreement (*e.g.* Arts 30, 31 and 40).¹¹

⁵ See *Brand & Lehmann*, Article 40.

⁶ See Negotiation Group on TRIPS, including Trade in Counterfeit Goods, Communication from Argentina, Brazil, Chile, China, Colombia, Cuba, Egypt, India, Nigeria, Peru, Tanzania and Uruguay, MTN.GNG/NG11/W/71, 14 May 1990 which is based on a vague proposal by India, Negotiation Group on TRIPS, including Trade in Counterfeit Goods, Standards and Principles Concerning the Availability, Scope and Use of Trade-Related Intellectual Property Rights, MTN.GNG/NG11/W/37, 10 July 1989.

⁷ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Chairman’s Report to the GNG, Status of Work in the Negotiating Group (Anell Draft), MTN.GNG/NG11/W/76, 23 July 1990.

⁸ Draft Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, Revision, Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, MTN.TNC/W/35/Rev.1.

⁹ On the motivation of developing countries, especially regarding Art. 8.2, see *Brand & Lehmann*, Article 40, para. 12.

¹⁰ *UNCTAD/ICTSD*, 546; *Moncayo von Hase*, in: *Correa & Yussuf* (eds), 93, 133; *Smith*, N.C.J. Int’l L. & Com. Reg. 25 (2000) 1, 143, 159.

¹¹ *Gervais*, para. 2.84.

The Appellate Body raised the issue of qualification in *Canada—Patent Term*, without, however, taking a stand on it.¹²

The heading of the norm hardly assists in its interpretation. The “Principles” in the title of Art. 8 suggests that it has far-reaching significance. It does not, however, reach the normative density of an order or a prohibition and it also does not lay down any rules corresponding in their significance for the special provisions of the Agreement to the principles laid down in Arts 3 and 4.¹³ On the other hand, however, Art. 8 is not as general as Rec. 1 of the Preamble. An argument against Art. 8 being a pure program clause are its wording and its position within the framework of the agreement. Despite a certain vagueness, the provision contains both amplifiable specifications regarding the objectives of potential exceptions from the protection of intellectual property rights and an authorization to Members to intervene. Moreover, as regards the context, pure program clauses referring to national interests are already contained in the Preamble to the TRIPS Agreement.

Art. 8 thus contains independently applicable law in the form of a framework provision that leaves the Members a wide margin of discretion for implementation. As a result, Art. 8, like Arts 40.1 and 40.2, is **not directly applicable**. This is due to a lack of clarity as to content.

D. Protection of Public Interest (Art. 8.1)

Art. 8.1, sentence 1 can be understood as an **opening clause**. The Members declare themselves prepared to acknowledge limitations of intellectual property rights through the law of another Member as long as the public interests stated in Art. 8.1 are respected and the specifications of the TRIPS Agreement are not compromised. As far as the wording is concerned, the opening clause is closely based on **Art. XX lit. b GATT 1994** and **Art. XIV lit. b GATS**. The practice regarding these two provisions is therefore important for the interpretation of Art. 8.1. One must, however, take into account that these have different legal quality. Art. XX GATT 1994 and Art. XIV GATS are proper exception clauses that justify departures from the other principles of the GATT and GATS respectively.¹⁴

¹² *Canada—Patent Term*, WT/DS170/AB/R, para. 101; see also the more ambiguous *Canada—Pharmaceutical Patents*, WT/DS114/R, para. 7.26; see on this *Kießler*, Article 7.

¹³ Likewise *de Carvalho*, 118; *Heinenmann*, in: *Beier & Schriker* (eds), 239, 241; likewise *Murthy*, *Am. U. Int'l L. Rev.* 17 (2002) 6, 1299, 1311.

¹⁴ *UNCTAD/ICTSD*, 126; *Pitschas*, in: *Prieß & Berrisch* (eds), 547; for a differing opinion see *de Carvalho*, 118.

Art. 8.1 by contrast only allows for measures that do not violate other provisions of the TRIPS Agreement.

I. Measures

- 9 According to Art. 8.1's wording, the term "measures" could also encompass decisions of national authorities and courts. However, the addition "in formulating or amending their laws and regulations" and the history of the norm clearly demonstrate that "measures" in Art. 8.1—unlike in Art. XXVIII lit. a GATS,—are only **binding legislative measures**. It is irrelevant in this respect whether their effect is general and abstract as it is in the case of an act of parliament or general and specific as in the case of and administrative regulation or order ("laws and regulations"). However, the measures must have external effects and be published. Art. 8.1 does not justify mere internal law of public authorities or administrative practices.¹⁵
- 10 Regarding the **content of measures**, the Agreement, within the framework of the compatibility clause, gives the Members plenty of rope under Art. 8.1. These measures can target any form of use and abuse of intellectual property rights and take on any form of limitation of intellectual property rights (*e.g.* duration of protection, need to keep a sign free for business, experimental use exceptions, compulsory licences,¹⁶ possibility of revocation or forfeiture). Members are also free to decide whether the measure in question shall provide for regulatory or judicial sanction or whether they want to provide for private party actions instead.
- 11 As regards the **prerequisites and legal consequences** of individual measures, one must take into account the other provisions of the TRIPS Agreement (in particular Arts 13, 17, 30–33) including the adapted Paris Convention and Berne Convention rules (*e.g.* for Art. 32 revocation and forfeiture in the field of patent law). Art. 8.1 is highly relevant for **compulsory licences**.¹⁷ In principle, their prerequisites and limitations are based on Art. 31 TRIPS and Art. 2.1 TRIPS in connection with Art. 5 PC or Art. 9.1, sentence 1 TRIPS in connection with Arts 11*bis*, 13 BC respectively. However, the qualified public interests set out in Art. 8.1 (protection of public health and nutrition and socio-economic and technological development) may serve as additional justifications for granting a compulsory licence—at least in the field of patent and design law. Art. 9.2 BC which has been adapted by Art. 9.1, sentence 1 TRIPS also allows Members to

¹⁵ *de Carvalho*, 119.

¹⁶ Regarding terminology see *Brand & Lehmann*, Article 40, paras 13 *et seq.*

¹⁷ See on compulsory licences in greater detail *Eikermann*, Article 31, paras 1 *et seq.*

provide compulsory licences in the field of copyright. Members, which are also EC Member States, however, are limited in their freedom to use this exception by Art. 5.2 and 3 Directive 2001/29/EC. It has to be noted, however, that Members are free to regulate copyright—also by means of compulsory licences—where it has reached a protective level that surmounts that granted by the Berne Convention and TRIPS or where copyright in individual cases transgresses its boundaries (*e.g.* copyright protection of ideas instead of expressions as it might happen in the case of specific computer programs).¹⁸

The **Doha Declaration on the TRIPS Agreement and Public Health** has no effect on the significance of Art. 8.1 for patent law. While the declaration has provided Members with freedom to choose on which grounds they wish to grant compulsory patent licences,¹⁹ Art. 8.1 channels that discretion. In particular the protection of public health, which is not specifically mentioned in Art. 31, is relevant in respect of patents as a justification for granting compulsory licences. 12

Further permissible measures pursuant to Art. 8.1 are measures which do not target intellectual property rights as such but means of their exploitation, such as statutory caps for licensing fees. In fact, permissible measures pursuant to Art. 8.1 do not need to be in the field of intellectual property rights at all. A corresponding limitation²⁰ still contained in the proposal by the developing countries has not been included in the Agreement. Therefore, potential permissible protective measures could also be tax privileges and other subventions, insofar as they serve to keep the economy efficient and competitive in the field of one of the public interests referred to in Art. 8.1.²¹ 13

Art. 8.1 does **not cover** exceptions to the protection of intellectual property rights, which relate purely to private non-commercial use, such as § 11 No. 1 German Patent Act, § 53 German Copyright Act²² or corresponding provisions *e.g.* Sec. 60.5 lit. a British Patent Act, Sec. 29.1C CDA 1988.²³ This is due to the fact that Art. 8.1 justifies only measures that serve public interests. Moreover, Art. 8 does not contain any indications regarding exhaustion. This is owed to Art. 6.²⁴ 14

¹⁸ See, in particular, *Klofmeier & Arend*, Article 10.

¹⁹ Declaration on the TRIPS Agreement and Public Health, WT/MIN(01)/DEC/2, 20 November 2001, para. 5 lit. b.

²⁰ See MTN.GNG/NG11/W/71, “national laws and regulations on IPRs”.

²¹ *de Carvalho*, 120.

²² *Urheberrechts G*, BGBl. I 1980, 1; as last amended by BGBl. I 2006, 1318.

²³ Available at: http://www.opsi.gov.uk/acts/acts1988/UKpga_19880048_en_1.htm (last accessed 4 June 2008).

²⁴ See *Kefler*, Article 6.

II. Goals

- 15 For legislative measures to be justified under Art. 8.1, they need to be geared towards one of three goals: the protection of public health and nutrition or the promotion of “public interest in sectors of vital importance to their socio-economic and technological development”. Each of these is a **qualified public interest** conceptualised as an open term in order to maintain the highest possible degree of WTO Member sovereignty in a particularly sensitive area. The developing countries²⁵ in particular took an interest in being able to limit intellectual property rights as flexibly as possible. There is a remarkable similarity between the three goals listed in Art. 8.1 and the illustrations that had been made the object of the ill-fated PC Revision Conferences of 1980–81 by the developing countries.²⁶
- 16 **Interpreting** Art. 8.1 is particularly difficult for two reasons: On the one hand, the delegates taking part in the Uruguay Round were neither able to agree on a common point of view or a common concept; nor did they find it necessary to explain the exact meaning of the various concepts presented in their respective proposals. On the other hand, due to the placement of Art. 8.1 in the general provisions, the wording of the norm had to be kept general to include all intellectual property rights. Therefore, providing an interpretation by way of resorting to specific exceptions to the different intellectual property rights approved by the conventions administered by WIPO is not an option.

1. Public Health

- 17 In contrast to socio-economic and technological development, the goals of protecting “public health and nutrition” are not qualified by the addition of “vital importance”. However, this only means that the Members already considered these areas **vitaly important on their own merits**. This also follows from Art. 25.1 of the Universal Declaration of Human Rights which safeguards the right to health and nutrition.
- 18 Moreover, the provision initially reveals only that health and nutrition may require exceptions to the protection of intellectual property rights. As far as the interpretation of “health” and “nutrition” is concerned, Art. 27.2 TRIPS, Art. XX lit. b GATT 1994 and Art. 2.2 of the SPS Agreement may serve as a guideline. This is reaffirmed by subsection 4 of the Declaration

²⁵ See, for instance, the statement of Peru, Negotiation Group on TRIPS, including Trade in Counterfeit Goods, Guidelines for Negotiations that Strike a Balance Between Intellectual Property Rights and Development Objectives, Communication from Peru, MTN.GNG/NG11/W/45, 27 October 1989, 2.

²⁶ See *Brand*, Article 2.

on the TRIPS Agreement and Public Health.²⁷ TRIPS does, however, not determine the cases in which such limitation is permissible. Members can regulate this autonomously within the scope of necessity and the compatibility clause. Among potential measures one might find such that concern the monitoring of the quality and safety of drugs and foods. There is also no guidance as to the **level of health** that the Members may aim to protect. However, conclusions may be drawn from existing decisions in dispute settlement procedures regarding the SPS Agreement.²⁸ Accordingly, health is not granted absolutely; the Members may define their own protection standards somewhere below this level.

The attitude of the TRIPS Agreement towards the question of public health was made an issue during the 4th Session of the WTO Ministerial Conference in 2001 at the request of African Members. The so-called **“Doha Declaration”** summarizes the results. Subsection 19 of the Doha Declaration refers to Arts 7 and 8 TRIPS as provisions of special significance. While this does not affect the content of these two provisions, it could give them greater importance within the framework of dispute settlement in the future.²⁹ 19

At the same time as the Doha Declaration, the Ministerial Conference passed the independent **Declaration on the TRIPS Agreement and Public Health**. This does not represent an authentic interpretation of the TRIPS Agreement; such an interpretation can only be provided by a decision of the Council for TRIPS on the basis of Art. IX:2 WTO Agreement. However, the Declaration on the TRIPS Agreement and Public Health is a functional equivalent to an authentic interpretation.³⁰ Subsection 4 of the Declaration therefore supports the conclusion that exemplary “access to medicines for all” is a matter of public health in terms of Art. 8.1 TRIPS. Apart from the supply of medicines to the population, Art. 8.1 should thus also cover the production and distribution of all types of medical equipment as well as measures in the fields of hospital management and health care insurance.³¹ 20

2. Nutrition

The public interest in nutrition is independent of the public interest in health. In naming this interest, Art. 8.1 acknowledges the right of the Members to monitor that their respective populations are sufficiently provided with 21

²⁷ *de Carvalho*, 132.

²⁸ Most notably: *EC—Hormones*, WT/DS26/AB/R, paras 213 *et seq.*; *EC—Asbestos*, WT/DS135/AB/R, para. 168.

²⁹ *Gervais*, para. 2.85.

³⁰ *UNCTAD/ICTSD*, 131.

³¹ *de Carvalho*, 132.

food, both with regard to quantity and quality. This encompasses the right to take measures to safeguard a reasonable price level. Moreover, concerning the level of nutrition that may be protected, the comments concerning the level of health apply.

3. Sectors of Vital Importance to Socio-Economic and Technological Development

- 22 The term “sectors of vital importance to socio-economic and technological development” lends itself to broad interpretation.³² It comprises all economically and socially relevant areas of life, excluding only health and nutrition, which are dealt with separately by Art. 8.1 as stated above. A further delineation of the term is hardly possible. The opinions of the Members differed too much in this respect. Protection, however, is limited to the field of “vital sectors”. What is regarded as vital depends on each Member’s individual social and economic situation and may thus differ from Member to Member and from region to region. A model for the interpretation of the term “vital importance” is provided by the special public interests in “public health and nutrition”. The term “vital importance” clarifies that WTO Members shall have only a selective and exceptional authority to interfere with intellectual property rights and no comprehensive authority with a mere reference to any public interest.

4. Abandoned Goals

- 23 Apart from public health, nutrition and the socio-economic and technically relevant issues, public morality and national security were also contained in the list of potential justifications for measures of the Members in the Anell Draft of 23 July 1990. It is no coincidence that the elimination of the latter two coincides with the inclusion of the compatibility clause, to be discussed below, which disrobed Art. 8 of its character as a proper exception. Even in cases concerning the national security interest of a Member, the compatibility clause would not have authorized any interference with the essential content of intellectual property rights within the framework of Art. 8.1. Many Members regarded this as an excessive interference with their sovereignty. Consequently, the authorization of the Members to curtail intellectual property protection in the interest of national security originally envisaged for in Art. 8 is now to be found in Art. 73 lit. b after the inclusion of the compatibility clause. There is no comparable exception for public morality. Many Members considered this goal as too vague to be included into the agreement. The identical passage in Art. XX lit. a GATT 1994 has not gained any appreciable practical relevance, since the Members feared it might be abused for protectionist purposes due to its wide scope.

³² See the statement made by India, MTN.GNG/NG11/W/37, 4.

III. Necessity

TRIPS permits measures pursuant to Art. 8.1 only if they are “necessary”.³³ 24
 The same term with an identical meaning is also to be found in Art. XX
 GATT 1994. Whether a legislative measure is necessary in terms of Art. 8.1
 depends on the individual case. A total of three requirements must be met.
 First, there must be a need for the measure in question, *i.e.* at least one
 of the goals set out in Art. 8.1 must be endangered. A Member invoking
 Art. 8.1 must be able to prove this danger.³³ Second, the respective measure
 must serve the relevant public-interest that the Member wants to promote.
 A sufficient causal relationship in this respect is lacking where a particular
 measure can under no circumstances contribute to the advancement of the
 public interest in question. Also in this respect, the burden of proof lies with
 the Member concerned.

Finally, the term “necessity” inherently forces Members to pay attention to 25
 a balanced relationship of means and ends when taking their measures: a
 measure is necessary only if, among the effective measures, it is the one which
 restricts interstate trade the least.³⁴ To that extent, Members must make
 a prognosis, which grants them a certain leeway in respect of the assess-
 ment of the ends and means relationship within the context of necessity.
 They must, however, prove that they have taken into account all potential
 measures consistent with the GATT³⁵ and that they have respected the
 specifications of WTO law even beyond TRIPS. Of particular importance
 in this context are the reports of the WTO adjudicating bodies on Art. XX
 lit b and d GATT 1994.³⁶

IV. Consistency with the TRIPS Provisions

Measures of the Members pursuant to Art. 8.1 conform to the TRIPS 26
 Agreement only if they are “consistent with the provisions of this Agree-
 ment”. This “compatibility clause” clarifies that—contrary to the view of
 some academic commentators³⁷—Art. 8.1 is not a proper exception to the
 protection provided by Parts II *et seq.* TRIPS. This arises from the fact

³³ Analogous with respect to Art. XX GATT 1994: *EC—Asbestos*, WT/DS135/AB/R, para. 157; *Berrisch*, in: *Prieß & Berrisch* (eds), 140; differing opinion as regards Art. 8.1: *UNCTAD/ICTSD*, 127.

³⁴ See BISSD 37S/200, para. 75.; *Berrisch*, in: *Prieß & Berrisch* (eds), 141 with further references.

³⁵ *US—Tuna*, DS21/R-39S/155, para. 5.28.

³⁶ See for further details on the necessity test in GATT *Stoll & Strack*, Article XX lit. b GATT 1994, in: *Wolfrum & Stoll & Seibert-Föhr* (eds), Max Planck CWTL, Vol. 3, paras 37–48; *Reyes-Knoche & Arend*, Article XX lit. d GATT 1994, in: *Wolfrum & Stoll & Seibert-Föhr* (eds), Max Planck CWTL, Vol. 3, paras 19–28.

³⁷ *Stahelin*, 63; *Moncayo von Hase*, in: *Correa & Yusuf* (eds), 93, 133; *Smith*, N.C. J. Int'l L. & Com. Reg. 26 (2000) 1, 143, 159.

that Art. XX lit. b GATT 1994 and XIV lit. b GATS, which are proper exceptions, lack a corresponding compatibility clause. Exceptions to the protection granted by TRIPS are permissible only if they are recognized by a particular provision of the Agreement itself.³⁸

- 27 The compatibility clause has a **clarifying function** on two accounts: On the one hand, it means that the Members must take no measures which systematically undermine the level of intellectual property protection guaranteed by TRIPS.³⁹ Furthermore, the measures taken do not only have to conform to the basic ideas and rules of TRIPS. The measure must be consistent with each individual TRIPS provision. It is not possible to balance the effects of measures that limit intellectual property rights against those that promote them. This was confirmed by the Panel in *Canada—Pharmaceutical Patents*. Accordingly, measures pursuant to Art. 8.1 in the field of patent rights must be applied without discrimination in the sense of Art. 27.1.⁴⁰
- 28 In particular Arts 3, 4, 13, 27, 30–33 and 40 as well as Art. 5A and B PC and Arts 11*bis*, 13 BC as absorbed by Arts 2 and 9 are provisions with which measures pursuant to Art. 8.1 must comply. The requirement of compatibility applies to the entire of substantive law of the Members.⁴¹ **The compatibility clause is infringed** in particular by such measures which prohibit a particular exercise or form of intellectual property rights in the abstract, such as *e.g.* the grant of qualified⁴² or exclusive licences as such. *Vice versa*, measures that limit intellectual property rights or their exercise merely in a specific case or that indiscriminately also concern rights other than intellectual property will infringe the compatibility clause only in highly exceptional cases.⁴³

V. Miscellanea

- 29 Art. 8.1 is phrased in such a way as to make it a suitable defence against **non-violation complaints**. Measures covered by Art. 8.1 may not be regarded as an unfriendly action, even if they result in the loss of an anticipated advantage for other Members. The respective anticipation does not deserve legal protection because it contravenes the policy of Art. 8.1. Currently, this is irrelevant in practice. Pursuant to subsection 11.1 of the Doha Declaration, for the time being, no non-violation complaints may be filed. However,

³⁸ *Rott*, Intellectual Property Quarterly 3 (2003), 284, 289.

³⁹ *Staehelin*, 63; *Fox*, Vand. J. Transnat'l L. 29 (1996) 3, 481, 497.

⁴⁰ *Canada—Pharmaceutical Patents*, WT/DS114/R, para. 7.92; for a differing opinion see *Yusuf*, in: *Correa & Yusuf* (eds), 3, 13.

⁴¹ *UNCTAD/ICTSD*, 551.

⁴² Terminology according to *Hilty*, 237.

⁴³ *UNCTAD/ICTSD*, 552 *et seq.*; *Ulrich*, in: *Beier & Schriker* (eds), 357, 375 *et seq.*

Art. 8.1 may play a role in this respect in the future. The industrialized countries—in particular the US and Switzerland⁴⁴—increasingly urged the application of non-violation complaints under the TRIPS upon the expiry of the transitional period in Art. 64.2.⁴⁵

E. Sanctioning of Objectionable Behaviour (Art. 8.2)

Art. 8.2 supplements para. 1. It is another form of the right of Members to take measures that limit intellectual property rights. This time—unlike para. 1—measures are not justified because they protect certain public-interests, but rather because they sanction a certain behaviour of the holders of intellectual property rights: the abuse of property rights as well as the restriction of trade and of the international transfer of technology. The wording of Art. 8.2 does not explicitly authorize Members to intervene. However, one can read the respective authorization of para. 1 into para. 2. A repetition was probably avoided for stylistic reasons.⁴⁶ 30

Art. 8.2 reserves to Members **merely the right** to take measures. In contrast to Art. 40,⁴⁷ it imposes no corresponding obligation.⁴⁸ The more extensive Art. 8.2 lacks the minimum agreement of the Members on the anti-competitiveness of certain actions, as can be found in Art. 40.1. 31

I. Goals

1. Abuse of Intellectual Property Rights

The scope of Art. 8.2 depends on the interpretation of the term “abuse”. Only a few things are clear. An abuse in terms of the TRIPS Agreement presupposes no active use of an intellectual property right.⁴⁹ As a result of Art. 5A PC, the assessments of which must be respected within the framework of Art. 8.2 TRIPS by reason of the compatibility clause, an abuse may also be non-working of a patent. 32

⁴⁴ See Council for TRIPS, Minutes of Meeting, IP/C/M/27, 14 August 2000, para. 177.

⁴⁵ See *Spitzer*, 81 *et seq.*

⁴⁶ *Heinemann*, in: *Beier & Schricker* (eds), 239, 241, for a differing opinion see *Yusuf*, in: *Correa & Yusuf* (eds), 3, 14.

⁴⁷ On the minimum obligation of Members resulting from Art. 40.1, see *Brand & Lehmann*, Article 40, paras 18 *et seq.*

⁴⁸ *Heinemann*, in: *Beier & Schricker* (eds), 239, 241; *Ulbrich*, *JIEL* 7 (2004), 401, 407.

⁴⁹ For a differing opinion see *de Carvalho*, 139.

- 33 Moreover, it remains open whether Art. 8.2 merely refers to abuses which regard to competition law⁵⁰ or whether the term **abuse** is to be understood more comprehensively like the same term in Art. 5A PC.⁵¹ The preparatory works leave room for both views.⁵² The TRIPS Agreement itself is no help in the interpretation of the term either. Rec. 1 of the Preamble states that intellectual property rights must not themselves become limitations to trade. Accordingly, a case of abuse exists whenever intellectual property rights are used to foreclose national markets; this provides, however, hardly any clues for the interpretation of Art. 8.2: Market segmentations resulting from exhaustion, for example, must remain out of consideration in accordance with Art. 6, and market foreclosures through agreements in licensing agreements fall within the special regulation of Art. 40.
- 34 From a systematical-grammatical point of view, the abuse of intellectual property rights does not appear to be a purely competition law related concept, as a comparison with Art. 40.2 suggests. According to this provision, the Members may regulate an “abuse of intellectual property rights” only if it has at the same time “an adverse effect on competition”. Linguistically, this is made clear by the use of an “and” between the two passages quoted. In the same context, Art. 8.2 TRIPS uses an “or”.⁵³ Therefore, the abuse of intellectual property rights is to be considered as a **catch-all concept**: The anti-competitive use of intellectual property rights is always abusive, but not every use has to have an adverse effect on competition in order to allow the Members to classify it as an abuse. Consequently, the finding of an abuse does not depend on the potential market power of the owner of the intellectual property rights in question.
- 35 It follows further from the compatibility clause that nothing that is permitted by other TRIPS provisions can be qualified as abuse. After all, Art. 8.2 concerns only measures against **abuses specific to intellectual property rights**. If with regard to the practices in question, intellectual property

⁵⁰ *Heinemann*, in: *Beier & Schriker* (eds), 239, 243 *et seq.*

⁵¹ *UNCTAD/ICTSD*, 548; *Fox*, *Vand. J. Transnat'l L.* 29 (1996) 3, 481, 482; *Ulrich*, *JIEL* 7 (2004), 401, 414; *Yusuf*, in: *Correa & Yusuf* (eds), 3, 14.

⁵² During the Uruguay-Round negotiations on Art. 8.2 many States had violations of competition law in mind when discussing the provision; see the statements made by the United States of America, MTN.GNG/NG11/W/14/Rev.1, 17 October 1988, 4, MTN.GNG/NG11/W/70, 11 May 1990, 11, Hong Kong, MTN.GNG/NG11/W/51, 29 November 1989, 6, and India, MTN.GNG/NG11/W/37, 10 July 1989, 4, 6; confer Additional Document Ref. No. 1404 of 12 June 1990, 12, which contains a proposal with the same wording as today's Art. 8.2. According to this proposal a violation of competition law and the abuse of intellectual property rights are two separate concepts. The non-obligation of the Contracting Parties to prosecute a use of intellectual property rights that violates competition law corresponds with the Austria's opinion as expressed in, MTN.GNG/NG11/W/55, 8 December 1989, 4.

⁵³ The US proposal to harmonize the wording of Arts 8 and 40 did not find the necessary support; see *de Carvalho*, 133, fn. 413.

rights play a role only within the framework of subsidiary arrangements (*e.g.* individual licensing clauses within the context of a complex merger) or if the respective intellectual property rights have only an indirect effect (*e.g.* price-fixing agreements between competitors with regard to patented goods), Art. 8.2 does not apply. In cases where the significance and effect of a practice cannot be determined readily (*e.g.* in the case of market allocations or research and development agreements), the applicability of Art. 8.2 depends on whether or not the focus of the criticized practice is on the field of intellectual property rights.⁵⁴

Otherwise, the Members are free to interpret the term abuse according to their own fashion. Potential points of orientation are the **Misuse Doctrines under US law**, according to which misuse is defined as each attempt to extend the intellectual property right in question beyond its legal limitations. Anti-competitive practices involving the use or non-use of intellectual property rights are one potential set of facts that may qualify as misuse. Beyond that, five other **groups of cases** should come into consideration within the context of TRIPS: tying agreements, the presupposing of licence fees after the expiry of the intellectual property right in question, package licences, the charging of licence fees calculated on the total turnover of the licence holder and the infringement of non-competition clauses. An overlap with the group of anti-competitive practices may exist in the field of tying agreements, which may be abusive only if the holder of the intellectual property right in question is dominant in the respective market. However, the remedy afforded by the Misuse Doctrines of US law, namely the complete suspension of all rights of the holder of an intellectual property right, is incommensurable with the compatibility clause in Art. 8.2. 36

2. Unreasonable Restraints to Trade

In accordance with Art. 8.2, the Members may also take measures against unreasonable restraints of trade by means of intellectual property rights. As is the case with the misuse of intellectual property rights, this form of behaviour is commonly narrowed down to its competition law related content. While restraints of competition constitute the main form of a restraint of trade,⁵⁵ Art. 8.2, alternative 2—other than the parallel norm of Art. IX:1 GATS, which expressly relates only to restraints of trade in the shape of a restraint of competition—provides for no equivalent limitation. The provision is rather designed to prevent non-tariff barriers of any type that GATT has dismantled or is supposed to dismantle being re-erected with the assistance of intellectual property rights. Correspondingly, Members are authorized to take steps against any trade barriers erected in consequence to the use 37

⁵⁴ *UNCTAD/ICTSD*, 547 *et seq.*

⁵⁵ *Yusuf*, in: *Correa & Yusuf* (eds), 3, 14.

or existence of intellectual property rights if these barriers amount to an unreasonable restraint.

- 38 The criterion of unreasonableness is meant to prevent Members from taking steps against practices that facilitate the productive use of intellectual property rights, such as *e.g.* confidentiality provisions in agreements on the exchange of business secrets. The criterion clarifies that Members must balance the trade-limiting effects of a particular practice against its beneficial influences on intellectual property protection.⁵⁶ The concept of unreasonableness in Art. 8.2 is consciously not based on any existing concept of national competition laws. It is wider than the “rule-of-reason” approach followed by many competition laws of the industrialized countries. A mere preponderance of the trade-limiting effects of a practice over those that are beneficial to trade is therefore not enough to make this practice seem unreasonable. On the other hand, the Members’ empowerment to act against unreasonable restraints should also not be understood as an exclusion of *per se* prohibitions.⁵⁷ While the Members did not wish to set down *per se* prohibitions in the TRIPS Agreement itself during the Uruguay Round negotiations, such *per se* prohibitions were, however, also not meant to be prohibited by TRIPS, since many Members have established them in their domestic competition laws.

3. Adverse Effect on the International Transfer of Technology

- 39 A third form of behaviour Members might take measures against under Art. 8.2 are restrictions on the transfer of technology. As is made clear by the conjunction “or”, this type of adverse effect represents an **independent form of behaviour** to be distinguished from the abuse of intellectual property rights and practices harming trade.⁵⁸ Its inclusion in the text of the provision is to be seen as a concession to the developing countries, for which the protection of the transfer of technology against one-sided restrictions by intellectual property right holders was a matter of concern.⁵⁹ Like Art. 40, Art. 8.2 covers only the international transfer of technology. However, in contrast to Art. 40, this provision concerns not only contractual agreements but also one-sided transfers.

⁵⁶ UNCTAD/ICTSD, 545 *et seq.*

⁵⁷ *Ibid.*, 549.

⁵⁸ Likewise *ibid.*; for a differing opinion see *de Carvalho*, 133; on consistency with Art. 40: Suggestion by the United States, MTN.GNG/NG 11/W/14/Rev.1, 17 October 1988, 4, as well as *Brand & Lehmann*, Article 40.

⁵⁹ See the Communications from India, MTN.GNG/NG11/W/37, 10 July 1989, 4 and Brazil, MTN.GNG/NG11/W/57, 11 December 1989, 2, 5; on this see *Stoll*, 255 *et seq.*

II. Measures

The authorization to take measures provided by Art. 8.2 is subject to three conditions: 40

- The measures must be permissible.
- The measures of the Members must be appropriate and necessary to pursue one of the objectives set out in para. 2.
- The measures must be consistent with the TRIPS Agreement.

1. Permissible Measures

The term **measure** in Art. 8.2 corresponds to that in Art. 8.1. However, the limitation on legislative measures of para. 1 does not apply. With the exception of the requirement that the measures have to address an abuse, a trade barrier or a restriction of the transfer of technology, Art. 8.2 contains no specifications as to their content or their doctrinal construction. Therefore, the guidelines common in US and European competition laws are permissible under Art. 8.2. Procedural issues such as the choice between judicial and/or private control of competition regarding intellectual property, including the relevant legal consequences (penalties, fines and/or injunctive relief and damages as well as compulsory licensing), are also left to the Members. Even particularities of national law, such as *e.g.* treble damages pursuant to US anti-trust law, remain permissible in accordance with Art. 8.2.⁶⁰ 41

Occasionally, the wording of the provision (“prevent”) has led to the assumption that the scope of application of Art. 8.2 is limited to **preventive measures**.⁶¹ This would deprive the norm of any significance in the interpretation of compulsory licences pursuant to Art. 31 lit. k, which have the quality of sanctions. This view cannot be supported. The wording of Art. 8.2 harks back to the proposal of the developing countries, which looked upon compulsory licences as their preferred measure to address concerns about intellectual property rights. One must also take into consideration that each sanction has at the same time also an inherent effect to prevent similar behaviour of third parties in general. 42

2. Necessity

The phrasing of the requirement that in order for measures to be justified, they must be **adequate and necessary** pursuant to Art. 8.2, is somewhat infelicitous. In fact, the test of “adequateness and necessity” is no more than a necessity check according to the same criteria as those set out in para. 1. This is already implicitly contained in the term “adequate”; 43

⁶⁰ *Abbott*, JIEL 7 (2004) 3, 687, 692 *et seq.*

⁶¹ *de Carvalho*, 132, fn. 412.

similar inconsistencies also appear in the wording of Art. XX GATT 1994 (compare lit. j with lit. b). A measure lacks necessity in particular if it arbitrarily subjects violations of competition law regarding intellectual property rights to graver sanctions than those violations having no connection with intellectual property.⁶²

3. Compatibility Clause

- 44 Like measures under para. 1, those pursuant to para. 2 must also be consistent with the other provisions of the TRIPS Agreement. In accordance with para. 1, this results in protection for the core of intellectual property rights as guaranteed by the TRIPS; at the same time the compatibility clause serves as a **limitation to the national competition laws** of the Members.⁶³ The Members must not use their regulations for the control of competition to undermine the protection of intellectual property rights as granted by TRIPS. The enforcement of competition law with regard to intellectual property is also affected by the compatibility clause. Members must *e.g.* safeguard the protection of trade secrets in the event of investigations by the competition authorities in the premises of undertakings.⁶⁴
- 45 Otherwise, the compatibility clause reveals no criteria for dealing with anti-competitive practices in the context of intellectual property rights. During the negotiations of the TRIPS Agreement, the Members were unable to reach a minimum consensus by reason of their very different points of view. The compatibility clause of Art. 8.2 may in particular not be regarded as a re-introduction of the *inherency doctrine* or “Inhaltstheorie” abandoned by most Members. Moreover, the compatibility clause only affects the Members’ national competition laws. It does not cover extraterritorial effects.⁶⁵

⁶² *UNCTAD/ICTSD*, 554.

⁶³ Contradictory *ibid.*, 551 *et seq.*

⁶⁴ *Ulrich*, *JIEL* 7 (2004), 401, 410.

⁶⁵ *Ibid.*, 411.

PART II

STANDARDS CONCERNING THE AVAILABILITY, SCOPE AND USE OF INTELLECTUAL PROPERTY RIGHTS

SECTION 1: COPYRIGHT AND RELATED RIGHTS

Article 9*

Relation to the Berne Convention

1. Members shall comply with Articles 1 through 21 of the Berne Convention (1971) and the Appendix thereto. However, Members shall not have rights or obligations under this Agreement in respect of the rights conferred under Article 6bis of that Convention or of the rights derived therefrom.
2. Copyright protection shall extend to expressions and not to ideas, procedures, methods of operation or mathematical concepts as such.

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* Translated by Roslyn Fuller, doctoral candidate at the University of Dublin.

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A. Purpose of the Provision

- 1 The paragraphs of Art. 9 have different functions. **Para. 1** takes up the “wish” expressed in the Preamble to create “a mutually supportive relationship between the WTO and the World Intellectual Property Organization”. In order to achieve this, Art. 9.1 regulates the relationship between Arts 9–13 TRIPS and the Berne Convention. If there were no explicit reference in the provision, Art. 30 VCLT would govern the relationship between the agreements since both deal with the same subject matter, namely copyright law.¹ Application of the VCLT would however give rise to complex interrelations between WTO Members which are equally signatories to the Berne Convention and States that belong to only one of the two regimes. Between signatories to both agreements, the provisions of the Berne Convention apply to the extent that they are consistent with TRIPS (Art. 30.3 VCLT). The TRIPS Agreement is however the exclusive standard in relation to Members which have not become Union States to the Berne Convention (Art. 30.4 VCLT). On that basis, a uniform minimum standard would not have been achieved.
- 2 Art. 9.1 overcomes those problems. It establishes harmonized minimum protection on the basis of the Berne Convention and follows a **Berne Plus** approach. To this end, TRIPS adapts the material regulations of the Berne Convention and adds new standards and interpretations, the so-called Plus Elements, to its new framework. As a result, Members must adhere to the additional regulations set out in Arts 10–13. For the most part, these concern new subjects such as computer programs and databases (Arts 10 and 11) and new rights such as the rental right as laid down in Art. 11. On the other hand, TRIPS pursues a **Berne Minus** approach² in respect of authors’ moral rights pursuant to Art. 6*bis* BC since those rights are excluded from the protection of TRIPS (Art. 9.1, sentence 2 TRIPS).
- 3 The **significance** of Art. 9.1 TRIPS is twofold: First, it strengthens the substantive provisions of the Berne Convention, in that it adapts them to the ambit of the world trade order where they become subject to dispute settlement and the enforcement rules of Arts 41 *et seq.* Under the auspices of WIPO, the Berne Convention had lacked an **effective dispute settlement procedure**, and therefore also the normative force of a binding interpretation. The possibility of a dispute settlement process before the

¹ This is so despite the fact that the last revision of the Berne Convention occurred before the VCLT came into force, because Arts 30 *et seq.* VCLT only codify customary international law. See *Netanel*, VA. J. Int’l L. 37 (1997), 441, 465, On the relationship between the Berne Convention and TRIPS see also *Ricketson & Ginsburg*, paras 5.44 *et seq.*

² Using similar terminology *Correa*, IIC 25 (1994) 4, 543, 544.

ICJ in accordance with Art. 33 BC was never seriously pursued and the enforcement rule of Art. 36 BC was without practical effect.³ Secondly, Art. 9.1, sentence 1 makes the substantive provisions of the Berne Convention applicable also to those WTO Members who have not joined the Berne Convention or have not acceded to it in its latest version. This step was primarily aimed at **developing countries**, which were not prepared to accede to the Berne Convention. In return for no longer obstructing global minimum copyright protection, they were able to obtain advantages in other areas of world trade law.⁴

Art. 9.2 TRIPS addresses the interpretation of “protected work” pursuant to Art. 2 BC. The provision codifies what was informal common ground in copyright law and thus, for the first time in international law, it lays down binding **exceptions to copyright protection**. Until the conclusion of the TRIPS Agreement, national legal systems to a large extent employed the concept that copyright law protected expressions of ideas, but not ideas themselves⁵ (“thoughts are free”), but it had never been possible to make this understanding internationally binding. The differentiation which Art. 9.2 records between free ideas in the public domain and their forms of expression protected under copyright law safeguards liberality and freedom in the exchange and continued development of methods and concepts for future generations. 4

B. Historical Development

Art. 9.1, sentence 1 is an expression of a truce between the industrialized States and the developing countries, which was agreed upon in the early stages of the Uruguay Round: International copyright protection, as reflected in the most recent version of the Berne Convention, the 1971 Paris Revision, had reached a level that ought to be applicable WTO-wide.⁶ This realization was first put into practice in the attempt by the European Community to oblige Members to accede to the recent version of the Berne Convention and thus adopt its level of protection.⁷ A similar obligation can be found in 5

³ See in particular *Cordray*, *Journal of the Patent and Trademark Office Society* 76 (1994), 121, 132; *Moebes*, *Loy. L.A. Int'l & Comp. L. J.* 14 (1992), 301, 306; *Woodward*, *Tex. Int'l L. J.* 31 (1996), 269, 271 *et seq.*

⁴ *Matthews*, 109; *Woodward*, *Tex. Int'l L. J.* 31 (1996), 269, 275.

⁵ See: *UNCTAD/ICTSD*, 139 *et seq.*; *Gervais*, para. 2.89; *Masouyé*, 12 *et seq.*; *Naigen*, *Temp. Int'l & Comp. L. J.* 17 (2003), 199, 207.

⁶ *Drexl*, 301; *Katzenberger*, in: *Beier & Schricker* (eds), 59, 65; *Reinbothe*, *GRUR Int.* 41 (1992) 10, 707, 708 from the perspective of the European Communities.

⁷ In this regard, see *Drexl*, 329; *Reinbothe*, *GRUR Int.* 41 (1992) 10, 707, 709; Negotiation Group on TRIPS, including Trade in Counterfeit Goods, Guidelines proposed by the European Community for the Negotiations on Trade Related Aspects of Substantive

Art. 5 of Protocol 28 to the Agreement creating the European Economic Area.⁸ In the context of the WTO, this was not a viable strategy, because it would have been impossible for some WTO Members, including the European Community itself, to accede to the Berne Convention, which states in Art. 29.1, sentence 1 that only States can be signatories to the Union. As a result, the so-called “**incorporation solution**” prevailed. This solution first surfaced in an Australian proposal in July 1989 and envisaged the incorporation of the Berne Convention into TRIPS via a reference to it.⁹ Once the incorporation solution had been agreed upon, the only question which remained¹⁰ was whether the material provisions of the Berne Convention should, by means of a reference, become part of world trade law in their entirety—as the European Community suggested, in deviation from its original proposal¹¹—or whether only the economic rights guaranteed to authors by the Berne Convention should be observed.¹² The competing US suggestion, which had been tabled early on,¹³ had as its object the concept of keeping **authors’ moral rights** in terms of Art. 6*bis* BC outside the scope of TRIPS. Elements of the personality related law (*Persönlichkeitsrecht*) approach in Continental Europe are foreign to the Anglo-Saxon model of the concept of copyright.¹⁴ In the end, the United States’ solution prevailed in the Brussels Draft.¹⁵ The European Community had withdrawn its opposition after the United States had agreed, in return, to acknowledge related rights, in particular those of performing artists. The Brussels Draft inserted **Art. 9.1, sentence 2** TRIPS in its present form in order to make it clear that the reference to the Berne Convention did not include Art. 6*bis* BC. The only other difference between the Brussels Draft

Standards of Intellectual Property Rights, MTN.GNG/NG11/W/26, 7 July 1988, paras III.1., 3.c.1; cf. also Art. 1701.2 NAFTA which enacts a similar regulation; uncritical of the problems raised by this strategy is *Netanel*, VA. J. Int’l L. 37 (1997), 441, 453.

⁸ BGBl. 1993 II, 414; and further C-13/00, *Ireland v. Commission*, [2002] E.C.R. I-2943.

⁹ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Standards and Norms for Negotiations on Trade-Related Aspects of Intellectual Property Rights, Communication from Australia, MTN.GNG/NG11/W/35, 12 July 1989; in this regard see also *Brennan*, 66 *et seq.*; *Ross & Wasserman*, in: *Stewart* (ed.), 2241, 2271.

¹⁰ Cf. Negotiation Group on TRIPS, including Trade in Counterfeit Goods, Status of Work in the Negotiation Group, Chairman’s Report to the GNG (Anell Draft), MTN.GNG/NG11/W/76, 23 July 1990; regarding the positions of the other participants see Synoptic Table Setting out International Standards and Proposed Standards and Principles, MTN.GNG/NG11/W/32/Rev.2, 2 February 1990, 6.

¹¹ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Draft Agreement on the Trade-Related Aspects of Intellectual Property Rights, Communication from the European Community, MTN.GNG/NG11/W/68, 29 March 1990, 3.

¹² Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Draft Agreement on the Trade-Related Aspects of Intellectual Property Rights, Communication from the United States, MTN.GNG/NG11/W/70, 11 May 1990; 3.

¹³ MTN.GNG/NG11/W/14/Rev.1.

¹⁴ *W. H. Moore*, International Copyright Conference Rome, May and June 1928—Report of the Australian Delegate, 4 July 1928, 6: “hardly capable of translation”.

¹⁵ Cf. MTN.TNC/W/35/Rev.1.

and the current provision was that initially only the “material provisions of the RBC” were referred to. This formula had to be replaced in the final text by an explicit and exhaustive list of the provisions referred to in order to avoid problems of interpretation. In particular, the explicit listing of the articles did away with the question whether Arts 20 and 21 BC and the Appendix to the Agreement were incorporated into TRIPS.

Unlike the historical development of para. 1, the genesis of **Art. 9.2** proceeded smoothly. The norm is based on a Japanese proposal, which was almost identical in its wording, but limited in its scope of application to computer programs.¹⁶ In addition, the copyright law of the United States and Art. 1.2 of the European Computer Program Directive¹⁷ may have had some influence.¹⁸ The provision is meant to secure a widespread principle of copyright law to the limited term of computer programs. The Anell and Brussels Drafts contained the unaltered text of the proposal.¹⁹ Only in the Dunkel Draft of 1991 did the provision shed its software-specific trappings, because it was held to be capable of generalization in the light of the existing national copyright rules.²⁰

A proposed provision on the **transfer of copyright** was **not** included **in the final version** of TRIPS.²¹ Members are therefore free, within the limitations of Art. 13 TRIPS, to permit such a transfer. The Berne Convention does not contain any provisions on this issue.

C. Adaptation of the Material Provisions of the Berne Convention (Art. 9.1 Sentence 1)

Art. 9.1, sentence 1 obliges Members to “comply” with the material provisions of the Berne Convention at their highest level of protection, namely the version of the 1971 Paris Revision. The choice of the word “comply” suggests that Members are required actively to bring their legislation into compliance with the adapted provisions. As the history of the provision shows, there is no obligation to accede to the Berne Convention. Instead it brings about the situation in which Arts 1–21 BC as well as the Appendix become part of the TRIPS parcel. The relevant provisions are to be read

¹⁶ See *Doi*, Journal of the Japanese Group of AIPPI 21 (1996) 1, 3, 16; *Gervais*, para. 2.98.

¹⁷ Council Directive 91/250/EEC of 14 May 1991 on the Legal protection of Computer Programs, OJ 1991 L 122/42.

¹⁸ So *Correa*, IIC 25 (1994) 4, 543, 545 and *Gervais*, para. 2.98 regarding Sec. 102 lit. b US Copyright Act, as well as *Rehbinder & Staehelin*, UFITA (Archiv für Urheber- und Medienrecht) 127 (1995), 5, 18 regarding the Council Directive.

¹⁹ MTN.GNG/NG11/W76; MTN.TNC/W/35/Rev.1.

²⁰ Draft Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations (Dunkel Draft), MTN.TNC/W/FA, 20 December 1991.

²¹ Cf. *Gervais*, paras 2.154–2.156.

as referring to “WTO Members” and not to “Union countries”.²² Art. 1.3 TRIPS, which creates the fiction that all Members are Union States of the WIPO administered conventions, supports such a reading. Consequently, Art. 9.1, sentence 1 TRIPS prohibits differentiation between Members which are Union States and Members which are not. The adapted provisions are applicable independently of whether or not a WTO Member is simultaneously a Union State of the Berne Convention,²³ and this includes also those provisions of the Berne Convention which, according to their wording, create rights and duties only for “Union countries”. Any contrary view would disregard the objective of Art. 9.1, as unanimously declared by the Members during the Uruguay Round, namely to establish a uniform minimum standard by reference to the Berne Convention. The adapting clause of Art. 9.1, sentence 1 TRIPS became the model for Art. 1.4 WCT and Art. 1701.2 lit. b NAFTA.²⁴

I. Nature of the Reference

- 9 The reference to the norms of the Paris Version of the Berne Convention is **static**. A further successful revision of the Berne Convention would not alter the Members’ obligations. This follows from footnote 2 to Art. 1.3 TRIPS, which distinguishes between a reference to the “Berne Convention” and the “Berne Convention (1971)”.²⁵ The Members’ obligation to comply with Arts 1–21 BC as well as the Appendix is not merely a reference to the text of the provisions. If the negotiators at the Uruguay Round had wanted that, it would have been easier and less open to misunderstanding simply to include the same or similar provisions word for word in the TRIPS Agreement.²⁶ The reference to the norms of the Berne Convention simultaneously carries the **Berne Acquis** relating to these provisions over into the TRIPS Agreement.²⁷ This means that when interpreting and applying the adapted norms under Arts 31–33 VCLT the *travaux préparatoires* to the revisional conference of the Berne Convention, as well as the discussions and resolutions there, must be observed to the same degree as the legal

²² US—Section 110(5) Copyright Act, WT/DS160/R, para. 6.18; similar *Bercovitz*, in: *Correa & Yusuf* (eds), 145, 148.

²³ Likewise *Hermes*, 245; *Lucas & Lucas*, para. 1173; *Sterling*, para. 22.09; *Stoll & Raible*, in: *Prieß & Berrisch* (eds), 572; *Suthersanen*, para. 22–044; *Weiß & Herrmann*, para. 920; of another opinion, with an implied view to the Paris Convention is *Nolff*, 33 *et seq.*

²⁴ The NAFTA negotiating rounds relied to this extent explicitly on the Dunkel Draft; *cf. R. Neff & F. Smallson*, NAFTA: Protecting and Enforcing Intellectual Property Rights in North America, Colorado Springs, 1994, 8; *Woodward*, Tex. Int’l L. J. 31 (1996), 269, 274.

²⁵ See *Brand*, Article 2, para. 115.

²⁶ *Abbott*, in: *Petersmann* (ed.), 415, 420 *et seq.*; *Netanel*, VA. J. Int’l L. 37 (1997), 441, 452.

²⁷ US—Section 110(5) Copyright Act, WT/DS160/R, paras. 6.62 *et seq.*; *Brennan*, 71; *Gervais*, EIPR 26 (2004) 2, 75, 79; *Netanel*, VA. J. Int’l L. 37 (1997), 441, 445.

practice of the Union countries up to 1 January 1995.²⁸ This includes the universally held view that the norms of the Berne Convention are directly applicable, as well as the pre-existing interpretation of relevant terms, for example that of “copyright”.²⁹

The Members’ duty to comply with the norms of the Berne Convention is, however—like the reference to the provisions of the Paris Convention in Art. 2.1 TRIPS—not a simple incorporation *telles-quelles*.³⁰ Rather, these provisions are to be applied and interpreted in the light of the general provisions of TRIPS, in particular, the objectives and principles according to Arts 7, 8 TRIPS, as well as the Preamble. In individual cases, this may amount to a stronger trade-related aspect of the provision. The **TRIPS dimension** of the provisions referred to also follows from Art. 9.1, sentence 2, which provides that the Members “shall not have rights or obligations under this Agreement” in respect of the rights conferred under Art. 6bis BC. It means that, according to sentence 1, they do have such rights and duties in respect of the other provisions referred to—in fact, these rights and duties are conferred without any limitations and as rights and obligations under “this Agreement”, *i.e.* as TRIPS, and not as Berne Convention, norms. The interpretations of the original Berne Convention provisions and those that were absorbed by TRIPS will differ in the future. Further discrepancies are caused by Art. 13 TRIPS, which subjects the limitations of copyright protection in accordance with the Berne Convention to an additional control, as well as by Arts 41 *et seq.*, which compel the efficient enforcement of the Berne Convention provisions. Owing to the TRIPS dimension of the provisions referred to, a conflict can potentially arise in certain cases for Members who are simultaneously Union countries between their obligations stemming from the Berne Convention and their rights and obligations under TRIPS.³¹

Therefore, contrary to almost universal practice, one cannot speak of an “incorporation” of the Berne Convention provisions into the TRIPS Agreement. Incorporation requires the legal text or legal concept to be taken up in such a way that its identity is completely preserved.³² In light of the trade-related cloak in which TRIPS wraps the absorbed Berne Convention provisions, it is therefore better to speak of an **adaptation**.

²⁸ On the temporal limit see para. 19 below.

²⁹ For more detail see para. 16 below.

³⁰ Likewise *Gaubiac*, RIDA 160 (1995), 3, 31 *et seq.*; *Hermès*, 246; *Kéréver*, *Revue trimestrielle de droit commercial et de droit économique* 47 (1994) 4, 629, 640; *Lucas & Lucas*, para. 1173; *Netanel*, *VA. J. Int’l L.* 37 (1997), 441, 449 *et seq.*; of a different opinion is *Abbott*, in: *Petersmann* (ed.), 415, 421; *Brennan*, 73.

³¹ See *Brand*, Article 2, paras 114 *et seq.*

³² *Cf.* for the meaning and origin of the term “incorporation” see *Oxford Dictionary of English*, 2006, 878.

- 12 In scholarly literature, this adaptation is sometimes assumed to have a very far-reaching effect. TRIPS is supposed to have unhinged the Berne Convention from its context, which provides rights only for non-nationals.³³ This, it is alleged, follows from Art. 1.1, sentences 2 and 3, which require Members equally to guarantee all rights and duties stemming from TRIPS to their own nationals, as well as the nationals of other Members. However, a correct reading of the TRIPS Agreement does **not** permit the conclusion that the adapted provisions are **applicable in purely domestic cases**. This is apparent from the clear wording of Art. 1.3, according to which the Agreement grants rights and duties to Members only in respect of the nationals of other Members.³⁴ A glance at the history of the provision shows that this is also the case for Art. 9.1 TRIPS. The developing countries' proposal which was inserted into the Anell Draft explicitly provided that the Members' obligations in accordance with the provisions referred to should exist only in relation to "nationals of other parties".³⁵ Although a comparable reservation was not made in the proposal of the industrialized States, their position—in particular that of the United States—shows that they tacitly assumed that the Berne Convention provisions would not lose their character as non-domestic law through an adaptation.³⁶ **Reverse discrimination** against a State's own nationals therefore remains theoretically possible.³⁷ In practice, however, TRIPS virtually eliminates the possibility of a differentiation between protection of nationals and non-nationals on the basis of the Berne Convention.³⁸ Only when competition in the domestic market can be sufficiently separated from that in foreign markets can a Member deprive its nationals of protection and defence actions.

II. Direct Applicability

- 13 Through the adaptation of Arts 1–21 BC these provisions can be directly applied in those WTO Members³⁹ which accept the direct applicability of norms of international law. This requires that the provisions in question do not have the character of purely international obligations, but rather that of

³³ *Drexl*, 321; *Evans*, *World Competition* 18 (1994) 2, 137, 139; *Henning-Bodewig*, in: *Schricker & Henning-Bodewig* (eds), 21, 33 *et seq.*; *Reger*, 291; the wording of the European Communities' draft of 1988 is unclear in that it states that "contracting parties shall in *their domestic law* comply [...]" (Emphasis added); cf. MTN.GNG/NG11/W/14/Rev.1, 4.

³⁴ See *Elfring & Arend*, Article 1, para. 22.

³⁵ Cf. MTN.GNG/NG11/W76, para. 1B.

³⁶ MTN.GNG/NG11/W/70, 3; see *Gaubiac*, RIDA 160 (1995), 3, 17; *Reger*, 293.

³⁷ Similar *Katzenberger*, in: *Beier & Schricker* (eds), 59, 70; *Weiß & Herrmann*, para. 917.

³⁸ This was already correctly noted by *Ulrich*, in: *Beier & Schricker* (eds), 357, 378.

³⁹ *Hermes*, 247; *Kreibich*, 165 *et seq.* For general remarks on the direct applicability of TRIPS see *Elfring & Arend*, Article 1, paras 5–7; *Cottier*, in: *Cameron & Campbell* (eds), 111, 121; *Drexl*, in: *Beier & Schricker* (eds), 18; 23, 47 *et seq.*; *Reger*, 82 *et seq.*; *Stachelin*, 138; and with particular regard to the situation in the EC see *Kaiser*, Introduction III, paras 33 *et seq.*

private legal rules, and furthermore that they be sufficiently clear, specific and unconditional to be directly drawn on as a source of private law, and serve as the basis of a decision in concrete cases by those who apply the law. The fact that according to its wording Art. 9.1, sentence 1 sets out an obligation only for Members does not speak against the direct applicability of the Berne Convention regulations. This choice of wording is irrelevant, because the Preamble to TRIPS designates the rights guaranteed by the Agreement, including the adapted rights, as “private rights”.⁴⁰ Moreover, it is already acknowledged outside the TRIPS framework that the provisions of the Berne Convention can have direct applicability.⁴¹ It is not clear that the Members wished to deny this effect.

From among the adapted provisions, the regulations regarding material and personal scope of application (Arts 2–4 BC)⁴² as well as those relating to national treatment and the minimum rights of the author fulfil the aforementioned requirements for direct applicability.⁴³ In the case of minimum rights in the semi-rigid system⁴⁴ the limitations which the Berne Convention places on the legal acts of Members have direct effect.⁴⁵ In contrast, however, the following are not directly applicable: (1) the restrictions under Art. 6 BC and the reservation in favour of public law in Art. 17 BC, which do not give rise to private rights, and (2) the open regulations regarding designs and models in Art. 2.7 BC as well as the legal consequences in Art. 14ter BC, which leave the Members unlimited freedom to regulate, and (3) the rules on seizure of Art. 16 BC. This entitlement requires the existence of appropriate national seizure provisions.⁴⁶ 14

Due to the fact that, in addition to its Member States, the European Community itself became a Member of the WTO on 1 January 1995, Art. 9.1, sentence 1 TRIPS makes Arts 1–21 BC in their adapted form a part of Community law, which is subject to interpretation by the ECJ. At Community level—and within the scope of the ECJ’s jurisdiction⁴⁷—those regulations of the Berne Convention which fulfil the necessary requirements 15

⁴⁰ *Katzenberger*, in: *Beier & Schricker* (eds), 59, 71; of a different view is *Reger*, 296.

⁴¹ *Bundesgerichtshof, Öffentliche Schallplattenübertragung*, BGHZ 11, 135, 138; *Appelationshof Athen, Diazepam*, GRUR Int. 27 (1978) 5, 209; *Drexler, 29 et seq.*; *W. Fikentscher*, in: *Baur* (ed.), 1175, 1185; *Hermes*, 247; *Katzenberger*, in: *Beier & Schricker* (eds), 59, 65.

⁴² Austrian decision regarding Art. 4 BC: OGH, *Mart Stam Stuhl* GRUR Int. 34 (1985) 10, 684.

⁴³ Decisions on Art. 7.2 BC: Austria OGH, *Othello*, GRUR Int. 32 (1983) 2, 118; Art. 9 BC: Austria OGH *Ludus tonalis*, GRUR Int. 44 (1995) 8–9, 729; and on Art. 11bis.1 BC: *Netherlands Hooge Raad, Kabelfernsehunternehmen*, GRUR Int. 31 (1982) 7, 463.

⁴⁴ See para. 49 below.

⁴⁵ On Art. 13 BC see *Bundesgerichtshof, Öffentliche Schallplattenübertragung*, BGHZ 11, 135, 139.

⁴⁶ *Hermes*, 255, fn. 257; *Ricketson & Ginsburg*, para. 11.47.

⁴⁷ The TRIPS Agreement was concluded as a mixed agreement by the EC and its Member States. Opinion 1/94 *Competence to Conclude International Agreements*, [1994] E.C.R. I-5267.

must also be directly applied.⁴⁸ While the jurisprudence of the ECJ with regard to the direct applicability of WTO Agreements—most recently in the *OGT Fruchthandelsgesellschaft* judgment⁴⁹—points in another direction in a methodically and materially questionable way,⁵⁰ the judgments which have been delivered with regard to Art. 50 TRIPS cannot be applied to Art. 9.1 TRIPS and the adapted Berne Convention provisions, because the European Community is bound by the direct applicability of those provisions, as was acknowledged by the Union countries prior to 1 January 1995 as part of the Berne *Acquis*. Any other opinion would run counter to the purpose of the Uruguay Round, which was to raise the level of intellectual property protection to that of the TRIPS Agreement.

III. Interpretation

- 16 According to Art. 37.1 lit. a BC in the Paris version, the authentic texts of the Convention are those in English and French. In cases of doubt, the French text is authoritative in accordance with Art. 37.1 lit c BC. Prior to the 1967 Stockholm Revision, the French text was the only authentic text. This rule is not valid within the framework of TRIPS, because Art. 9.1, sentence 1 does not refer to Art. 37 BC. Instead, the adapted provisions are to be interpreted according to the instructions in Art. XVI last clause WTO Agreement, according to which the **English, French and Spanish** texts of WTO documents are equally authoritative. This also means that Art. 33 VCLT applies, according to which differences in terminology in different, equally authentic texts are to be interpreted in such a way that the terms have an identical meaning. The Panel in *US—Section 110(5) Copyright Act* proceeded accordingly.⁵¹ The WTO rules regarding the authenticity of the linguistic version of the Berne Convention norms do not alter any pre-existing definition of a term which, as part of the Berne *Acquis*, must also be taken into consideration within the framework of TRIPS. Even if the English term “copyright” stands on an equal footing with the French *droit d’auteur*, within the context of the adapted provisions of the Berne Convention it does not describe the narrower Anglo-Saxon concept of copyright as it is used in the national laws in question; in the Berne tradition,

⁴⁸ *Cottier & Nadakavukaren Schefer*, JIEL 1 (1998), 83, 104; *Drexler*, in: *Beier & Schricker* (eds), 18, 47 *et seq.*; *Hermès*, 247; *Katzenberger*, in: *Beier & Schricker* (eds), 59, 65, 71; *Miller*, *Notre Dame L. Rev.* 74 (1999), 597, 613; *Petersmann*, *EuZW* 8 (1997) 11, 325, 327; *Schack*, para. 883; of a different opinion are *Weiß & Herrmann*, paras 140 *et seq.*

⁴⁹ C-307/99, *OGT Fruchthandelsgesellschaft mbH*, [2001] E.C.R. I-3159, Rec. 25; see also C-149/96, *Portugal v. Council*, [1999] E.C.R. I-8395, Recs 36 *et seq.* Even earlier: C-53/96, *Hermès International*, [1998] E.C.R. I-3603, Rec. 25; C-300/98 and C-392/98, *Dior v. Assco*, [2000] E.C.R. I-11307, Recs 45 *et seq.*

⁵⁰ See comprehensively *Hermès*, 103–240; *Kreibich*, 143–226.

⁵¹ *US—Section 110(5) Copyright Act*, WT/DS160/R, para. 6.229, fn. 204.

it is to be understood as a translation of the wider French term.⁵² Similarly pre-defined by the Berne tradition which was built on French roots is the term “originality”.⁵³

Institutionally, it is for the ICJ, and in certain cases for the national courts 17 of the Union countries, to interpret the Berne Convention in accordance with its own Art. 33.1.⁵⁴ Also, this basic rule does not apply to Arts 1–21 BC within the TRIPS framework. In the absence of a reference to Art. 33 BC, Art. IX:2, sentence 1 WTO Agreement applies,⁵⁵ according to which the provisions referred to can be officially interpreted only by the Ministerial Conference and the General Council. These organs exercise their interpretational prerogative on the recommendation of the Council for TRIPS. In practice, decisions of the panels and the Appellate Body in WTO dispute settlement proceedings also contribute to the interpretation of the articles. These, however, are formally binding *inter partes*.⁵⁶

Arts 31–33 VCLT are to be drawn upon **methodically** in order to 18 interpret the adapted provisions. In the context of dispute settlement this follows from Art. 3.2 DSU.⁵⁷ Art. 30 VCLT does not apply, because the adapted provisions of the Berne Convention entered into force as TRIPS norms with all other norms contained in the Agreement.⁵⁸ **Art. 31.3 VCLT** is, however, **significant**. When one is interpreting an international treaty, it enables “any subsequent agreement between the parties regarding the interpretation of the treaty” (lit. a) as well as “any subsequent practice in the application of the treaty which establishes the agreement of the parties regarding its interpretation” (lit. b) to be taken into account. In relation to the TRIPS Agreement, the WIPO Copyright Treaty is not a “subsequent agreement” in this sense.⁵⁹ Art. 1.1 WCT explicitly states that the Treaty does not have “any connection” with international treaties other than the Berne Convention, and therefore also not to the provisions adapted by TRIPS. The WIPO Copyright Treaty has a different membership from that of TRIPS. Therefore, it is already doubtful whether the Members wanted to allow non-WTO Members to have a say in determining their rights and duties. Moreover, when the TRIPS Agreement was concluded, the precise content of the WIPO Copyright Treaty was not yet certain. However, if

⁵² *Sterling*, paras 4.08 and 18.04.

⁵³ *Cf. Gervais*, EIPR 26 (2004) 2, 75, 76, 77, 79.

⁵⁴ *Sterling*, para. 18.04.

⁵⁵ *Gaubiac*, RIDA 160 (1995), 3, 29, is apparently of a different opinion and adopts the premise that there is no binding interpretation of the RBC provisions in the context of TRIPS.

⁵⁶ *Japan—Alcoholic Beverages*, WT/DS8/AB/R, para. 14; also *Rogers & Whitlock*, Am. U. Int'l L. Rev. 17 (2002), 459, 481 *et seq.*

⁵⁷ See *Netanel*, VA. J. Int'l L. 37 (1997), 441, 449 *et seq.*

⁵⁸ *US—Section 110(5) Copyright Act*, WT/DS160/R, para. 6.41.

⁵⁹ *Netanel*, VA. J. Int'l L. 37 (1997), 441, 470 *et seq.* is of a different opinion.

the practice relating to it is not legally binding for the interpretation of the Berne Convention within the framework of TRIPS, the possibility that it could gain factual influence over the interpretation cannot be excluded.⁶⁰

- 19 In the context of treaty interpretation under Art. 31.3 lit. b VCLT, a divergence in membership also, forbids any reliance on the State practice of the Union countries after the entry into force of the TRIPS Agreement, *i.e.* after the 1 January 1995. In general, the practice of the Union countries is to be considered as the Berne *Acquis*, but only insofar as the Members could be aware of it at the time that the TRIPS Agreement entered into force. That TRIPS' entry into force and not the ratification of the Agreement of the Member in question is decisive follows from the fact that TRIPS aims at creating a uniform minimum standard. The sole exception applies to notifications of Union countries in accordance with Art. I of the Appendix to the Berne Convention. If such a notification was deposited before the Union country in question acceded to the WTO, its validity within the framework of TRIPS is also independent of the date on which it was deposited. This follows from the Council for TRIPS' statement of intent to allow notifications under the auspices of WIPO and the WTO to run in parallel with each other.⁶¹
- 20 To the extent that Art. 32 VCLT permits recourse to **preparatory documents**, these only include not only documents pertaining to the Uruguay Round, but also, as part of the Berne *Acquis*, the materials from the revisional conferences of the Berne Convention. It is, however, problematic that prior to 1967 not only the Convention itself, but also all preparatory documents were authentic only in the French language. These include, first and foremost, the official reports of the revisional conferences, in particular the report of the *Rapporteur General*, which often contain allusions to understandings concerning the meanings of particular terms. The clarity of the French written language had facilitated good understanding between the Union countries until 1967.⁶² This must be taken into consideration in the context of interpretation under the auspices of TRIPS. The rule of Art. XVI final clause WTO Agreement applies only to those texts which made their first authentic appearance in several languages at once. Whether this is the case is to be decided according to the authenticity rules prevailing at the time the text came into existence. Therefore, for documents before the 1967 Stockholm Revision only the French versions may be consulted. The Panel in *US—Section 110(5) Copyright Act* failed to recognize this—albeit that this did not have any consequences for the case concerned.

⁶⁰ *Cf.*, for example, the practice of the Panel in *US—Section 110(5) Copyright Act*, WT/DS160/R, paras 6.67 *et seq.*

⁶¹ Declaration of the Council for TRIPS, IP/C/14, 16 July 1998.

⁶² *Nordemann & Vinck & Hertin*, Art. 33 BC, para. 1; *Sterling*, para. 18.04.

IV. Implementation into Domestic Law

The TRIPS Agreement states in Art. 1.1, sentence 3 that its provisions, and thus also the adapted norms of the Berne Convention, must be implemented into the domestic law of the Members. However, the provision does not explicitly prescribe that the provisions of the Berne Convention and the supplementary provisions of Arts 10–14 TRIPS are to be implemented by means of copyright law. This, however, follows from the nature of the Berne Convention and from the references to copyright law in Arts 10, 11 TRIPS.⁶³ The provisions in question need not necessarily form a single coherent Copyright Act. They may consist of reliable case law and arise out of general laws. 21

Art. 9.1, sentence 1 is of particular significance for three groups of Members: those who have not acceded to the Berne Convention, or not in its most recent version; those who cannot accede to the Convention;⁶⁴ and finally those Members which are not required by other international treaties—in particular on the basis of Art. 1.4 WCT or Art. 5.1 lit. b of Protocol 28 to the Agreement creating the European Economic Area⁶⁵—to meet the material standards of the Convention. In accordance with Art. 9.1, sentence 1 TRIPS, they are entitled and required to grant copyright protection in accordance with the requirements of the Paris standard, and so are raised to the position of *de facto* Union countries. On 1 August 2008, 19 of the 153 WTO Members fell into the group of Members for which Arts 1–21 BC were not directly applicable. Eleven of these had not acceded at all to the Convention;⁶⁶ eight had not acceded to its most recent version.⁶⁷ Of the former group, Malta is particularly conspicuous as a Member State of the European Community. The Maltese Copyright Act in some respect does not meet the standards set by the Paris version of the Berne Convention. For many years, this was also true of the law of Ireland which, as a result, was subjected by the United States with WTO dispute settlement proceedings. The proceedings ended with a settlement in which Ireland agreed to amend its copyright law.⁶⁸ This obligation has since been fulfilled.⁶⁹ If Malta 22

⁶³ *Sterling*, para. 22.02.

⁶⁴ These are the European Community, the Holy See, and Hong Kong, which now belongs to China, but which joined the WTO on 1 January 1995 as a Crown Colony of Great Britain.

⁶⁵ Printed in BGBl. 1993 II, 414.

⁶⁶ Next to the European Communities and Hong Kong, these were: Angola, Burundi, the Maldives, Mozambique, Myanmar, Papua-New Guinea, the Solomon Islands, Taiwan, and Uganda.

⁶⁷ The following States belonged to this group: the Fiji Islands (Brussels), Madagascar (Brussels), Malta (Rome), New Zealand (Rome), Pakistan (Rome), South Africa (Brussels), Chad (Brussels) and Zimbabwe (Rome).

⁶⁸ *Ireland—Measures Affecting the Grant of Copyright and Neighbouring Rights*, WT/DS82/3.

⁶⁹ Ireland joined the most recent version of the Berne Convention with effect from 2 March 2005.

does not follow a similar path, it risks not only WTO dispute settlement proceedings, but also sanctions under European law. As a Member State of the European Community, Malta is obliged, in accordance with Art. 5.1 lit. b of Protocol 28 to the Agreement creating the European Economic Area, to ratify the Berne Convention in its most recent version. Whoever fails to meet this obligation risks—as Ireland was forced to discover⁷⁰—proceedings before the ECJ on the basis of the current Art. 300.7 EC Treaty.

- 23 How effective the pressure which Art. 9.1, sentence 1 TRIPS exercises over the Members concerning the Berne standards can be is apparent when one looks at the timing of some Member's accession to the WTO. 25 Members joined the Berne Convention or ratified its Arts 1–21⁷¹ in the Paris version after TRIPS became binding law for them. This was expedient to the extent that the Members in question gained the right to participate in the Berne institutions of WIPO due to their accession,⁷² *i.e.* they rose from the status of *de facto* Union countries to become full States parties. Such full membership is above all advantageous when a State is interested in applying the authentic version of the Berne Convention provisions, *i.e.* without the particularities of interpretation and application brought about through TRIPS, in particular the exclusion of authors' moral rights.

V. Fundamentals and Development of the Berne Convention

- 24 The Origins of the Berne Convention can be traced back to the *Association Littéraire et Artistique Internationale* (ALAI) founded in 1878 under the patronage of Victor Hugo. The *Association* conceived itself to be the international voice of authors, publishers and composers. Beginning with a congress in Rome in 1872, a French commission developed a draft treaty on the basis of national treatment. On 9 September 1886 this work was brought to fruition when a multilateral treaty called the “Berne Convention for the Protection of Literary and Artistic Works” was signed.⁷³ As of 1 August 2008, the Convention had 164 States parties.⁷⁴ This circle overlaps with the membership of the WTO, however it is not identical, and this is what makes the adaptation into TRIPS so difficult.
- 25 Like the Paris Convention, the Berne Convention led to the **establishment of an association** as an international organisation, Art. 1 BC.

⁷⁰ C-13/00, *Ireland v. Commission*, [2002] E.C.R. I-2943.

⁷¹ Argentina, Iceland, Norway and Thailand had ratified Arts 22–38 BC in the Paris version prior to their accession to the WTO.

⁷² Already *Drexel*, 330.

⁷³ For greater detail on the historical development of the Berne Convention see *Ricketson & Ginsburg*, paras 2.01–3.68.

⁷⁴ The current status can be viewed at: http://www.wipo.int/treaties/en/ShowResults.jsp?lang=en& treaty_id=15 (last accessed 28 April 2008).

The organizations of both associations merged in the United International Bureaux for the Protection of Intellectual Property (BIRPI). The BIRPI has since been replaced by the international office of WIPO, in accordance with Art. 4 WIPO Convention.⁷⁵

The Berne Convention was concluded in Paris in 1896. Since then five further **revisions** have taken place at conferences in Berlin (1908), Rome (1928), Brussels (1948), Stockholm (1967) and Paris (1971).⁷⁶ New technological developments that had serious implications on copyright law often triggered the individual revisions. The revisional conference in Berlin in 1908 coined the title “Revised Berne Convention”. A further adjustment of the Berne standards to fit copyright law in the developing “information society” may very well be necessary. Considering the experiences at the conferences in 1967 and 1971, however, WIPO did not see any possibility of successfully concluding a new revisional conference. The North-South conflict between industrialized and developing nations had reached such an intensity that the necessary unanimity in accordance with Art. 23.3 BC appears out of reach.⁷⁷ 26

The Berne Convention reaches more deeply into material law than the Paris Convention and its related agreements. The “lynchpins” of the Convention are Arts 2, 3 and 5 BC. Art. 2 BC states what is protected, Art. 3 BC who is protected and Art. 5 the form this protection is to take. Arts 6 *et seq.* BC elaborate on Art. 5 BC in more detail. 27

VI. Examination of the Provisions in Detail

By reference to Arts 1–21 BC and their Appendix, the Members make it only partially clear which provisions would apply in the context of TRIPS and which would not. Some of the provisions referred to are overlapped by other TRIPS provisions; others have no material content within the WTO framework. **More clarity is needed** and a future Ministerial Conference should take on the task of attaining this. Art. 9.1, sentence 1 TRIPS should ideally read: “As part of and according to this Agreement the Members will comply with Arts 2–6, Art. 7.1–6 and 8, Arts 8–18 and Arts 20–21 of the Berne Convention (1971) as well as its Appendix.” 28

⁷⁵ On BIRPI and WIPO administration see *Ricketson & Ginsburg*, para. 3.65.

⁷⁶ Cf. (RGBl. 1897, 759 (Paris); RGBl. 1910, 965, 987 (Berlin); RGBl. 1920, 31, 137 (Berne); RGBl. 1933 II, 889 (Rome); BGBl. II 1965, 1213 (Brussels); BGBl. II 1970, 293, 348 (Stockholm); BGBl. II 1973, 1071 (Paris) amended by BGBl. II 1985, 81.

⁷⁷ *Cordray*, Journal of the Patent and Trademark Office Society 76 (1994), 121, 138.

1. Union (Art. 1 BC)

29 The reference to Art. 1 BC is—like that in Art. 2.1 TRIPS to Art. 1.1 PC—**superfluous and misleading**. In light of Art. 9.1, sentence 1 TRIPS it should be read to mean that the WTO Members form a union for the protection of authors. This in no way refers to the Berne Union⁷⁸ or any other union under the auspices of the WTO, and least of all to any union of States with or without its own legal personality existing outside the WTO. The only organ of the Members is the WTO itself⁷⁹ which, through Art. 9.1, sentence 1 TRIPS in conjunction with Art. 1 BC, has attained a new objective. Beyond this, the Union principle laid down in Art. 1 BC is meant only to emphasize the close solidarity between Members. As a result the withdrawal of a Member does not lead to the dissolution of the Union,⁸⁰ a fact which admittedly follows from Art. XV WTO Agreement. The fact that the Union principle, safeguarded in the context of the Berne Convention, that two Union States which had not ratified a common version of the treaty were nevertheless bound to each other is irrelevant to TRIPS so long as there is only one version of this Agreement.

2. Material Scope of Application—Protected Works (Arts 2, 2bis BC)

30 In accordance with **Art. 2.1 BC**, all products in the areas of literature, science and art enjoy copyright protection, regardless of the mode or form of their expression. However, only concrete embodiments are protected. The Convention does not explicitly state that a work must be an intellectual creation in order to enjoy protection, but it is a self-evident requirement.⁸¹ The **activities of sound recording producers**, etc., to which some jurisdictions in the common law tradition award copyright protection, are thus **not protected works** in terms of the Berne Convention, because these are purely technical activities. Their protection in the context of the TRIPS Agreement is based on Art. 14.⁸² Otherwise the Members are free to determine the standard of originality that a work must meet in order to be protected, as long as it ensures that only intellectual creations are protected. In accordance with Art. 5.2, sentence 2 BC the law of the State in which protection is sought applies. In the United States, the standards a work must meet are traditionally quite low;⁸³ in Japan they are higher;⁸⁴

⁷⁸ *WIPO*, para. 15, is misleading in this respect.

⁷⁹ *Sterling*, para. 22.03, is apparently in agreement.

⁸⁰ See for more details on the Union principle *Ricketson & Ginsburg*, paras 5.60–5.79.

⁸¹ *Nordemann & Vinck & Hertin*, Art. 2/2bis BC, para. 1; *Ricketson*, Colum. VLA J.L. & Arts 16 (1991), 1.

⁸² *Cf. Fuller*, Article 14, paras 20 *et seq.*

⁸³ *Cf. Feist Publications Inc. v. Rural Tel. Serv. Co.*, [1991] 499 U.S. 340; also *UNCTAD/ICTSD*, 147; *Gervais*, *Journal of the Copyright Society of the USA* 49 (2002) 4, 949.

⁸⁴ *Karjala & Sugiyama*, *Am. J. Comp. L.* 36 (1988), 613.

in Europe they have long varied,⁸⁵ but are gradually reaching a common level as laid down in the EC directives relating to copyright.⁸⁶ Only the “skill and labour” test of **English and Australian law** does not seem sufficient to meet the demands of the Berne Convention and therefore also those of the TRIPS Agreement.⁸⁷

Altogether Art. 2.1 BC explicitly names **five types of work** as being covered: (1) literary works, which includes all written matter regardless of whether it consists of letters, numbers or symbols, (2) dramatico-musical works, such as plays, pantomime and choreographic works, opera, operettas and musicals, (3) cinematographic and photographic works, (4) musical works, (5) architecture and works of applied art in two- and three-dimensional form.⁸⁸ As a sixth type of work, paras 3 and 5 address derivative works, *i.e.* adaptations and translations as well as compositions, for example, encyclopaedias, as long as these suffice to meet the requirements of the term “work”.⁸⁹ This widely diversified catalogue is not exclusive. The term “work” in terms of the Berne Convention remains open to new developments. However, the protection awarded is limited to the catalogue of Art. 2.1 BC. If a Member grants copyright protection that goes above and beyond this, it is obliged only to guarantee, with regard to this type of work, national treatment to authors who are nationals of other Members in accordance with Art. 3 TRIPS.⁹⁰ Daily news and other items of press information which do not have the quality of a work are also excluded from protection, Art. 2.9 BC.

Art. 2.2, 4 and 7 as well as Art. 2bis BC each contain a **reservation** which permits Members to exclude certain works from the protection of BC/TRIPS although these may generally fulfil the requirements of a protected work. Irrespective of whether a Member makes use of these reservations, authors from other WTO Members cannot derive minimum rights from them.⁹¹ They are limited to the national treatment clause embodied in Art. 3 TRIPS. Art. 2.4 BC covers official works,⁹² Art. 2bis BC addresses **speeches and legal pleadings**. Art. 2.7 BC, which encompasses works of **applied**

⁸⁵ For an overview see *UNCTAD/ICTSD*, 147; *Cohen Jehoram*, IIC 25 (1994) 6, 821.

⁸⁶ See *Goldstein*, 164.

⁸⁷ Cf. regarding the skill and labour test *Univ. of London Press Ltd. v. Univ. Tutorial Press* [1916] 2 Ch. 601; *Gervais*, EIPR 26 (2004) 2, 75, 77 *et seq.* states that this sweat of the brow test is inconsistent with the Berne and the TRIPS system. A general account on originality give *Klopmeier & Arend*, Article 10, paras 7, 8.

⁸⁸ For more detail regarding the extent of this type of work, see *Suthersanen*, para. 22–005.

⁸⁹ See also *Klopmeier & Arend*, Article 10, para. 16. On the various forms of international protection for altered works see *UNCTAD/ICTSD*, 144.

⁹⁰ Likewise see *Nordemann*, GRUR Int. 38 (1989) 8–9, 615, 616; *Schack*, para. 839; *Vaver*, GRUR Int. 37 (1988) 3, 191, 199 *et seq.* is of a different opinion.

⁹¹ *Nordemann & Vinck & Hertin*, Art. 2/2bis BC, para. 10.

⁹² Regarding the various approaches of the Members, see *UNCTAD/ICTSD*, 145.

art and industrial designs, is of particular significance. By leaving it in the hands of the Members to protect industrial designs **sui generis** or according to copyright or patent law, it bears part of the responsibility for the highly inconsistent evolution of industrial design protection worldwide.⁹³ Nonetheless, it can be gathered from Art. 2.7 BC that Members must protect industrial designs in some form or other. As an exception to Art. 5.2, sentence 1 BC in conjunction with Art. 9.1, sentence 1 TRIPS, Art. 9.2 allows the Members to protect certain works only when they have been fixed in material form. US law has made use of this ability which is unknown in German law.⁹⁴ This exception is meant to ensure the accessibility to the public of the copyright work, to facilitate the differentiation between protected and unprotected works and to simplify the calculation of the period of protection.

3. Personal Scope of Applicability—Authors Entitled to Protection (Arts 3, 4 BC)

- 33 Arts 3 and 4 BC envisage two types of persons entitled to copyright protection. **Primarily, nationals of a WTO Member** in terms of Art. 1.3, sentence 2 TRIPS are to benefit from protection, irrespective of whether and where they publish their works. **Secondly**, nationals of non-Members are protected, whenever a link is established by their **habitual residence in the territory of a Member**.⁹⁵ If this link fails—which is regularly the case with anonymous works and works published under a pseudonym—authors can nevertheless fall within their scope of the application when they publish their works for the first time in a Member or simultaneously in a Member and a non-Member. A work is considered to be simultaneously published when it is released in two or more countries within 30 days of its first publication. A work is published when it is released—independently of how the individual copies are manufactured—with the consent of the authors in a number of copies, which, in consideration of the nature of the work, is sufficient to satisfy the requirements of the public (Art. 3.3. BC). The release of a reviewed version is equally sufficient for the provisions to apply.⁹⁶ Art. 3.3, sentence 2 names certain types of presentation of a work which do not represent publication and therefore in and of themselves do not establish BC/TRIPS protection.

⁹³ In more detail, see *Suthersanen*, para. 22–008.

⁹⁴ Sec. 102 lit. a US Copyright Act; *UNCTAD/ICTSD*, 147 *et seq.*; on further prospects of the fixation requirement, see *Gendreau*, RIDA 159 (1994), 100.

⁹⁵ In more detail, see *Elfring & Arend*, Article 1, paras 32 *et seq.*

⁹⁶ *Bappert & Wagner*, Art. 4 BC, para. 7; *Nordemann & Vinck & Hertin*, Art. 3/4 BC, para. 3; *cf. Ricketson & Ginsburg*, paras 6.27 *et seq.*; *Goldbaum*, UFITA (Archiv für Urheber- und Medienrecht) 29 (1959), 32 and *Roeber*, FuR 1959, 5 are of a different opinion.

Art. 4 BC contains supplementary criteria for persons who do not qualify for copyright protection under Art. 3 BC. Where it is for instance impossible to “publish” a work, as in the case of architecture, authors may still under certain circumstances enjoy BC/TRIPS protection: this concerns **authors of film and television works** (*cf.* Art. 2.1 BC) when the seat or habitual residence of the film producer is within the territory of a Member; authors of **architectural works**, when these works have been erected on the territory of a Member; and **visual artists**, when their works become part of immovable property which is located in a Member’s territory. 34

In cases of joint authorship, it often suffices if one of them is a national of a WTO Member.⁹⁷ Where the domestic law of individual Members provides copyright protection in cases of joint authorship only under stricter conditions, these do not apply *vis-à-vis* authors from other jurisdictions who qualify for TRIPS protection. If the contributions of the authors can be distinguished from each other, each part is to be assessed individually.⁹⁸ A change of nationality or residence is relevant only as regards unpublished works.⁹⁹ 35

The determination of who is an **author** is usually assumed to be in the domain of the country in which protection is sought.¹⁰⁰ However, there are some commentators who hold the view that the term “author” is to be derived from the Berne Convention itself, namely outside the close connection in which the Convention places the terms “author” and “work”.¹⁰¹ That this position is correct can be seen from Art. 14bis.2 BC, which leaves it to the national legislator to determine what authorship is only in the special case of film rights. In general, the Berne Convention protects the rights of authors regarding their works and thus makes it clear that it aims primarily at granting rights to the creators of intellectual works. This is valid via Art. 9.1 for the TRIPS Agreement: The proprietor of the BC/TRIPS minimum rights is the creator of the work covered by the BC/TRIPS. Whether the law of the Member in which protection is sought grants additional copyright protection¹⁰² is irrelevant to the question of direct protection 36

⁹⁷ For State practice, see in further detail *Elfring & Arend*, Article 1, para. 32, fn. 54.

⁹⁸ *Bappert & Wagner*, Art. 4 BC, para. 12.

⁹⁹ See in more detail *Elfring & Arend*, Article 1, paras 31–37.

¹⁰⁰ *Bappert & Wagner*, Art. 2 BC, para. 23; *Gervais*, para. 292; *Larese*, Schweizerische Festschrift 100 Jahre Revidierte Berner Übereinkunft, 333, 337; *Stewart*, para. 5.29.

¹⁰¹ *Drexl*, 64 *et seq.*; *Celler*, EIPR 12 (1990) 11, 423, 424; *Nordemann & Vinck & Hertin*, Art. 2/2bis BC, para. 7; *Ricketson & Ginsburg*, paras 7.02 *et seq.* is similar; *Windisch*, 61.

¹⁰² *E.g.* copyright protection to the benefit of companies in Sec. 9.2 and 3 CDPA 1988 (R.S., 1985, c. P-4; available at: http://laws.justice.gc.ca/en/ShowFullDoc/cs/P-4//20080514/en?command=HOME&caller=SI&fragment=patent&search_type=all&day=14&month=5&year=2008&search_domain=cs&showall=L&statutecyear=all&lengthannual=50&length=50 (last accessed 28 May 2008) and Secs 101, 201 lit. b US Copyright Act (17 U.S.C. §§ 101–1332; available at: <http://www.copyright.gov/title17/> (last accessed 27 May 2008)).

under the Convention. Only in respect of authors of cinematographic work, Art. 14*bis*.2 BC refers to the law of the Member in which protection is sought to define the person entitled to protection.

- 37 Above all, this has implications for the copyright law of the United States. There, in employment relationships and in certain cases of commission, the “**works made for hire doctrine**”¹⁰³ assigns the original copyright to the employer or commissioner of the work. In the context of TRIPS this is irrelevant: protection and its duration centres exclusively on the actual person who created the work.

4. Territorial Application (Art. 5 BC)

- 38 Art. 5 BC defines the range of protection. Accordingly, copyright holders enjoy the protection provided by the Berne Convention WTO-wide **with the exception of the country of origin**. In the country of origin, protection is determined according to domestic law, Art. 5.3 BC. Authors who are not nationals of the country from which the work originates enjoy national treatment in that country in accordance with Art. 5.3, sentence 2 BC. The term “country of origin” is defined in Art. 5.4 BC.¹⁰⁴

5. National Treatment (Art. 5 BC)

- 39 The reference to Art. 5.1 BC is, in relation to the obligation of national treatment, of only very limited significance. **Art. 3 TRIPS overshadows Art. 5.1, sentence 1 BC** in this respect.¹⁰⁵ In *US—Section 211 Appropriations Act*, the Appellate Body assumed that the national treatment clauses of the WIPO conventions continue to have an existence independent of that of Art. 3.1 TRIPS.¹⁰⁶ This, however, is not consistent with the wording of Art. 3.1, sentence 1 TRIPS, which subjects the provision to the exceptions in accordance with the Paris Convention, the Berne Convention and IPIC Treaty. From this it follows that Art. 3.1 TRIPS adopts the relevant national treatment provisions in all other respects. Along with footnote 3, they retain importance for the interpretation of the phrase “protection of intellectual property.” To this extent, the change in wording from “enjoy [...] the rights” in Art. 5.1 BC to “treatment no less favourable” in Art. 3.1 TRIPS is less significant than the same change in relation to the Paris Convention.¹⁰⁷ In contrast to most Paris Convention provisions, the Berne

¹⁰³ See *Sterling*, para. 5.07.

¹⁰⁴ For details see *Ricketson & Ginsburg*, paras 6.53 *et seq.*; *Reimer & Ulmer*, GRUR Int. 16 (1967) 12, 431, 438 *et seq.*

¹⁰⁵ In this vein, see *Oman*, Journal of the Copyright Society (1995), 18, 31; *Stoll & Raible* in: *Priß & Berrisch* (eds), 573.

¹⁰⁶ *US—Section 211 Appropriations Act*, WT/DS176/AB/R, para. 239 reads “In addition to Article 2(1) of the Paris Convention (1967), there is also *another* national treatment provision in the TRIPS Agreement.” (Emphasis added); similar *Schack*, para. 881.

¹⁰⁷ See *Brand*, Article 2, para. 32.

Convention is directed towards providing minimum rights. If a Union country treats its nationals less favourably than provided for by Arts 6 *et seq.* BC, foreign authors are not limited to this standard. They have the choice of basing their claims directly on the minimum rights of the Convention instead of domestic law, either in its entirety or only in relation to certain positions. The same is true under Art. 3.1 TRIPS.

“Protection of intellectual property” pursuant to Art. 3.1 TRIPS is in copyright law equivalent to **rights in respect of works** “that their respective laws do now or may hereafter grant to their nationals” as specified in Art. 5.1 BC. The exact scope of this definition is controversial.¹⁰⁸ All that is unequivocally accepted is that Art. 5.1 BC covers the author’s exclusive rights to exploit a work. This includes claims for remuneration which substitute exclusive rights where these are, for practical reasons, not enforceable or deliberately denied. One example is a claim for equitable remuneration in accordance with Art. 11bis.2 BC.¹⁰⁹ Art. 5.1, sentence 1 BC, however, leaves room for future authors’ rights granted by the legislator. However, mandatory provisions in national laws regarding copyright contracts (*e.g.* §§ 32 *et seq.* German Copyright Act)¹¹⁰ do not qualify as “rights in respect of works”. Even the wording of Art. 5.1 BC speaks against the inclusion of such mandatory rules, because they can hardly be brought under the heading “works for which they are protected” (*oeuvres pour lesquelles ils sont protégés*). Historically this can be explained by the fact that mandatory provisions concerning copyright contracts were not yet known in the late 19th century. At the time there was no uniform practice of the Union countries that would need to be taken into consideration as part of the Berne *Acquis*.¹¹¹ 40

If the national law of a Member limits the **collecting societies’ duty to exercise rights** which have been left to the societies for exploitation, to nationals or to nationals and certain privileged groups of foreigners, this constitutes a violation of the principle of national treatment.¹¹² Such rights would then factually not be available to WTO authors. Thus, in the individual case it must be investigated whether the law of the country in 41

¹⁰⁸ Austria OGH, *Sicherheitsanweisung für Flugzeugpassagiere*, GRUR Int. 49 (2000) 5, 447; *Bappert & Wagner*, Art. 4 BC, para. 26; *Katzenberger*, in: FG für Schrickler, 225, 247 *et seq.*; *Nordemann & Vinck & Hertin*, Art. 5 BC, para. 2; *Nordemann*, GRUR Int. 38 (1989) 8–9, 615: “all rights that are acknowledged as the author’s in relation to a certain literary or artistic work on the basis of his role as author” (author’s translation); denying compulsory copyright contract law: *Drexler*, 69; *Hilty & Peukert*, GRUR Int. 51 (2002) 10, 643, 653 *et seq.*; *Masouyé*, Art. 5 BC, para. 6; *Vaver*, GRUR Int. 37 (1988) 3, 191, 206 *et seq.*

¹⁰⁹ *Drexler*, 71 *et seq.*

¹¹⁰ *Urheberrechts*, BGBl. I 1980, 1; as last amended by BGBl. I 2006, 1318.

¹¹¹ *Hilty & Peukert*, GRUR Int. 51 (2002) 10, 643, 654 go into great detail in this regard.

¹¹² Sec: BCP/CE/III/2–III, 12 March 1993, 34; *Gervais*, para. 2.96; *Nordemann & Vinck & Hertin*, Art. 5 BC, para. 2.

which protection is sought can be interpreted in such a manner¹¹³ as to conform to Art. 5.1 BC and Art. 3.1 TRIPS.

- 42 It follows from the wording of Art. 3.1, sentence 1 TRIPS that the **exceptions** to national treatment which the Berne Convention permits prevail under the TRIPS Agreement. These include works of applied art pursuant to Art. 2.7, sentence 2 BC, the restrictions under Art. 6 BC and Art. 7.8 BC—arguably the most important exception to national treatment—and resale rights in accordance with Art. 14*ter*.2 BC. Art. 30.2 lit. b, sentence 2 BC in conjunction with Art. I.6 lit. b of the Appendix is not an exception to be observed within the framework of TRIPS, because Art. 9.1, sentence 1 TRIPS does not refer to Art. 30 BC. None of the exceptions applies to **Member States of the European Community**.¹¹⁴ The absolute obligation of non-discrimination under Art. 6 ECT, which according to the ECJ's *Phil Collins* decision¹¹⁵ also applies to author's rights, demands comprehensive national treatment within the integrated market.

6. Exemption from Formalities (Art. 5.2 BC)

- 43 Art. 5.2, sentence 1 BC, which according to Art. 62.1, sentence 1 TRIPS remains intact as a part of the first section of the second part of TRIPS, stipulates that copyright protection, in contrast to Art. 3 WCT, cannot be made dependent on formalities in the State in which it is sought—clause 2 makes it clear that this applies irrespective of the law in the country of origin. Formalities are formal requirements for the acquisition of copyright protection, such as the obligatory copyright symbol and the “manufacturing clause” which was required in the United States prior to its accession to the Berne Convention.¹¹⁶ Such requirements violate TRIPS. The same is true for Art. 4 of the **Chinese Copyright Law**, which makes copyright protection subject to authorization for publication and distribution. On 10 April 2007, the United States have requested consultations with China in this regard.¹¹⁷ However, the obligation to allow certain remuneration claims of **collecting societies** to be acknowledged, as is the case under the law of some Members, *e.g.* Germany, does not infringe Art. 5.2, sentence 1 BC.¹¹⁸ Otherwise, it would often be impossible to exercise these rights at all. Art. 2.2 BC provides for an exception to Art. 5.2, sentence 1 BC.

¹¹³ As has been correctly suggested for Art. 6.1 German WahrnG; *Rehbinder*, para. 446.

¹¹⁴ Oberlandesgericht Frankfurt, *Puccini II*, GRUR Int. 46 (1997) 12, 1006, 1008; *Fromm & Nordemann-Nordemann*, Vor § 120 German Copyright Act, para. 2; *Gaster*, ZUM 1996, 261, 271.

¹¹⁵ C-92/92 and C-326/92, *Collins/Imtrat*, [1993] E.C.R. I-5145.

¹¹⁶ See: *Baumgarten & Meyer*, GRUR Int. 38 (1989) 8–9, 620, 623 *et seq.*

¹¹⁷ Request for Consultations by the United States, *China—Intellectual Property Rights*, WT/DS362/1.

¹¹⁸ *Nordemann & Vinck & Hertin*, Art. 5 BC, para. 7; *Schack*, para. 1227; *Bappert & Wagner*, Art. 5 BC, para. 19; *Hubmann*, UFITA (Archiv für Urheber- und Medienrecht) 48 (1966), 30 *et seq.* are of a different opinion.

7. No Copyright Conflict of Laws (Art. 5.2 BC)

The principle of national treatment stipulates only that an author is to receive protection no less favourable than that provided to domestic nationals in States other than the country of origin. The law of which jurisdiction this is remains open. Art. 5.2, sentence 2 BC provides in addition that the law of the jurisdiction “where protection is claimed” is to regulate the extent of protection as well as the means of redress afforded to the author. Contrary to the jurisprudence in some WTO Members¹¹⁹ and a strong stream of thought in scholarly literature,¹²⁰ this is not a conflict of laws rule. In principle there is a need for conflict of laws rules in addition to the principle of national treatment¹²¹—the fathers of the Berne Convention initially failed to see this.¹²² This lacuna must be filled, however, by national conflict of laws rules. Art. 5.2, sentence 2 BC is not to be read as a reference to the substantive law of the jurisdiction in which protection is sought, but rather as a **comprehensive reference to the *lex fori*** of the Member in which a copyright claim is being asserted, including its conflict of laws rules.¹²³ This is already apparent from the wording of Art. 5.2 BC which refers to the State “where” and not “for which” protection is being sought. Also the French term “*jouissance de droits*” in the original wording of the provision suggests that. At the revisional conferences, the Union countries also saw the provision purely in this foreign legal context.¹²⁴

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8. Restriction of Protection (Art. 6 BC)

Art. 6 BC provides for an exception to the principle of national treatment. Read together with Art. 9.1, sentence 1 it entitles Members to restrict the protection given to the works of authors who are nationals of another State and do not habitually reside elsewhere if the latter fails “adequately” to protect the works of the former’s authors. Restrictions on protection under the provision need to be notified. **Notice by written declaration** is not to be given to the General Director of WIPO as the wording of Art. 6 BC

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¹¹⁹ *Reichsgericht, Rennvorausagen*, RGZ 144, 75, 76; *Alf; F*, BGHZ 118, 394 (397); *Société Fox-Europa v. Société Le Chant Du Monde*, CdC RIDA 28 (1960), 120; *Arrondissementsrechtbank Leeuwarden*, BIE 1990, 329.

¹²⁰ *Boytha*, UFITA (Archiv für Urheber- und Medienrecht) 85 (1979), 18, 37; *Fawcett & Torremanns*, 499; *Gervais*, para. 2.92; *Siehr*, UFITA (Archiv für Urheber- und Medienrecht) 108 (1988), 12; *Spoendlin*, UFITA (Archiv für Urheber- und Medienrecht) 107 (1988), 15; *Troller*, Rivista di Diritto Industriale 1977, 1126.

¹²¹ Regarding the four possible combinations see *Peinze*, 125.

¹²² *Stewart*, 47.

¹²³ *Pearce v. Ove Arup Partnership Ltd.*, [1999] 1 All E.R. 769, 801; *Bappert & Wagner*, Introduction, para. 13; *v. Bar*, UFITA (Archiv für Urheber- und Medienrecht) 108 (1988), 27, 47; *Ginsburg*, Recueil 273 (1998), 239, 350; *Knörzer*, Das Urheberrecht im deutschen internationalen Privatrecht, S. 36; *Neuhaus*, Rabels Zeitschrift für Ausländisches und Internationales Privatrecht 40 (1976), 191, 193; *Patry*, Am. J. Comp. L. 48 (2000), 384, 407 *et seq.*; *Peinze*, 135; *Ricketson & Ginsburg*, para. 6.72.

¹²⁴ See *Peinze*, 131 *et seq.*

suggests. In the context of TRIPS, Art. 3.1, sentence 3 names the Council for TRIPS as the relevant authority.

- 46 The Members enjoy discretion in interpreting the term “adequate protection”, which is limited only by Arts 7 and 8 TRIPS and the Preamble. In practice the adapted Art. 6 BC is **not as relevant**, as it was in its original context.¹²⁵ When included in the Berne Convention in 1928 the provision was meant to allow Canada to take action against the United States, which, at that time, was not yet a Member of the Berne Convention.¹²⁶ In the context of TRIPS, Art. 6 BC can become significant where non-Members pursue the policy of encouraging their domestic authors to publish their works for the first time on the territory of a Member. Accordingly, these works enjoy copyright protection in accordance with TRIPS, while such States would be at liberty domestically to treat the works as part of the public domain (back-door protection). A corresponding policy was pursued by the former Soviet Union concerning Berne protection of its authors.

9. Minimum Standards of Protection

- 47 Beyond national treatment, foreign authors, in accordance with Art. 5.1 BC and Art. 9.1, sentence 1 TRIPS, also enjoy the “specially granted rights” of the Berne Convention. These special rights are, according to the concept of the Berne Convention, **non-nationals’ rights**: they confer a minimum standard of material protection to authors on the territory of other Members irrespective of whether and how the work is protected under domestic law. These minimum rights do not form a uniform material “WTO copyright law”. In purely domestic cases, authors are limited to the protection which their national law provides.¹²⁷ Treatment of a State’s own nationals which is below those standards therefore remains quite possible. Such an occurrence can be avoided if the Members accept the direct applicability of the Berne Convention, and then adjust their national law to the protection provided by the Berne Convention. Alternatively, they may decree that domestic authors are entitled to those rights which are granted to foreign authors in compliance with the Convention (so-called “Foreign Treatment Clause”).
- 48 In substance, minimum rights apply only to the types of works explicitly mentioned by the Berne Convention (Art. 2.1 and 6, sentence 1).¹²⁸ The minimum rights’ personal scope of application depends on who is the author in terms of the Berne Convention. In terms of territorial applicability, minimum rights are, in accordance with Art. 5.1 and Art. 9.1, sentence 1 TRIPS, valid for all WTO Members, with the exception of the country

¹²⁵ In favour of deleting it is *Buum*, GRUR Ausl. 12 (1963) 7–8, 351, 354; *Drexl*, 151.

¹²⁶ See *De Sanctis*, RIDA 79 (1974), 207.

¹²⁷ *Buck*, 74; *Scholz*, 58.

¹²⁸ *Bappert & Wagner*, Art. 2 BC, para. 22; *Drexl*, 107.

of origin. This means that outside the country of origin the authors of works protected by the Convention cannot be confronted by less favourable regulation in the State in which protection is being sought.

Authors of WTO Members remain unprotected in their home jurisdiction 49 when they publish their work there, and in other WTO Member when their work was first published there. The Berne Convention grants two types of minimum rights: those which provide a comprehensive and exhaustive set of rules for a particular problem (the so-called **rigid system**), and those in which the provisions of the Convention form only a framework, which leaves it up to the Members to flesh out or limit the author's exercise of the rights in question (the so-called **semi-rigid system**).

a) Minimum Term of Protection (Art. 7 BC)

In accordance with Art. 7.1 BC, the minimum term of protection for copy- 50 right works is 50 years *post mortem auctoris* (*p.m.a.*). This time limit has taken the form of a minimum right since the Brussels version.¹²⁹ Some exceptions are regulated in Art. 7.2–4 BC, for example, for cinematographic works (para. 2: 50 years after the work was first made available to the public), anonymous works, provided they remain anonymous (para. 3: 50 years after first publication), as well as photographic works and works of applied art (para. 4: 25 years after their creation).¹³⁰ Art. 7.4 BC also applies to **designs and models**, where a Member protects them via copyright provisions. The shorter term provided for in **Art. 26.3 TRIPS** does not conflict with these rules, because it provides for only an absolute minimum period of protection which is open to more extensive protection.¹³¹

Furthermore, Art. 7.1 BC is **inapplicable** where a country accepts the 51 bearer of the economic risk of the creation of a work to be the author, as is the case in most States with a copyright rather than a *droit d'auteur* tradition.¹³² This follows from the concept of authorship that all the BC provisions are modelled upon.¹³³ According to Art. 7.6 BC, Members may provide a longer period of protection than that provided by Art. 7.1. Art. 7.5, however, determines the beginning of the protection period to fall, in any event, on 1 January of the year following the causal event. The reservation clause of Art. 7.7 BC for Union countries that have not acceded to the Paris version of the Convention is irrelevant within the framework of TRIPS (Art. 9.1, sentence 1 TRIPS). Some Members which had previously

¹²⁹ Included at the Berlin revisional conference of 1908, it was initially placed under the reservation of an acknowledgment through domestic law.

¹³⁰ Here, however, the deviating regulation of Art. 7.4 WCT must be considered; see in this regard *Macdonald & Suthersanen & Garrigues*, 6.

¹³¹ See *Peter*, Article 26, para. 31.

¹³² *Cf.* also *Füller*, Article 12, para. 5.

¹³³ See para. 9 above.

- laid down shorter periods of protection than those provided for under Art. 7 BC, namely Malta and Poland, have in the meantime redressed this deficiency.¹³⁴ However, the Uruguayan copyright law stipulates a period of protection of 40 years *p.m.a.* in violation of Art. 7.1 BC.
- 52 Art. 7 BC is supplemented and extended by means of Art. 12 TRIPS.¹³⁵ This has, first and foremost, the consequence that Art. 7.1 BC applies within the context of TRIPS to legal systems which do not follow a *droit d'auteur* tradition, but rather determine authorship according to the copyright tradition. This equally concerns the exceptions of Art. 7.1 BC for cinematographic and anonymous works. Art. 12 TRIPS now overrides Art. 7.3 BC as regards these works. Depending on the particular case, the relevant term can be longer or shorter than that provided by the Berne Convention.¹³⁶ Signatories to both treaties will possibly need to adjust their domestic law accordingly.
- 53 Art. 7.8 BC, the so-called **“comparison of terms” provision**, regulates the minimum duration of copyright protection where the terms in the country of origin and the country in which protection is sought differ. According to its first clause, the law of the State in which protection is sought applies as the general rule. If a Member lays down a longer period of protection in its domestic law than required under Art. 7.1–4 BC, foreign authors will usually be entitled to rely on this longer term. According to the second clause, this is, however, possible only if such term does not exceed the period of protection in the country of origin. As a result, both terms need to be compared. This comparison is compulsory, however, according to the second clause, *i.e.* it is not applicable when the law of the country of origin explicitly allows for a longer period of protection, as, for example, Art. 38.1, sentence 2 Belgian Copyright Act does. However, where a Member treats foreign authors less favourably as regards the term of protection than the comparison of terms should provide, authors may rely on the comparison of terms under Art. 7.8 BC which directly applies as a minimum right *iure conventionis*.
- 54 Such comparison reflects the principle of material reciprocity.¹³⁷ As an exception to national treatment, the protection granted in the Member in which protection is being sought is made dependent upon the level of protection in the work's country of origin. However, Art. 7.8 BC only limits the national

¹³⁴ For Malta *cf.* Art. 4.2 Copyright Act 2000, available at: http://www.wipo.int/clea/docs_new/pdf/en//mt/mt001en.pdf (last accessed 29 April 2008); for Poland see Arts 36, 89, 95 and 98 Copyright Act. *Cf.* also *Badozski*, GRUR Int. 43 (1994) 6, 465, 468.

¹³⁵ *Cf.* for details *Füller*, Article 12, para. 5.

¹³⁶ *Cf. WIPO*, 47 *et seq.*

¹³⁷ As the only opposition see *Knap*, in: *Herschel & Hubmann* (eds), 231, 237; convincingly against *Knap's* views: *Drexler*, 126; *cf.* also *Ricketson & Ginsburg*, para. 9.53.

treatment obligation. It does not authorize shorter terms of protection than those provided for by paras 1–4.¹³⁸ In the EC, the **Copyright Term Directive**¹³⁹ requires the Member States to apply the comparison of terms only in relation to third States.¹⁴⁰ As a result the international standard term of protection became longer. In 1998 the United States followed the European example and extended most terms of protection by 20 years.

b) Right of Translation (Art. 8 BC)

Art. 8 BC grants authors the exclusive right “of making and of authorizing the translation” of their works. The wording of the provision implies that this right is **unlimited**. Nevertheless, restrictions are conceivable even under the Convention itself, if legitimate user interests so require. There is widespread agreement that Arts 2*bis*.2, 9.2, 10.1, 2 and 10*bis* BC are to be taken into consideration for that purpose.¹⁴¹ In addition to the criteria set out in these provisions, restrictions on copyright including the right of translation within the framework of TRIPS must meet the three-step test which is embodied in Art. 13 TRIPS. Minor exceptions outside this test, i.e. restrictions in connection with religious celebrations, military activities, education and folklore distribution of works are not permitted. This follows, according to Art. 31 VCLT, from the lack of agreement of the Union States on this point, as their extremely heterogeneous practice proves.¹⁴² The Panel in *US—Section 110 (5) Copyright Act*¹⁴³ appeared to be of a different opinion when it relied upon the Brussels General Report of 1948. It failed, however, to substantiate in any further detail its view that the statements made in the Report of *Rapporteur General Plaissant* on Art. 8 BC represent a *communis opinio* of the Union countries.

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In the context of TRIPS, the Members do not have the ability to make a reservation on Art. 8 BC in the Paris version because TRIPS does not refer to Art. 30.2 lit b, sentence 1 BC. The situation is different for the Appendix to the Berne Convention, which is explicitly referred to in Art. 9.1, sentence 1 TRIPS. Art. II of the Appendix allows developing countries to reserve the right to introduce compulsory licences for certain translation rights.

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¹³⁸ *Drexl*, 130 *et seq.*; *Masouyé*, Art. 7 BC, para. 15; *Reimer & Ulmer*, GRUR Int. 16 (1967) 12, 431, 441 *et seq.*; of a differing opinion is *Knap*, in: *Herschel & Hubmann* (eds), 231, 237.

¹³⁹ Art. 1.1 Copyright Term Directive 93/98/EEC of 24 November 1993, OJ L 290/9; note the change to the period of protection for related rights through Art. 11.2 of the Council Directive 2001/29/EC of 22 June 2001 on the Harmonization of certain Aspects of Copyright and Related Rights in the Information Society, OJ 2001 L 167/10.

¹⁴⁰ *Cf.* Art. 7.1 Copyright Term Directive.

¹⁴¹ *Drexl*, 114; *Reimer & Ulmer*, GRUR Int. 16 (1967) 12, 431, 441 *et seq.*

¹⁴² See *Nordemann & Vinck & Hertin*, Art. 8 BC, para. 3.

¹⁴³ *US—Section 110(5) Copyright Act*, WT/DS160/R, paras 6.47–55; likewise *Baum*, GRUR Ausl. 12 (1963) 7–8, 351, 356 *et seq.*; and with regard to TRIPS *Gervais*, EIPR 26 (2004) 2, 75, 79.

c) **Reproduction Right (Art. 9 BC)**

57 Since the 1967 Stockholm Revision authors' right to allow the reproduction of their works—regardless of the type and form—has been fully acknowledged in Art. 9 BC.¹⁴⁴ The reproduction right is drafted as an exclusive right belonging to an author, but not a limitless one. According to Art. 9.2 BC, Members can in **special cases** grant exceptions “provided that such reproduction does not conflict with a **normal exploitation of the work** and does not unreasonably prejudice the legitimate **interests of the author**”. This three-step test is, in turn, a minimum right.¹⁴⁵ It may be claimed by the author if domestic law permits broader exceptions to the reproduction right. Within the framework of TRIPS, however, Art. 9.2 RBC is **overridden by Art. 13 TRIPS**. Indeed, Art. 13 TRIPS was modelled on Art. 9.2 BC. Only regulations which comply with the three-step test can justify an exception to the right of reproduction. The test is likely to lead to a stronger economic orientation, since the terms “normal exploitation” and “legitimate interests” in Art. 13 TRIPS are more open towards a trade-related understanding than those of Art. 9.2 BC.¹⁴⁶

d) **Public Performance Right (Art. 11 BC)**

58 Art. 11 BC grants the authors of dramatic, dramatico-musical and musical works the right to allow the public performance or communication to the public of their works. Art. 11.1 BC relates to the work itself, whereas Art. 11.2 BC extends this authority to translations. The performance right is an unlimited minimum right. However, Arts 10*bis* and 11*bis*.2 BC have to be taken into consideration as limitations resulting from other provisions of the BC in the context of the TRIPS Agreement, just like its own Art. 13. As in the context of Art. 8 BC, additional minor exceptions for the benefit of the general public are not admissible.¹⁴⁷ The **duty to deal which collecting societies** are subject to in some Members, for example under § 11.1 German WahrnG,¹⁴⁸ does not violate Arts 11, 11*ter* and 14 BC,¹⁴⁹ even where it benefits non-nationals. To the extent that this duty to deal may affect authors' loss of moral rights, this is irrelevant in the context of TRIPS, which does not protect authors' moral rights in accordance with Art. 9.1, sentence 2 TRIPS. Furthermore, by transferring their rights to collecting societies, authors are assumed to have made use of them.

¹⁴⁴ Regarding their partial acknowledgement in previous versions note *Baum*, GRUR Ausl 12 (1963) 7–8, 351, 356; *Ricketson & Ginsburg*, paras 11.01 *et seq.*

¹⁴⁵ See *Drexl*, 115; *Liechti*, 377, 384.

¹⁴⁶ *Brennan*, Intellectual Property Quarterly 2 (2002), 212, 224 is critical in this regard.

¹⁴⁷ *Drexl*, 117; different *Ricketson & Ginsburg*, paras 12.11, 13.79.

¹⁴⁸ *Urheberrechtswahrnehmungsgesetz*, BGBl. I 1965, 1294; as last amended by BGBl. I, 2513.

¹⁴⁹ *Schack*, para. 1227; *Hubmann*, UFITA (Archiv für Urheber- und Medienrecht) 48 (1966), 30, 35 *et seq.* is of a different opinion; *Mentha*, UFITA (Archiv für Urheber- und Medienrecht) 45 (1965), 66.

e) Broadcasting Right (Art. 11bis BC)

In accordance with Art. 11bis BC, authors enjoy the exclusive right with regard to their works being communicated to the public by radio or other wireless means (No. 1), by re-broadcasting such communications by wire or wireless by a different company (No. 2) and by transmission via loudspeaker or analogous instrument (No. 3). Members may, pursuant to Art. 11.2 BC, impose additional conditions on the exercise of the broadcasting right. These include compulsory licences and statutory restrictions.¹⁵⁰ The authority to regulate the exercise of broadcasting rights is limited by the authors' moral rights and claims for equitable remuneration (Art. 11bis.2, sentence 2 BC). 59

In the context of TRIPS this wording is to be read restrictively; due to the exclusion of moral rights from the scope of TRIPS (Art. 9.1, sentence 2), the **limitation of authors' moral rights is not applicable**.¹⁵¹ Hence, it is only authors' right to equitable remuneration which restricts the Members' regulatory autonomy in respect of broadcasting rights. The Panel in *US—Section 110 (5) Copyright Act*¹⁵² made it clear that Art. 11bis.2 BC concerns only situations in which some sort of compensation was paid. If the national regulation, as was the case with Sec. 110 (5) US Copyright Act, does not provide for any remuneration, such provisions need to be tested under Art. 13 TRIPS alone. This view is based on an incomplete assessment of *General Rapporteur Plaisant's* statement at the 1948 Brussels Revisional Conference. Had the Panel taken note of *Plaisant's* entire statement on the relationship between exceptions without a compensation clause and Art. 11bis.2 BC,¹⁵³ as was indicated by Australia's third party submission, it would have recognized that there was general agreement between the Union countries that these situations should equally fall under para. 2. Such agreement is to be taken into account in the context of TRIPS as part of the Berne *Acquis*. A violation of Art. 11bis.2 BC is therefore, *inter alia*, incorporated in Art. 24.2 of the Polish Copyright Law.¹⁵⁴ 60

In contrast to the Panel,¹⁵⁵ the Union States were in no way in agreement on the permissibility of minor exceptions to Art. 11bis.1 BC. The clause "not in any circumstances"¹⁵⁶ itself suggests that such exceptions are not admissible. Thus, in relation to Art. 11 BC, minor exceptions do not belong to the Berne *Acquis*. As a consequence, each exception to the broadcasting 61

¹⁵⁰ *Drexler*, 118; *Liechti*, 377, 379 *et seq.*; *Masouyé*, Art. 11bis BC, para. 15.

¹⁵¹ For more detail, see para. 98 below.

¹⁵² *US—Section 110 (5) Copyright Act*, WT/DS160/R, paras 6.47–6.55.

¹⁵³ Reprinted in *WIPO*, Berne Convention—1886 to 1986, Bern, 1986, 181; analyzed by *Brennan*, *Intellectual Property Quarterly* 2 (2002), 212, 221 *et seq.*

¹⁵⁴ In this regard, *Badowski*, GRUR Int. 43 (1994) 6, 465, 468 is critical.

¹⁵⁵ *US—Section 110 (5) Copyright Act*, WT/DS160/R, para. 6.91.

¹⁵⁶ Emphasis added.

right needs to meet the conditions of both Art. 11*bis*.2 BC and Art. 13 TRIPS.

- 62 Art. 11*bis*.3 BC limits the ability of authorized persons under Art. 11*bis*.1 BC to make recordings. In substance, it is therefore a reproduction entitlement which supplements broadcasting rights. In principle, only **ephemeral recordings** of the work, *i.e.* those of short duration, are permitted. Longer storage can be permitted only for documentary purposes in official archives.

f) Public Recitation Right (Art. 11*ter* BC)

- 63 Since Art. 11*ter* BC was included during the Brussels Revision, authors of literary works have the unlimited minimum right to allow the public recitation of their works (para. 1), or of translations thereof (para. 2), as well as the communication to the public of such recitations. The recitation right is modelled on the performance right in Art. 11 BC. A performance differs from a recitation in that it is presented on a stage.¹⁵⁷ The wording of the recitation right suggests that it does not, unlike the performance right, include the right to communicate the copyright work. This was however an editorial error, as complete harmonization with the performance right was intended.¹⁵⁸ The minor exceptions arguments made in the context of Art. 11 BC thus equally apply to Art. 11*ter* BC.¹⁵⁹

g) Adaptation Right (Art. 12 BC)

- 64 Art. 12 BC grants an author the unlimited minimum right to allow **adaptations, performances, arrangements and other alterations** of his work. How an adaptation is to be differentiated from the free use of the work is not stated in the Convention. The resolution of this issue is left to the Member in which protection is being sought.¹⁶⁰ Limitations on the author's rights under Art. 12 BC are permissible only within the framework of Arts 2*bis*, 9.2, 10 and 10*bis* BC. TRIPS need not respect the moral rights limitations applicable under Art. 6*bis* BC (Art. 9.1, sentence 2 TRIPS).¹⁶¹ To this extent, the minimum protection of the author provided by TRIPS follows that provided by the Berne Convention.

h) Cinematographic Rights (Art. 14 BC)

- 65 In accordance with Art. 14 BC, authors have the exclusive right to adapt and reproduce their cinematographic works (para. 1 lit. i: film right), to replace

¹⁵⁷ *Drexler*, 119; *Nordemann & Vinck & Hertin*, Art. 11 BC, para. 1.

¹⁵⁸ *Nordemann & Vinck & Hertin*, Art. 11*ter* BC, para. 1.

¹⁵⁹ *Cf.* para. 58 above.

¹⁶⁰ *Bappert & Wagner*, Art. 12, BC, para. 2; *Drexler*, 119; *Nordemann & Vinck & Hertin*, Art. 12 BC, para. 1.

¹⁶¹ *Drexler*, 119; *Nordemann & Vinck & Hertin*, Art. 12 BC, para. 2.

them on the market, and show or communicate to the public adapted or reproduced versions of them (para. 1 lit. ii: exhibition right). Art. 14.2 BC makes it clear that adaptations of cinematographic works which are based on an earlier original require the permission of both the creator of the film and the author of the original work. The film right is guaranteed without limitations. **Compulsory licences** based on Art. 13.1 BC **cannot be implemented** (para. 3). The film right (Art. 14.1 lit. i BC) and the right further to adapt cinematographic works (Art. 14.2 BC) are subcategories of the adaptation right embodied in Art. 12 BC. The exhibition right in Art. 14.1 lit. ii BC belongs to the recitation and performance rights under Arts 11 and 11^{ter} BC. Accordingly, the same **restrictions** apply which are relevant to the adaptation and recitation right. In addition, **minor exceptions are not** permitted. In the context of TRIPS, restrictions must in addition meet the test of Art. 13 TRIPS. This distinguishes the film right from the right of exhibition and the right of adaptation under Art. 14 BC. Its limits under Art. 9.2 BC are overridden by Art. 13 TRIPS, which makes it easier to restrict the film right in the WTO context.¹⁶² If a Member seeks to impose restrictions on the adaptation or the exhibition right, it must also observe the requirements of one of Arts 2^{bis}, 10, 10^{bis} and 11^{bis}.2, 3 BC. Whether the Uruguay Round negotiators were aware of these peculiarities remains unclear.

i) Protection of Cinematographic Works (Art. 14^{bis} BC)

While Art. 14 BC governs authors' rights in respect of the filming and exhibiting of their original works, Art. 14^{bis} BC is concerned with the rights in the film itself. In this regard, the provision does **not** set out **an independent minimum right**. Rather it extends the existing minimum rights to authors of films. Because there was no common ground among the Union countries as to who should be considered the author of a film, Art. 14^{bis}.2 lit. a BC is the only provision which explicitly refers this question to the State in which protection is sought.¹⁶³

66

10. Procedural Minimum Rights

a) Presumption of Authorship (Art. 15 BC)

The refutable presumption of authorship pursuant to Art. 15 BC establishes a minimum right.¹⁶⁴ It serves to **ease the burden of proof** in infringement proceedings. Accordingly, the author (Art. 15.1 BC) or the maker of a cinematographic work (Art. 15.2 BC) is the person who appears in name or pseudonym to be adequately identifiable on the work. It is not necessary

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¹⁶² For an overview, see *Nordemann & Vinck & Hertin*, Art. 14/14^{bis} BC, para. 7.

¹⁶³ *Masouyé*, Art. 14 BC, para. 3; *Nordemann & Vinck & Hertin*, Art. 14/14^{bis} BC, para. 2.

¹⁶⁴ *Drexler*, 122; *Nordemann & Vinck & Hertin*, Art. 15 BC, para. 1 is similar.

for the affixation to take place at the time of first publication.¹⁶⁵ If authors seek to remain anonymous, their rights may be exercised by third parties. This can be the publisher (Art. 15.3 BC), if indicated on the work, or an officially designated authority (Art. 15.4 lit. a BC), if such designation has **been notified appropriately to the Director General/Council for TRIPS**. So far, only **India** has made such a notification. Because it was already deposited under the original Berne Convention, it is valid under TRIPS as part of the Berne *Acquis*. New notifications are to be placed before the Council for TRIPS (Art. 3.1, sentence 1 TRIPS). Art. 15.4 BC is particularly relevant for the protection of folklore in developing countries, the authors of which often do not know how to protect their works.

b) Right of Seizure (Art. 16 BC)

- 68 Art. 16 BC entitles BC/TRIPS authors to apply for seizure of copies of their works which were made without their authorization outside the country of origin. This includes copies of works made in a country in which the work is not, or is no longer, protected. This process involves the **temporary sequestration** of these copies via an interlocutory injunction, a writ of attachment or a similar ruling. The provision does not address the question of final execution. The Members are merely required to provide for the possibility of a temporary seizure. The corresponding proceedings and the requirements for the author's application are regulated by domestic law. Art. 16 BC is **not directly applicable**. However, if a Member does not provide for seizure through interlocutory injunction at all it will risk the initiation of dispute settlement proceedings. Art. 16 BC is **supplemented by Art. 51 TRIPS**, which lays down requirements for the author's application for seizure to be implemented by the Members ("valid grounds" for suspecting the importation of counterfeit trade-marked or pirated copyright goods).

11. Limitations on Copyright Law

- 69 In addition to the aforementioned inherent limitations under Arts. 2*bis*.2, 9.2 and 11*bis*.2, 3 BC, the Berne Convention provided for further limitations which apply to all minimum rights in Arts 10, 10*bis* and 13 BC. These also represent minimum rights as they restrict the Members' freedom to curtail author's rights.
- 70 Due to the Members' obligations under Art. 2.2 TRIPS, Art. 13 TRIPS does not also limit existing minimum rights, but rather embodies an additional control on the limitations allowed by the Berne Convention.¹⁶⁶ The Panel

¹⁶⁵ Cf. *Bundesgerichtshof, Bora Bora*, GRUR Int. 36 (1987) 1, 40.

¹⁶⁶ See in more detail *Füller*, Article 13, para. 6; and *Goldstein*, 295; *Senfileben*, GRUR Int.

in *US—Section 110 (5) Copyright Act* is misleading in this respect.¹⁶⁷ Art. 13 is to be applied as an **additional filter** for those limitations which already follow from the adapted provisions of the Berne Convention.

a) Free Use (Arts 10, 10bis BC)

Arts 10 and 10bis BC regulate the free use of copyright works. Art. 10.1 BC permits **citations**, which, since the Paris version, need no longer be “short”,¹⁶⁸ and press summaries which relate to a work which has already been made public, provided they (1) are in accordance with “fair practice”, (2) are not excessive in relation to their purpose and (3) mention their source (Art. 10.3 BC). Here, the Preamble to and General Provisions of TRIPS could have great influence on the interpretation of “fair practice” and the “extent justified”, which could be given a stronger trade-related flavour.¹⁶⁹ Furthermore, Art. 13 TRIPS urges a narrower interpretation of the term “fair practice”.¹⁷⁰ 71

Art. 10.2 BC leaves Members considerable leeway in regulating the use of works for the purposes of teaching, provided the use conforms to “fair practice”. This proviso can be applied in favour of all schools and universities, whether they are publicly or privately funded.¹⁷¹ Again, it is necessary to indicate the source (Art. 10.3 BC). Although the latter requirement contains a moral rights aspect, it is not excluded by Art. 9.1, sentence 2 TRIPS because it does not derive exclusively from Art. 6bis BC.¹⁷² 72

Art. 10bis.1 BC—not a minimum right—leaves it to the Members to admit the “reproduction by the press, the broadcasting or the communication to the public by wire of articles published in newspapers or periodicals on current economic, political or religious topics, and of broadcast works of the same character, in cases in which the reproduction, broadcasting or such communication thereof is not expressly reserved.” Again, a proper indication of the source is a mandatory requirement. Art. 10bis.2 BC entitles Members to determine the conditions under which reports about current events are made available to the public in visual or audio form via radio or wire communication. The “extent justified by the purpose” is to be adhered to. 73

53 (2004) 3, 200, 203; likewise *Katzenberger*, in: *Beier & Schricker* (eds), 59, 90; *Macdonald & Suthersanen & Garrigues*, 17; *Sterling*, para. 10.36 are of a different opinion.

¹⁶⁷ *US—Section 110 (5) Copyright Act*, WT/DS160/R, paras 6.71 *et seq.*; *Correa*, IIC 25 (1994) 4, 543, 549 affirms this view.

¹⁶⁸ *Netanel*, VA. J. Int'l L. 37 (1997), 441, 484 *et seq.*; *Ricketson & Ginsburg*, para. 13.42; the Brussels version of 1948 was still different in this regard.

¹⁶⁹ *Cf.* in this respect the example given by *Netanel*, VA. J. Int'l L. 37 (1997), 441, 480 *et seq.*

¹⁷⁰ *Cf. Fuller*, Article 13, para. 6.

¹⁷¹ *Ricketson & Ginsburg*, para. 13.45; *Nordemann & Vinck & Hertin*, Art. 10 BC, para. 2.

¹⁷² For more detail, see para. 99 below.

b) Sound Recording Rights (Art. 13 BC)

74 Art. 13 BC does not regulate a right to exploitation, but rather limits the Members' autonomy to permit the recording of musical works onto sound recording media without the author's consent. According to the wording of the provisions it does not matter whether the recording is intended to be played publicly or privately.¹⁷³ Art. 13 therefore accepts restrictions on authors' reproduction rights under Art. 9.1, 3 BC. This affects not only the author of the music, but also the author of any text accompanying it. This is, however, the case only if the author of the text has at least once previously given his or her consent to the recording of the combined work (para. 1). Whether the author of the music has authorized the recording is irrelevant for Art. 13.¹⁷⁴ Thus, in effect, Art. 13.1 BC permits the implementation of **compulsory licences**.¹⁷⁵ However, the grant of such licences does not affect the author's claim to equitable remuneration. The claim for seizure of sound recordings outside the country of origin pursuant to Art. 13.3 BC is *lex specialis* to Art. 16 BC. However, it does not put the author in any better position than under Art. 16 BC.

12. *Droit de Suite* (Art. 14ter BC)

75 Art. 14ter BC concerns the authors' *droit de suite* (right to follow up or *Folgerecht*), which concerns whether and to what extent authors are entitled to an interest in the revenue generated by the resale of their works. In the international art trade, this is a particularly important issue. Although the *droit de suite* is defined as a minimum right by Art. 14ter.1 BC, it is in fact no such right:¹⁷⁶ para. 2 gives protection under the proviso that the domestic law of the country in which protection is sought has admitted such protection and only in the concrete form given to it under that domestic law. Furthermore, para. 2 presupposes the presence of material reciprocity: Members must accord *droit de suite* to foreign authors only if their home country (and not the country of origin)¹⁷⁷ acknowledges one, at least in principle.¹⁷⁸ This is an exception to the principle of national treatment. Whether or not the country of which the author is a national has joined the WTO is irrelevant to Art. 14ter BC.¹⁷⁹ Of future significance to

¹⁷³ Of a differing opinion, without, however, stating reasons are *Bappert & Wagner*, Art. 12 BC, para. 4.

¹⁷⁴ See *Nordemann & Vinck & Hertin*, Art. 13 BC, para. 3; *Ricketson & Ginsburg*, para. 13.63 is different.

¹⁷⁵ For the term "compulsory licensing" cf. *Brand & Lehmann*, Article 40, para. 16; *Drexel*, 120 is essentially similar; *Liechti*, 377; *Masouyé*, Art. 13 BC, para. 6.

¹⁷⁶ *Drexel*, 142 *et seq.*; *Ulmer* is of the view represented here, GRUR 76 (1974) 9, 593, 599; *Waller*, *Zeitschrift für Rechtsvergleichung* 1973, 110, 117 is of a different opinion.

¹⁷⁷ *Ricketson & Ginsburg*, para. 11.62; *Stewart*, para. 5.53 is misleading in this aspect.

¹⁷⁸ *Ulmer*, GRUR 76 (1974) 9, 593, 600 goes even further in this direction.

¹⁷⁹ See, independently of the WTO context *Drexel*, 146.

the *droit de suite* may be recital No. 7 to the **Resale Directive**, which urges Member States to make Art. 14^{ter} BC mandatory.¹⁸⁰

13. Reservations in the Public Interest (Art. 17 BC)

Art. 17 BC recognizes Members' authority to regulate the exercise of minimum rights under the Convention by provisions of public law. These are first and foremost administrative rules, but also tax and competition law regulations. Except in time of war,¹⁸¹ these provisions may not lead to (partial) expropriation. In particular, Art. 17 BC does not authorize the grant of compulsory licences to an extent which exceeds that provided for in Art. 9.2, 11^{bis}.2, 13.1 BC.¹⁸² 76

14. Retroactive Application—Temporal Scope (Art. 18 BC)

The temporal scope of application of copyright protection is regulated by the ambiguously formulated Art. 18 BC as *lex specialis* to **Art. 70.2–4 TRIPS**.¹⁸³ The provision not only covers the adapted rules of the Convention, but also the **entire copyright regime of the TRIPS Agreement**. Through reference in Art. 70.2, sentence 2 TRIPS, the provisions of Art. 18 BC apply by analogy also to **related rights**, to the extent that they are regulated by Art. 14 TRIPS. In the context of the Berne Convention, Art. 18.1–3 BC is almost meaningless today, due to the elapse of time.¹⁸⁴ The remaining scope of application relates to cases of the accession to the Convention of new Union countries (Art. 18.4). Within the framework of TRIPS, the situation is different. Art. 18 BC attaches to the work and not to the person of the author. It principally supposes that works created before and after the entry into force of TRIPS are protected by that Agreement. This principle is subject to exceptions for works which stem from before its entry into force. If a work which is in principle capable of being protected has, at this point, fallen into the public domain in the country of origin through the expiry of the term of protection, it can no longer be protected (Art. 18.1 BC). The same applies to the comparison of terms under Art. 18.2 BC, if protection has not yet expired in the country of origin but has done so in the country in which protection is being sought. Pursuant to Art. 18.3 BC, the application of these rules may be subjected to uniform WTO-wide implementation rules by the Members. If it does not make use of this authority, 77

¹⁸⁰ Directive 2001/84/EC of the European Parliament and the Council of 27 September 2001 on the Resale Right for the Benefit of the Author of an Original Work of Art (Resale Directive), OJ 2001 L 272/32; see also *Kützenberger*, GRUR Int. 53 (2004) 1, 20.

¹⁸¹ *Nordemann & Vinck & Hertin*, Art. 17 BC, para. 3; in general see *Ricketson & Ginsburg*, paras 13.88 *et seq.*

¹⁸² *Sterling*, para. 18.15.

¹⁸³ *Cf.* also *Elfring*, Article 70, para. 7.

¹⁸⁴ Regarding the provisions' earlier significance see *Ricketson & Ginsburg*, paras 6.112 *et seq.*; *Bappert & Wagner*, Before Art. 18 BC, para. 1.

each Member is to decide for itself the manner in which Art. 18 BC is to be applied. Finally, Art. 18.4 BC extends the applicability of the preceding paragraphs to newly acceded Members. In view of a much desired accession to the WTO, **Russian law** was brought into compliance with Art. 18 BC in 2000.¹⁸⁵ Also the **United States**, which did not grant retroactive protection during its membership of the Berne Convention between 1989 until 1995,¹⁸⁶ changed its law after TRIPS entered into force.¹⁸⁷

15. Enhanced Protection (Art. 19 BC)

- 78 Art. 19 BC recognizes the minimum rights character of the Berne provisions and entitles Members to grant more extensive protection. The provision parallels Art. 1.1, sentence 2 TRIPS. In the context of TRIPS, it is thus of a purely **declaratory nature**.

16. Special Agreements (Art. 20 BC)

- 79 TRIPS is itself a special agreement in terms of Art. 20 BC. By means of a reference to Art. 20 BC, the TRIPS negotiators sought to ensure that the Members retained the authority to conclude copyright agreements outside the WTO system. Such agreements are, however, not permitted to run counter to the Berne provisions (Art. 20, sentence 1 BC). In the light of Art. 2.2 TRIPS, the adapted Art. 20, sentence 2 BC has a special meaning. While Art. 20, sentence 2 BC, read together with Art. 9.1, sentence 1 TRIPS, generally states that existing copyright agreements between Members are to be interpreted in conformity with TRIPS, it also means that the TRIPS Agreement must be interpreted in a manner that does not run counter to the Berne Convention.¹⁸⁸

17. Special Provisions for Developing Countries (Art. 21 BC and Appendix)

- 80 Art. 21 BC and the Appendix were adapted into the TRIPS Agreement in order to avoid possible conflicts between TRIPS and the Berne Convention.¹⁸⁹ If the Appendix had not been adapted, a Union country which made use of the exceptions to intellectual property protection set out in the Appendix while being a WTO Member might have violated TRIPS, because no such exceptions are recognized in the genuine TRIPS provisions. Arts 7 and 13 TRIPS would have been of no use in this context. **Art. 21 BC** in its adapted form is a transitional provision which enables develop-

¹⁸⁵ See *Sevillano*, GRUR Int. 52 (2003) 5, 404, 408 *et seq.*

¹⁸⁶ *Baumgarten & Meyer*, GRUR Int. 38 (1989) 8–9, 620 *et seq.*; *Nimmer*, L. & Contemp. Probs 55 (1992), 211, 228 *et seq.*

¹⁸⁷ See in this respect *Long*, American Intellectual Property Law Association Quarterly 22 (1994), 531, 571 *et seq.*; *Woodward*, Tex. Int'l L.J. 31 (1996), 269, 282 *et seq.*

¹⁸⁸ Similar *Gervais*, para. 2.89.

¹⁸⁹ Also *ibid.*; *Reinbothe & v.Lewinski*, WIPO Treaties, Art. 1 WCT, para. 18.

ing countries to assert the rights regulated in the Appendix. As a result of Art. 72 TRIPS, Members cannot make a reservation in terms of Art. 21.2 BC—irrespective of the fact that Art. 28.1 lit. b BC, which is referred to there, was not adapted by TRIPS.

The **Appendix** provides for **compulsory licences** in relation to the translation and reproduction right specified in Arts 8 and 9 BC. By this means, disadvantaged Members are to be enabled to access and use foreign literature under acceptable conditions. Art. I.1 of the Appendix entitles only Members which are recognized by the United Nations General Assembly as developing countries and which have notified their intent to act under the Appendix to the General Secretary of WIPO. Notification is a necessary requirement for authorizing compulsory licences under Arts II and III of the Appendix. Reservations under Art. 30.2 lit. a BC as referred to in Arts I and V of the Appendix are not permissible within the framework of TRIPS because Art. 30.2 lit. a BC is not referred to in Art. 9 TRIPS. 81

Art. I.2 of the Appendix contains a **time limit** for reservations. They expire after a maximum of ten years calculated from their notification. With the entry into force of the Paris version on 10 October 1974, the 10 year time limits began to run during which notified reservations cease to exist after the expiry of the said time limit. Notification made after that time will last for 10 years. They are renewable if a declaration is notified no earlier than 15 months and no later than 3 months before the expiry of the current period. The recurring 10 year periods which started with the 1974–1984 period continue to apply within TRIPS and facilitate the assertion of rights under both instruments.¹⁹⁰ The current period will expire on 9 October 2014. **Panama**, the only State which has so far deposited such notification,¹⁹¹ has not yet applied for a possible extension. 82

Because the reference in Art. 9.1 includes the Berne *Acquis*, notifications which Members deposited as Union countries prior to accession to the WTO are also valid within the framework of TRIPS. In practice, there has not yet been such a case.¹⁹² 83

The procedure for granting a licence in accordance with Arts II, III of the Appendix is extremely complex. This may be the reason why in practice such a licence has never been issued.¹⁹³ Licences which are issued on the basis of such procedures only restrict, as follows from the wording of Arts II.1 84

¹⁹⁰ Declaration of the Council for TRIPS, IP/C/14, 5 October 1998.

¹⁹¹ IP/N/5/PAN/2, 29 April 1998.

¹⁹² The declarations of India, Mexico, Nigeria, Surinam and Tunisia had already expired before TRIPS entered into force; see in this regard *Uchtenhagen*, in: Schweizerische Festschrift 100 Jahre Revidierte Berner Übereinkunft, 1986, 115, 127.

¹⁹³ For a detailed outline of the procedures for applications for licences, see *Ricketson & Ginsburg*, paras 14.92 *et seq.*

and III.1 of the Appendix, the minimum rights of Arts 8 and 9 BC. The national treatment obligation under Art. 3.1 TRIPS and Art. 5 BC remains unaffected. Nevertheless, foreign authors are likely to be affected more frequently than domestic ones.

VII. Exclusion of Authors' Moral Rights (Art. 9.1, Sentence 2)

- 85 Art. 9.1, sentence 2 limits the reference which sentence 1 makes to the Berne Convention. It removes the authors' moral rights (*droit moral*, *Urheberpersönlichkeitsrecht*) contained in Art. 6*bis* BC from the rights and obligations under the TRIPS Agreement. The exclusion of Members' **rights** does not mean that a Member violates WTO law if it provides for the protection of authors' moral rights.¹⁹⁴ This can be concluded from the reservation of Art. 2.2 TRIPS. Rather, the exclusion of Members' rights ensures that Members cannot use the discretionary authority that is granted by Art. 6*bis* BC as a means of enforcing WTO law. In addition, Members are not authorized to enact any laws concerning the enforcement of these rights on the basis of Arts 41 *et seq.* TRIPS. The exclusion of obligations exempts Members from protecting authors' moral rights. Furthermore, an infringement of authors' moral rights can thus not be brought before a dispute settlement panel, before the Council for TRIPS (Art. 68 TRIPS) or be subject to any other procedure regarding the enforcement of intellectual property rights within the WTO context.
- 86 Art. 9.1, sentence 2 TRIPS goes even further. While Art. 6 TRIPS excludes exhaustion only for the "purposes of dispute settlement", Art. 9.1, sentence 2 imposes absolutely no "rights or obligations" on the WTO Members "under this Agreement". Art. 9.1, sentence 2 is *lex specialis* to Art. 4 because it prevents Members which have not signed up to the Berne Convention or the WIPO Copyright Treaty from being forced to grant moral rights to authors on the basis of their MFN obligation.¹⁹⁵ On the other hand, nationals of such Members cannot rely on **national treatment** in respect of the rights derived from Art. 6*bis* BC before other Members which are signatories to both Conventions.¹⁹⁶ Finally, any notion of moral rights which Art. 6*bis* BC lends to the minimum rights of the Convention is to remain out of consideration when interpreting and applying the adapted provisions of the Berne Convention.¹⁹⁷
- 87 Certain developing and newly industrialized countries, such as **Brazil**, have restricted the moral rights of authors of computer programs. In the light of

¹⁹⁴ Scholz, 89 is concerned about this.

¹⁹⁵ Gervais, para. 2.90, fn. 12 is of a different view.

¹⁹⁶ Sterling, para. 22.03.

¹⁹⁷ Cf. in this respect also Geller, EIPR 12 (1990) 11, 423, 426.

Art. 9.1, sentence 2 TRIPS this is unobjectionable. However, in individual cases, a violation of the WIPO Copyright Treaty may exist.¹⁹⁸

A similar clause can be found in the **NAFTA**. Annex 1701.3 No. 2 NAFTA 88 provides: “This agreement confers no rights and imposes no obligations on the United States with respect to Art. 6*bis* BC or rights derived from this Article.”¹⁹⁹ That way, the United States reconciles its conflict of obligations under NAFTA and the Berne Convention.

1. Content of Art. 6*bis* BC

Art. 6*bis* BC is a minimum right in the semi-rigid system. It draws from 89 the Continental European copyright tradition with its typical splitting of copyright powers into moral and economic rights. Without mentioning the term “*droit moral*”, the provision regulates two aspects of the protection of the personality of the author: First, the right to claim authorship (**right to be acknowledged as author**; *droit de paternité*). This includes the right to prevent third parties from claiming authorship of the work, but not however the right **not** to be held to be the author of another’s works (*droit de non-paternité*).²⁰⁰ Secondly, Art. 6*bis* BC protects the author’s right to object to any impending²⁰¹ “distortion, mutilation, or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to honor or reputation” (**right to integrity of the work**). Accordingly, with the exception of destruction,²⁰² authors can defend themselves against every alteration of a protected work arising from its exploitation in physical form, its re-interpretation/alteration or its public display. The right to determine the **type and manner of publication** was **excluded**, although such a right was envisaged in the proposals of the Italian and Belgian delegations at the revisional conference in Rome.²⁰³ As a result of resistance, especially on the part of the United Kingdom, it was not possible to reach a consensus on the proper wording of this right. A later inclusion was thwarted in the face of opposition from the United Kingdom, which resisted every expansion of the *droit moral* on the ground that it could deter the United States from acceding to the Convention.²⁰⁴ It is sometimes supposed that the author’s right of publication follows from

¹⁹⁸ See: *Watal*, 212.

¹⁹⁹ *Hayhurst*, Copyright World 29 (1993), 29; *Mersmann*, 225 *et seq.*

²⁰⁰ *Ricketson & Ginsburg*, paras 10.20 *et seq.*; *Scholz*, 65; *Masouyé*, Art. 6*bis* BC, para. 3 is of a different opinion.

²⁰¹ According to the clear wording “would be prejudicial”, these infringements do not actually have to have occurred. See *Drexler*, 112; *Masouyé*, Art. 6*bis* BC, para. 4; *Nordemann & Vinck & Hertin*, Art. 6*bis* BC, para. 4.

²⁰² It is assumed that this does not affect moral rights; *cf.* *Ricketson & Ginsburg*, para. 10.26.

²⁰³ *Actes de Rome* (1928), 173; *Strömholm*, Le droit moral de l’auteur, Vol. 1, 1966, 382; see: *Kellerhals*, GRUR Int. 50 (2001) 5, 438, 445.

²⁰⁴ *Actes de Bruxelles* (1948), 195.

an overall view of the minimum rights granted by the Berne Convention.²⁰⁵ Such a right of publication would, however, have an economic and not a moral right character.

- 90 In accordance with Art. 6bis.2, sentence 1 BC, the claim to integrity of the work and the right to be named continue to exist after the death of the author for at least as long as the economic rights; consequently Art. 7 BC, including the comparison of terms, applies to them. As a result, an “eternal” *droit moral*, for example, as under **French law**²⁰⁶ is also in conformity with the Convention. On the other hand, Art. 6bis.2, sentence 2 BC entitles Union countries to let moral rights expire with the death of the author if the law did not acknowledge rights in terms of Art. 6bis.1 BC at the time the Paris version was implemented—a concession to the common law States.²⁰⁷
- 91 Art. 6bis BC leaves it to the Union countries to establish their copyright law either as dualistic law (dualist theory) or unitary law (monist theory). This includes the decision whether the author’s moral rights are treated as transferable rights.²⁰⁸ Art. 6bis.1 BC provides for the transferability of rights in relation to economic rights.

2. Background to the Exclusion

- 92 Art. 9.1, sentence 2 is the result of a US initiative.²⁰⁹ As early as at the time of its accession to the Berne Convention in 1989, the United States were highly sceptical of moral rights.²¹⁰ The insistence on sentence 2 does not however express the United States’ intent to prevent protectionist use of authors’ moral rights. Art. XX lit. d GATT 1994 already provided an effective tool against this.²¹¹ It does however include a hidden most-favoured nation and national treatment clause.²¹² Although it explicitly permits the protection of authors’ rights, trade-restrictive measures seeking to protect

²⁰⁵ In this vein see *Dietz* in: *Schricker* (ed.), Before §§ 120 *et seq.* German Copyright Act, para. 64.

²⁰⁶ Art. L 121–1 Abs. 3 Code de la propriété intellectuelle (available at: <http://www.legifrance.gouv.fr/affichCode.do?cidTexte=LEGITEXT000006069414&dateTexte=2008012>. (last accessed 28 May 2008)).

²⁰⁷ See *Ricketson*, Berne Convention, para. 8.101.

²⁰⁸ *Bappert & Wagner*, Art. 6bis BC, para. 9; *Drexl*, 112; *Gabay*, Bulletin of the Copyright Society 26 (1979), 202, 213; *Masouyé*, Art. 6bis BC, para. 6; *Nordemann & Vinck & Hertin*, Art. 6bis BC, para. 9; *Ricketson & Ginsburg*, para. 10.18; *Troller*, 124; representing a different view *v. Isacker*, RIDA 54 (1967), 241, 263 *et seq.*; *Stewart*, para. 5.37.

²⁰⁹ *Kützenberger*, in: *Beier & Schricker* (eds), 59, 86; *Oman*, Fordham Intell. Prop. Media & Ent. L.J. 4 (1993), 139, 143; *Reinbothe*, GRUR Int. 41 (1992) 10, 707, 709; *Sandri*, 32 *et seq.*

²¹⁰ See *Baumgarten & Meyer*, GRUR Int. 38 (1989) 8–9, 620, 622 *et seq.*

²¹¹ See *Cottier*, Common Mkt L. Rev. 28 (1991) 3, 383, 402; also *Reyes-Knoche & Arend*, Art. XX lit. d GATT 1994, in: *Wölfrum & Stoll & Seibert-Fohr* (eds), Max Planck CWTL, Vol. 3, paras 1 *et seq.*

²¹² *Drexl*, 285; *Jackson*, World Trade and the Law of GATT, 743.

authors must satisfy two conditions: they may not lead to arbitrary discrimination between comparable States or be a disguised restriction on international trade.

The true source of the United States' resistance to the adaptation of Art. 6bis BC into TRIPS is worries about potential dispute settlement proceedings. In view of the minimal amendments of US copyright law since its accession to the Berne Convention, there are doubts whether the United States has sufficiently implemented its obligation under Art. 6bis BC.²¹³ Sec. 106 A US Copyright Act²¹⁴ merely grants visual artists a right of attribution, a right to the integrity of the work and a right to prevent the destruction of copies of the work. Otherwise, the author is limited to actions under general tort law.²¹⁵ 93

Thus it comes as no surprise that the US objected to including the provision in the framework of TRIPS and its enforcement and dispute settlement regime. In addition, the negotiating position of the United States was influenced by a combination of motives stemming from powerful **interest groups**, in particular the Hollywood film industry, which feared that the acknowledgement of authors' moral rights in the framework of world trade law could interfere with the use of licences that had already been acquired.²¹⁶ This fear was based on the misconception that the Berne Convention precludes the transfer of moral rights. Instead, it was believed that acknowledging authors' moral rights would disturb the current balance of power in the US copyright industry, and that the negotiating equilibrium could shift in favour of authors.²¹⁷ Finally, it was argued that a new discussion of authors' moral rights would endanger the acceptance of TRIPS. In view of the US membership of the Berne Convention, the very origin of Art. 6bis BC, none of these arguments is sound. 94

Officially, the United States argued that authors' moral rights were non-economic rights and did therefore not belong to the trade-related aspects of intellectual property which are TRIPS' sole topic.²¹⁸ On closer inspection, 95

²¹³ Regarding implementation, it is stated in the materials of the US Congress: "making only those changes in U.S. law absolutely required to meet our treaty obligations" 136 Cong. Rec. E 259 of 7. 2. 1990 (statement of Rep. *Kastenmeier*).

²¹⁴ Introduced through the Visual Artists Rights Act 1990 (Public Law 101-650), on this topic, see *Disselhorst*, GRUR Int. 41 (1992) 12, 902.

²¹⁵ *Damich*, Colum.—VLA J.L. & Arts 20 (1986), 665; *DaSilva*, Bulletin of the Copyright Society 28 (1980), 1; *Ludolph & Merenstein*, Stetson L. Rev. 19 (1989), 201; comparing legal systems is *Bellini*, RIDA 204 (2005), 2, 12 *et seq.*

²¹⁶ US GAO, Report to Congress: Uruguay Round Final Act Should Produce Overall U.S. Economic Gains, Washington, Juli 1994, 89; *cf.* Sec. 106 A US Copyright Act; in regards to the particular interests of the Hollywood film industry, see *Matthews*, 50 *et seq.*

²¹⁷ *Gervais*, para. 2.91.

²¹⁸ Regarding the position of the USA, see *ibid.*, para. 2.90; also *Geller*, EIPR 12 (1990) 11, 423, 426.

this argument is also unconvincing. The debated cases of abuse of authors' moral rights under Art. 6*bis* BC were at least indirectly trade related: *e.g.* the injunction to prevent the showing of subsequently coloured black-and-white films, or the case of the photographer who sought to prevent a newspaper from altering photos that he had sold to it for publication both had economic effects.

- 96 That authors' moral rights are excluded from TRIPS is unreasonable. The commodification of copyright distorts the balance of power between authors and publishers to the disadvantage of authors.²¹⁹ The purely economic understanding of copyright which has been championed by the United States has led international copyright protection under the auspices of TRIPS and the WTO astray.

3. Scope of the Exclusion

a) Derivative Rights

- 97 The exclusion of Art. 6*bis* BC from TRIPS explicitly applies to those aspects of authors' moral rights which are "**derived**" from this provision. This includes the right to be named and the right to integrity of the work in all its forms and irrespective of whether they follow from the Berne Convention provisions referred to or from the enactment of Art. 6*bis* BC into the law of a Member. The term "derive" makes it clear that only such rights are caught by the exclusion that have Art. 6*bis* BC as their source. If instead the rights in question have moral rights aspects but these follow to a great extent from other sources, they are not covered by the exclusion of Art. 9.1, sentence 2. The clear enumeration of provisions in Art. 9 supports this narrow interpretation. WIPO mandates a broader understanding which adds to the exclusion of moral rights derived from Arts 10.3 and 11*bis*.2 BC as well as Art. IV.3 of the Appendix to the Berne Convention.²²⁰ If this reasoning were correct, Art. 10*bis*.1, sentence 2 BC would have to be allocated to this group as well, because this provision relates to Art. 10.3 BC.
- 98 Indeed, **Art. 11*bis*.2 BC is covered by the exclusion of Art. 9.1, sentence 2 TRIPS.** Art. 11*bis*.2 BC prohibits compulsory licences which interfere, *inter alia*, with authors' moral rights. The provision refers to the same authors' moral rights which are acknowledged in Art. 6*bis* BC.²²¹ It is not, as held by the WIPO, a right of the author derived from Art. 6*bis* BC but an internal limit to the admissible restrictions on authors' minimum

²¹⁹ Mersmann, 225. Different Ricketson & Ginsburg, para. 10.41.

²²⁰ WIPO, para. 21; Bercovitz, in: Correa & Yusuf (eds), 145, 150 is affirmative; Brennan, 66 *et seq.*; Brennan, Intellectual Property Quarterly 2 (2002), 212, 215 *et seq.* with regard to Art. 11*bis* BC; see also Gervais, para. 2.91.

²²¹ Bappert & Wagner, Art. 11*bis* BC, para. 10.

rights²²² and, in this respect, emphasizes the effect of Art. 6*bis* BC. Art. 9.1, sentence 2 covers this internally limiting effect of Art. 6*bis* BC.

In contrast, **Art. 10.3 BC** and **Art. IV.3 of the Appendix**, and therefore also **Art. 10*bis*.1, sentence 2 BC**, are not excluded by Art. 9.1, sentence 2. These are **not rights derived from Art. 6*bis* BC**. All three provisions contain the obligation to mention the source, including the name of the author if it appears in the source. This is not a mere manifestation of the *droit de paternité* in the sense of Art. 6*bis* BC.²²³ Although the mention of source requirement seeks to honour the author's right to be named, it is also intended to preserve good faith in the area of intellectual activity and enable the public to find the work in libraries or elsewhere, as well as to monitor the accuracy of its reproduction.²²⁴ In this respect, Art. 10.3 BC and Art. IV.3 of the Appendix, as well as Art. 10*bis*.1, sentence 2 BC, supplement Art. 6*bis* BC. However, because they are mostly derived from a different source, the provisions apply without restriction within the framework of TRIPS.

b) Limits on the Exclusion

As follows clearly from the wording “under *this* Agreement”,²²⁵ the restriction of Art. 9.1, sentence 2 applies only to rights and obligations under the TRIPS Agreement. As a consequence, Members which are simultaneously **Union countries** must observe Art. 6*bis* BC in whichever version is valid for them.²²⁶ This follows from Art. 2.2 TRIPS. The same applies to those Members which are not Union countries but signatories to the WIPO Copyright Treaty. In accordance with Art. 1.4 WCT, the signatories are to comply with Arts 1–21 BC, and thus also with Art. 6*bis* BC. In this respect Art. 9.1, sentence 2 TRIPS only reinforces what follows from Art. 2.2 TRIPS and Art. 20 BC. The continuation of the obligations under the Berne Convention does not, however, mean that Art. 9.1, sentence 2 TRIPS is relevant only for **Members which have not ratified the Berne Convention**.²²⁷ The exclusion of moral rights from the TRIPS has important consequences for the interpretation of the adapted rights and their limits in the framework of the WTO, and therefore, in particular, for the question when a violation of an obligation which authorizes cross-retaliation in accordance with Art. 22.3 DSU has occurred.

²²² Nordemann & Vinck & Hertin, Art. 11*bis* BC, para. 6.

²²³ Thus WIPO, para. 21.

²²⁴ Ricketson & Ginsburg, para. 10.46 comes to a similar conclusion.

²²⁵ Emphasis added.

²²⁶ UNCTAD/ICTSD, 50; Blakeney, para. 4.16; Katzenberger, in: Beier & Schricker (eds), 59, 86; Reinbothe, GRUR Int. 41 (1992) 10, 707, 709; cf. also EC—Bananas III, WT/DS27/ARB/ECU, para. 149.

²²⁷ Thus Katzenberger, in: Beier & Schricker (eds), 59, 86.

D. Protection of Expressions (Art. 9.2)

I. Basic Principles

- 101 Unlike the Berne Convention and the Universal Copyright Convention, which merely provide a general definition of the concept of protected works and list some examples of types of work, Art. 9.2 TRIPS establishes what is not copyrightable. Accordingly, **copyright protection extends to expressions only**. The historical reason for this precision was the *a priori* intention of the Members to provide copyright protection for computer programs.²²⁸ Thus, Art. 9.2 originally aimed at detailing the subject of copyright protection with regard to computer programs. However, by excluding **“ideas, procedures methods of operation or mathematical concepts”** from copyright protection, the provision goes beyond its original purpose and makes a statement that is valid for copyright in general.²²⁹
- 102 Art. 9.2 obliges Members to specify and, if necessary, to restrict the concept of the protected works. Any Member providing copyright protection for ideas, procedures, methods of operation or mathematical concepts is violating the TRIPS Agreement. The legal consequences that result out of the obligation under Art. 9.2 on the national level are to be discerned in the individual case. Hence, Members that have rather broadly drafted their national copyright law must provide for its interpretation and application in conformity with Art. 9.2 TRIPS.

II. Expressions

- 103 Copyright does not grant the abstract protection to **ideas** but ties in with a **perceptible creation of the author**. The immaterial content of the protected work is therefore reflected in the expression. The existence of an expression is also required—albeit implicitly—by Art. 2.1 BC. Art. 9.2 TRIPS now clarifies this concept. An intangible property right arises only from an expression.²³⁰ The type of expression is irrelevant. What

²²⁸ An outline of the historical development is provided by *Ross & Wasserman*, in: *Stewart* (ed.), 2241, 2290 *et seq.*

²²⁹ *Gervais*, para. 2.98.

²³⁰ Because the provision speaks of copyright protection only, it does not make explicitly clear whether a work of copyright is limited to its material form, depends on permanent fixation or whether it may be conceived independent of its expression once it has been recorded. Hence, Members are still left a great latitude to define the relationship between the work and material form of expression. See, for instance, for literary, dramatic or musical works in the UK Sec. 3.2 CDPA 1988, available at: http://www.opsi.gov.uk/acts/acts1988/UKpga_19880048_en_1.htm (last accessed 7 May 2008); and for artistic works *Merchandising Corp of America Inc v. Harpbond*, 1981 WL 186891 (CA (Civ Div)), [1983] F.S.R. 32. On copyright protection under German Law of artistic works permanently presented in the public, see § 59 German Copyright Act (*Urheberrechts*, BGBl. I 1980,1 as last amended by BGBl. I 2006,

counts is only that the intellectual content be perceptible by third parties. Consequently, any provision prescribing a specific expression for a particular work does not accord with Art. 9.2.

III. Subject Matters Excluded from Protection

Ideas, procedures, methods of operation and mathematical concepts are excluded from copyright protection merely “**as such**”. They may, however, enjoy protection as **part of a work**.²³¹ This is significant mainly with regard to computer programs, which Art. 9.2 was originally confined to.²³² Other types of works do not raise such differentiation issues to the same extent. 104

1. Lack of a Expressive Form

Mere ideas lack a form of expression. Any exclusive right to ideas contradicts Art. 9.2; mere thoughts must not be monopolized.²³³ However, copyright protection does not require the work in question to have found its final form. **Drafts** are entitled to protection, too, as long as they represent an intellectual creation. Protection is also granted to **parts of a piece of work** if they have intellectual content.²³⁴ 105

It is particularly difficult to differentiate the unprotected idea from the expression entitled to protection, in particular, concerning **computer programs**.²³⁵ Although TRIPS does not contain any indication in this respect, the differentiation must not be left up to the Members as that would endanger the uniform interpretation of the TRIPS Agreement. In any case, copyright protection does not extend to the mere idea of developing a specific computer program as a solution to a particular problem. In other problematic cases, emphasis is drawn to the exclusion from protection of mathematical concepts.²³⁶ 106

1318) and *cf. Postcards of the Wrapped Reichstag*, (I ZR 102/99), 2002 WL 31962042 (BGH (Ger)), [2004] E.C.C. 25. In the Netherlands, the court of appeals has *L'ancome Parfums et Beauté et Cie v. Kécofa* (8 June 2004, Den Bosch Court of Appeals (Netherlands)), noted in English in *Journal of Law and Technology* 45 (2004), 31 held the smell of L'ancome's Tresor perfume a copyrightable work.

²³¹ With particular regard to computer programs, see *Klopmeier & Arend*, Article 10, paras 11, 16, 17.

²³² *Ibid.*

²³³ *Breyer*, Harv. L. Rev. 84 (1970), 281; *Bainbridge*, 5; *Stoll & Raible*, in: *Prieß & Berrisch* (eds), 576.

²³⁴ *Cf.* para. 4 above.

²³⁵ See *Klopmeier & Arend*, Article 10 paras 16, 17 who refer to *Ginsburg*, Colum. L. Rev. 94 (1994) 8, 2559, 2569. For a thorough analysis under US copyright law, see *Buckman*, American Law Report Federal Series (ALR Fed.) 180 (2002) 1; *Cf.* also *Gordon*, EIPR 20 (1998) 1, 10 *et seq.* *R. Shih Ray Ku*, U. Chi. L. Rev. 69 (2002) 1, 263, 278.

²³⁶ See para. 8 below.

2. Procedures and Methods

107 It is common international practice not to consider procedures and methods as works entitled to protection. Art. 9.2 expresses the general principle that only the work itself and not the creative steps taken to produce it shall be protected. Both terms, procedures and methods, are not clearly distinguishable from one another, and they do not necessarily need to be because their legal consequences are identical. Purely technical procedures could at best be granted patent protection, but they do not express the individual spirit of the artist. Moreover, such purely technical procedures will typically lack a form of expression. Procedures such as a particular creative method or a special design technique must be available to the public. For instance, copyright protection cannot be granted either to a particular painting technique or to a specific way of playing an instrument.

3. Mathematical Concepts

108 Copyright protection is not granted to mathematical concepts as such. This exception is due to the fact that mathematical concepts are not based on an intellectual creation but represent merely a refinement or discovery of a scientific rule. Mathematical concepts may *e.g.* be *formulae*, equations, algorithms etc. Although computer programs are based on algorithms, they may still be protected as works if they are in combination used in a program, fulfilling a specific purpose. Therefore, both object codes and source codes are entitled to protection. For the same reason, protection is equally granted to computer interfaces and computer program interfaces.²³⁷

²³⁷ See *Klopmeier & Arend*, Article 10, paras 11, 12.

Article 10 Computer Programs and Compilations of Data

1. Computer programs, whether in source or object code, shall be protected as literary works under the Berne Convention (1971).
2. Compilations of data or other material, whether in machine readable or other form, which by reason of the selection or arrangement of their contents constitute intellectual creations shall be protected as such. Such protection, which shall not extend to the data or material itself, shall be without prejudice to any copyright subsisting in the data or material itself.

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Arts 2, 11, 13, 20 BC; Art. 4 WCT; Art. 1.2 Computer Program Directive¹ Art. 1 Database Directive.²

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¹ Council Directive 91/250/EEC of 17 May 1991 on the Legal Protection of Computer Programs (Computer Program Directive), OJ 1991 L 122.

² Council Directive 96/9/EC of 27 March 1996 on the Legal Protection of Databases (Database Directive), OJ 1996 L 077/20–28.

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A. Computer Programs (Art. 10.1)

I. General

- 1 That computer programs be recognized as copyrightable works in the realm of TRIPS goes, to a great extent, back to the efforts of the US which in turn were encouraged by their domestic software industries.³ Before TRIPS, computer programs were already allowed to receive general protection due to the very broad meaning of “**literary and artistic works**” in Art. 2.1 of the Berne Convention and its global acceptance.⁴ In this respect, the explicit classification of computer programs as literary works pursuant Art. 10.1 TRIPS appears to be unnecessary.⁵ One explanation for the specific reference in Art. 10.1 may be that the Berne Convention does not explicitly refer to computer programs in its list of literary and artistic works. In fact, during the 1980s, it was highly disputed whether computer programs could be conceived as literary property. Many States envisaged protection as works of art or applied art or they adopted a *sui generis* regime, despite the Convention’s reference to copyright in a strict sense.⁶ However, the list in Art. 2.1 BC is not exhaustive. Members to the Berne Convention are free to adopt new kinds of literary and artistic works.⁷ Such determination has taken place in Art. 4 WCT; an agreement in accordance with Art. 20 BC, which defines computer programs as **literary works** pursuant to Art. 2 BC.
- 2 However, only a small number of the Berne Union countries also ratified the WIPO Copyright Treaty.⁸ Thus, the explicit inclusion of computer programs is mandatory only for a part of the Union countries. The import of the Berne Convention as prescribed in Art. 9.1 TRIPS does not itself provide for the **uniform protection of computer programs** in the

³ Cf. Draft Agreement on Trade Related Aspects of Intellectual Property Rights, Communications from the US, MTN.GNG/NG11/W/70, 11 May 1990, 4.

⁴ *Lehmann*, Colum. L. Rev. 1994, 2621, 2625.

⁵ *Correa*, IIC 25 (1994) 4, 543, 545; *Vaver*, GRUR Int. 37 (1988) 3, 191, 202, *Long & D’Amato*, 358.

⁶ France conceived computer programs as works of applied art, whereas Brazil allowed for *sui generis* protection.

⁷ *Stoll & Raible*, in: *Prieß & Berrisch* (eds), 576.

⁸ To date, the WCT has 64 Contracting Parties; 27 other States have signed but not ratified the Treaty, among these are Canada, the EC, South Africa and most European Countries. A full account is given at: http://www.wipo.int/treaties/en/SearchForm.jsp?search_what=C (last accessed 18 March 2008).

TRIPS Agreement because protection under the WIPO Copyright Treaty may depend upon certain formalities, which are not required under the Berne Convention.⁹ Finally, the general possibility of determining new kinds of literary and artistic works as mandated by the Berne Convention is not a guarantee that computer programs are adequately protected since States are not obliged to accept new kinds of literary and artistic works.¹⁰ For the first time, Art. 10.1 TRIPS fills this gap by providing for the uniform implementation of computer program protection.

II. Definition of Terms

The subjects of protection under Art. 10.1 are computer programs. A computer program is defined as a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result.¹¹ The WIPO understands the term “computer program” as a “set of instructions capable, when incorporated in a machine readable medium, of causing a machine having information processing capabilities to indicate, perform or achieve a particular function, task or result.”¹² Those instructions may be implemented by hardware or software.¹³ Although the terms “computer program” and “software” are often used synonymously, software is generally understood as the somewhat broader notion comprising computer programs, databases and preparatory materials.¹⁴ The provision makes reference to computer programs in source code and those in object code. The **source code** refers to any series of statements written in some human-readable computer programming language, before it is compiled into the **machine-readable object code**.¹⁵ Art. 10.1 makes it clear that computer programs are protected regardless of their specific form.

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III. Protection as Literary Works

Art. 10.1 states that computer programs must be protected as literary works. This determination is not unchallenged. It raises the international standard of protection of computer programs to that of works of world literature.¹⁶

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⁹ The Art. 12 WCT envisages a “rights management information system” that makes certain remedial rights subject to the identification of the work or any copy thereof, its author, the owner of any right in the work, or information about the terms and conditions of use of the work, and any numbers or codes that represent such information.

¹⁰ *Stoll & Raible*, in: *Prieß & Berrisch* (eds), 576.

¹¹ *Cf. Koo*, *Intellectual Property Quarterly* (2002) 2, 172, 173. See also *Bainbridge*, *Glossary*. This definition is also used under US copyright law, 17 USC § 101.

¹² *WIPO*, *Model provisions on the protection of computer software*, Geneva 1978.

¹³ *Bently & Sherman*, *Intellectual Property Law*, 2001, 57.

¹⁴ See, for instance, *Bainbridge*, 229; *Gordon*, *EIPR* 20 (1998) 1, 10.

¹⁵ See in detail *Horns*, *GRUR* 103 (2001) 1, 1 *et seq.*

¹⁶ *Gervais*, para. 2.106.

With regard to the **source code** and the programmer's preparatory works, *e.g.* charts, graphs and other associated documents, a computer program may definitely be classified as a literary work. Even though they may not be understood as literary works in a classical sense, instructions written in high-level programming languages such as Pascal, C++ or BASIC, are widely conceived on equal terms with books.

- 5 However, a computer program cannot be used until it is compiled into the **machine-readable object code**. Said code can be implemented both as hardware (burnt on a chip) or software (stored on a data carrier). Until the adoption of the TRIPS Agreement, its quality as a work was not unchallenged. Often considered as works of applied art, the machine readable object codes were subject to **different treatment** because Art. 2.7 of the Berne Convention left their protection to the discretion of its Union countries. In addition, works of applied art did not enjoy protection for life + 50 years but instead a minimum term of 25 years from the making (Art. 7.4 BC). A qualification as literary or scientific works in the sense of Art. 2.1 BC was difficult since the said code could be read by the machine only and its compilation from the source code was hardly perceptible as an act of original authorship.¹⁷ As a result, there was no general approach with regard to the protection of computer programs pre-TRIPS. The new Art. 10.1 TRIPS therefore assumes significance for two reasons: first, it harmonizes computer program protection and, second, it reinforces their protectability. To the extent, the provision identifies computer programs as literary works irrespective of their code; it establishes **Berne Plus** protection.¹⁸
- 6 Despite the classification of computer programs as copyright works, **functional works remain a peculiarity** within the existing system. Their inclusion into TRIPS on a Berne Convention basis, however, proves to be a sensible step towards achieving a fundamental protection, since by means of the Berne Convention a well established and tested system can be utilized.¹⁹

¹⁷ *Vaver*, GRUR Int. 37 (1988) 3, 191, 203 *et seq.*

¹⁸ *Lehmann*, Computer und Recht 12 (1996) 1, 2.

¹⁹ See, *Lehmann*, Colum. L. Rev. 94 (1994) 8, 2621, 2624 *et seq.*, mandating the combination of copyright law with unfair competition law as the most effective protection and market stimulant for computer software. Different, *Gordon*, EIPR 20 (1998) 1, 10 who considers computer programs "effectively a cuckoo in the copyright nest" preferring an allocation to patent law. *Cf.* also *Ginsburg*, Colum. L. Rev. 94 (1994) 8, 2559, 2566 *et seq.*; *Koo*, Intellectual Property Quarterly (2002) 2, 172, 204; *Samuelson et al.*, Colum. L. Rev. 94 (1994) 8, 2308, 2312 *et seq.* advocating a *sui generis* approach.

IV. Originality

The general requirements of copyright protection are laid down in Art. 9 TRIPS. Whether **different or additional criteria** are to be met with regard to the protection of computer programs depends on the national copyright systems. Although national legislation needs to respect the standards of the TRIPS Agreement and the Berne Convention, Members are left considerable leeway to define the requirements of protectability. The different theoretical foundations of copyright that were developed entailed various national approaches to protection that significantly differed from each other, in particular, as between the *droit d'auteur* to be found in many civil law countries and common law copyright.²⁰ Most of the common law countries explain copyright primarily with *Locke's* principle of independent skill and labour and grant protection even in the complete absence of any creative spark,²¹ whereas civil law jurisdictions traditionally require an intellectual creation.

In accordance with Art. 10.1, computer programs must be accorded protection under the Berne Convention as literary works. Thus, they are to meet the same criteria as traditional kinds of works. Neither TRIPS nor the Berne Convention presuppose the existence of the author's own intellectual creation.²² Any intellectual creation qualifies, regardless of whether or not it has a special connection to its factual author. Such broad understanding is in line with many **common law jurisdictions** where the author in fact—apart from defining the presumed intent—has no separate meaning in assessing the protectability of a work,²³ and legal authorship is regularly irrelevant until the level of infringement. Furthermore, these countries apply a low standard in respect of creativity.²⁴ According to *Walter v. Lane*²⁵ and *University of London Press v. Tutorial Press*²⁶ still being the landmark decisions on subsistence of copyright in literary works, **originality** does not relate to the expression of a novel or inventive thought but does merely require the work to originate from an author. In contrast, *droit d'auteur* refers to originality as the result of the **author's own intellectual creation**. Since 1991, this is also the European standard.²⁷ In addition, jurisdictions based

²⁰ *Pardo*, 102.

²¹ *Gervais*, paras 2.104, 2.105.

²² See Art. 9 TRIPS in connection with Art. 2 of the Berne Convention.

²³ *Halsbury* in *Walter v. Lane*, [1900] AC 539, reasoned his opinion by stressing that the author need not be an original composer but merely the producer of a work. See, in particular, analysis in *Pila*, Oxford Legal Studies Research Paper No. 5/2007.

²⁴ *Brand*, Article 9, para. 30, fn. 87.

²⁵ Recently, *Walter v. Lane* was reinforced by *Jacobs and Mummery* in *Sawkins v. Hyperion Records*, [2005] EWCA Civ 565.

²⁶ *University of London Press v. Tutorial Press*, [1916] 2Ch 601. In this context, *Peterson* created the well know aphorisms: What is worth copying is worth protecting.

²⁷ Art. 1.3 Computer Program Directive reads: "A computer program shall be protected

on *droit d'auteur* grant copyright protection only if the author overcomes a certain threshold of originality. Since the TRIPS Agreement does not qualify originality for computer programs, the different national standards do and will continue to coexist.²⁸ Particularly in the case of computer programs, where protection will primarily depend on the originality threshold in the given jurisdiction, a definition of the required level of creativity is decisive. Computer programs are often designed by (re)arranging software elements which are already established or part of the public domain. Allocation to a programmer/author will not raise considerable difficulties. However, the program may lack the necessary creativity and thus remain outside copyright protection in countries with a higher originality threshold (*e.g.* France, Germany), while being protected in countries which apply a low standard of originality (*e.g.* Australia, US). In consequence, the Continental European perception of what and who deserves copyright *de facto* undermines the **purposes** of Art. 10.1 that are, first, to provide reasonable minimum standards of protection for computer programs and, second, to harmonize protection in this field. These purposes are conceivable only if computer programs are not subjected to inadequately high qualitative standards. In particular, if the examination of a software implementation, that is in any case nearly impossible to conduct, will succeed only according to the specific national legal tradition in this field, Art. 10.1 will fail its harmonization mandate. Hence, the provision must be understood to generally classify computer programs as intellectual creations of their authors. Additional qualitative requirements are to be interpreted restrictively.

- 9 By means of assimilation with literary works, Art. 10.1 forecloses the Members to qualify computer programs as works of applied art²⁹ that would entitle them to limit the term or impose other conditions of protection.³⁰ In this respect, Art. 10.1 lays down a uniform system for assessing the protectability of computer programs.

V. Exceptions

- 10 The TRIPS Agreement does not provide for specific exceptions to protection for computer programs. The scope of protection is therefore restricted only by Art. 9.2 TRIPS. However, computer programs may be exempt

if it is original in the sense that it is the author's own intellectual creation. No other criteria shall be applied to determine its eligibility for protection."

²⁸ Cf. *Correa*, 124. But see *Ginsburg*, GRUR Int. 49 (2000) 2, 97, 104 who holds the view that the standard of creativity laid down in Art. 10.2 is also applicable to computer programs.

²⁹ Art. 2.7 BC.

³⁰ *Gervais*, 135; see hereunto the term of protection for works of applied art in Art. 7.4 BC.

from protection within the limits of Art. 13 TRIPS and under the Berne Convention.³¹

According to the general exception clause of Art. 9.2 copyright protection shall only “extend to expressions and **not to ideas, procedures, methods of operation or mathematical concepts as such**”. The application of this general exception in particular affects the protectability of computer programs, since they often contain complicated mathematical calculations and thus the mathematical or operational concept aspect may become predominant. In this respect, the formulation “**as such**” under Art. 9.2 is decisive.³² Computer programs do not constitute mathematical concepts “as such”, if the mathematical calculation is just a **means to an end** and not the functional result of the program. Accordingly, the computer program must typically apply a mathematical concept in order to solve a certain problem. In that case, the implementation of the concept on a computer is not an end in itself and can therefore not be defined as a mathematical concept “as such”. On the other end, if the computer program merely ports the mathematical concept or a particular process onto the computer, the exception of Art. 9.2 will apply.³³ Altogether, Art. 9.2 establishes very low requirements for the protectability of computer programs.

Only the interpretation of the term “**mathematical concept**” raises a number of problems. It may not be equated to the term “algorithm”, which can be defined as a process or set of rules to be followed in calculations or other problem-solving operations, especially by a computer.³⁴ A mathematical concept comprises definite and explicit rules of derivation³⁵ solving a mathematical problem but requiring a particular act of implementation in order to solve that problem. Accordingly, the latter cannot account for an entire computer program, because such program could not be performed. The term “mathematical concept” in Art. 9.2 originally indicating a rather broad range of interpretation should—when used in the context of Art. 10.1—therefore be interpreted more strictly as a “**mathematical concept**” **in the sense of an “algorithm”**. Only the algorithm is specific enough to form part of a computer program. However, this approach meets serious concerns because it would further the exception clause of Art. 9.2. TRIPS is intended to achieve a general and uniform standard of minimum protection,³⁶ whereas the detailed clarification and implementation of the general standards was to be left to the Members. Applying a stricter interpretation of Art. 9.2 would thus limit the discretion of the Members. In addition,

³¹ Cf. *Füller*, Article 13.

³² *Füller*, Article 9, para. 104.

³³ An appropriate example for a port is a currency converter.

³⁴ Oxford Dictionary of English, 2006.

³⁵ *Ibid.*

³⁶ Cf. *Elfring & Arend*, Article 1, paras 8 *et seq.*

it is not imperative to understand mathematical concepts as algorithms in order to prevent the monopolization of mathematical concepts.³⁷ If the mathematical concept is mere plan in the sense of an idea, the implementation of such plan by means of an algorithm can be deemed capable of being a **protectable work** under Art. 10.1.³⁸

- 13 Altogether, the **exceptions** provided for in Art. 9.2 have no particular bearing on the protectability of computer programs. Any idea, procedure, method of operation or mathematical concept that is to be used in a computer program needs an act of implementation—the latter easily qualifying as a work. However, when considering the individual elements of a computer program that deserve protection *e.g.* in course of an infringement action, the idea-expression dichotomy and other policy choices encapsulated in Art. 9.2 gain particular importance.³⁹

VI. Subject and Extent of the Protection

- 14 The language of Art. 10.1 is very clear on the subject matter of protection. It covers computer programs “in source or object code.” The **material standards of the Berne Convention** form the basis of protection. Those standards also apply to the protection under Art. 10.1. However, *Gervais* argues that Art. 11 BC on public performance may not be applied within TRIPS.⁴⁰ Even though the application of Art. 11 BC is anyhow hard to imagine in this context, neither the text of TRIPS nor that of the Berne Convention support his approach. In any case, it is unnecessary to foreclose Art. 11 BC. In other words, if application of Art. 11 BC to computer programs is not conceivable because such programs are not publicly performed or otherwise communicated to the public; a declaration of inapplicability is redundant. On the other end, once public performance or communication becomes an issue in respect of computer programs, a prior declaration of inapplicability does not appear helpful. The **catalogue of copyright standards** of the Berne Convention referred to in Art. 9.1 BC is therefore **not limited** as far as computer programs are concerned.
- 15 Problems concerning the exact scope of protection result from the specific characteristics of computer programs. There was much debate on whether copying of programs to the computers’ Random Access Memory (RAM)

³⁷ *Cf. Fuller*, Article 9, para. 106.

³⁸ This is supported by the fact that the wording of the Chairmans’s Report to the Status of Work of the Negotiation Group on TRIPS, including Trade in Counterfeit Goods (Anell Draft), MTN.GNG/NG11/W/76 23 July 1990, 11, contained the term “algorithm,” whereas the Members ultimately decided to use the notion of “mathematical concept”.

³⁹ See in detail para. 16 below.

⁴⁰ *Gervais*, para. 2.106.

constitutes a copy in terms of copyright.⁴¹ A copy generally requires a duplication of certain persistence. The brief nature of the RAM argues against the assumption of duplication legally relevant to TRIPS. As soon as the medium is disconnected from the power supply, all saved information is lost automatically. Thus, there is no permanent storage. On the other hand, loading the program in the RAM causes the program to be physically duplicated as realized through the computer. This conception argues for the assumption of a **relevant legal duplication affecting copyright**. Furthermore, if the storage of data or programs in the RAM is not considered as duplication, new problems occur relating to the size of RAMs in modern computers, which already enable easy transfer and storage of enormous batches of data or complex programs. These developments led to the practice of buffering frequently used programs in the RAM. At the same time, the evolution of independent power supplies is so advanced that the necessary equipment can be purchased at a reasonable price. It is therefore absolutely possible to use a computer program that is stored the RAM on a permanent basis. Considering the transfer and storage of computer programs into the RAM irrelevant for purposes of copyright infringement consequently leaves a wide range of opportunities for circumventing copyright and would reduce the effectiveness of protection to a great extent. In view of the object and purpose of the TRIPS Agreement, only a broad understanding of duplication, which also includes the storage of programs in the RAM, can ensure the effective protection of computer programs.

Arts 9 *et seq.* are generally limited to the protection of the particular work.⁴² In contrast to patent law, copyright does not protect the idea as such but connects to the work. Whether the work includes ideas⁴³ or can be conceived even separate from its material form/fixation,⁴⁴ and whether its protection then extends also to essential ideas⁴⁵ will vary according to the type of

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⁴¹ Affirmative on copying for purposes of copyright infringement, for instance, the US in *Advanced Computer Services of Michigan, Inc. v. MAI Systems Corps.*, [1994] 845 F.Supp. 356, 30 U.S.P.Q.2d (BNA) 1443, where the court held that loading a copyrighted program from a computer's hard drive or permanent memory into its random access memory (RAM) so that it should be maintained there for even a few minutes or longer constitutes the creation of a fixed copy within the meaning of the Copyright Act.

⁴² See also *Brand*, Article 9, paras 30 *et seq.*

⁴³ See *Cala Homes v. Alfred*, [1995] FSR 818.

⁴⁴ This was affirmed for musical works in *Sawkins v. Hyperion Records* where *Mummery* emphasized that fixation is not itself the musical work in which copyright subsists, but the sounds are even more significant than the notes. According to *Norowzian v. Arks*, [2000] FSR 363, this also applies to dramatic works. The *Reichstag* decision of the *German Bundesgerichtshof*, [2004] ECC 25, affirms copyright protection with regard to three-dimensional artistic works if there are not permanently fixed. Transience was, in this respect, conceived as artistic means. Different *Creation Records v. News Group*, [1997] EMLR 444 and *Merchandising Group v. Harpbond*, [1983] FSR 32 for two-dimensional artistic works.

⁴⁵ Affirmative, for instance, *Jacob* in *Ibcos v. Barclays*, [1994] FSR 275.

work and the particular policy reason underlying its protection.⁴⁶ In case of computer programs, it may sometimes be rather difficult to separate unprotectable from protectable parts of the program.⁴⁷ This particularly concerns the assessment of the program's architecture, business function or business logic. While the architecture of a program may be set on equal footing with a novel plot and thus be capable of protection,⁴⁸ the business function and method of operating the program are frequently considered pure mathematical or operational methods and as such are denied protection.⁴⁹ In this respect, Arts 9 *et seq.* accommodate the policy interest of the Members not to grant protection to functional results.

- 17 In contrast to industrial property law, other programmers may equally create the identical program, if generated independently, or they may implement the same functional result in a different program, even if they had prior access to the original program.⁵⁰ The scope of protection is therefore limited to the particular work.

VII. Program-Specific Exceptions

- 18 With a view to the particularities of computer programs in subject and scope of protection, it appears necessary to examine whether there are program-specific exceptions. In this respect, it is recalled that the transfer of a program into the RAM is already deemed to be duplication relevant to Art. 10.1.⁵¹ However, any program needs to be copied onto the RAM in order to be operated. This copy will then potentially infringe the original programmer's copyright. Accordingly, users of a computer program would, in principle, need to get a licence for their RAM copy. Generally it can be argued that the licence to make **essential copies** is granted implicitly when the software is given to the user. The detailed form of such grant may be regulated by the Members. However, the Members must enable the purchaser of a computer program lawfully to use it, even if an implied licence of necessary duplication cannot be assumed. This may be achieved by different means, for example by applying the principle of **fair use**, by a right to a **private copy** or by a **legal licence**. Art. 13 offers the legal basis for adopting the respective regulation.⁵²

⁴⁶ Cf. *Pila*, Oxford Legal Studies Research Paper No. 5/2007.

⁴⁷ Already *Ginsburg*, Colum. L. Rev. 1994, 2559 (2569). For a thorough analysis under US copyright law, see *Buckman*, American Law Report Federal Series (ALR Fed.) 180 (2002) 1.

⁴⁸ Cf. for instance *Pumfrey* in *Cantor Fitzgerald v Tradition*, [2000] RPC 95.

⁴⁹ *E.g. Navitaire v. Easyjet*, [2005] ECC 30. See also Recs 13, 14, Art. 1.2 Council Directive 91/250/EEC.

⁵⁰ See para. 20 below.

⁵¹ See para. 15 above.

⁵² See *Füller*, Article 13.

Closely connected with duplication for utilization is the issue of “**backup-copies**”. They do not enjoy specific privileges under Arts 9 *et seq.* Accordingly, users may, in principle, not make backup-copies in order to ensure smooth operation of the program. The issue can therefore only be resolved by the national regulations of the Members in accordance with Art. 13. 19

Finally, Art. 10.1 does not establish a standard of **reverse engineering**,⁵³ which requires the duplication of the work, at least in part.⁵⁴ However, copies for the purpose of reverse engineering do not automatically constitute essential copies.⁵⁵ Duplication which results from reverse engineering does not relate to direct utilization of the program. Rather, it constitutes an analysis of the program which is not necessary for its use but also not prohibited.⁵⁶ In fact, both the Members and the general public have an interest in the ability to gather expertise from protected computer programs. 20

All the program-specific problems within the framework of TRIPS that have been examined here may be solved by application of Art. 13. The provision leaves adequate regulatory room which may be used by the Members to implement **necessary limitations** into national legislation. 21

B. Compilations of Data or Other Material (Art. 10.2)

I. General

Art. 10.2 TRIPS provides for the protection of compilations of data or other material. Since Art. 2.5 BC already deals with compilations of data, the necessity of introducing Art. 10.2 was contested. However, it has been held that Art. 2.5 BC covers only compilations of such data that is itself capable of being protected.⁵⁷ Indeed, Art. 10.2 has an **independent scope of application**, as it makes clear that the collected material or data does not in itself need to be capable of protection.⁵⁸ 22

The protection of compilations of data was all times of the TRIPS negotiations at the centre of debate.⁵⁹ Some Members feared that, despite the clear wording of Art. 10.2, factual information would indirectly enjoy a certain standard of protection. However, it must be borne in mind that Art. 10.2 23

⁵³ Already *Correa*, IIC 25 (1994) 4, 543, 546.

⁵⁴ *E.g.* the copy of a program from a write-protected data carrier onto a medium which enables the manipulation of the computer program.

⁵⁵ See para. 18 above.

⁵⁶ *UNCTAD/ICTSD*, 157.

⁵⁷ *Katzenberger*, in: *Beier & Schriker* (eds), 59, 85.

⁵⁸ See also *Oriola*, JWIP 7 (2004) 2, 201, 208.

⁵⁹ *Ibid.*, 201.

is not intended to protect a catalogue of different works, but the **arrangement** whereby the data or other material is systemized. Access to and reproduction of electronic databases has become rather simple nowadays which, in turn, lead to an increasing interest and need in their protection.⁶⁰ Collecting and arranging information properly is costly and often requires enormous effort, which conflicts with its effortless reproducibility.⁶¹

II. Nature of Protection

- 24 In accordance with Art. 10.2, compilations of data are **intellectual creations**, and “shall be protected as such.” Unlike Art. 10.1, the provision does not allocate databases to a certain type of work. Hence, Members enjoy considerable flexibility with regard to the implementation of Art. 10.2. They may classify databases as literary or artistic works or even establish a new category of works specifically addressing databases. However, Members are not free to opt out the existing system of copyright and exclusively grant *sui generis* protection for other aspects of databases, such as the financial investment involved in their creation. They may additionally do so, but Art. 10.2 makes it clear that databases are to be considered as intellectual creations and to be protected for their intellectual merits. Accordingly, Members may not entirely act outside intellectual property law but need to grant the minimum standard of IP protection to databases specified in Art. 10.2.
- 25 At first sight, **including compilations within the framework of copyright**, and thus, granting protection to the mere concentration of knowledge and information does not seem to perfectly match the concept of copyright law that is the **protection of creativity**.⁶² This might have been one *rationale* that encouraged the EC to create a *sui generis* right for databases.⁶³ However, the classification as copyrightable works seems fit because the selection and arrangement of data—be it factual or not—contributes to the **dissemination of knowledge and promotion of learning and welfare**, equally being fundamental concepts of copyright law.⁶⁴ Against this background, the selection and arrangement of information can be considered as an effort worthy of protection for copyright purposes. The more so, in light of the increasing information societies where the preparation, selection and arrangement of existing or new information are gaining particular importance and may thereby constitute an intellectual creation—the **art of data arrangement**.

⁶⁰ *Staelin*, 68 *et seq.*

⁶¹ *Katzenberger*, in: *Beier & Schricker* (eds), 59, 83; *Reinbothe*, GRUR Int. 41 (1992) 10, 707, 710.

⁶² *Cf. Oriola*, JWIP 7 (2004) 2, 201, 210.

⁶³ See para. 30 below.

⁶⁴ For an illustrative outline of the *Lockean* and the *utilitarian* theories on copyright, see *Hettinger*, Philosophy and Public Affairs 18 (1989) 1, 35 *et seq.*

III. Relationship with Art. 10.1

Since Art. 10.2 is placed under one heading with Art. 10.1, one could draw the conclusion that Art. 10.2 merely grants protection to electronic databases. However, pursuant to Art. 2.5 BC data compilations shall be accorded protection regardless of the medium supporting them. Hence, Art. 10.2 neither limits protection to electronic database nor imposes other requirements as to the medium where the material is to be arranged. This is also supported by the Berne Plus Approach according to which the TRIPS Agreement envisages intellectual property protection beyond the limits of the Berne Convention. The arrangement of both provisions into one article therefore appears to be rather unfortunate. All in all, no inferences can be drawn in respect of form or medium of data compilations. 26

IV. Intellectual Creation Through Selection or Arrangement (Art. 10.2, Sentence 1)

Art. 10.2, sentence 1 accords copyright protection to compilations of data or other material, if such compilation results from a **selection or arrangement** of their contents and “by reason of which” constitutes an **intellectual creation**. The Brussels Draft required creation by means of selection *and* arrangement that is still the approach taken under the Berne Convention. The current test under TRIPS is more liberal as it protects either alternative on its own account. Likewise, the Database Directive requires creativity with regard to either selection or arrangement. 27

Intellectual creation connotes with originality which is the key to copyright protection of databases.⁶⁵ The standard adopted under TRIPS has a broader meaning than the notion “personal intellectual creation” found in most of the civil law jurisdictions and most notably in the EC. The latter term indicates the specific **personal link between the author and the work**, while, an “intellectual creation” is conceivable also for any legal person. However, irrespective of whether a natural or legal person is involved, there must be at least some intellectual creativity present.⁶⁶ Accordingly, the mere collection of data or other material does not suffice under Art. 10.2, irrespective of the financial efforts involved. This leads to the conclusions that indices which merely display collected data—whether computer-generated or not—and do not involve an intellectual act of selecting or arranging the collected material are generally not capable of being protected. At the same time, works that give a full picture of information on a certain field cannot *a priori* be excluded from protection. Although they lack the 28

⁶⁵ Also *Oriola*, JWIP 7 (2004) 2, 201, 208.

⁶⁶ *UNCTAD/ICTSD*, 165.

criterion of the creative selection of relevant data, the creative effort may lie in preparing and arranging the raw data.⁶⁷

- 29 Although, the **level of originality** applicable to databases under TRIPS that is “intellectual creation” appears to be quite straight forward, its meaning is still conceived rather differently among the Members.⁶⁸ Following *Feist Publications Inc. v. Rural Telephone Service Co.*,⁶⁹ the US law grants copyright for selecting or structuring information in a database if there is a “**creative spark**”. Likewise, *CCH Canadian v. Law Society of Upper Canada* requires a minimum standard of creativity for compilations under Canadian law.⁷⁰ Australia, however, still applies the “**sweat of the brow**” doctrine as established by *University of London Press v. University Tutorial Press*.⁷¹ Accordingly in *Telstra Corporation v. Desktop Marketing*, the Federal Court found the white pages of a telephone directory to be copyrightable.⁷² In principle, the Court was of the opinion that it is not the law, where there is only one way of expressing or arranging, the compilation does not attract copyright. Per *Sackville*, the Court held that a compilation is original, if the compiler has undertaken substantial labour or expenses also in *collecting* the information.⁷³
- 30 According to the European Database Directive, Member States shall accord databases that constitute the author’s own intellectual creation copyright protection as collections.⁷⁴ The Directive’s objective that is to harmonize the different originality standards present among its Member States is somewhat compromised by its rather narrow scope of application. Art. 1.2 Database Directive defines a database as a collection of *independent works*, data or other materials which are (a) arranged in a *systematic or methodical way* and that are (b) *individually accessible* by electronic or other means. Such differentiation is not envisaged in the TRIPS Agreement and leads to the effect that under EC law less sophisticated compilations of information would still be copyrightable pursuant to the Member States’ traditional test that could provide for protection with generally less effort.⁷⁵ As another particularity

⁶⁷ *Pardo*, 77; different *Blakeney*, 51, who argues for a *sui generis* protection of mere factual compilations.

⁶⁸ For a thorough discussion see also *Oriola*, JWIP 7 (2004) 2, 201, 210–220.

⁶⁹ *Feist Publications Inc. v. Rural Telephone Service Co.*, [1991] 111 S Ct 1282.

⁷⁰ *CCH Canadian v. Law Society of Upper Canada*, [2004] SCR 339. With regard to earlier case law, in particular the *Tele-Direct* case see *Pantalony*, JWIP 2 (1999) 2, 209, 212 *et seq.*

⁷¹ See para. 8 above.

⁷² *Telstra Corporation v. Desktop Marketing*, [2001] FCA 612.

⁷³ *Ibid.*

⁷⁴ Art. 3 Database Directive.

⁷⁵ This may be exemplified under English copyright law where the Database Directive is implemented by Secs 3.1 lit. d, 3A.1 CDPA 1988 (available at: http://www.opsi.gov.uk/acts/acts1988/UKpga_19880048_en_1.htm (last accessed 7 May 2008)). Compilations other than databases enjoy protection as literary works (Sec. 3.1 lit. a) on ordinary terms. Although, there is no recent case specifically on the copyright protection of compilations other than databases, the reasoning of *Elanco v. Mandops*, [1979] FSR 46 dealing with a

of EC law, the Database Directive creates a new *sui generis database right* that specifically protects the “qualitatively⁷⁶ and/or quantitatively⁷⁷ substantial investment in either the obtaining, verification or presentation of the contents” of the database.⁷⁸ The database right is not aimed at protecting the creativity of an author and accordingly does not impose an originality requirement. Rather it values the resources used to seek out existing independent material in a database and resources employed to monitor its accuracy.⁷⁹ Database rights last for fifteen years from the end of the year that the database was made available to the public, or from the end of the year of completion for private database.

Altogether, the **EC adds more complexity** than harmonization to the protection of compilations: in effect, European compilations may potentially be subject to three different legal regimes⁸⁰—a result that may hardly be reconciled with the object and purpose of Art. 10.2. 31

V. Extent of Protection (Art. 10.2, Sentence 2)

To define the proper subject of protection one needs to distinguish between “compilations of data” and the “data or material” itself. The phrase “compilation of data” does not refer to the whole collection including its contents, but to its structural arrangement. In other words, it is the catalogue-structure that is protected, and not its contents. The system of arranging the data must meet the requirements of an intellectual creation. There are no further conditions. In particular, protection shall be without prejudice to any copyright subsisting in the data or material itself (Art. 10.2, sentence 2). As a result, while the original content of a database may be protected in accordance with Art. 9, the arrangement of its content, if an independent intellectual creation, may attract copyright as such by reason of Art. 10.2. 32

compilation on a label and leaflet for herbicides indicates that English copyright for non-expressive works protects also the “assembling” of information. That sweat of the brow could still be applicable for compilations other than databases is also reflected by the courts’ emphasis on market value arguments for non-expressive works. *Cf.* also *Pantalony*, JWIP 2 (1999) 2, 209, 211.

⁷⁶ Quantitatively refers to the volume of data. *Cf.* *British Horseracing v. William Hill*, C-203/02, OJ 2005 C 6, 4. For a discussion of the case, see *T. Aplin*, *Intellectual Property Quarterly* (2005) 1, 52 *et seq.*

⁷⁷ Qualitatively refers to the scale of investment. *Cf.* *British Horseracing v. William Hill*, C-203/02, OJ 2005 C 6, 4.

⁷⁸ Art. 7.1 Database Directive.

⁷⁹ *Commission of the European Communities*, DG Internal Market and Services Working Paper, First evaluation of Directive 96/9/EC on the legal protection of databases, 3 *et seq.*

⁸⁰ For a thorough discussion, see *Derclaye*, *EIPR* 24 (2002) 10, 466–474. Critical also the *Commission of the European Communities*, DG Internal Market and Services Working Paper, First evaluation of Directive 96/9/EC on the legal protection of databases, 11 *et seq.*

Article 11 Rental Rights

In respect of at least computer programs and cinematographic works, a Member shall provide authors and their successors in title the right to authorize or to prohibit the commercial rental to the public of originals or copies of their copyright works. A Member shall be excepted from this obligation in respect of cinematographic works unless such rental has led to widespread copying of such works which is materially impairing the exclusive right of reproduction conferred in that Member on authors and their successors in title. In respect of computer programs, this obligation does not apply to rentals where the program itself is not the essential object of the rental.

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CROSS REFERENCES

Art. 7 WCT; Arts 1 *et seq.* Council Directive 92/100/EEC.¹

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A. General

- 1 One essential development in international intellectual property protection, which was introduced in the Uruguay Round and is now codified in Art. 11 TRIPS, concerns **rental rights of copyright works**. For the first time, Art. 11 establishes an international minimum standard for the introduction of rental rights in respect of at least computer programs and cinematographic works.² This again demonstrates the Berne Plus Approach of the TRIPS Agreement.³
- 2 The **distinction between computer programs and cinematographic works** in Art. 11 results from the different conditions which are required by the Members in respect of rental rights for the different kinds of works. Since copying of a computer program has always been very easy in contrast to the reproduction of cinematographic works, the negotiations

¹ Council Directive 92/100/EEC of 19 November 1992 on rental and lending rights and on certain rights related to copyright in the field of intellectual property, OJ 1992 L 346/61.

² *Correa*, *IIC* 25 (1994) 4, 543, 548. The provision provided the basis for Art. 7 WCT. See *Ricketson & Ginsburg*, para. 11.86.

³ *Katzemberger*, in: *Beier & Schriker* (eds), 65; *Correa*, 128.

on Art. 11 of the TRIPS Agreement were conducted fairly differently according to whether computer programs or cinematographic works were being discussed. Sentence 3 of Art. 11, which is only applicable to computer programs, already indicates the difficulties in this respect.

B. Conditions of Implementation

The Members of the TRIPS Agreement are principally obliged to incorporate TRIPS provisions into their national legislation. However, pursuant to sentence 2 of Art. 11 TRIPS, there is an exception to this principle of implementation for rental rights concerning cinematographic works. The provision envisages a so-called “**impairment test**”, which requires, that the rental of video tapes and DVDs has led to widespread copying of the work in question, whereas said copying must in addition seriously impair the author’s rights. Only if these conditions are met, the introduction of an exclusive rental right in favour of the author is essential.⁴ The introduction of an exclusive rental right is therefore dispensable, if renting of video-tapes and DVDs does not lead to relevant copying-activity. From this it follows that the increasing copying of protected works strongly motivated the delegates to include a provision regulating rental rights during the negotiation of the TRIPS Agreement.⁵

Hitherto, due to the limited copying possibilities in private households, the private-copy-test has been of little significance. The introduction of sentence 2 was particularly championed by the United States, which considered the adoption of a general rental right for authors unnecessary.⁶ In view of the rapid spread of DVD burning facilities, the application of sentence 2 of Art. 11 TRIPS may lead to the situation where the **introduction of exclusive rental rights becomes compulsory** for all Members. While private copies of cinematographic works played almost no commercial role when the TRIPS Agreement was adopted,⁷ the new developments on the private sector have brought the United States and the EC to the point of drastically tightening their legislation in respect of a mechanism for copyright protection.⁸ According to the language of sentence 2 of Art. 11 TRIPS, the

⁴ See *Stoll & Raible*, in: *Prieß & Berrisch* (eds), 577. The “impairment test” was also referred to as “private-copy test.” Cf. *Michaelis & Bender*, in: *Hilf & Oeter* (eds), § 24, para. 37.

⁵ A comprehensive outline concerning the historical background of the provision can be found in *UNCTAD/ICTSD*, 173 *et seq.*; see also *Katzenberger*, in: *Beier & Schricker* (eds), 88; *Reinbothe & Howard*, *EIPR* 13 (1991) 5, 157, 161.

⁶ *Correa*, 129 *et seq.* The United States’ negative attitude towards a general rental right can be explained by the fact that in the common law copyright system the producer of data compilations is regarded as an author in terms of copyright.

⁷ Cf. *Stahelin*, 71.

⁸ See for example, Council Directive 92/100/EEC of 19 November 1992 on rental and

United States are obliged to react to the **changed situation** and introduce an exclusive rental right for authors of cinematographic works.

- 5 However, even if the conditions of the impairment test are met, the burden of proving their existence rests with the right holder.⁹ Thus, Members are *de facto* free to determine, whether the conditions of the impairment test are met.¹⁰ Accordingly, the introduction of exclusive rental rights does not automatically follow from the fulfilment of the impairment-test conditions, but the rental right must be implemented separately by each Member.

C. Renting

- 6 Renting in the sense of Art. 11 is considered not to be the mere result of a licence issued in return for payment,¹¹ but is defined restrictively as commercial lending to the public of originals or copies of copyright works (Art. 11, sentence 1 TRIPS).¹² The terms “commercial” and “public” are not defined by the Agreement itself. Hence, the provision leaves the Members a considerable margin of discretion in implementing those terms into national legislation.¹³
- 7 However, the interpretation of the term “**public**” is limited to a certain degree. The definition of “rental to the public” as unlimited access of any interested person to the works for rent is clearly too narrow. This approach might indeed cover the majority of lessors, but problems occur if the offer is directed only to certain groups. This situation specifically concerns internal renting within legal persons, *e.g.* associations or enterprises. In such cases, the “rental to the public” condition is certainly met if the legal construction aims at circumventing the provision of Art. 11 TRIPS. However, any definition in detail is left to the Members.
- 8 The term “**commercial rental**” does not induce major interpretation issues. It clearly indicates a commercial perspective. Requiring both, “commercial rental” and “rental to the public”, the provision’s intention to privilege **libraries and educational institutions** can be detected. Libraries and educational institutions make copyrighted works available to

lending rights and on certain rights related to copyright in the field of intellectual property, OJ (1992) L 346/61. For an analysis of the Directive, see *von Lewinski*, EIPR 13 (1991) 4, 117 *et seq.*; see also *Gervais*, para. 2.147; *Correa*, IIC 25 (1994) 4, 543, 547.

⁹ *UNCTAD/ICTSD*, 174; *Correa*, 129.

¹⁰ This is indicated by the vague wording “materially impairing”; *cf.* *UNCTAD/ICTSD*, 175.

¹¹ *Staelin*, 70.

¹² This requirement is also applicable to the rental rights of sound recordings due to the reference in Art. 14.4, sentence 1. See *Füller*, Article 14, paras 15 *et seq.*

¹³ *Staelin*, 70.

the public and charge fees for their service, but do not act on a commercial basis. In this respect as well, the definitive and final determination can only be achieved on a national level. TRIPS however brings the criterion profit-making motives within consideration.

D. The Right Holder and Definition of the Rental Right

Art. 11 addresses the legal position of authors or their successors. They enjoy the right “to authorize or to prohibit the commercial rental [...] of [their] copyright works.” In the final stages of the negotiations on Art. 11 TRIPS, the delegates decided to grant the author a “**right of disposition**” instead of a “title of compensation.”¹⁴ 9

However it remains unclear who is regarded as **author** in the sense of Art. 11 TRIPS and, in particular, whether this also includes legal persons. Neither TRIPS nor the Berne Convention provides a definition in this respect.¹⁵ On the one hand, only the creator of the work may be the author. This approach is certainly preferred by civil law jurisdictions. On the other hand, a common law perspective suggests identifying the person carrying the commercial risk as the author, who is often also the creator in the classical sense. Additionally, it is possible to include derivative beneficiaries (*e.g.* employer) to the group of “judicial” authors.¹⁶ Once again the Members are to clarify this issue through their national legislation.¹⁷ 10

Another problematic issue concerns the **relationship with sentence 1 of Art. 14.4 TRIPS**, according to which “[t]he provisions of Article 11 in respect of computer programs shall apply *mutatis mutandis* to producers of phonograms and any other right holders in phonograms as determined in a Member’s law”. From this the author of the works on the phonogram can derive a rental right in respect of said works, if those works embodied in the phonogram are capable of protection under national legislation.¹⁸ This exclusive rental right of the author would exist beside the likewise exclusive rental right pursuant to Art. 11.¹⁹ 11

¹⁴ *Correa*, IIC 25 (1994) 4, 543, 547.

¹⁵ *Ricketson*, 42 *et seq.*

¹⁶ *Staehelin*, 69.

¹⁷ *Ibid.*; *UNCTAD/ICTSD*, 176.

¹⁸ *Gervais*, para. 2.147. *Katzenberger*, in: *Beier & Schricker* (eds), 87 *et seq.*

¹⁹ See further *Füller*, Article 14, paras 15 *et seq.*

E. Exceptions for Computer Programs

- 12 According to sentence 3 of Art. 11, rental of computer programs is relevant to copyright protection only if the **program itself is the essential object of the rental**.²⁰ The provision serves to prevent authors from exercising their exclusive rights in relation to such objects which necessarily contain a computer program, such as the on-board computer in a rental car.²¹
- 13 In particular, cases which concern the rental of computers or game controllers, constitute a contentious issue in this respect. In order to guarantee their operability, they need to use computer programs. It is thus necessary to clarify in each particular case whether the program thereby becomes the **essential object of the rental**. This is the case if the game controllers are rented only to enable the game to be played. This example highlights that it is not just the commercial value of the rented subject which defines the essentiality. It is again for the Members to provide for a detailed classification.

²⁰ Concerning the applicability of Art. 11, sentence 3 within the framework of Art. 14.4, sentence 1, see, *Füller*, Article 14, paras 15 *et seq.*

²¹ *Gervais*, para. 2.113. See also *Stoll & Raible*, in: *Priß & Berrisch* (eds), 577.

Article 12* Term of Protection

Whenever the term of protection of a work, other than a photographic work or a work of applied art, is calculated on a basis other than the life of a natural person, such term shall be no less than 50 years from the end of the calendar year of authorized publication, or, failing such authorized publication within 50 years from the making of the work, 50 years from the end of the calendar year of making.

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CROSS REFERENCES

Arts 2, 3, 5.1, 7.1, 37.1 lit. c BC.

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A. Concept and Systematics

I. Supplementary Protection to Art. 7.1 BC

The elaborately formulated Art. 12 requires a **minimum term of copyright protection**¹ for Members whose copyright legislation is based on the *copyright system*. The provision thus closes the gap in the Berne Convention. Art. 7.1 BC is heavily influenced by the Continental European principle of *droit d'auteur* and therefore not applicable to Members which envisage the copyright owner to be the person bearing the economic risk, a view which forms the core of the *copyright system*. By contrast, Art. 12 covers only works with a term of protection “calculated on a basis other than the life of a natural person”. The provision thus presupposes an **author which is not a natural person**. Art. 12 therefore ties the minimum term of protection of 50 years to objective circumstances: Either, the 50-year term starts with “the end of the calendar year of authorized publication”. Or “failing such authorized publication”, the term starts with “the end of the calendar year of making”. The practical significance of Art. 12 is to be considered rather small. In the US for instance, the copyright legislation which is based on the *copyright system*, envisaged a minimum term of protection of 50 years even

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ Members may therefore exceed the term of Art. 12, but not fall below it.

before the entry into force of the TRIPS that was extended to 70 years in 1998.² Likewise, the EC has harmonized its copyright law to a minimum term of 70 years after the death of the author for most works.³

II. Covered Works

- 2 In principle, the minimum term of protection covers all protected works in the sense of Art. 9 TRIPS read together with Art. 2 BC. However, Art. 12 TRIPS explicitly **excludes photographic works** and **works of applied art**. Members are therefore authorized with regard to such works to provide for a term of protection that differs from that laid down in Art. 12 as long as they observe the minimum specifications of the Berne Convention. Special terms of protection in accordance with Art. 14.5 apply to the rights of performing artists, producers of phonograms and broadcasting organizations irrespective of their classification as copyrights or ancillary copyrights. With regard to the rights described above, Art. 14.5, as *lex specialis*, overrides Art. 12. Inasmuch as national legislation allows for collective works,⁴ the corresponding term of protection is based on Art. 12, too.

B. Calculation of the Term of Protection

I. Calendar Year After Publication

- 3 Publication is possible only for works which are produced, and therefore already existent. TRIPS contains no regulations on what characterizes a work as “published”. However, Art. 9.1, sentence 1 refers to the provisions of the Berne Convention and, as a consequence, Art. 3.3 BC is regarded as the relevant provision. Accordingly, published works are any works “published with the consent of their authors”, provided that their availability “has been such as to satisfy the reasonable requirements of the public, having regard to the nature of the work”. A work is regarded as available to the public only if it is distributed on the market and available to an undetermined circle of persons. Any work available to insiders only or traded illegally is not considered a published work.⁵ In addition, Art. 3.3

² 17 U.S.C. § 302.

³ Council Directive 93/98/EEC of 29 October 1993 Harmonizing the Term of Protection of Copyright and Certain Related Rights (Term Directive), OJ 1993 L 290/9–13.

⁴ Such collective works are known from the French copyright law. Here, the term of protection is 70 years from the date of publication. Art. L 123–3 Code de la Propriété Intellectuelle: «Pour les œuvres [...] collectives, la durée du droit exclusif est de soixante-dix années à compter du 1^{er} janvier de l'année civile suivant celle où l'œuvre a été publiée».

⁵ *Bundesgerichtshof August Fourteen*, IIC 7 (1976) 1, 134; *Bodley Head v. Flegon*, (Ch D), [1972] E.S.R. 21.

BC provides for a quantitative element by requiring the work to satisfy the “reasonable requirements” of the public. The French wording (Art. 37.1 lit. c BC), which is authentic in the Berne framework, describes this more precisely as «*les besoins raisonnables du public*». The reasonable distribution required for a work cannot be determined on a general basis but only with a view to the type of work in question. For example, no copies of a painting are expected to be available, for which reason this type of work is regarded as published as soon as it is produced and placed into circulation. With regard to cinematographic works, the provision of Art. 3.3 BC clarifies that this type of work is considered as published only once there are several copies of it in existence. Beyond that, since there is no obligation to satisfy each and every individual demand, this criterion should not be interpreted too narrowly.

II. Calendar Year After Making

The calendar year after the making of a work is decisive for the calculation of the term of protection in two particular cases: On the one hand, the term starts with the time at which a work has been made but not yet published. On the other hand, the making is important where a work was published by a third party without the authorization of the right holder. Art. 12 contains no specification of what is meant or implied by “**making**”. For the time being, for lack of any legal authority on the point, one needs to adhere to normal use of language. “Making” in that sense stands for the completion of a work in such a way as to make the work perceptible.

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C. Reference to Art. 7 BC

As a consequence of the **Berne Plus Approach**, the calculation of the terms of protection also needs to be based on Art. 7 BC. The term of protection applying to anonymous or pseudonymous works is calculated in accordance with Art. 7.3 BC. Although TRIPS also provides protection for photographic works or works of applied art, these are not covered by the provisions of Art. 12 TRIPS⁶ and their term of protection is therefore calculated in accordance with Art. 7.4 BC. The minimum term of protection for the works envisaged by this provision is 25 years from their making. The shorter term pursuant to Art. 7.8 BC is applicable within the framework of the TRIPS, too. As a consequence, the term of protection is generally calculated on the basis of the *lex loci protectionis*. However, as specified under Art. 7.8, sub-sentence 2 BC, the term of protection in the

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⁶ See para. 2 above.

country in which protection is sought is limited by the term of protection fixed in the country of origin. As a result, with regard to the calculation of the term of protection, the principle of national treatment is overridden. The rule of the shorter term does not apply if the national legislation in question contains a corresponding provision, possibly as a result of an existing bilateral agreement.

Article 13* Limitations and Exceptions

Members shall confine limitations or exceptions to exclusive rights to certain 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.

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CASE LAW

Panel Report, *US—Section 110 (5) Copyright Act*, WT/DS160/R; Appellate Body Report, *US—Gasoline*, WT/DS2/AB/R.

CROSS REFERENCES

Art. IVbis No. 2 UCC; Art. 9.2 BC; Art. 5.5 Copyright Directive;¹ Art. 16 WPPT; Art. 10 WCT.

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* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the Harmonisation of Certain Aspects of Copyright and Related Rights in the Information Society (Copyright Directive), OJ 2001 L 167/10.

A. Concept and General Prerequisites

I. *Numerus Clausus* of Limitations

- 1 Art. 13 authorizes Members to provide for limited exceptions to copyright protection. The provision is to be interpreted in accordance with the **principle of effective treaty interpretation**. Accordingly, the individual prerequisites must be understood as neither restrictive nor redundant.² In any case, general or undefined exceptions to copyright protection do not conform to Art. 13. The limitations and exceptions in the sense of Art. 13 must therefore be conclusive and not arbitrarily interpretable. They are thus subject to a *numerus clausus*. As a result, the provision seeks to balance the regulatory authority of the Members on the one hand and the obstacles to international trade created by different national limitations on the other. There can be no global responses in this respect, so that the practical application of Art. 13 is always to provide a balanced reading of the different values. Among the TRIPS provisions that relate to copyright, Art. 13 has so far had the greatest practical importance. It is based on the essentially similarly worded Art. 9.2 BC. However, in contrast to that provision, Art. 13 TRIPS does not cover just the right of reproduction.³

II. Covered Rights

- 2 Technically, Art. 13 covers all limitations of exclusive rights of a copyright nature. Accordingly, copyright restrictions need to comply with all provisions limiting legal positions based on intellectual creations—be they explicitly copyright related or not. The (mainly) Continental European distinction between copyrights and related rights (*neighbouring rights/droits voisins*) is irrelevant for the purposes of the provision. Despite its systematic position, the norm also authorizes Members to provide for exceptions to the rights of performers, producers of phonograms and broadcasting organizations as mentioned in Art. 14. Art. 13 is applicable not only to the exclusive rights granted in the TRIPS but—due to the reference made in Art. 9.1—also to the rights listed in Arts 1–21 BC.⁴ Otherwise, the provision would have no more than marginal importance, since the rental right of Arts 11 and 14.4, sentence 1 TRIPS is the only right which exceeds the Berne Convention.

² US—Section 110 (5) Copyright Act, WT/DS160/R, para. 6.97; cf. US—Gasoline, WT/DS2/AB/R, para. 23.

³ See *Brand*, Article. 9, para. 57.

⁴ US—Section 110 (5) Copyright Act, WT/DS160/R, paras 30 *et seq.*; *Ricketson*, Berne Convention, 47.

III. Limitation or Exception

Legal theory makes a distinction between exceptions and limitations. The Panel in *US—Section 110 (5) Copyright Act* understandably did not respond to this debate on principles and defines both terms pragmatically, the more so as they overlap. An exception eliminates an existing exclusive right, while a limitation restricts such a right to a certain extent.⁵ Accordingly, whether a national provision eliminates or restricts an exclusive right depends on whether the author is still left with any rights at all. If a provision eliminates all conceivable rights of an author, this is an exception; if the author is still left with certain possibilities for use, it is merely a limitation. In other respects, the qualification of these two types of provisions has no practical significance, since both limitations and exceptions must comply with the same requirements of Art. 13. 3

B. Incorporated Berne Convention Specification

I. Basic Principles

As a result of the **Berne Plus Approach**, TRIPS incorporates not only the rights conferred by the Berne Convention but also its limitations.⁶ The Berne Convention in its Art. 9.2 authorizes the grant of the author's right to reproduction in certain cases, provided that such reproduction neither restricts the normal exploitation of the work in question nor unreasonably prejudices the legitimate interests of the author. Since the balancing criteria are identical to those of Art. 13 TRIPS, there are no conflicts between the TRIPS and the Berne Convention. The limitations under Arts 10 and 10*bis* BC have practical importance. Quotations from a work that is lawfully accessible to the public are permissible to a measured extent (Art. 10.1 BC), as long as mention is made of the source and the name of the author (Art. 10.3 BC). If the Members avail themselves of one of the reservations pursuant to Art. 10.2 and Art. 10*bis* BC, the relevant limitations also apply to the TRIPS. Details are to be found in the specific literature on the Berne Convention. 4

The obligations of TRIPS Members also extend to the so-called **Berne Acquis**, and thus to all agreements accompanying the Berne Convention and its interpretation rules.⁷ It is acknowledged that the Berne Convention authorizes the countries of the Union to provide for implied exceptions to certain rights beyond those explicitly permitted by the Convention. This 5

⁵ *Ibid.*, para. 6.107.

⁶ *Cf. Brand*, Article 9, para. 70.

⁷ *US—Section 110 (5) Copyright Act*, WT/DS160/R, paras 30 *et seq.*

so-called “**minor exceptions doctrine**” standardizes a kind of *de minimis* rule.⁸ All in all, this *de minimis* doctrine is narrower than the **three-step test** pursuant to Art. 13 TRIPS.⁹

II. Significance of Art. 13 for Rights Conferred by the Berne Convention

- 6 *Vice versa*, there is also the question whether Art. 13 represents a general limitation of the Berne Convention provisions. During the negotiations on the Agreement, the incorporation mechanism of the Berne Plus Approach—with regard to limitations arising from the Art. 9.2 BC—apparently has not been sufficiently deliberated on. The tense relationship results from the **interaction between Art. 20, sentence 1 BC and Art. 2.2 TRIPS**. The TRIPS—as a special agreement to the Berne Convention—must not limit the rights which exist pursuant to it (Art. 20, sentence 1 BC). According to Art. 2.2 TRIPS, TRIPS should also not reduce the minimum standard achieved by the Berne Convention.¹⁰ Breach of the Berne Convention by the States which are signatories to Berne and TRIPS can therefore be prevented only if Art. 13 is not regarded as an additional justification for limiting rights established by the Berne Convention. Art. 13 is thus to be interpreted as an additional means of controlling the permitted limitations arising out of the Berne Convention.¹¹ Thus, the provision is not applicable to the Berne minimum rights but merely acts as a further filter for the limitations standardized therein. Hence, certain limitations not acknowledged by the Berne Convention cannot be justified by Art. 13 either. Insofar as specific limitations of the Convention overlap with Art. 13 TRIPS, the methodical tensions described above will not arise.
- 7 This is especially true for the limitation resulting from Art. 9.2 BC. Art. 13 TRIPS and Art. 10.2 BC, however, do not correspond to one another. Art. 10.2 BC authorizes the countries of the Union to limit the rights listed therein to the cases mentioned. In contrast, Art. 13 TRIPS strengthens the criteria of limitation, since the normal exploitation of the work and the legitimate interests of the author must not be unreasonably prejudiced. Some commentators believe that this is an overlap between the limitations established by the Berne Convention and those arising from Art. 13 TRIPS.¹² However, this is not convincing. The wording of Art. 10.2 BC

⁸ It applies within the limits of Arts 11, 11*bis*, 11*ter*, 13, 14 BC; specified in: *Ricketson*, Berne Convention, 532 *et seq.*; *Ricketson*, Limitations and Exceptions, 53.

⁹ See paras 7 *et seq.* below.

¹⁰ See *Brand*, Article 2, para. 2.

¹¹ *Goldstein*, 295, later also *Ricketson*, Limitations and Exceptions, 49; With a different view *Correa*, IIC 25 (1994) 4, 543, 549.

¹² *Ricketson*, Limitations and Exceptions, 52.

is different from that of Art. 9.2 BC, which on its part served as a model for Art. 13 TRIPS.

C. Three-Step Test

In *US—Section 110 (5) Copyright Act* the Panel examined in a **three-step test** whether a national provision accords with Art. 13:¹³ Limitations and exceptions to exclusive rights must thus (1) be restricted to certain cases, (2) not conflict with a normal exploitation of the work and (3) not unreasonably prejudice the legitimate interests of the author. A national provision is not compatible with Art. 13 if it fulfils only one or two of these criteria. The three prerequisites must be fulfilled cumulatively for a national limitation or exception to be consistent with the TRIPS Agreement. Nonetheless, the three-step test provides only little clarification, since Art. 13 itself contains several legal terms which require interpretation. The Panel has therefore tried to make the individual terms as clear as possible.

8

I. Limitation to Certain Special Cases

Only in special cases may national provisions refuse protection to exclusive rights. National limitations or exceptions must not be worded in an all-encompassing manner but be defined unambiguously and have a limited and predictable scope of application.¹⁴ Two requirements result from this for national legislation: formally, limitations or exceptions must be clearly worded on the one hand, and, substantively, exceptions must cover *de facto* exceptional subjects because exceptions must not become the rule. The examination of whether an exception or a limitation is sufficiently certain does not contain an assessment regarding its eligibility.

9

1. Sufficient Certainty

A national limitation or exception must be unambiguously defined, which means first of all that the relevant prerequisites of the provision must be verifiable. To comply with this requirement, national legislation must by no means explicitly list all conceivable exceptions. A general balancing *formula* such as a “**rule of reason**” may be sufficiently certain, too, as long as the interests to be balanced are transparent. The requirements of Art. 13 are fulfilled if the potential cases have been concretized by case law or interpretational guidelines. The so-called “**fair use doctrine**” pursuant to

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¹³ *US—Section 110 (5) Copyright Act*, WT/DS160/R, para. 6.97; *Ginsburg*, RIDA 187 (2001), 3.

¹⁴ *Ibid.*, para. 6.112.

Section 107 of the US Copyright Act¹⁵ is therefore still sufficiently certain and compliant with Art. 13.¹⁶

- 11 A provision with envisages restrictions of an exclusive right due to public or other national interests, is not sufficiently certain. It is especially contrary to the requirements of Art. 13 if those public interests are not judicially verifiable, otherwise a Member could factually rule out copyright. The criteria for limiting an exclusive right must arise out of the law for both current and potential cases. Art. 22 No. 7 of the Copyright Law of the People's Republic of China¹⁷ should on this account be incompatible with Art. 13:¹⁸ According to that provision, the public authorities may use a published work for public purposes without a licence or compensation if such use remains within reasonable limits. Since public purposes are multifarious it is incalculable in this case under which circumstances a copyright may be limited. This does, however, not mean that an exception is sufficiently certain only if its normative sense is transparent. The principle of legal certainty is a legal-technical filter, and as such non-evaluative.

2. Rule—Exception Relation

- 12 A national limitation or exception to provisions on copyright protection is compatible with Art. 13 only if it really does regulate **exceptional cases**. The first Panel Report on copyright protection had to deal with Section 110 (5) of the US Copyright Act: this provision limited the rights granted by Section 106 (4, 5) in respect of the public presentation of a performance. The Panel assigned sufficient legal certainty and limitation to Section 110 (5) A of the US Copyright Act, according to which, in essence, the reproduction of a public performance may not be prohibited if it is made by an individual, as is normally the case in private households (so-called “**homestyle exemption**”).¹⁹ The Panel pointed out in this respect that while private receiving devices changed in the course of time and were different depending on the country in question, Art. 13, however, did not require the technical standard of such receiving devices to be described in detail. The Panel explicitly left open the question whether the US provision also covers transmissions *via* the Internet.²⁰

¹⁵ 17 U.S.C. §§ 101–1332; available at: <http://www.copyright.gov/title17/> (last accessed 27 May 2008).

¹⁶ Cf. *Ricketson*, Limitations and Exceptions, 68 *et seq.*

¹⁷ Copyright Law of the People's Republic of China, 27 October 2001, available at: http://english.ipr.gov.cn/ipr/en/info/Article.jsp?a_no=1962&col_no=118&dir=200603 (last accessed 27 May 2008).

¹⁸ *Schlesinger*, East Asian Executive Report, 15 January 1997, Vol. 19, No. 1 in relation to Art. 22 No. 2 of the preceding law. This article does not differ from the current version.

¹⁹ *Sun*, *Nw. J. Tech. & Intell. Prop.* 5 (2007), 265 *et seq.* gives a detailed account of the case.

²⁰ *US—Section 110 (5) Copyright Act*, WT/DS160/R, paras 6.145, and 6.149–6.153; concerning the background of the American provision and the legal situation in Canada see *Pepin*, *Canadian Journal of Law and Technology* 1 (2002) 2, 51 *et seq.*

By contrast, the Panel considered the exception pursuant to Section 110 (5) B of the US Copyright Act, according to which the reproduction of a composition and audiovisual work may not be prohibited in certain premises accessible to the public (e.g. shops, restaurants, pubs: so-called “**business exemption**”) as too global and unlimited. While this provision gives a detailed description of the covered shops, restaurants or pubs, the Panel found that it turned the exception into the rule: almost half of all sales areas and approx. 70% of all restaurants and pubs came to benefit from this exception.²¹ From a quantitative point of view, these cases are thus not exceptions, but the US law simply qualified a standard situation as an exception. 13

II. Normal Exploitation of the Work

Sufficiently certain exceptions or limitations must not conflict with the **normal exploitation** of the work. Referring to the Oxford English Dictionary, the Panel defined “exploitation” as “**making use of**” or “**utilising for one’s own ends**”. No distinction is to be made between commercial and private use.²² The interpretation is especially tricky with regard to the question of what makes exploitation “normal”. The Panel combines an empirical with a normative approach: as with Art. 9.2 BC, normal exploitation is not tantamount to the full use of an exclusive right, since this would challenge the nature of exceptions.²³ Normal use is a minus compared to the position resulting from the exclusive rights. The Panel declines to consider this in a schematized way and instead examines individually for each exclusive right what characterizes normal exploitation.²⁴ From a dogmatic point of view, this condition is unsatisfactory, since it hardly allows for the determination of general criteria as to what makes exploitation normal. 14

III. No Unreasonable Prejudice of the Author’s Interests

It is not enough that the use not interfere with the normal exploitation of a work; it must also not unreasonably prejudice the legitimate interests of the right holder. In contrast to the other criteria of the three-step test, the Panel has outlined these requirements only very generally and left open several interpretational issues. According to the Panel, the effective or potential loss of income for the right holder constitutes the benchmark for unreasonable prejudice: If a limitation or exception does or may result in an unreasonable 15

²¹ US—Section 110 (5) Copyright Act WT/DS160/R, paras 6.114–6.134, in particular para. 6.133.

²² *Ibid.*, para. 6.165.

²³ *Ibid.*, paras 6.166 *et seq.* with reference to Art. 31 VCLT.

²⁴ *Ibid.*, para. 6.173.

loss of income for the right holder, it prejudices the right holder's legitimate rights.²⁵ While normal exploitation is geared to the granted possibilities for use, the focus of the characteristic of "unreasonable prejudice of interests" is commercial. The Panel has provided no upper or lower limits to what makes a loss of income unreasonable.

- 16 In any case, the interests of the author or other beneficiaries are unreasonably prejudiced if a national limitation or exception results in loss. On the other hand, Art. 13 does not guarantee beneficiaries to maximize their profits gained from the exploitation of copyrights without any limits. Legal criteria hardly allow for a determination of what makes a loss of income reasonable and prevents it from unreasonably prejudicing the interests of the author. For this reason, the last requirement of the three-step test must be examined cautiously. In any case, it requires the Members to provide for monetary compensation for certain limitations of copyright. This is of particular importance for the reproduction of materials from archives or libraries for non-commercial purposes such as research or use for school or education (also *cf.* Arts 10, 10*bis* BC). It is currently disputed, whether an exception of the right of reproduction, compensated by a levy, is in accordance with Art. 13. Such an exception can be acknowledged if it encompasses sufficiently certain cases.²⁶

²⁵ *Ibid.*, para. 6.229.

²⁶ *Eckersley*, Harv. J.L. & Tech. 18 (2004) 1, 85 *et seq.*; *Ricketson*, Limitations and Exceptions of Copyright, 76; with a different opinion *de Beer*, Canadian Journal of Law and Technology 4 (2005) 3, 153, 158 *et seq.*

Article 14*

Protection of Performers, Producers of Phonograms (Sound Recordings) and Broadcasting Organizations

1. In respect of a fixation of their performance on a phonogram, performers shall have the possibility of preventing the following acts when undertaken without their authorization: the fixation of their unfixed performance and the reproduction of such fixation. Performers shall also have the possibility of preventing the following acts when undertaken without their authorization: the broadcasting by wireless means and the communication to the public of their live performance.
2. Producers of phonograms shall enjoy the right to authorize or prohibit the direct or indirect reproduction of their phonograms.
3. Broadcasting organizations shall have the right to prohibit the following acts when undertaken without their authorization: the fixation, the reproduction of fixations, and the rebroadcasting by wireless means of broadcasts, as well as the communication to the public of television broadcasts of the same. Where Members do not grant such rights to broadcasting organizations, they shall provide owners of copyright in the subject matter of broadcasts with the possibility of preventing the above acts, subject to the provisions of the Berne Convention (1971).
4. The provisions of Article 11 in respect of computer programs shall apply *mutatis mutandis* to producers of phonograms and any other right holders in phonograms as determined in a Member's law. If on 15 April 1994 a Member has in force a system of equitable remuneration of right holders in respect of the rental of phonograms, it may maintain such system provided that the commercial rental of phonograms is not giving rise to the material impairment of the exclusive rights of reproduction of right holders.
5. The term of the protection available under this Agreement to performers and producers of phonograms shall last at least until the end of a period of 50 years computed from the end of the calendar year in which the fixation was made or the performance took place. The term of protection granted pursuant to paragraph 3 shall last for at least 20 years from the end of the calendar year in which the broadcast took place.
6. Any Member may, in relation to the rights conferred under paragraphs 1, 2 and 3, provide for conditions, limitations, exceptions and reservations to the extent permitted by the Rome Convention. However, the provisions of Article 18 of the Berne Convention (1971) shall also apply, *mutatis mutandis*, to the rights of performers and producers of phonograms in phonograms.

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* The commentary is translated by Susanne Kruse, professional graduate translator.

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Arts 3, 7, 9, 10, 11, 13, 14, 15, 16 RC; Arts 2, 3, 6, 7, 8, 11, 12 WPPT.

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A. Historical Development and Systematic Classification

I. Concept and Historical Background

The international copyright regulations classify performance rights differently. While European legislation classifies these rights as *droits voisins* or neighbouring rights, other legal systems regard these rights as genuine copyrights.¹ International legislation also differs in respect of the scope of these legal positions. Art. 14 refrains from **systematically classifying** the covered rights and instead just lists them for the individual beneficiaries, that are performers, producers of phonograms and broadcasting organizations, Art. 14.1–3. Art. 14 frequently lags behind the protection granted by the Rome Convention with regard to its factual scope. However, political motives prevented the Rome Convention from broader international acceptance and therefore from developing higher protection standards.² Against this background, it proved impossible to agree on a uniform minimum standard, for which reason the rights set out in Art. 14.1–3 do not apply without reservations.³ Members are not obliged to provide rights for broadcasting organizations (Art. 14.3, sentence 1). If a Member grants no exclusive rights for broadcasting organizations, authors must at least be given certain options for prevention, which, however, are also subject to the reservation of the Berne Convention. Moreover, Art. 14.6, sentence 1 authorizes the Members—within the framework of the Rome Convention—to limit the rights provided under Art. 14.1–3. In principle, the **protection standard** of the TRIPS does not therefore exceed the standard of the Rome Convention.

For performers and producers of phonograms the **principle of national treatment** applies only to a limited extent and covers only the rights provided by the TRIPS (Art. 3.1, sentence 2). Furthermore Art. 4 lit. c excludes the rights of those persons not mentioned in the TRIPS from **most-favoured nation treatment**. The provision was designed to prevent so-called free-rider effects. Without this limitation, it was feared that TRIPS Members would take advantage of the higher level of protection awarded by another Member without equally providing for a high level of protection.⁴ A Member with a lower level of protection would leave its own nationals with little or nothing. The then EC therefore vetoed an unlimited most-favoured nation treatment clause, and as a result, Art. 4 lit. c is drafted as a compromise.⁵

¹ Cf. *UNCTAD/ICTSD*, 199.

² Katzenberger, in: Beier & Schricker (eds), 59, 66; also Correa, 155.

³ See for a detailed outline of the historical developments *UNCTAD/ICTSD*, 200–205.

⁴ See *Elfring & Arend*, Article 4, paras 5 *et seq.*

⁵ See for information in detail: Draft Final Act Embodying the Results of the Uruguay

II. Relationship with the Rome Convention

- 3 Art. 14 is independent of the performance protection granted by the Rome Convention. In contrast to general copyright law, the provisions of this Convention have not been incorporated into the TRIPS because the Rome Convention does not have the Berne Convention's wide international acceptance. The Rome Convention forms the minimum standard, which Art. 14 does not exceed but partly even undermines. There is no **Rome Plus Approach**.⁶ This, however, does not rule out the possibility of consulting the Rome Convention as an **interpretation aid**.⁷ This follows from Art. 1.3, sentence 2 TRIPS, according to which all WTO Members are treated as Rome Convention Members in attempts to determine the pertinent intellectual property law. While Art. 1.3, sentence 2 at first sight merely identifies the persons that IP protection attaches to and thus the scope of application of the TRIPS, the provision does at the same time—if understood correctly—also refer to the definitions of the Rome Convention. It makes little sense to refer on the one hand to the terms of the Rome Convention (Art. 4 RC) when applying the pertinent law and, on the other hand, to consider its definitions irrelevant within the framework of Art. 14 TRIPS. The connection always also involves substantive questions.⁸

III. Other Agreements

- 4 The **WIPO Performances and Phonograms Treaty (WPPT)** is independent of Art. 14 TRIPS. This is explicitly provided for in Art. 1.3 WPPT, according to which the Treaty is without prejudice to any rights and obligations contained in other treaties. In contrast to the Rome Convention, it is therefore not possible to use individual provisions and definitions in the WPPT for a systematic interpretation of Art. 14 TRIPS. This also applies if WPPT provisions are identical to those of the Rome Convention in individual cases, since the WPPT does not reduce the obligations under the Rome Convention pursuant to Art. 1.1 WPPT. As a special agreement within the meaning of Art. 20, sentence 1 BC, the **WIPO Copyright Treaty (WCT)** takes no part in the incorporation mechanism of Art. 9.1 TRIPS; nor does it concern Art. 14.1 TRIPS (*cf.* Art. 1.1 WCT). However, independently of these systematic considerations, the interpretation of TRIPS may still play a factual role.

Round of Multilateral Trade Negotiations (Dunkel Draft), MTN.TNC/W/FA, 20 December 1991; MTN.GNG/NG11/W/68; MTN.GNG/NG11/W/70.

⁶ Also *Katzemberger*, in: *Beier & Schricker* (eds), 59, 66.

⁷ *Ibid.*, 90 stresses the continued validity of the Rome Convention next to TRIPS, also *Correa*, 156.

⁸ See *Elfring & Arend*, Article 1, paras 20 *et seq.*

Another agreement without any points of contact with Art. 14 is the Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms of 29 October 1971 (**Geneva Phonograms Convention**). This Convention provides minimum obligations for the Contracting Parties in order to induce as many States as possible to join. The main focus in this respect is on the US, which did not join the Rome Convention but constitutes by far the world's biggest film and music market. The TRIPS is also unaffected by other **international treaties on the protection of broadcasting rights**. The European Agreement on the Protection of Television Broadcasts in its Art. 1 standardizes rights of broadcasting organizations without, however, having any effect on the TRIPS.⁹ The same is true for the 1974 Brussels Satellite Agreement. Another noteworthy example from among the further multilateral agreements—again one without any impact on the TRIPS—is the European Convention Relating to Questions on Copyright Law and Neighboring Rights in the Framework of Transfrontier Broadcasting by Satellite of 1994. Basically only the WPPT therefore builds on the experience made under the TRIPS, while Art. 14 frequently goes back to the Rome Convention.¹⁰

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B. Performing Rights

I. Concept of the Performer

1. Performance of Works

Art. 14.1 lays down a minimum standard for the rights of performers but fails to define exactly who these persons may be. The term is not subject to independent interpretation by the Members, since this would endanger the uniform validity of the TRIPS. An interpretation aid is provided by Art. 3 lit. a RC. Generally put, performers comprise all persons performing a work of literature or art. Examples given by the provision are actors, singers, musicians and dancers. **Special types of performance** listed under Art. 3 lit. a RC include acting, singing, delivering, declaiming and playing. This covers only natural persons. Businesses as holders of exclusive rights are provided for only by Art. 14.2–3 TRIPS. The use of the term “otherwise” in Art. 3 lit. a RC indicates that performers also include persons who participate in the artistic embellishment of a performance,

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⁹ At the moment the European Agreement on the Protection of Television Broadcasts is signed by Denmark, France, Germany, Norway, Sweden and the UK.

¹⁰ See for a comparison of the provisions concerning related rights protection in TRIPS, Rome Convention and WPPT *UNCTAD/ICTSD*, 209–211.

such as *e.g.* stage or sound directors. There is no international agreement about whether this broad understanding of the term “**performer**” has to be narrowed, and if so, which definition should be used. The wording of Art. 14.1, sentence 1 TRIPS *e.g.* leaves it open whether a performance requires a certain minimum artistic level. This means one will have to base a decision on the typical performance types listed in Art. 3 lit. a RC and ascertain whether a specific performance is qualitatively comparable with them. There is no judicial practice yet in this regard.

2. Performable Works

- 7 The protection of performers depends on the quality of the work performed. In accordance with Art. 9.1 TRIPS, the **quality of the work** in turn depends on the provisions of the Berne Convention. Members must also provide protection for performers if the work performed has come into the public domain. This corresponds to the legal situation in respect of the Rome Convention and is justified by the fact that the performance as such is the subject of protection under Art. 14.1, sentence 1 TRIPS. The protection of the performer cannot be dissociated from its capacity as a work. Art. 3 lit. a RC explicitly requires the object of the performance in question to be a work, which also results from the systematic connection with Art. 9 RC. Art. 14.1, sentence 1 TRIPS does not go beyond the protection under the Rome Convention. It would then also remain unclear how a protected performance should be distinguished from an unprotected one. Vaudeville artists are therefore not performers because they do not perform a work. Whether a performable work or part of a work exists is also significant for the so-called sound sampling. Performers may challenge the digital recording of parts of a work only if such parts themselves qualify as a work. So-called single-sound sampling therefore excludes any performers’ rights because single sounds are not protectable works. Melodies or rhythmic sequences on the other hand may qualify as protectable parts of a performance, thus enabling performers to prevent their digital recording.

II. Rights in Detail

1. Fixation Rights

- 8 Performers have the right to prevent the fixation on phonograms of their unfixed performances if such fixation is undertaken without their consent. All that counts in this respect is that such fixation must make the sounds acoustically perceptible. The **medium** on which these sounds are fixed is, in principle, irrelevant. Media suitable for fixation are *e.g.* CDs, DVDs, audio rollers, audio tapes, records, and the digital recording of sounds. It is therefore also fixation if sounds are stored as MPEG data on the hard drive of a computer.

As results from the systematic connection with Art. 14.3 TRIPS and the wording of Art. 3 lit. b RC, a fixation must be limited exclusively to sounds. In other words, only sounds may be fixed on the medium in question. Performers are, however, unable to prevent the audio-visual fixation of a performance. This limitation roots in the fact that the US, under the pressure of the national film industry, opposed any further-reaching prevention rights of performers, because these would have endangered the economically important copyright of film producers pursuant to US American law. The TRIPS thus clearly lags behind the protection standard set in Art. 7.1 lit. b RC.¹¹ The determination of what counts as a fixation exclusively of sounds depends on what is **perceptible** by means of the storage medium in question. A film soundtrack is a phonogram. It is irrelevant in this respect that the soundtrack is just a secondary element of the film. The other way round, the soundtrack of a film is not limited to the performance of fixed sounds because the storage medium as such (*e.g.* DVD) reproduces not just sounds.

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2. Reproduction Rights

Art. 14.1, sentence 1, alternative 2 grants performers the right to prevent the unauthorized reproduction of their performances fixed on phonograms. The right to reproduction is limited to the **production process**. It ties in with already fixed and thus recorded sounds¹² and consequently does **not** cover their **fixation for the first time**. Art. 14.1 provides no definition of the term reproduction. Therefore, Art. 3 lit. e RC could be used correspondingly: A **reproduction** “means the making of a copy or copies of a fixation.” By using the phrase “reproduction of such fixation”, Art. 14.1, sentence 1 alternative 2 makes it clear that it covers only the reproduction of phonograms. Performers have no exclusive right to the reproduction of audio-visual recordings because they also have no exclusive right to the audio-visual fixation of performances.

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Art. 14.1, sentence 1, alternative 2 contains no clear specification of whether performers may fight any **type of reproduction** or just specific types as set out in Art. 7.1 lit. c RC. During the negotiations on Art. 14.1, sentence 1, it was assumed that the provision covers any reproduction and is not limited to certain special cases.¹³ While Art. 14.1, sentence 1, alternative 2 is at first sight in line with the law pursuant to Art. 7.1 lit. c RC, this does not allow for the conclusion that Art. 14.1, sentence 1, alternative 2 grants a right to the reproduction only of phonograms recorded without authorization. The wording of Art. 14.1, sentence 1 contains no indication

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¹¹ Also *Correa*, 160.

¹² See para. 8 above.

¹³ In detail: *Gervais*, para. 2.142; see also MTN.GNG/NG11/W/76.

of such limited regulation; the phrase “such fixation” referring only to the performance of sounds¹⁴ and not also to wrongful recording as such. Otherwise, the provision would have no more than marginal practical relevance as a mere protection against the reproduction of an unauthorized recording. The principle of effective treaty interpretation thus requires that Art. 14.1, sentence 1, alternative 2 be regarded as a general reproduction right. For this reason, Sec. 1101 lit. a (1) of the US Copyright Act¹⁵ does not fulfill the conditions of Art. 14.1, sentence 1, alternative 2, since the American provision is already directed against the reproduction of an existent unauthorized fixation.

- 12 The phrasing of Art. 14.1, sentence 1 cannot be invalidated by regarding exploitation rights as logical continuations of rental rights. The provision lists the rights of performers and is not open to any teleological extension beyond that. This is also confirmed by Art. 8 WPPT, which has explicitly acknowledged a general distribution right. If a distribution right also entailed a distribution right pursuant to the international understanding, Art. 8 WPPT would be obsolete. For this reason, neither this provision nor a claimed international standard allows for a distribution right to be derived from Art. 14.1, sentence 1, alternative 2 TRIPS. Even though the TRIPS Agreement generally aims at fighting product piracy and comparable offences, the individual provisions remain decisive. The general objective does not allow for any further conclusions.

3. Right to Prevent Broadcasting and Communication to the Public

- 13 Moreover, Art. 14.1, sentence 2 grants performers the right to prevent “the broadcasting by wireless means and the communication to the public of their live performance” if such acts are undertaken without their authorization. This provision goes further than Art. 14.1, sentence 1 from a factual point of view and covers not only **acoustic** but also **audio-visual performances**. It presupposes a live performance—a term which allows at the same time for the derivation of the scope of the prevention rights of performers. Performers may consequently prevent only **first-time public reproductions**. The provision gives no right to prevent second or subsequent exploitations, because these are not communications of live performances but already of their fixation. Art. 14.1, sentence 2 therefore does not authorize performers to prevent the communication to the public of performances fixed on phonograms or videograms. Nor does the provision

¹⁴ See paras 8, 10 above.

¹⁵ 17 U.S.C. §§ 101–1332; available at: <http://www.copyright.gov/title17/> (last accessed 27 May 2008).

cover continued broadcasting.¹⁶ This right may compete with the recording right of performers in individual cases, if a third party broadcasts a live performance without authorization and at the same time records it.

A sub-case of a communication to the public mentioned in Art. 14.1, sentence 2 is “**broadcasting by wireless means**”. Art. 3 lit. f RC defines wireless broadcasts as “the transmission by wireless means for public reception of sounds or of images and sounds”. The Members are obliged to provide this right for performers but only to a limited extent for broadcasting organizations (Art. 14.3, sentence 2).¹⁷ As in Art. 14.3, sentence 1, the communication to the public also does not cover the right to prevent such communication through a cable cast.¹⁸ As can be seen from a systematic comparison with Art. 10 WPPT, the international treaties make a clear distinction between wireless and wired transmissions. Performers are therefore unable—in contrast to the stipulation of Art. 14 WPPT—to prevent electronic transmissions via the Internet. 14

III. Rental Right (Art. 14.4)

1. Concept

Like Art. 11, Art. 14.4, sentence 1 is based on a proposal of the EC.¹⁹ 15
The controversially negotiated provision²⁰ regulates the exclusive right of performers, producers of phonograms and other authorized parties to rent out their phonograms. Art. 14.4 is the only TRIPS provision exceeding the standard of the Rome Convention because it knows no rental right, which has a considerable but decreasing **economic importance**. By virtue of this provision, performers must have the exclusive right to rent out their phonograms. The national regulations of the Members must therefore standardize both the positive and the negative sides of this exclusive right. A positive fact is that the Members must grant performers a rental right in the first place. Ireland thus had to include a rental right after the US had criticized the gap in Irish law.²¹ The current Irish Copyright Act now provides in Part III, Chapter 1, Art. 207 a right of performers to rent out or lend their phonograms (rental and lending rights),²² which meant the

¹⁶ Gervais, para. 2.144.

¹⁷ See para. 26 below.

¹⁸ See para. 27 below.

¹⁹ MTN.GNG/NG11/W/68.

²⁰ In detail: Ross & Wassermann, in: Stewart (ed.), 2281 *et seq.*

²¹ Request for Consultations by the United States, *Ireland—Measures Affecting the Grant of Copyright and Neighbouring Rights*, WT/DS82/1; Request for Consultations by the United States, *EC—Measures Affecting the Grant of Copyright and Neighbouring Rights*, WT/DS115/1.

²² Irish Copyright Act of 10 July 2000, available at: http://www.baili.org/ic/legis/nur_act/2000/2000-28.html (last accessed 18 March 2008); in detail also O’Keefe & Gaffney, *JWIP* 5 (2002) 4, 613 *et seq.*

fulfillment of an obligation under Art. 14.4, sentence 1.²³ As results from the reference to Art. 11, sentence 1 (“prohibit”), the rental right also has another side formulated as a negative right of exclusion. In other words, Members are to grant performers the right to prohibit the unauthorized reproduction of phonograms.

- 16 The wording “as determined in a Member’s Law”²⁴ must not be misunderstood. Art. 14.1, sentence 1 does not mean that rental rights are subject to the discretion of Members or their power of definition. This would contradict the principle of effective treaty interpretation, since otherwise the provision would be obsolete. Instead, the ambiguous wording serves the purpose not to disturb the *status quo of rental rights* in the Members. If Members grant rights to phonograms not only to performers and producers of phonograms but also to other persons, these should be entitled to a rental right, too. The phrase “as determined in a Member’s Law” therefore refers to such other parties with rights to phonograms. Since the TRIPS grants rights to phonograms only to performers and producers of phonograms, this phrasing would be rendered redundant if the Members were not authorized to list other beneficiaries. This is at the same time an argument against a view held in the early days of the TRIPS that the provision left the Members free to decide to which of the beneficiaries under Art. 14 they wished to grant a rental right.²⁵

2. Reference to Art. 11

- 17 Art. 14.4, sentence 1 does not refer to Art. 11 comprehensively but only insofar as that provision grants **rights to computer programs**. The only relevant part of it is therefore Art. 11, sentence 1. Art. 11, sentence 2 is not applicable because that provision merely lists cinematographic works. The Members may therefore not dispose of rental rights to phonograms. The reference to Art. 11, sentence 3—which is conceivable at least pursuant to the text²⁶—is narrow in scope. It covers those cases in which a phonogram is a subsidiary form of something else that is rented out.²⁷ Examples of this are rather theoretical, such as the rental of a car that gives the customer a choice of phonograms to come with it.

3. Prior Rental Rights

- 18 Art. 14.4, sentence 2 authorizes the Members to retain rental rights to phonograms that existed on 15 April 1994 “provided that the commercial

²³ The procedure was therefore settled by a mutually agreed solution. See WT/DS82/3, WT/DS115/3.

²⁴ Cf. also French phrasing: “tels qu’ils sont déterminés dans la législation d’un member.”

²⁵ See for example *Gervais*, para. 2.147.

²⁶ Cf. *Katzenberger*, in: *Beier & Schricker* (eds), 59, 87.

²⁷ See *Klopmeier & Arend*, Article 11, para. 11.

rental of phonograms is not giving rise to the material impairment of the exclusive rights of reproduction of right holders.” This intricately worded provision was included as a result of the pressure from Japan, since a performer’s exclusive rental right already expires after one year and changes into a statutory claim for remuneration from commercial renters pursuant to Art. 95*ter*.2–3 of the Japanese Copyright Act.²⁸ Art. 95*ter*.3 of this law explicitly provides that such remuneration must be equitable so that, *prima facie*, performers’ prevention rights are not materially impaired. Apart from this **special case**, however, Art. 14.4, sentence 2 has no further practical significance.

IV. Term of Protection

Members are obliged to provide in respect of performers’ rights a minimum term of protection of 50 years (Art. 14.5, sentence 1).²⁹ Art. 14.5, sentence 1 gives two different points in time for the **start of the term**: if a performance is not fixed, the term of protection starts at the end of the calendar year in which the performance “took place”. This version thus regulates the period of protection for the fixation rights of performers. If the performance has already been fixed, the term of protection starts at the end of the calendar year in which the performance was first fixed. This start of the term is relevant for the exclusive rights of performers with regard to wireless broadcasts and communications to the public as well as for the reproduction and the rental rights pursuant to Art. 14.4, sentence 1. As is also the case with general copyright, this **50 year term** is a **minimum**.³⁰ The Members may therefore stipulate a longer period of protection for performers’ rights. 19

V. Rights of Producers of Phonograms

1. Beneficiary

Art. 14.2 TRIPS corresponds to Art. 10 RC and is linked to this provision. For this reason, interpretation issues must be resolved in systematic accord.³¹ According to Art. 14.2 TRIPS, the party entitled to protection is the producer of phonograms, defined in the Rome Convention as “the person who, or the legal entity which, first fixes the sounds of a performance or other sounds” (Art. 3 lit. c and Art. 1 lit. b RC). This term, however, needs to be clarified. As explicitly pointed out by Art. 2 lit. d WPPT, the decision is 20

²⁸ Available at: www.cric.or.jp (last accessed 18 March 2008).

²⁹ The need of such long term of protection is doubted by *UNCTAD/ICTSD*, 212.

³⁰ See *Füller*, Article 12, para. 1.

³¹ See para. 3 above.

made by “the person, or the legal entity, who or which takes the initiative and has the responsibility for the first fixation of the sounds.” Producers of phonograms thus have the **organizational and economic responsibility for the fixation**. For this reason, a broadcasting organization may also act as a producer of phonograms, irrespective of whether the fixation is made only for broadcasting purposes. Art. 14.2 TRIPS therefore grants no reproduction right to producers of audio-visual media. As is already the case with regard to the rights of performers, it merely covers the sound fixation as such.³²

2. Rights in Detail

- 21 Art. 14.2 grants producers of phonograms the exclusive “right to the direct or indirect **reproduction** of their phonograms.” Producers of phonograms may therefore both authorize and prohibit a reproduction. The purpose of the combination of the opposites “direct” and “indirect” is to ensure that the reproduction right covers not only direct fixations but also transferences of phonograms broadcast by radio.³³ The TRIPS does not grant producers of phonograms the right to the initial fixation of sounds. This is reserved to performers (Art. 14.1). Nor does Art. 14.2 grant broadcasting rights; these are afforded only to broadcasting organizations (Art. 14.3). Finally, Art. 14.4, sentence 1 standardizes a **rental right** for producers of phonograms.³⁴ All in all, the rights provided are fragmentary and no longer keep pace with digital technology. Art. 14.2 grants no protection for so-called online use, since the provision allows for no general distribution right.

3. Term of Protection

- 22 The term of protection for the rights of producers of phonograms is **50 years** (Art. 14.5, sentence 1), starting at the end of the calendar year in which a performance was first fixed. Since producers of phonograms are not entitled to a fixation right, the first performance³⁵ is irrelevant for the start of the term. The TRIPS regulation constitutes a noticeable improvement of the protection as compared to the shorter minimum term of protection granted by Art. 14 RC.

³² See para. 9 above.

³³ See also *UNCTAD/ICTSD*, 206.

³⁴ See in detail paras 15 *et seq.* above.

³⁵ Para. 19.

C. Rights of Broadcasting Organizations

I. Concept of the Broadcasting Organization

Art. 14.3, sentence 1 grants broadcasting organizations minimum rights with a scope that is on the whole identical with the rights under Art. 13 RC. However, Art. 14.3, sentence 1 is **not a mandatory norm**.³⁶ In fact, Art. 14.3, sentence 2 authorizes the Members to grant the rights under Art. 14.3, sentence 1 not to broadcasting organizations but to “owners of copyright in the subject matter of broadcasts” instead, subject to the reservations of the Berne Convention. This is significant for US copyright law, which still grants no special rights for broadcasting organizations. The TRIPS Agreement does not define who is entitled to protection as a broadcasting organization. Again, the relevant regulation in this respect is the Rome Convention, which, however, contains only a general definition of the wireless broadcasting term (Art. 3 lit. f RC). The broadcasting organization is therefore defined by its activities. A broadcasting organization is any organization that presents a wireless broadcast in the sense of Art. 3 lit. f RC. The decisive requirement in this respect is that such wireless broadcast be presented by an **organization** (*i.e.* business) and thus by any “person who, or [...] legal entity which” presents a wireless broadcast at the same time within the framework of a **commercial activity**. There are no further requirements concerning the organization (or business). Contrary to a commonly held opinion, it is especially irrelevant whether such activity is intended to continue for a certain period. 23

The criterion “**present**” distinguishes broadcasting organizations from other organizations that also economically exploit a wireless broadcast. A broadcast organization is defined as an organization that transmits a broadcast by applying an organizational and technical effort and thus carrying the economic risk for it. This definition therefore excludes TV producers or advertising agencies that do not broadcast their programs themselves but produce them for others instead. A broadcasting organization is thus characterized by the transmission of a broadcast by the use of a certain effort. It is irrelevant in this regard whether such broadcasting organization at the same time runs its own transmitters. As results from the individual rights of broadcasting organizations,³⁷ a broadcasting organization must prompt a communication to the **public**. Special wireless broadcast services are therefore not broadcasting organizations because they do not communicate their broadcasts to the general public but to a specific group of recipients. 24

³⁶ See also Katzenberger, in: *Beier & Schricker* (eds), 59, 92.

³⁷ Cf. paras 25 *et seq.* below.

II. Rights of Broadcasting Organizations in Detail

1. Fixation and Reproduction

- 25 The right of broadcasting organizations to fix their broadcasts comprises the recording of performances on videograms and phonograms. Such **right to fixation** is also granted by Art. 13 lit. b RC. The characteristics of a fixation are to be interpreted in the same way as in the relevant performers' right.³⁸ The right to fixation is limited to **videograms and phonograms**. The provision does not grant a right to the production of photographs of the broadcast. Drawing on Art. 13 lit. c RC, Art. 14.3 sentence 1 TRIPS also gives broadcasting organizations a **right to reproduction**. A right of performers to be remunerated for the broadcast or communication to the public of phonograms can not be deducted from Art. 14.3 sentence 1. Broadcasting organizations are also not entitled to rental rights, because Art. 14.4 contains no reference to the rights of broadcasting organizations.

2. Broadcasting

- 26 Art. 14.3, sentence 1 explicitly determines that broadcasting organizations may prevent **only “the rebroadcasting by wireless means of broadcasts”**. In accordance with Art. 3 lit. g RC, “rebroadcasting” means the synchronized transmission of a broadcast through another broadcasting organization. Consequently, this does not cover delayed broadcasting through another broadcasting organization, but only simultaneous broadcasting. In the event of delayed rebroadcasting, the broadcasting organization may already invoke its right to fixation, since rebroadcasting without such fixation is inconceivable. As a result of Art. 3 lit. g RC, the rebroadcaster must be an organization (business). Art. 14.3, sentence 1 therefore does not cover simultaneous broadcasting through an amateur broadcaster. For this reason, Members are to provide the exclusive right to rebroadcasting not for just any third parties but only for organizations (businesses). Art. 14.3, sentence 1 TRIPS makes it clear as regards the Rome Convention that only **wireless** rebroadcasting may be prohibited. The provision does **not** cover **wire-bound rebroadcasting** by cable. It therefore also does not cover synchronized rebroadcasting in the global network by way the so-called internet streaming.

3. Communication to the Public

- 27 Broadcasting organizations also have the right to prohibit or authorize the communication of broadcasts to the public through television. Art. 14.3, sentence 1 TRIPS reaches further than the Rome Convention in this respect. Art. 3 lit. d RC grants broadcasting organizations only protection against

³⁸ See paras 8 *et seq.* above.

the communication of their television broadcasts to the public “in places accessible [...] against payment of an entrance fee”. Art. 14.3, sentence 1 TRIPS places no importance on such entrance fee; in fact the broadcasting organization in question may prohibit any **unauthorized public broadcast** on TV. To prevent contradicting assessments regarding the right to wireless rebroadcasting, public broadcasts do not cover wire-bound rebroadcasting.³⁹

III. Minimum Standard in Accordance with the Berne Convention (Art. 14.3, Sentence 2)

The intricately phrased Art. 14.3, sentence 2 embodies the interests of the Members like the US which do not recognize any special right for broadcasting organizations. The provision authorizes the Members to refrain from granting protection to broadcasting organizations. In return, Members who do not standardize any broadcasting organization rights must grant broadcasters the rights pursuant to the Berne Convention as a minimum standard.⁴⁰ Copyright protection, however, already results from Art. 9 TRIPS, which makes the reference in Art. 14.3, sentence 2 obsolete in this respect. Against the background of technical development, the **protection standard** stipulated by the Berne Convention is **rather low**. While Art. 11*bis*.1 BC grants authors the rights to the broadcast and communication to the public, Art. 11*bis*.2, sentence 1 BC authorizes the countries of the Union to determine more detailed prerequisites for the execution of these rights. With regard to the rights of broadcasting organizations, the harmonizing effect of the TRIPS is therefore small. 28

IV. Term of Protection (Art. 14.5, Sentence 2)

In contrast to the rights of performers and producers of phonograms, Art. 14.5, sentence 2 stipulates a shorter minimum term of protection for the rights of broadcasting organizations. This is another aspect that clearly reveals the nature of Art. 14.3 as a compromise provision. The term of protection for broadcasting organizations is **20 years**. This is a minimum term, *i.e.* the Members may provide for a longer period. The granted protection starts at the end of the calendar year in which the broadcast first took place. Repeated broadcasting thus does not extend the term of protection. Since the Members are free to provide a longer term of protection, the question arises whether the term of protection applies to the recipient or the broadcasting State. For cross-border broadcasts, international practice 29

³⁹ Para. 26 above.

⁴⁰ *Rehbinder & Staehelin*, Archiv für Urheber und Medienrecht 127 (1995), 5, 24.

applies the **right of the broadcasting State**. The valid term of protection is therefore always the potentially longer one of that country.⁴¹

D. Limitation of Rights and Old Recordings in Conformity with Public International Law

I. Limitations Resulting from the Rome Convention (Art. 14.6, Sentence 1)

- 30 Art. 14.6, sentence 1 TRIPS authorizes the Members to limit the rights of performers, producers of phonograms and broadcasting organizations “to the extent permitted by the Rome Convention.” It is irrelevant in this respect whether the Members are also signatories to the Rome Convention. This **reference mechanism** has two consequences for the Members of the TRIPS: on the one hand, they are bound by the conditions, exceptions and limitations permitted in the Rome Convention and may introduce or maintain further limitations only if these are commensurate with Art. 13 TRIPS. On the other hand, due to this reference technique, the protection pursuant to Art. 14.1–3 TRIPS does not exceed the protection granted by the Rome Convention. As is also the case with Art. 13 TRIPS, the terms “limitation” and “exception” are to be understood as a partial limitation or complete exclusion of an exclusive right.⁴²

1. Formalities

- 31 One condition for the rights covered by Art. 14.1–2 TRIPS is a national provision that demands the **fulfilment of formalities** for the rights of performers to or the rights of producers of phonograms. Art. 11, sentence 1 Rome Convention furthermore provides that the “©” symbol on phonograms “accompanied by the year date of the first publication” replaces all formalities.⁴³ When applying an interpretation that is in harmony with the Universal Copyright Convention (Art. III no. 1 UCC), formalities *e.g.* comprise deposits, registrations, notices, notarial certificates, payments of fees or the requirement for a contracting State to manufacture or publish a work in its own sovereign territory. However, the copyright symbol (“©”) which replaces all formalities pursuant to Art. III no. 1 UCC is obsolete for the Members of the TRIPS.

⁴¹ Art. 11*bis* BC also refers to the right of the broadcasting State, see *Documents de la Conférence réunie à Bruxelles du 5 au 26 Juin 1948*, 265 *et seq.*

⁴² See *Füller*, Article 13, para. 3. See also *UNCTAD/ICTSD*, 207.

⁴³ A parallel norm to Art. 11 RC is Art. 5 of the Geneva Phonograms Convention (see para. 5 above).

2. Domestic Exceptions Pursuant to Art. 15 RC

A provision that is important for the authority of Members to regulate is the exception contained in Art. 15 RC. Domestic exceptions permitted by this provision automatically apply to the rights under Art. 14.1–3 TRIPS. A regulation of greater practical relevance in this respect is Art. 15.1 lit. a RC, according to which the Members may authorize **private use** and also the “use of short excerpts [of the subject matters of protection covered by Art. 14 RC] in connection with the **reporting of current events**” (Art. 15.1 lit. b RC). Moreover, Art. 15 RC provides another important exception for “**use solely for the purposes of teaching or scientific research**”.

3. Reservations

Art. 14.6, sentence 1 TRIPS explicitly authorizes the Members to provide for reservations to the rights of Art. 14.1–3 TRIPS “to the extent permitted by the Rome Convention”. The provision refers to **reservations pursuant to Art. 16 RC**. However, the deposit of a **notification** at the Secretary General of the United Nations does not automatically limit the rights conferred by Art. 14.1–3 TRIPS. If reservations to the Rome Convention which already exist are also meant to limit the rights under Art. 14.1–3 TRIPS, this must be achieved by way of a notification to the Council for TRIPS (Art. 3.1, sentence 3). But not all the reservations listed in Art. 16 RC are applicable, because Art. 3.1, sentence 2 TRIPS declares the standard of protection pursuant to the TRIPS as final *vis-à-vis* the Rome Convention.⁴⁴ The TRIPS does not provide for any special remuneration claim by performers. The reservation of Art. 16.1 lit. a and Art. 12 RC is therefore insignificant.

II. Prior Performances and Old Recordings (Art. 14.6, Sentence 2)

Art. 14.6, sentence 2 TRIPS exceeds the provisions of the Rome Convention in respect of the rights of performers and producers of phonograms in old recordings. In fact, with regard to the protection of performers and producers of phonograms, TRIPS develops a **retroactive effect**.⁴⁵ The protection granted by Art. 14.1–2 TRIPS extends to both performances and phonograms that existed before the entry into force of the TRIPS. This results from the reference to Art. 18.1 BC. Art. 14.6, sentence 2 TRIPS excludes the rights of broadcasting organizations. It does not, however, develop any retroactive effect with regard to infringements. This follows

⁴⁴ See *Elfring*, Article 3, paras 17–18.

⁴⁵ Cf. also *Kätzberger*, in: *Beier & Schricker* (eds), 59, 91.

from Art. 70.1 TRIPS, according to which “this Agreement does not give rise to obligations in respect of acts that occurred” before its entry into force. The retroactive effect in Art. 14.6, sentence 2 TRIPS therefore ties in only with phonograms and performances as the subjects of protection. With regard to rental rights, Art. 70.5 TRIPS is *lex specialis* in relation to Art. 14.6, sentence 2 TRIPS. In accordance with Art. 70.5 TRIPS, rental rights are not applicable to copies or originals purchased prior to the entry into force of the TRIPS. This limits the retroactive effect of the (disputed) rental right. This limitation is meant to avoid *e.g.* owners of video stores (or the like) who acquired phonograms or videos before the entry into force of the TRIPS with the purpose of renting them out being prevented from doing so by a later rental right. The provision thus protects acquired vested rights. The reference in Art. 14.6, sentence 2 TRIPS only refers to Art. 18 BC. Art. 20.2 RC in particular is therefore inapplicable.

- 35 So far, Art. 14.6, sentence 2 TRIPS has played a role in two disputes⁴⁶ the subject matter of which was a then valid provision of the Japanese Copyright Act, according to which phonograms were protected only if they were recorded after 1971. This provision thus denied copyright protection to recordings made before 1971 and therefore did not accord with Art. 14.6, sentence 2 TRIPS read together with Art. 18.1 BC. Because **Japan** changed its copyright law on its own initiative and harmonized it with these provisions, the involvement of the Panel could be avoided and the proceedings were settled amicably.⁴⁷

⁴⁶ Request for Consultations by the United States, *Japan—Measures Concerning Sound Recordings*, WT/DS28/1, and WT/DS42/1.

⁴⁷ See mutually agreed solution, WT/DS28/4; WT/DS42/4.

SECTION 2: TRADEMARKS

Before Articles 15–21*

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A. General

Part II, Section 2 of the TRIPS Agreement, that comprises Arts 15 to 21, concerns the protection of trademarks. The structure of those provisions follows a pattern that largely also determines the structure of the other sections of Part II dealing with intellectual property rights. According to this pattern, the trademark-related provisions cover the protectable subject matter of a trademark (Art. 15), content and scope of the rights conferred by a trademark (Art. 16), the exceptions to trademark protection (Art. 17), the term of trademark protection (Art. 18) and finally the specific questions relating to the trademark right, *i.e.* those concerning the requirement of use of a trademark (Art. 19) and other requirements (Art. 20) as well as licensing and assignment (Art. 21). They are supplemented by enforcement regulations under Part III specifically dealing with trademarks, Arts 51, 61 and 62.3. To a large extent, the Part II, Section 2 goes back to a proposal tabled by the Community that in turn heavily relied on the respective European Trademark Law Directive.¹

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ Draft Agreement on Trade-Related Aspects of Intellectual Property Rights, MTN.GNG/NG11/W/68, 29 March 1990. See also Council Directive 1989/104/EEC of 21 December 1988 to Approximate the Laws of the Member States Relating to Trade Marks (Trademark Law Directive), OJ 1989 L 40/1.

B. Basic Principles

- 2 Until the entry into force of the TRIPS Agreement on 1 January 1995, the Paris Convention administered by the WIPO was the only convention under public international law containing material provisions on international trademark rights and therefore essentially defining the material standards of international trademark rights. With regard to trademark rights, the TRIPS Agreement is based on the existing Paris Convention system. Through “incorporation by reference” by means of Art. 2.1 TRIPS,² all material Paris Convention provisions are officially carried over into the scope of application of the TRIPS Agreement.³ This way, the Paris Convention provisions also become the basis for Arts 15 to 21.
- 3 However, the TRIPS Agreement not only establishes the Paris Convention provisions on trademarks as the basis for its own regulations but in fact efficiently complements them wherever the protection bestowed by them has so far been inadequate. For instance, the Paris Convention’s scope is restricted to industrial trademarks,⁴ and, therefore, the general adoption of the Paris Convention trademark right provisions would be meaningless for the protection of the service mark under the TRIPS Agreement. For this reason, the TRIPS Agreement—in Arts 15.2, 16.2 and 3 as well as in Art. 62.3—expressly extends the protection laid down in the Paris Convention to service marks.

C. Relationship with Other Trademark Right Conventions

- 4 The other conventions forming part of the international trademark protection system are all special agreements to the Paris Convention.⁵ However, in contrast to the Paris Convention, there is no relationship between the content of the TRIPS and the **Madrid Agreement Concerning the International Registration of Marks** (MAM) and the **Protocol relating to the Madrid Agreement Concerning the International Registration of Marks** (PMAM), which are also relevant to the system of international trademark protection. While the MAM regulates the extension of the protection afforded by trademark registration in the country of origin to all other signatories to the Agreement through a single registration at the international bureau in Geneva, and the Protocol to the MAM

² On this term see *Cottier*, Common Mkt. L. Rev. 28 (1991), 383, 396.

³ See also *Brand*, Article 2, paras 5–6.

⁴ Art. 6*sexies* PC contains merely a broadly phrased obligation to protect service marks which does not oblige the Contracting Parties to provide for their registration.

⁵ *Leaffer*, Marq. Intell. Prop. L. Rev. 2 (1998) 1, 1, 10.

offers this option also to States which are non-Parties to the MAM,⁶ TRIPS does not regulate the procedure concerning the international registration of trademark rights. The MAM, the PMAM and TRIPS are thus entirely independent agreements.

The same holds true for the relationship between the TRIPS Agreement and the **Trademark Registration Treaty**, which is aimed at integrating the United States and other countries that are not Parties to the MAM into a system of international trademark registration.⁷ The autonomy of the international registration agreements is further emphasized in Art. 5 TRIPS, according to which Arts 3 (national treatment)⁸ and 4 (most-favoured nation treatment)⁹ “do not apply to procedures provided in multilateral agreements concluded under the auspices of WIPO relating to the acquisition or maintenance of intellectual property rights”.¹⁰ Conceptually, the Trademark Law Treaty (TLT) and TRIPS were suitable for substantial overlap. The Trademark Law Treaty had been initiated by the WIPO in parallel with the WTO negotiations on the TRIPS Agreement and was originally intended to harmonize trademark law. However, after this ambitious goal had proven to be unrealizable, the negotiators shifted their focus to procedural provisions, such as the **simplification of the registration** of trademarks as well as the **amendment and renewal** of trademark registrations at national level.¹¹ The remaining material provisions of the TLT overlap marginally with the TRIPS.

D. Implementation

The TRIPS Agreement obliges its Members to introduce a minimum standard of protection for nationals of other Members. TRIPS, however, does not regulate how such minimum protection is to be implemented. Thus, the Members are free to make their own choices among the suitable methods for implementing the provisions. Existing national regulations remain permissible even if their concepts diverge from the specifications of the TRIPS, provided that they safeguard or even exceed the envisaged protection in another way. However, solutions that afford a higher level of protection must not run counter to the basic principles of the TRIPS.¹²

⁶ *Ibid.*

⁷ For lack of adherents, the TRT has hitherto not acquired practical importance. See *Leaffer*, Marq. Intell. Prop. L. Rev. 2 (1998) 1, 1, 13.

⁸ See for further details on national treatment *Elfring*, Article 3, paras 1 *et seq.*

⁹ See for further details on most-favoured nation treatment *Elfring & Arend*, Article 4, paras 1 *et seq.*

¹⁰ See *Elfring*, Article 5, paras 1 *et seq.*

¹¹ An outline on the TLT gives *Leaffer*, Marq. Intell. Prop. L. Rev. 2 (1998) 1, 1, 16.

¹² On the obligations of Members see *Elfring & Arend*, Article 1, paras 3 *et seq.*

Article 15* Protectable Subject Matter

1. Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark. Such signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colours as well as any combination of such signs, shall be eligible for registration as trademarks. Where signs are not inherently capable of distinguishing the relevant goods or services, Members may make registrability depend on distinctiveness acquired through use. Members may require, as a condition of registration, that signs be visually perceptible.
2. Paragraph 1 shall not be understood to prevent a Member from denying registration of a trademark on other grounds, provided that they do not derogate from the provisions of the Paris Convention (1967).
3. Members may make registrability depend on use. However, actual use of a trademark shall not be a condition for filing an application for registration. An application shall not be refused solely on the ground that intended use has not taken place before the expiry of a period of three years from the date of application.
4. The nature of the goods or services to which a trademark is to be applied shall in no case form an obstacle to registration of the trademark.
5. Members shall publish each trademark either before it is registered or promptly after it is registered and shall afford a reasonable opportunity for petitions to cancel the registration. In addition, Members may afford an opportunity for the registration of a trademark to be opposed.

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* The commentary is translated by Susanne Kruse, professional graduate translator.

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A. General

Art. 15 is the first provision at the international level to give a uniform definition of signs “capable of constituting a trademark” for goods and services.¹ As regards their **registration**, it contains minimal specifications on the registration prerequisites and provides the Members with various reasons for denying registration. The provision thus contributes to overcoming the difficulties resulting from the diversity of national legislation in respect of the requirements imposed on protection and registration of a sign as a trademark. 1

B. Protectable Subject Matter (Art. 15)

I. Trademark Capability (Art. 15.1, Sentences 1 and 2)

Art. 15.1, sentence 1, makes protectability of signs and combinations of signs as a trademark depend on their **abstract capability** “of distinguishing the goods or services of one undertaking from those of other undertakings”. In accordance with Art. 15.1, sentence 1, the capability of distinguishing the good or service furthermore represents a condition for the **eligibility for registration** of types of signs. Art. 15.1, sentence 2 clarifies this definition by giving examples of signs eligible for registration as trademarks, such as “words including personal names, letters, numerals, figurative elements and combinations of colours”. No reference is made to three-dimensional designs and single colours and letters.² This, however, does not mean that 2

¹ US—Section 211 Appropriations Act, WT/DS176/AB/R, para. 154. See also *Reichmann*, in: *Correa & Yusuf* (eds), 21, 44; *Stachelin*, 88 *et seq.*

² The EC, Swiss and US proposals contained specific formulations regarding the eligibility

Members are authorized to deny such signs their trademark capability *a priori*.³ Rather, the listed examples represent an **illustrative list**, and as such an indication of the Members' inability to agree on a definitive list of signs.⁴ The non-final character is emphasized by the expression "in particular" in its introduction. In consequence, **abstract distinctiveness** will determine the protectability also in situations, where the application concerns individual letters, colours or three-dimensional objects.⁵

II. Eligibility of Registration (Art. 15.2)

- 3 The trademark capability of a sign pursuant to Art. 15.1, sentence 1 **does not automatically oblige Members to register this sign as a trademark**. Registration may also be denied for reasons other than those set out in Art. 15.1 as long as such other reasons do conform to the Paris Convention. That does not mean that such other reasons need to be expressly stated in the Paris Convention.⁶ What counts is that they do not conflict with the Paris Convention objectives in general.⁷
- 4 This conclusion was reached by the Appellate Body in *US—Section 211 Appropriations Act*.⁸ This dispute concerned Section 211 of the US Omnibus Appropriations Act of 1998 regulating trademarks, trade names, and commercial names that were the same as or substantially similar to trademarks, trade names, or commercial names that were used in connection with businesses or assets confiscated by the Cuban Government. According to the provision, Cuba, Cuban nationals or other nationals who had an interest in trademarks or trade names related to certain confiscated goods were not permitted to register or renew the trademarks or trade names without the consent of the original owner, as they were not entitled to pay the requisite fees. The EC considered the regulation as establishing **additional registration prerequisites** and impermissible obstructions to each transaction concerning the registration and renewal and on that basis incompatible with Art. 15. According to the Community's interpretation, Art. 15.2 entitles the Members to deny registration "**on other grounds**" only if denial was expressly envisaged by the Paris Convention.

for registration that concerned the shape of the products and their packaging. See MTN.GNG/NG11/W/68; MTN.GNG/NG11/W/70; MTN.GNG/NG11/W/73.

³ *Kur*, in: *Beier & Schriker* (eds), 93, 100; restrictive with regard to "product shape and packaging", *Heald*, in: *Dimwoodie & Hennessy & Perlmutter* (eds), 212, 213.

⁴ *Gervais*, para. 2.160.

⁵ *Kur*, in: *Beier & Schriker* (eds), 93, 99.

⁶ *US—Section 211 Appropriations Act*, WT/DS176/AB/R, para. 165.

⁷ *Ibid.*

⁸ *Ibid.*

The Appellate Body, however, rejected the European understanding. Instead it was of the opinion that Art. 15.1 limited “the right of Members to determine the ‘conditions’ for filing and registration of trademarks under their **domestic legislation** pursuant to Article 6(1) *only* as it relate[d] to the distinctiveness requirements enunciated in Article 15.1.”⁹ It did not impose an obligation to file and register each and every mark. In particular, Members retained the right to lay down **their own national conditions**, provided they did not conflict with Art. 15.1. This also resulted from the context of the provision, in particular Art. 15.1 to 4 TRIPS and Art. 6.1 PC.

Since the Section 211 (a) (1) dealt with trademark ownership only leaving the distinctiveness requirement in Art. 15.1 unaffected, the Appellate Body found the provision consistent with Art. 15.1.¹⁰ As regards the Community’s argument on the interpretation of “**other grounds**” in the sense of Art. 15.2, the Appellate Body found these other grounds were “not limited to grounds expressly provided for in the exceptions contained in the Paris Convention (1967) or the TRIPS Agreement.”¹¹ In this respect, it agreed with the Panel’s finding that “[s]uch interpretation is borne out contextually by Article 15.2 of the TRIPS Agreement which provides that “paragraph 1 shall not be understood to prevent a Member from denying registration on other grounds.”¹²

An **exception** applies to “*telle-quelle*” marks¹³ and internationally registered trademarks (IR marks).¹⁴ For the evaluation of the registration application of these trademarks, the catalogue concerning the grounds for denial set out by the Paris Convention in its Art. 6*quinquies* B is exhaustive.¹⁵ Registration of a sign as a trademark may be denied only when (1) it is “of such a nature as to infringe rights acquired by third parties in the country where protection is claimed.”¹⁶ (2) it is “devoid of any distinctive character,” consists exclusively of designating indications, or has “become customary in current

⁹ *Ibid.*

¹⁰ *Ibid.*

¹¹ *Ibid.*, para. 178.

¹² *US—Section 211 Appropriations Act*, WT/DS176/R, para. 8.49.

¹³ A principle laid down in Art. 6*quinquies* B of the Paris Convention. Where a mark has been duly registered in the country of origin, it must, upon request, be accepted for filing and be protected in its original form (= “*telle quelle*”) in the other Contracting Parties.

¹⁴ A trademark registered under the Madrid system of international registration of marks. The Madrid system is based on the Madrid Agreement Concerning the International Registration of Marks (MAM) and the Protocol relating to the Madrid Agreement Concerning the International Registration of Marks (PMAM). The Mark is recorded in the International Register which is administered by the World Intellectual Property Organization (WIPO). From the date of the international registration the protection of the mark in each of the designated Contracting Parties is the same as if the mark had been registered by the Office of that Contracting Party.

¹⁵ *Kür*, in: *Beier & Schricker* (eds), 93, 101; *Stachelin*, 90.

¹⁶ See Art. 6*quinquies* B, sentence 1, No. 1 PC.

language”¹⁷ and when (3) it is “contrary to morality or public order and, in particular, of such a nature as to deceive the public.”¹⁸

III. Registration Prerequisites (Art. 15.1, Sentences 3 and 4, Art. 15.3 and 4)

8 The TRIPS Agreement offers its Members different options for the introduction of additional registration prerequisites.

1. Distinctiveness

9 Art. 15.1, sentence 3 allows Members to admit signs that “are not inherently capable of distinguishing the relevant goods or services” to registration on the basis of “**distinctiveness acquired through use.**”

2. Visual Perceptibility

10 Art. 15.1, sentence 4 authorizes Members generally to deny registration to signs that are not “visually perceptible”, in particular olfactory and audible marks.¹⁹

3. Use

11 According to Art. 15.3, “Members may make registrability depend on use”.²⁰ However, “**actual use** of a trademark shall not be made a condition for filing an application for registration”.²¹ Rather, the applicant is given “a period of three years from the date of application” where the trademark is considered as used. Only once this period has expired may an application be refused solely on the ground of lack of use.

12 To require actual use as a condition for registration reflects earlier US and Canadian trademark law concepts, according to which registration was impossible without evidence of actual use. With the 1988 amendment of the Lanham Act, the US finally adopted an “**intent-to-use**” system, which essentially echoes the current Art. 15.3. The provision is considered a compromise between the aforementioned use-based system of the US and Canada and the registration-based regimes existent in most civil law

¹⁷ See Art. 6*quinquies* B, sentence 1, No. 2 PC.

¹⁸ See Art. 6*quinquies* B, sentence 1, No. 3 PC.

¹⁹ *Gervais*, para. 2.161; *Kur*, in: *Beier & Schricker* (eds), 93, 99; *Stahelin*, 89. Of a differing opinion is *Blakeney*, EIPR 18 (1996) 10, 544, 548.

²⁰ *Gervais*, para. 2.163.

²¹ Having regard to their national trademark law the US proposed that the “[u]se of a trademark may be required as a prerequisite for registration.” when it tabled its draft agreement during the negotiation of the TRIPS Agreement: MTN.GNG/NG11/W/70, Art. 11.1. See also the counter proposal by the EC, MTN.GNG/NG11/W/68, Art. 11 reads: “Use of a trademark prior to registration shall not be a condition for registration.”

jurisdictions, according to which trademark rights are traditionally acquired through registration.

However, an aspect of the Lanham Act that conflicts with the provisions of the TRIPS Agreement is the provision that the period granted for complying with the obligation to provide evidence of use requires a demonstration of that use every six months after the expiry of the first 12 months. Art. 15.3, sentence 3 TRIPS protects the applicant from refusal of registration that is solely based on lack of use without any reservation.²² 13

4. Nature of the Goods or Services (Art. 15.4)

Art. 15.4, based almost *verbatim* on Art. 7 PC, limits the Members' discretion to introduce registration requirements based on the nature of the good or service. The explicit inclusion of a non-discrimination provision underlines the Members' intent to allow registration irrespective of official market approval for the labelled good or service. This rule is particularly relevant to pharmaceutical sector, where products are often subject to tedious admission procedures.²³ 14

IV. Publication and Cancellation (Art. 15.5)

Art. 15.5 stipulates that trademarks are to be published either before or "promptly after" their registration in order to underline the necessity of putting third parties in a position to oppose registration or obtain a cancellation to attend their interests. On this account Members then "shall afford a reasonable opportunity for **petitions to cancel the registration**" and "may afford an opportunity for the registration of a trademark to be opposed". While provisions for publication of trademarks are common in the national laws, TRIPS introduces the first international requirement to provide for such optional opposition and cancellation procedures.²⁴ However, Art. 15.5 TRIPS does not exemplify these procedures but leaves the procedural definitions of both cancellation and opposition to the Members' discretion. Members merely must stay within the limits of Art. 62.1, 2 and 4.²⁵ 15

²² *Kür*, in: *Beier & Schriker* (eds), 93, 102 *et seq.* Different *Correa*, 181, stating that Art. 15.3 exactly accommodates the structure of the US intent to use system.

²³ *Gervais*, para. 2.164.

²⁴ *Ibid.*

²⁵ See *Anzellotti*, Article 62, paras 1 *et seq.*

C. Relationship with Other Trademark Right Conventions

I. Paris Convention

1. Definition of Signs Capable of Constituting a Trademark

16 Art. 15.1, sentence 1 TRIPS provides a definition of signs “capable of constituting a trademark”. So far, there has been no comment on the issue in the Paris Convention. While Art. 6*quinquies* PC already at an early stage introduced the concept that a “trademark duly registered in the country of origin shall be accepted for filing and protected as is [= “*telle-quelle*”] in the other countries of the Union”,²⁶ it contains no definition of the signs capable of constituting a protectable trademark. Instead, it declares the law of the country of origin to be decisive in this respect. The consequence were continuing discussions on whether signatories to the Paris Convention are obliged to register a sign even when, in principle, its shape and content render it incapable of constituting a trademark in the national legal order. However, Art. 15.1, which is the first provision to contain an internationally binding determination of the range of protectable signs, puts an end to the dispute on the types of trademarks eligible for registration.

2. Protection of the Service Mark

17 Art. 15.1, sentence 2 TRIPS stipulates that signs capable of constituting a trademark according to sentence 1 are eligible for registration both for goods and for services. The Paris Convention, in contrast, requires registration only for goods (Art. 6.1 PC) and merely envisages a general protection for services (Art. 6*sexies* PC). By means of Art. 15.1, sentences 1 and 2, the obligation of Art. 6*sexies* PC is extended also to the registration of service marks. With a view to Art. 6*quinquies* PC, **effective service mark protection** is now facilitated **at an international level** also for those Members who did not previously envisage such protection. The six-month Union priority established by Art. 4 PC, according to which “any person who has duly filed an application for [a trademark] in one of the countries of the Union [...] shall enjoy, for the purpose of filing in the other countries, a right of priority during the periods hereinafter fixed”, has now become a TRIPS priority through Art. 2.1 TRIPS. Pursuant to Art. 6.2 TRIPS, the six-month Union priority is also envisaged for service marks.

3. Distinctiveness

18 Where signs are not inherently distinctive, Members may make their registrability depend on distinctiveness acquired through use, Art. 15.1, sentence 3.

²⁶ This subject matter was already regulated by the original version of the Paris Convention in 1883. The current version goes back to the Lisbon Revisional Conference in 1958.

Based on the “*telle-quelle*” principle Art. 6*quinquies* B, sentence 1 (ii) PC contains a similar provision regarding the registrability of trademarks which are duly registered in their country of origin. Accordingly, registration may be denied “when [the trademarks] are devoid of any distinctive character”. However, pursuant to Art. 6*quinquies* C PC, this evaluation needs to take into consideration “all the factual circumstances [...], particularly the length of time the mark has been in use”.

4. Visual Perceptibility

In Art. 15.1, the TRIPS Agreement authorizes Members to make the registrability of a sign depend on its visual perceptibility. The Paris Convention, on the other hand, neither expressly prohibits nor explicitly permits the inclusion of such a registration prerequisite in the national legislation of the Parties to the Paris Convention. Art. 15.1, sentence 4 TRIPS concretizes the Paris Convention in this respect. However, in the context of Art. 6*quinquies* B, sentence 1, no. 2 and Art. 6*quinquies* C.1 PC, it is questionable to what extent the individual evaluation of distinctiveness acquired through use is compatible with the general exclusion of visually non-perceptible signs.²⁷ The answer, however, is of limited relevance, since Art. 6*quinquies* B, sentence 1 (ii) PC is applicable only to “*telle-quelle*” marks and internationally registered trademarks, provided that sufficient use has occurred in both the country of origin and the country where registration is sought. 19

5. Use as a Condition for Filing an Application for Registration

Art. 15.3, sentence 2 TRIPS bans WTO Members from establishing actual use as “a condition for filing an application for registration”. The Paris Convention makes no statement in this regard. The Paris Convention also contains no provision making registrability depend on use as per Art. 15.3, sentence 1 TRIPS. Thus, the Paris Convention is concretized in this regard, too. In respect of “*telle-quelle*” marks and internationally registered trademarks, it needs to be considered again that the catalogue of grounds for denial provided in Art. 6*quinquies* B, sentence 1 (ii) PC is exhaustive for those trademarks also in respect of issues not concerning their content and shape and that this catalogue does not include lack of use as ground of denial. In consequence, even in cases of lack of use, the trademark duly registered in the country of origin is to be registered even in those Members expressly requiring use. For instance, the US accepts an affirmation of intended use, instead of verifying actual use of the trademark when the application is based on Art. 6*quinquies* PC.²⁸ In consequence, the 20

²⁷ *Gervais*, para. 2.163.

²⁸ See 15 U.S.C. § 1126(e) of the U.S. Act concerning registration of marks registered

use becomes irrelevant for the filing of an application for registration except for the purpose of assessing the distinctiveness requirement.²⁹

6. Nature of the Goods

- 21 Art. 15.4 ensures that “the nature of the goods or services to which a trademark is to be applied shall in no case form an obstacle to registration of the trademark”. The Paris Convention contains the same provision in its Art. 7 PC, referring, however, exclusively to goods. Art. 15.4 extends this principle to the service mark.

7. Publication/Cancellation/Opposition

- 22 According to Art. 15.5, Members shall publish each trademark either before it is registered or promptly after it is registered. On the other hand Art. 12.2 lit. b PC requires that trademarks be published regularly with their reproductions following their registration. A publication of the trademark before its registration and without its illustrating figure, although in accordance with Art. 15.5, could thus be insufficient for the purposes of the Paris Convention. It should be noted, however, that the publication of trademarks after their registration is nowadays commonplace and has also been proposed for application in national registration procedures. Unlike TRIPS, the Paris Convention does not contain any provisions on obligatory cancellation and opposition procedures. The TRIPS Agreement thus is the first agreement at international level to introduce them.

II. Trademark Law Treaty

1. Protection of the Service Mark

- 23 In the same way as the TRIPS Agreement provides for the general registrability of signs as service marks under Art. 15.1, sentences 1 and 2 and grants them priority in terms of Art. 4 PC via Art. 62.2 TRIPS, Art. 16 Trademark Law Treaty (TLT) covers the registrability of service marks and provides them with the same priority right that the Paris Convention grants for trademarks for goods.

2. Visual Perceptibility

- 24 While Art. 15.1, sentence 4 leaves it up to the Members to deny registration to signs that are not visually perceptible, the TLT is *a priori* not applicable to visually imperceptible signs in accordance with Art. 2.1 lit. b TLT. This exclusion of application is also valid for hologram marks.

in an eligible foreign country available at: http://www.law.cornell.edu/uscode/15/usc_sec_15_00001126-000-.html (last accessed 27 May 2008).

²⁹ *Gervais*, para. 2.164.

3. Use as a Prerequisite for Filing an Application for Registration

Like Art. 15.3, sentence 2 TRIPS, the TLT precludes that actual use of a sign be made a requirement for **filing** a registration application, Art. 3.7 TLT. It is, however, permissible pursuant to Art. 3.1 lit. a (xvii) TLT to require “a declaration of intention to use the mark.” Actual use may, however, serve as a condition for **registration**. According to Art. 3.6 TLT, Contracting Parties to the TLT “may require[...] the applicant [to] furnish to the Office within a time limit fixed in its law [...] evidence of the actual use of the mark [...].” 25

Article 16* Rights Conferred

1. The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed. The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use.
2. Article 6*bis* of the Paris Convention (1967) shall apply, *mutatis mutandis*, to services. In determining whether a trademark is well-known, Members shall take account of the knowledge of the trademark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark.
3. Article 6*bis* of the Paris Convention (1967) shall apply, *mutatis mutandis*, to goods or services which are not similar to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademark and provided that the interests of the owner of the registered trademark are likely to be damaged by such use.

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CASE LAW

Appellate Body Report, *US—Section 211 Appropriations*, WT/DS176/AB/R; C-39/97, *Canon Kabushiki Kaisha v. Metro-Goldwyn-Mayer Inc.*, [1998] E.C.R. I-05507.

CROSS REFERENCES

Art. 6*bis* PC; Art. 16 TLL.

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* The commentary is translated by Susanne Kruse, professional graduate translator.

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A. General

Art. 16.1 provides the trademark owner with a **guaranteed minimum protection**.¹ It establishes protection beyond the prior existent system of international trademark law conventions as it guarantees “exclusive rights” to trademark owners that were so far limited to protection against unfair competition under Art. 10*bis*.3 PC.² This is despite the general wording of the provision in respect of ownership and rights conferred by the registered trademark. Arts 16.2 and 16.3 address the protection of well-known trademarks and specifications as well as the extension of notoriety protection of trademarks previously set out in Art. 6*bis* PC. Together, these provisions have been considered important improvements in the elimination of trademark misuse, because they provide trademark owners with the instruments for effectively defending their trademarks against imitators even on those markets on which the protected products or services are not traded.³ However, following the general character of TRIPS regulations, Art. 16 is drafted as a **negative right of exclusion** instead of granting positive rights to exploit or use the trademark.⁴ Accordingly, Members remain free “to pursue legitimate public policy objectives” as they may determine when the conditions under Art. 16 can be validly alleged.⁵

¹ US—Section 211 Appropriations Act, WT/DS176/AB/R, para. 186.

² Only the Paris Convention protects in Art. 10*bis*.3 against “all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor.”

³ See *Stahelin*, 99 with further references. Also *Correa*, 185.

⁴ EC—*Trademarks and Geographical Indications*, WT/DS174/R, para. 7.210.

⁵ *Ibid.*

B. Protection of Trademarks

I. Protection of Identity and Against Confusion (Art. 16.1, Sentences 1 and 2)

- 2 In accordance with Art. 16.1, sentence 1, the owner of a registered trademark has “the exclusive right to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion.” Art. 16.1, sentence 1 thus grants the trademark owner both a **protection of the trademark’s identity** and a **protection against confusion**—exclusively, however, against unauthorized use by third parties. In contrast, the Paris Convention does not contain such provision and is supplemented by Art. 16.1 in this regard. However, TRIPS protection only applies where the trademark is used in course of trade. According to a broad understanding, any use in a commercial or economic context could constitute use of a trademark in the course of trade. In turn, a narrow interpretation may only regard use for economic purposes as use in course of trade. Since Art. 16.1 does not elaborate on the term “course of trade” its definition is up to national legislators. Moreover, the provision does not specify the taking of legal steps against the registration of a sign that is identical or similar to the trademark. In this respect Art. 15.5, sentence 1, according to which Members “shall afford a reasonable opportunity for petitions to cancel the registration” is relevant. Pursuant to Art. 15.5, sentence 2, the establishment of an opposition procedure remains at the discretion of Members.⁶

1. Likelihood of Confusion

- 3 Art. 16.1, sentence 1 protects registered trademarks against the likelihood of confusion. In doing so, it ties in with a fundamental principle of European trademark law, without, however, including the risk of association.⁷ The term “likelihood of confusion” calls for a significant probability that consumers will be confused in contrast to a simple possibility of confusion.⁸ Even though Art. 16.1 does not set a common standard as to what degree consumers have to be confused, strong evidence of “likelihood” of confusion should be assumed if the consumer accidentally attributes the purchased goods to the trademark owner.⁹ This concept corresponds to the European

⁶ Cf. *Schmidt-Pfitzner*, Article 15, para. 15.

⁷ *Knaak*, in: *Schricker & Beier* (eds), 19, 23.

⁸ *UNCTAD/ICTSD*, 237. See also *McCarthy*, § 23.01(3)(a) fn. 20.

⁹ See *The American Law Institute* (ed.), Chapter 3, § 20, Com. d., 212. *UNCTAD/ICTSD*, 237.

understanding of likelihood of confusion that was laid down by the ECJ in its *Canon* judgment.¹⁰ Accordingly, “the risk that the public might believe that the goods or services in question come from the same undertaking or, as the case may be, from economically-linked undertakings, constitutes a likelihood of confusion”¹¹

2. Burden of Proof

The protection of the trademark’s identity against confusion under Art. 16.1, sentence 1 is no absolute guarantee. In accordance with Art. 16.1, sentence 2, “the use of an identical sign for identical goods or services” establishes a refutable presumption of likelihood of confusion.¹² In consequence, the “double identity” of sign and product leads to a **shifting of the burden of proof** in favour of the trademark owner and on account of the third party.¹³ In turn, third parties are not *per se* barred from using identical signs for identical goods as they might refute the presumption of likely confusion by furnishing evidence to the contrary.¹⁴

4

3. Parallel Imports

Recognition of “double identity” use, limits the trademark owners’ ability to effectively counter unauthorized parallel imports of their products. Parallel imports relate to the entry of a trademarked product into a country in which that product is already protected under trademark law. In this respect, the trademark owner or an authorized party although permitting placement and circulation in the other country did not consent to the product being imported.¹⁵ If an original product, having reached the country this way, is purchased by the consumer in an unmodified condition, there is no **likelihood of confusion** on the part of the consumer regarding the origin and in most cases also the quality of that product. Furthermore, there will be no misconception as regards the product’s presumed origin because parallel imports are factually nothing else than original products put into circulation by the trademark owner in a different country.¹⁶ Accordingly, Art. 16 does not cover this situation as there is no likelihood of confusion relevant to the provision.

5

Moreover, the trademark owner will frequently not be in a position to invoke misconception with regard to the **product quality associated** with the trademark, since the original products are normally produced by the same

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¹⁰ C-39/97, *Canon Kabushiki Kaisha v. Metro-Goldwyn-Mayer Inc.*, [1998] E.C.R. I-05507.

¹¹ *Ibid.*

¹² *Stahelin*, 94, fn. 34 with further references.

¹³ *Ibid.*, 92; *Stucki*, 45.

¹⁴ *Knaak*, in: *Schricker & Beier* (eds), 19, 23; *Stucki*, 45.

¹⁵ See *Heald*, Vand. J. Transnat’l L. 29 (1996) 3, 635 *et seq.*

¹⁶ *Stahelin*, 93.

undertaking.¹⁷ The parallel importer who merely bought and re-imported the goods will therefore always be able to provide evidence against a presumed likelihood of confusion pursuant to Art. 16.1, sentence 2 and thus to overcome the missing consent of the trademark owner.

4. Imitation and Counterfeit Goods

- 7 The presumption of Art. 16.1, sentence 2 also concerns other situations such as the counterfeiting and imitation of trademarked products, which regularly lead to the **unauthorized use** of identical marks. In this case, the consumer purchases imitated or counterfeit products that were neither labelled nor put into circulation by the trademark owner. Due to the double identity, it appears rather likely that the consumer will be misconceived and attribute the imitated or counterfeited product to the trademark owner.

5. Exhaustion

- 8 The structure of Art. 16.1 favours the principle of international exhaustion of trademark rights. The scope of identity protection afforded by Art. 16.1 directly concerns the **core of the exhaustion issue**, *i.e.* the right to control the distribution of the protected product after its first release into circulation by virtue of the rights conferred by the trademark.¹⁸
- 9 The possibility to refute the presumption of Art. 16.1, sentence 2 and, thus, to overcome the claims of trademark owners to unauthorized parallel imports corresponds to the legal situation under an **international exhaustion regime**.¹⁹ Accordingly, the trademark rights are forfeited once the product is put into circulation by the trademark right holder or an authorized third party, irrespective of whether this occurs in the country of origin or abroad. The trademark owner is then unable to prevent the import of original products put into circulation abroad. This leads to the situation that the rights of the trademark owner are already exhausted once he has released the products on the original market.
- 10 It is debatable what significance the regulations of Art. 16.1 have, in particular *vis-à-vis* those Members which apply national or regional exhaustion concepts in their national systems. While it does not matter with regard to international exhaustion whether the first release was in the country of origin or abroad, according to the principle of **national exhaustion**, trademark rights are forfeited only when such product is first put into circulation in the country of origin. Another solution concerns the idea of **regional exhaustion**, where national exhaustion is by way of bilateral or multilateral treaties extended to two or more States, as is the case with

¹⁷ *Ibid.*

¹⁸ See for the basic principles of exhaustion *Cottier & Stucki*, in: *Dutoit* (ed.), 29, 34.

¹⁹ *Schmidt-Pfitzner*, 119.

EU-wide exhaustion. Accordingly, the rights of the trademark owner are exhausted once the product is first put into circulation within the borders of economic area established by the treaty. Members who have national or regional exhaustion regimes could now find themselves in the position being required to abandon their existing exhaustion regulations for purposes of implementing Art. 16.1.²⁰

As regards exhaustion, Art. 16.1 must be read together with Art. 6, which is the only TRIPS regulation to provide for a direct exhaustion rule.²¹ However, there is no express ruling on the **introduction of a concrete exhaustion model**. Instead, Art. 6 appears to relate to exhaustion in terms of procedure only, as it singles out dispute settlement from the scope of TRIPS application. Ultimately, the cautious wording of the provisions records the lack of agreement between negotiating parties on this issue²² and their consequential disinterest in a clear regulation, leaving the Members basically free to choose the exhaustion regime (international or national and regional exhaustion respectively) that suits them best.²³ 11

II. Prior Rights (Art. 16.1, Sentence 3)

Art. 16.1, sentence 3, sub-sentence 1 envisages that the rights conferred by Art. 16.1 and Art. 16.2 “shall **not prejudice** any existing **prior rights**.” This provision was introduced relatively late in the negotiations on Art. 16, namely only after the Brussels Ministerial Conference held in December 1990, at the start of which most of the fundamental issues regarding the TRIPS Agreement had been resolved.²⁴ By way of its Art. 16.1, sentence 3, sub-sentence 1, the Agreement also makes allowance in its section on trademark rights for the fact that the rights conferred by Art. 16.1, sentences 1 and 2 may impact on trademark rights already existing at the time of entry into force of the rights conferred by the Agreement.²⁵ This applies in particular against the background of the incorporation of the Paris Convention 12

²⁰ *Stahelin*, 95.

²¹ See for further detail *Kefler*, Article 6, paras 5 *et seq.*

²² The differing opinions become apparent with a look to the communications from the United States and India: Negotiating Group on TRIPS, including Trade in Counterfeit Goods—Suggestion by the United States for Achieving the Negotiating Objective—Revision, MTN.GNG/NG11/W/14/Rev.1, 17 October 1988; Negotiating Group on TRIPS, including Trade in Counterfeit Goods—Standards and Principles concerning the Availability Scope and Use of Trade-Related Intellectual Property Rights—Communication from India, MTN.GNG/NG11/W/37, 11 July 1989.

²³ See for further detail *Kefler*, Article 6, paras 5 *et seq.*; *Cottier & Stucki*, in: *Dutoit* (ed.), 29, 54; *Katzenberber*, in: *Beier & Schricker* (eds), 59, 80; *Stahelin*, 59.

²⁴ *Gervais*, para. 2.169.

²⁵ See *Elfring*, Article 70, paras 2 *et seq.*

provisions, which have been opened up for interpretation and implementation within the framework of the WTO dispute settlement procedure.²⁶

III. Protection of the Used Trademark (Art. 16.1, Sentence 3)

- 13 The initial draft of Art. 16.1 had dealt only with the protection of registered trademarks. However, in order to address the interests of those Members which were also providing trademark protection for signs as a result of their factual use, a respective option was added to Art. 16.1 after the Brussels Ministerial Conference upon an European proposal.²⁷ In accordance with Art. 16.1, sentence 3, sub-sentence 2, the rights conferred by Art. 16.1, sentences 1 and 2 shall not affect “the possibility of Members making rights available on the basis of use”. The notion “on the basis of use” is generally understood to include the possibility of making protection depend not only on use but, beyond that, also on the attainment of a certain degree of recognition of the name or of secondary meaning.²⁸ The current version is to strike the balance between legal orders that follow the registration principle and those that unreservedly grant protection for a trademark in use.²⁹
- 14 The regulation of the principles of registration and use within the single framework of Art. 16.1 requires a differentiation between the rights conferred by an unregistered trademark and by a registered one. In this respect, Art. 16.1, sentence 3, sub-sentence 2 is considered to be a general **conflict provision**, applying the priority principle in relation to different categories of trademarks under the TRIPS Agreement.³⁰ A further clarification of the relationship between registered and unregistered trademarks pursuant to Art. 16.1 is provided in *US—Section 221 Appropriations Act*.³¹ In this case, Appellate Body was invited to rule on the concept of **ownership**, in particular, whether Art. 16 requires the registered party to be regarded the owner of the trademark. Based on a textual interpretation of Art. 6 PC and the TRIPS Agreement, the Appellate Body held that

Article 16 confers on the *owner* of a registered trademark an internationally agreed minimum level of ‘exclusive rights’ that all WTO Members must guarantee in their domestic legislation. These exclusive rights protect the owner against infringement of the registered trademark by unauthorized third parties.

²⁶ *Gervais*, para. 2.169.

²⁷ MTN.GNG/NG11/W/68, Art. 11 reads: “A trademark right may be acquired by registration or by use. For the acquisition of trademark rights by use, contracting parties may require that such use has resulted in a reputation of the trademark.”

²⁸ *Kur*, in *Beier & Schricker* (eds), 93, 104; *Staelelin*, 93.

²⁹ See, e.g., § 4 No. 2 of the German Trademark Act.

³⁰ See *Knaak*, in: *Schricker & Beier* (eds), 19, 23.

³¹ The facts of the case are summarized by *Schmidt-Pfitzner*, Article 15, para. 4.

We underscore that Article 16.1 confers these exclusive rights on the ‘owner’ of a registered trademark. As used in this treaty provision, the ordinary meaning of ‘owner’ can be defined as the proprietor or the person who holds the title or dominion of the property constituted by the trademark. We agree with the Panel that this ordinary meaning does not clarify how the ownership of a trademark is to be determined. Also, we agree with the Panel that Article 16.1 does not, in express terms, define how ownership of a registered trademark is to be determined. Article 16.1 confers exclusive rights on the ‘owner’, but Article 16.1 does not tell us who the ‘owner’ is.³²

On the **relationship with Art. 15.1**, more specifically, on the question whether Art. 16.1 equates between the owner of trademark and the undertaking producing the goods or services, the Appellate Body pointed out that unlike Art. 15.1, Art. 16.1 “refers to the ‘owner of a registered trademark,’ [but] does not include the word ‘undertakings’ [or] mention[s] the owner of the goods or services for which the trademark is used.”³³ Accordingly, Art. 16.1 does not provide a basis for the European assertion that this provision equates the trademark owner with the undertaking whose goods or series are distinguished by the trademark. Following the reasoning of the Appellate Body, Art. 16.1 does not specify the identity of the owner, but is limited to providing that trademark protection is to be granted to the trademark owner.³⁴ The determination of ownership therefore remains in the domain of the Members.³⁵ 15

IV. Protection of Well-Known Trademarks Including Service Marks (Art. 16.2)

1. Notoriety Protection of the Service Mark

Art. 16.2, sentence 1 **expands the notoriety protection** under Art. 6bis PC to services. Accordingly, Members are obliged to protect a **service mark** registered only abroad against the registration in their national territory by way of denial of registration or cancellation and prohibition of use. The Paris Convention makes notoriety protection depend on whether the foreign trademark is “well-know” in the country in which protection is sought. In addition, the conflicting trademark must be used for identical or similar products and represent a confusable reproduction, imitation or translation of the well-known trademark in its entirety or in vital parts. The TRIPS Agreement adopts and builds on this concept rather than introducing a new full fledged system of notoriety protection. 16

³² US—Section 211 Appropriations Act, WT/DS176/AB/R, paras 186, 187.

³³ *Ibid.*, para. 192.

³⁴ *Ibid.*, paras 187, 195.

³⁵ *Ibid.*, para. 189.

2. Criteria of Protection

- 17 Neither the Paris Convention nor the TRIPS Agreement provide a definition of well-known trademarks. Hence, it is principally up to the Members to identify when a trademark is to be considered well-known. However, Art. 16.2, sentence 2 contains **objective assessment criteria** determining venue and action relevant for protection that need to be applied by the Members. These can be regarded the first binding specifications for the protection of a well-known trademark on the international plane.³⁶
- 18 First, the grant of protection to well-known marks premises **“knowledge of the trademark in the relevant sector of the public.”** The reference to the relevant sector of the public in order to determine the knowledge limits the view of national authorities when considering the public to the relevant sectors of the public.³⁷ The reference to the relevant sector of the public requires Members to accord protection even when the trademark is known only to a certain group of consumers. How the relevant sector of the public is to be defined, is a matter of national legislation. In light of the possibility that the knowledge be obtain through the trademark’s promotion, it has been suggested that it would not even be necessary that the trademark is well-known to the consumers constituting the specific market for the product, but knowledge of an **interested circle of experts** could suffice.³⁸ The circle of experts could, *e.g.*, be made up of businesspeople who are only dealing with the type of product being advertised for with the trademark.³⁹ However, this proposition holds the risk of an uncalculated increase of well-known marks. Implementing a relatively high standard regarding the criterion of knowledge of the trademark among the relevant sector therefore seems reasonable.⁴⁰
- 19 Secondly, TRIPS specifies the concept of well-known trademarks by permitting the knowledge in the Member to be **“obtained as a result of the promotion** of the trademark.” Accordingly, the trademark need not actually be used, but it is sufficient that mark is advertised for.⁴¹ Art. 16.2, sentence 2 contains no details of the type of advertisement required. In light of current technological developments, it can be concluded that it is not enough to consider only knowledge resulting from domestic advertise-

³⁶ In addition, the US unsuccessfully proposed to include determinations on the actual degree necessary for protection under Art. 16.2. See MTN.GNG/GN11/W/70.

³⁷ *Gervais*, para. 2.170; *Knaak*, in: *Schricker & Beier* (eds), 19, 23 points out once more that Members were basically restricted to insist on general knowledge with regard to the public at large.

³⁸ See *Schmidt-Szalewski*, *Duke J. Comp. & Int’l L.* 9 (1998) 1, 189, 209.

³⁹ See *Celli*, 106; *Staehelin*, 96 *et seq.*

⁴⁰ *UNCTAD/ICTSD*, 240.

⁴¹ *Gervais*, para. 2.170; *Kur*, in: *Beier & Schricker* (eds), 93, 106; *Knaak*, in: *Schricker & Beier* (eds), 19, 24; *Staehelin*, 97.

ment. Also “incidental promotion” and “spill-over-advertisement” need to be considered.⁴²

Finally, it was discussed under the heading of “**international notoriety**”²⁰ whether the phrase “knowledge of the trademark in the relevant sector of the public, including knowledge in the Members concerned” can provide a sufficient basis for granting notoriety protection to a trademark even if it is well-known only in its country of registration or third countries but not in the country in which protection is sought.⁴³ *Kür*⁴⁴ raises doubts with regard to a concept of international notoriety in Art. 16 and calls for a clearer wording, as contained *e.g.* in the US proposal favouring international notoriety.⁴⁵ In this respect, it could however be argued that the US submission is not relevant because it was tabled before the Members agreed to generally adopt the Paris Convention regime on trademark rights. In contrast to *Kür*, *Celli*⁴⁶ regards the wording of Art. 16.2, sentence 2 as a suitable basis for accepting international knowledge when granting special notoriety protection. He also relies on the relationship with the Paris Convention, but correctly infers from a comparative reading that since Art. 16.2 requires Members to take into account “the relevant sector of the public, *including* knowledge in the Member concerned” there is no requisite territorial link, whereas Art. 6*bis* PC expressly calls for the trademark to be well-known where protection is sought. In consequence, Members would be obliged to grant protection for national notoriety, but at the same time free to take into consideration the degree of recognition of a trademark in a relevant sector of the public in any other country. This approach is also in line with Art. 1.1, sentence 2, sub-sentence 1, according to which Members are—in principle—free to grant protection beyond that provided under the TRIPS.

V. Protection of Well-Known Trademarks for Different Products (Art. 16.3)

Like Art. 16.2, also Art. 16.3 refers to the Paris Convention and extends the reach of Art. 6*bis* PC. While Art. 6*bis* PC as such only concerns the protection of a well-known trademark in respect of identical or similar products, TRIPS also applies where an identical trademark is used for non-identical or non-similar products. Art. 16.3 TRIPS and Art. 6*bis* PC thus for the first

⁴² *Gervais*, para. 2.170; *Knaak*, in: *Schricker & Beier* (eds), *Die Neuordnung des Markenrechts in Europa*, 19, 24. Different *Correa*, 190.

⁴³ *Celli*, 107; *Kür*, in *Beier & Schricker* (eds), 93, 107.

⁴⁴ *Kür*, in *Beier & Schricker* (eds), 93, 105 *et seq.*

⁴⁵ MTN.GNG/NG11/W/70, PART II, B, Article 12.2 reads: “In determining whether a trademark is well-known, the extent of the trademark’s use and promotion in international trade must be taken into consideration.”

⁴⁶ *Celli*, 107.

time establish **trademark protection outside the scope of product similarity** taking effect on the international plane.⁴⁷

1. Identity Protection/Use

- 22 The phrase “use of that trademark” indicates that the protection of the well-known trademark under Art. 16.3 is limited to that trademark’s identity and is to be accorded only if the conflicting sign is identical with the well-known trademark and factually used.⁴⁸

2. Criteria of Protection

- 23 Art. 16.3 grants protection of the well-known trademark outside the area of product similarity under three conditions that need to be **satisfied cumulatively**. First, the well-known trademark needs to be registered. There is no specification where the registration needs to be carried out. However, it has forcefully been argued that the **prerequisite of registration** refers to the country in which protection is sought.⁴⁹ Art. 16.3 thus departs from the idea underlying Art. 6*bis* PC that is not requiring registration in the country in which protection is sought. Registration becomes however irrelevant if a Member implementing Art. 16.3 into national law abandons the registration prerequisite altogether and grants extended protection also to unregistered well-known trademarks. This is possible because an implementation that goes beyond the minimum protection of the TRIPS Agreement is in principle permissible (Art. 1.1, sentence 2, sub-sentence 2).
- 24 As a second condition, the use of the conflicting trademark must indicate a **connection** to the goods and services of the owner of the well-known trademark. Thirdly, protection under Art. 16.3 shall be accorded only where the interest of the owner of the well-known trademark are **likely to be damaged** by the use of the conflicting mark. The provision requires a likelihood of damage, not an actual damage. The explicit damage condition was incorporated into the draft TRIPS Agreement only at a rather late stage of the negotiations. In the Brussels Draft the last sub-sentence of Art. 16.3 still reads: “provided that use of that trademark in relation to those goods or services would *unfairly* indicate a connection between those goods or services and the owner of the registered trademark.”⁵⁰ However, some delegates considered the term *unfairly* to be too imprecise and did not indicate who was to be protected. Indeed, the term could have related to

⁴⁷ Knaak, in: *Schricker & Beier* (eds), *Die Neuordnung des Markenrechts in Europa*, 19, 25.

⁴⁸ Celli, 108.

⁴⁹ Knaak, in: *Schricker & Beier* (eds), *Die Neuordnung des Markenrechts in Europa*, 19, 24; Celli, 108.

⁵⁰ See the Draft Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations—Revision (Brussels Draft), MTN.TNC/W/35/Rev.1, 3 December 1990.

e.g. the trademark owner, the consumer or both. The explicit mentioning of the “interests of the trademark owner” thus serves to clarify the protective purpose of Art. 16.3.⁵¹

Only few authors have attempted to develop a definition of the two last protection prerequisites. *Celli*⁵² and *Gervais*⁵³ give explanations of the **criterion of impairment of interests**. *Celli*⁵⁴ regards the requirement of a likely impairment of the interests of the trademark owner in the case of an association as a kind of relevance threshold which needs to be overcome because, otherwise, the impairment criterion would be rendered redundant. For *Celli*, Art. 16.3 is aimed at **protecting the trademark against dilution** because he conceived any likelihood of confusion to establish a likelihood of the owners’ interests’ to be impaired. 25

Gervais, in contrast, rejects the imposition of strict requirements regarding the anticipated damage, claiming that its simple likelihood was enough. The assessment of the likelihood of damage should according to him be evaluated liberally in view of objective criteria and based on evidence. In the case of very well-known trademarks, the likelihood of damage condition should not be overstretched since the owner will regularly be damaged “in a number of ways, including possible liability lawsuits.”⁵⁵ Accordingly, *Gervais* perceives Art. 16.3 primarily as **protecting the trademark’s reputation**. 26

The majority of authors have tried to interpret the connection and damage requirements on the basis of conceptions already existent in other legal systems. In doing so, they have faced considerable difficulties, which, as *Knaak* recognizes,⁵⁶ are mainly due to the fact that the **combination of a danger of association with a requirement of damage** under Art. 16.3 has no express precedent in either the US or other national legal orders. 27

However, due to the EC’s active role in the TRIPS negotiations, most authors assume that there has been a misunderstanding leading to the merger of the prerequisites of Art. 6*bis* PC on the protection of well-known trademarks—protection against confusion—with the European concept of the protection of famous trademarks—protection against dilution and the exploitation of reputation.⁵⁷ *Kur*⁵⁸ and *Stahelin*⁵⁹ therefore consider it 28

⁵¹ See *Gervais*, para. 2.172.

⁵² *Celli*, 109.

⁵³ *Gervais*, para. 2.171.

⁵⁴ *Celli*, 109.

⁵⁵ *Gervais*, para. 2.171.

⁵⁶ *Knaak*, in: *Schricker & Beier* (eds), 19, 24.

⁵⁷ *Ibid.*

⁵⁸ *Kur*, in *Beier & Schricker* (eds), 93, 107.

⁵⁹ *Stahelin*, 98.

necessary at least for European countries to implement and apply, apart from the usual provisions on the protection of well-known trademarks outside the scope of similarity being based on Art. 5.2 of the **Trademark Law Directive**,⁶⁰ a second modified provision in order to fulfil the specifications of Art. 16.3. Danish legislation is, *e.g.*, explicitly regulates the protection of well-known trademarks outside the scope of product similarity as extended by Art. 16.3. In Danish law, this regulation stands alongside the enhanced protection of well-known national trademarks.

C. Relationship with Other International Provisions

I. Paris Convention

1. Differences

- 29 The provisions of Art. 16 and the Paris Convention concerning conditions of protection and rights conferred to a trademark holder are outlined in paras 2, 16–22 above.

2. Developments—Joint Recommendation Concerning Provisions on the Protection of Well Known Marks (WIPO)

- 30 Based on a Joint Resolution of the Paris Convention and WIPO Assemblies, the “Joint Recommendation Concerning Provisions on the Protection of Well Known Marks” forms the preliminary conclusion of a programme for the restatement of the prerequisites for the protection of well-known trademarks pursuant to Art. 6*bis* PC.⁶¹ It was included in the WIPO’s working plan shortly after the conclusion of the TRIPS Agreement in November 1995. The “Joint Recommendation” aims at facilitating the protection of a well-known trademark that attains the level required by Art. 16. 2 and Art. 16.3, in part even going beyond it.

a) Notoriety Protection of the Service Mark

- 31 According to the Joint Recommendation, a service mark enjoys a status equal to that of the trademark for goods in the sense of Art. 6*bis* PC. This follows from the passages directly referring to notorious trademarks, such as Art. 2.1 lit. b (iii) Joint Recommendation, which addresses those goods or services to which the trademark relates.

⁶⁰ First Council Directive 1989/104/EEC of 21 December 1988 to Approximate the Laws of the Member States Relating to Trade Marks (Trademark Law Directive), OJ 1989 L 40/1.

⁶¹ Joint Recommendation Concerning Provisions on the Protection of Well Known Marks (WIPO), available at: <http://www.wipo.int/about-ip/en/development_iplaw/index.htm> (last accessed 11 February 2008).

b) Scope of the Relevant Sectors of the Public

Art. 2.1 lit. a Joint Recommendation which states that “the competent authority shall take into account any circumstances from which it may be inferred that the mark is well-known”, and Art. 2.1 lit. b (1–6) Joint Recommendation listing specifically relevant criteria are crucial instruments for the dissolution of the concept of well-known trademarks. First, Art. 2.1 lit. b (1) Joint Recommendation refers to “the degree of knowledge or recognition of the mark in the relevant sector[s] of the public” The meaning of the relevant sector of the public is explained in greater detail in Art. 2.2 lit. a Joint Recommendation. Accordingly, actual or potential **consumers, persons involved in channels of distribution** and **business circles** dealing with the type of goods and/or services to which the trademark applies are groups pertinent to the determination of the relevant sector of the public. Furthermore, under the heading of “Factors Which Shall Not Be Required”, it is made clear that no Member State shall “require, as a condition for determining whether a mark is a well-known mark [...] **that the mark is well known by the public at large** in the Member State” (Art. 2.3 lit. a (iii) Joint Recommendation). 32

c) Use/International Knowledge

Art. 2.1 lit. b (3) Joint Recommendation emphasizes that knowledge of a trademark acquired exclusively through publicity suffices for the trademark’s notoriety and that its use in that country is not an essential requirement. Moreover, the notion of “geographical area” is regarded an indication of the trademark’s worldwide circulation instead of relating to the trademark’s use in the country where protection is sought. From this it can be inferred that international knowledge may suffice to determine a trademark’s notoriety. 33

d) Protection of Notoriously Well-Known Trademarks for Different Products

Art. 4.1 lit. b Joint Recommendation contains provisions on extended trademark protection and its sub-point (i) corresponds to wording used in Art. 16.3, sub-sentence 2 TRIPS. Art. 4.1 Joint Recommendation deliberately avoids any reference to the types of products for which the well-known trademark is registered and for which the conflicting trademark is used. It is thus made clear that enhanced trademark protection also applies to those cases in which there is a similarity between the products for which the trademark is registered and those for which the conflicting trademark is used. In its sub-points (ii) and (iii), Art. 4.1 lit. b Joint Recommendation addresses unfair dilution and impairment of the distinctive character of a well-known trademark as well as unfair exploitation of its reputation due to unauthorized use. 34

e) Conditions of Registration

- 35 Art. 4.1 lit. d (i) Joint Recommendation prohibits the Member States from making the extended protection of a well-known trademark depend on its use or registration in the country in which protection is sought. In this regard, the Joint Recommendation provides for easier access to enhanced protection of a well-known trademark than does Art. 16.3.

f) Implementation

- 36 The recommendations outlined above have not yet been implemented in the legal orders of any of the Member States. They are, however, of mere recommendatory nature and **not legally binding** on the Member. Therefore, it is within the Members' discretion to allow for the far-reaching changes envisaged by the Joint Recommendation for the protection of well-known trademarks in accordance with Art. 6*bis* PC.

II. Trademark Law Treaty—Notoriety Protection of the Service Mark

- 37 Art. 16 TLT broadens the scope of Art. 6*bis* PC to service marks. To that extent it is in line with the corresponding regulation in Art. 16.2, sentence 1.

Article 17* Exceptions

Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties.

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Art. 10*bis* PC; Art. 9.2 BC; Art. 6.1 Trademark Law Directive;¹ Art. 3 Misleading Advertisement Directive.²

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ Council Directive 89/104/EEC of 21 December 1988 to Approximate the Laws of the Member States Relating to Trade Marks (Trademark Law Directive), OJ 1989 L 40/1.

² Directive 97/55/EC of European Parliament and of the Council of 6 October 1997 amending Directive 84/450/EEC Concerning Misleading Advertising so as to Include Comparative Advertising (Misleading Advertisement Directive), OJ 1997 L 290/18.

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A. TRIPS and the Law of Unfair Competition

I. General

- 1 The TRIPS Agreement contains no specific section on laws of unfair competition but accommodates both the necessity of limitations of intellectual property rights from the perspective of competition laws and—elsewhere—the structure of competition laws inherent to intellectual property rights. As regards trademark laws, Art. 17 is a provision in the first sense in that it renders **competition laws as a limitation of intellectual property rights**. Thus, the interplay between the monopoly of the trademark owner—as a reward for intellectual endeavour and investment as well as providing an incentive for intellectual efforts at a commercial level—and the protection of effectively functioning competition becomes apparent in Art. 17.
- 2 The historical roots for international competition law, more precisely the law of unfair competition, may be seen in the Brussels Revision of the Paris Convention of 14 December 1900, which brought about the establishment of Art. 10*bis* PC and Art. 10*ter* PC. In accordance with Art. 10*bis* PC, the countries of the Union are obliged to guarantee effective protection against unfair competition, which is defined in para. 2 as “any act of competition contrary to honest practices in industrial or commercial matters”. This definition is supported by a non-exhaustive list of examples, Art. 10*bis*.3 PC. The understanding of Art. 10*bis* PC is also relevant for the purpose of interpreting Art. 17, which also works with examples, since the Paris Convention is incorporated into the TRIPS Agreement through reference in Art. 2 TRIPS.³ Art. 17 ultimately conforms to the knowledge achieved by the five international anti-trust law conferences that attempted to make

³ See *Brand*, Article 2, para. 9 who considers the reference in Art. 2 an adaptation of the indicated international norms rather than an incorporation.

up for the failure of the Havana Charter (1947) in the years between 1958 (Chicago) and 1973 (Tokyo), namely that the conflict of laws was unable to tackle international trade difficulties and that efforts shall instead be made to achieve legal harmonization. Art. 17, however, rather than introducing a uniform WTO competition law, provides Members with an option to take the international standards of unfair competition law into account at WTO level. This is of course still very far from a harmonized competition law.

II. Historical Development

While Japan,⁴ the United States⁵ and Switzerland⁶ *e.g.* had refrained from proposing competition law as exception to trademark protection under the TRIPS, it was mainly the EC⁷ which lobbied for the consideration of the law of unfair competition in accordance with Art. 6.1 Trademark Law Directive. The EC was supported in these efforts by Austria, which at that time was not yet an EC Member.⁸ The developing countries,⁹ especially India,¹⁰ had additionally demanded a clause of the principle of exhaustion¹¹ as an exception to trademark protection. However, they were unable to prevail with their demand after *e.g.* the EC and the United States, contrary to their initial proposals, had disavowed this option in 1990.

III. Concept and Applicability

Art. 17 authorizes Members to provide for an exception to the rights conferred by a trademark in domestic laws at their own discretion and based on the criteria and specifications of Art. 17. **Direct applicability** is therefore **out of the question**. As is indicated by the indefinite wording of the norm, a competitor may by virtue of Art. 17 neither raise an objection in trademark infringement cases nor demand specific legislation in his country.

⁴ MTN.GNG/NG11/W/74, 7 *et seq.*

⁵ MTN.GNG/NG11/W/14/Rev.1, 4 *et seq.*; MTN.GNG/NG11/W/70, 7 *et seq.*

⁶ MTN.GNG/NG11/W/38, 4 *et seq.*; MTN.GNG/NG11/W/73, 8 *et seq.*

⁷ MTN.GNG/NG11/W/26, 6; MTN.GNG/NG11/W/68, 7.

⁸ MTN.GNG/NG11/W/55, 3.

⁹ MTN.GNG/NG11/W/71, 9.

¹⁰ MTN.GNG/NG11/W/37, 15.

¹¹ See in detail *Kefler*, Article 6, para. 4.

B. Scope of the Member's Discretion

I. General

- 5 Art. 17 does not provide for a list of exceptions. The naming of “fair use of descriptive terms” serves as an example but is not binding as a minimum regulation due to the indefinite character of the norm.¹² In principle, not even the mentioned example could be considered obligatory for national regulations since the possibility to avail oneself of the option provided by Art. 17 does not deprive the provision of its character as a discretionary provision.¹³ However, in describing the particular example using the words “such as [...]”, the content of a possible national regulation is insofar determined as the exceptions provided by competition laws must correspond to this specifically mentioned violation. Otherwise, this part of the regulation would be redundant and absurd. Since the action permitted under the law of fair competition that is mentioned in Art. 17 appears to be accepted among Members, it must be taken into account when drafting a national exception rule. Finally, Art. 17 cannot justify any exceptions to trademark protection that are not related to competition laws.
- 6 The concept of **fair use of descriptive terms** comprises those usages of the mark protected under trademark law which serve the sole purpose of informing the customer of the usage of the goods. A problematic aspect in this respect might be the differentiation between this concept and that of exploitation of reputation if the description is not just a declaration of use but a (possibly hidden) quality description. Since exploitation of the reputation of a mark is definitely to be regarded as unfair use, it would in theory have to be rejected as a justification of the exception in relevant national legislation. In practice, however, national legislation will likewise be formulated in an indefinite way, thus rendering case-by-case evaluations available.
- 7 Art. 17 is particularly important in the field of **comparative advertising**. The Misleading Advertisement Directive also establishes unfair exploitation of reputation as an exception to the general permissibility of comparative advertising.¹⁴ Thus, allowing a comparison concerning aspects of quality between goods marketed under a protected trademark will be covered by Art. 17 even if the competitor's own goods are represented as higher quality than the other branded goods; for the permissibility of such a representation would be exclusively regulated by competition law and not by exception

¹² Cf. *Correa*, 194.

¹³ *UNCTAD/ICTSD*, 243.

¹⁴ Art. 3 a (1) lit. e and lit. g Misleading Advertisement Directive. Regarding imitations and replicas, see lit. h.

provisions under trademark law.¹⁵ On the other hand, **quality indications** of one's goods by referring to a competitor's protected trademark will infringe the rights conferred despite its positive representation by the competitor and will not be covered by exceptions pursuant to Art. 17, even if Art. 17 is partly construed as being supposed to facilitate quality descriptions.¹⁶ Since the representation in that case does not refer to the functions of the goods any more, but involves the exploitation of the good reputation of the mark, such privilege as defined in Art. 17 may no longer be claimed. Under such circumstance, any intrusion upon one's trademark rights lacks the justification of describing the function of goods, because by making use of another trademark to demonstrate specific qualities the seller exploits the good reputation of that mark without providing information about the functions of the goods, which is world-wide deemed an unfair act.

Other possible exceptions according to Art. 17 are listed in Art. 6.1 Trademark Law Directive, which served as the model for Art. 17.¹⁷ These include *e.g.* the use of the trademark as an indication of the purpose of a product, *e.g.* when describing the compatibility of a spare part or describing the product's purpose as an accessory.¹⁸ This case should, however, already be covered by the above mentioned example of an unfair use of descriptive terms, because using a trademark for the purpose of describing the use of spare parts is only possible in a descriptive way. Another example that may be cited is the fair use of the name of the company as trademark owner by a third party.

While the question of the international exhaustion of trademarks expressly remained unregulated in the TRIPS,¹⁹ Art. 21 reveals that compulsory licences are not covered by the exceptions pursuant to Art. 17.²⁰ It is disputed, however, whether Art. 17 covers the obligation to acquiesce in case of forfeiture as provided in Art. 9 Trademark Law Directive. This is assumed by the prevailing opinion which also acknowledges that the wording of the provision provides no indications whatsoever to support this assumption.²¹ This question is rarely clarified through those arguments. Whereas Art. 17 is formulated in a too open way to suggest the possibility and the necessity to conduct definitions, the concept of "limited exceptions" shall still be taken into account—that the criterion set by virtue of fair use of descriptive terms as an example shall serve as the guidance to individual cases. Nonetheless, the principle of *ratio* (reasonableness) shall definitely apply to

¹⁵ See Art. 3 a (1) lit. c Misleading Advertisement Directive.

¹⁶ See for a different opinion *Blakeney*, 59.

¹⁷ See also *Stoll & Raible*, in: *Priß & Berrisch* (eds), 584, fn. 88.

¹⁸ *Kür*, in: *Beier & Schricker* (eds), 93, 108.

¹⁹ Cf. *Keßler*, Article. 6, paras 2 *et seq.*

²⁰ *Blakeney*, 59; *Kür*, in: *Beier & Schricker* (eds), 93 108 *et seq.*; *Stahelin*, 100.

²¹ See *Kür*, in: *Beier & Schricker* (eds), 93, 108 *et seq.*; *Stahelin*, 100.

the above-mentioned cases when evaluating from a competition law perspective, since the competition relies to a certain extent upon the attitude of the trade partner towards the protection of his or her rights, and the idea of forfeiture renders the principle of *venire contra factum proprium* (estoppel) for competitive behaviour fruitful. Moreover, pursuant to Art. 9 Trademark Law Directive on forfeiture, it can be ascertained applying teleological and historical interpretation that the suggestions made by the EC shall apply to Art. 17, so that the “purpose of legislators” of the TRIPS Agreement shall be construed under this background.

II. The Notion of “Limited Exception(s)”

- 10 The question to what extent the limited exceptions determine the Members’ legislation has hitherto received little attention within the discussion on trademark protection under the TRIPS Agreement.²² The very imprecise wording leaves room for interpretation.²³ However, from the term “limited exceptions” it has been inferred that the Members’ authority to provide for exceptions must be **interpreted restrictively** and “**must not undercut the body of rules from which it is made.**”²⁴ Nevertheless, due to its uncertainty, this term assumes an advisory and virtually unbinding character. An obligation to interpret the provision restrictively also follows from the nature of Art. 17: It is an *exception* to the general rule.²⁵ Finally, in light of the standard that is arguably set by the example of an unfair use of descriptive terms, the term “limited exceptions” shall be interpreted to cover those cases which pertain to the law of unfair competition. Consequently, exceptions are not only confined to particular cases, but also to the inherently essential prerequisites that comprise a case, *i.e.* the limited exceptions manifests such a binding purpose that the rights conferred by TRIPS as regards trademarks may not be totally neglected in case of an exception

²² Cf. *Correa*, 194.

²³ *UNCTAD/ICTSD*, 243.

²⁴ *EC—Trademarks and Geographical Indications*, WT/DS174/R, paras 6.644–6.661. In this case, the Panel was invited to decide whether the European Communities’ regime of co-existence between GIs and prior trademarks was justified under Art. 17. The Panel held that the ordinary meaning of the terms of the provision indicates that an exception must not only be “limited” but must also comply with the proviso in order to satisfy Article 17. The example of “fair use of descriptive terms” is illustrative only, but it can provide interpretative guidance because, a priori, it falls within the meaning of a “limited” exception and must be capable of satisfying the proviso in some circumstances. With particular regard to the title, the Panel referred to the *Canada—Pharmaceutical Patents* Panel which interpreted the identical term in Article 30, that the word “exception” by itself connotes a limited derogation, one that does not undercut the body of rules from which it is made. The addition of the word “limited” emphasizes, according to the Panel, that the exception must be narrow and permit only a small diminution of rights. On the merits of the case, the Panel found the European Regulation to be a “limited exception” within the meaning of Art. 17.

²⁵ See also *Gervais*, para. 2.177.

but can only be limited to the extent that is necessary to achieve the competition law purpose(s).

III. Rights Conferred by a Trademark

Art. 17 does not define precisely *which* rights conferred by the trademark may be limited. In view of the purpose of Art. 17, namely the balance between the monopoly held by the trademark owner and the freedom of competition, it should be possible that fair use does not only serve to limit several rights that arise from a trademark. As the last provision dealing with material rights Art. 17 allows exceptions to the whole protection list in Art. 16. There is also no restriction to the effect of Art. 17 with regard to the type of **trademark**. Consequently, exceptions to trademark protection may as well apply to famous trademarks without being registered with a trademark office,²⁶ even though Art. 16.1 generally refers only to registered trademarks. This is apart from the last part of the provision, which allows for trademark protection on the basis of use (secondary meaning).²⁷ 11

Whether Art. 17 permits exceptions to trademark protection which are different from those outlined in Art. 16, *i.e.* the duty **to provide a right of appeal** against the registration of identical or similar signs in Art. 15.5,²⁸ is not being discussed. The wording of Art. 17 refers to the “rights conferred” by the trademark, which corresponds to the heading of Art. 16. This might lead to the conclusion that Art. 17 refers exclusively to Art. 16,²⁹ which certainly does not establish an additional burden to the Members: the obligation to “afford a reasonable opportunity for petitions” without any further procedural regulations in Art. 15.5 does not go further than requiring the Members to specify legal remedies which include the option to make exceptions. Exceptions, *e.g.* to the grant of the term of protection pursuant to Art. 18, are out of the question unless they are a consequence of exceptions to the rights conferred by the mark in Art. 16. This follows from both the wording and the context of Art. 17. 12

²⁶ *Ibid.*

²⁷ *Kur*, in: *Beier & Schricker* (eds), 93, 104.

²⁸ *Ibid.*

²⁹ See also Correa, 195; *Reger*, 289.

C. Balance of Interests

I. Balancing Criterion

- 13 Exceptions pursuant to Art. 17 are subject to the interests of the trademark owner and third parties.³⁰ Since the provision addresses the consideration of interests, not the prohibition of an impairment of interests, none of the interested parties shall initially be given greater importance. An exception under Art. 17 will by its very nature impair the interests of the trademark owner. The limits to Art. 17, however, reveal that the permissibility and relevance of an exception, once acknowledged, will not fully hinder the rights of the trademark owner—a fact which is already made clear by the wording of “limited exception(s).” The balancing act should then be subject to examination in terms of reasonableness and/or appropriateness. In this respect, already the monopoly position of the trademark owner as an entitled party should count as a legitimate interest. While it is hardly conceivable that fair use of a trademark could totally or largely deteriorate the position of the trademark owner, an impairment of the rights conferred upon him by trademark law to such extent would fail to withstand the balancing test.

II. Implementation

- 14 The requirement to take into account the legal interests of the trademark owner and third parties is addressed to the national legislator. The provision that the competitor may depend upon such consideration does not result from the national laws but from the exceptions formulated and promulgated by the legislators. The national legislator has already balanced the interests at stake in this sense. Since all this cannot be covered in an exhaustive and

³⁰ Again, the Panel in *EC—Trademarks and Geographical Indications*, WT/DS174/R, paras 6.662–6.663 refers to the *Canada—Pharmaceutical Patents* decision and compares Art. 17 with Art. 30 in order to ascertain the legitimate interests right owners and third parties. It states that “[t]he legitimacy of some interest of the trademark owner is assumed because the owner of the trademark is specifically identified in Article 17. The TRIPS Agreement itself sets out a statement of what all WTO Members consider adequate standards and principles concerning trademark protection. Although it sets out standards for legal rights, it also provides guidance as to WTO Members’ shared understandings of the policies and norms relevant to trademarks and, hence, what might be the legitimate interests of trademark owners. The function of trademarks can be understood by reference to Article 15.1 as distinguishing goods and services of undertakings in the course of trade. Every trademark owner has a legitimate interest in preserving the distinctiveness, or capacity to distinguish, of its trademark so that it can perform that function. This includes its interest in using its own trademark in connection with the relevant goods and services of its own and authorized undertakings. Taking account of that legitimate interest will also take account of the trademark owner’s interest in the economic value of its mark arising from the reputation that it enjoys and the quality that it denotes.” On the merits, the European Regulation proved the first governmental measure that was found to be justified under Art. 17. See para. 7.688.

concrete way when drafting the legislation, Members may, of course, also resort to a general clause which leaves the balancing process to a great extent up to those who shall apply the provision to individual cases.

III. Third-Party Interests

Pursuant to Art. 17, the legitimate interests of the third party shall be deemed equivalent to those of the trademark owner.³¹ The provision, which is intended to remain open and not to narrow down the concept of legitimate interests of the third party, deviates from the tendency of referring to a typical example. It should be noted that third-party interests are not competing with the interests of the trademark owner but with the exceptions to trademark protection. 15

Since compulsory licences cannot be regarded as third-party interests pursuant to Art. 21, consumer interests, such as the interest in being protected from deception when the trademark is used by another competitor, are conceivable interests of third parties under Art. 17. It would, however, merely assume declaratory significance to mention consumer interest if the aforementioned example is the only one that fell under the concept of third-party interests, because misleading use of the trademark is already contrary to the concept of fairness, to which the exceptions in accordance with Art. 17 are generally subject. Neither the wording nor the *ratio* of the general clause renders this restriction compulsory. Therefore, “third parties” in the sense of Art. 17, may also comprise **licensees** of the trademark, whose interests would otherwise only be considered by the national legislator via an analogous application of the trademark owner’s interests. 16

³¹ See *Correa*, 195.

Article 18* Term of Protection

Initial registration, and each renewal of registration, of a trademark shall be for a term of no less than seven years. The registration of a trademark shall be renewable indefinitely.

BIBLIOGRAPHY

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CROSS REFERENCES

Art. 13 TLT; Arts 6, 7 PMAM.

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A. General

- 1 Art. 18 establishes a **term of protection** of at least seven years for the initial registration of a trademark. Thereafter, provided that the conditions for renewal are fulfilled, the registration is indefinitely renewable, each renewal lasting for at least another seven years.¹ The seven-year term of protection reflects the compromise reached between the industrialized countries, which favoured a ten-year protection period,² and efforts of the developing countries to leave the issue of the term of protection up to national legislators.³ The option to renew registration indefinitely allows for the commercial operation of the trademark, that is—according to the general view—to identify a commercial offer as long as it exists on the market.⁴

B. Term of Protection in Other International Agreements

- 2 The Paris Convention contains no regulation that corresponds to Art. 18 TRIPS and is therefore supplemented by the TRIPS in this respect. Art. 13.7 TLT envisages a minimum term of ten years for the initial registration, renewable for the same period at the applicant's choice. International trademark registration equally enjoys ten-year protection under Art. 6.1 PMAM, renewable for another ten years pursuant to Art. 7 PMAM.

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ *Gervais*, para. 2.181.

² See Draft Agreement on Trade-Related Aspects of Intellectual Property Rights, MTN.GNG/NG11/W/68, 29 March 1990, Part 2, B, Art. 14.

³ *Kur*, in: *Beier & Schriker* (eds), 93, 109.

⁴ *Ibid.*, *Staehelin*, 100.

Article 19* Requirement of Use

1. If use is required to maintain a registration, the registration may be cancelled only after an uninterrupted period of at least three years of non-use, unless valid reasons based on the existence of obstacles to such use are shown by the trademark owner. Circumstances arising independently of the will of the owner of the trademark which constitute an obstacle to the use of the trademark, such as import restrictions on or other government requirements for goods or services protected by the trademark, shall be recognized as valid reasons for non-use.
2. When subject to the control of its owner, use of a trademark by another person shall be recognized as use of the trademark for the purpose of maintaining the registration.

BIBLIOGRAPHY

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CROSS REFERENCES

Art. 5C PC; Arts 13, 22 TLT.

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A. Required Use

In accordance with Art. 19, the introduction of the requirement of **right-maintaining use** for the continuity of trademark registration is permissible but not compulsory. This decision is reserved to the national legislators of the Members. If maintenance of the registration depends on **factual use** of the trademark, it “may be cancelled only after an uninterrupted period of at least three years of non-use” (Art. 19.1).¹ 1

A registration cannot be cancelled where the trademark owner can **justify** non-use by proving the existence of “valid reasons”. Art. 19.1 does not, however, give any definition of such valid reasons. It is therefore upon the Members to determine the scope of the grounds for justification of non-use. *Roffe*² gives a wide and a narrow interpretation of those grounds. According to a broad understanding, already technical problems in producing the goods to be labelled with the trademark suffice as justification for non-use. 2

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ The EC favoured a five year period. See Draft Agreement on Trade-Related Aspects of Intellectual Property Rights, MTN.GNG/NG11/W/68, 29 March 1990 Part 2, B, Art. 15.1 reads: “If use of a registered mark is required to maintain trademark rights, the registration may be cancelled or protection may be denied only after an uninterrupted period of at least five years of non-use, [...]”

² *UNCTAD/ICTSD*, 245.

In contrast, a narrow interpretation may regard as valid only those facts that arose outside the sphere of influence of the trademark owner, such as a governmental prohibition on the sale of the trademarked goods. In fact, Art. 19.1, sentence 2 favours a narrow interpretation as it limits the obstacles “recognized as valid reasons for non-use” to “circumstances arising independently of the will of the trademark owner.” For purposes of illustration, the provision lists “import restrictions on or other government requirements³ for the goods or services protected by the trademark.”

- 3 Art. 19.2 furthermore obliges the Members to recognize so-called **representative use**, *i.e.* use by third parties, under the control of the trademark owner, as right-maintaining use. This provision mainly refers to the use of the trademark by licensees or trust-associated companies.⁴

B. Protection in Other International Agreements

I. Paris Convention

- 4 Like Art. 19, the Paris Convention authorizes the requirement of **right-maintaining use** subject to specific conditions. Art. 5 C.1 PC determines that “if, in any country, use of the registered mark is compulsory, the registration may be cancelled only after a reasonable period, and then only if the person concerned does not justify his inaction”. Art. 5 C.1 PC similar to Art. 19.1, envisages a justification option for non-use of the trademark. In respect of the period of grace to be granted in case of non-use, Art. 19.1 TRIPS provides a further specification envisaging a minimum of three years.
- 5 Art. 5 C.3 PC recognizes **representative use** of the trademark by “industrial or commercial establishments” belonging to the trademark owner. By means of Art. 19, Union countries to the Paris Convention that are also WTO Members will now have to consider trademark use by licensees and associated companies. Finally, Art. 5 C.2 PC accepts the “use of a trademark [...] in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered [...]” This regulation has no counterpart in Art. 19 TRIPS, but remains unaffected in the sense of Art. 2.2.

³ *Gervais* gives as examples for other government requirements approval procedures for agri-food or pharmaceutical compounds, *Gervais*, para. 2.185.

⁴ See *Kür*, in: *Beier & Schricker* (eds), 93, 110; *Stachelin*, 101.

II. Trademark Law Treaty

Art. 19 explicitly authorizes use to be a requirement for the maintenance of a trademark registration. Art. 13.4 TLT, on the other hand, in principle excludes such requirements. They can, however, be retained within the framework of the transitional provisions of Art. 22.4 TLT provided that this is explicitly determined by the relevant TLT Member.

6

Article 20* Other Requirements

The use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements, such as use with another trademark, use in a special form or use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings. This will not preclude a requirement prescribing the use of the trademark identifying the undertaking producing the goods or services along with, but without linking it to, the trademark distinguishing the specific goods or services in question of that undertaking.

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Panel Report, *Indonesia—Autos*, WT/DS54/R, WT/DS55/R, WT/DS59/R, WT/DS64/R.

- 1 Art. 20 provides that other requirements laid down for the grant of trademark protection by the Members must not unjustifiably restrict “the **use of a trademark in the course of trade**”.¹ The provision that has no correspondent in the Paris Convention, the TLT or the MAM is intended to limit a practice taking place during the 1970s and partly up to the 1990 in some developing countries and countries in transition, which made the use of a foreign trademark in the home country dependant on special prescriptions, such as *e.g.* the compulsory use of the trademark together with another one or the trademark’s presentation in a specific form.² By this means, they attempted to improve the position of their domestic industries *vis-à-vis* the **economic and psychological dominance** enjoyed by foreign trademarks which they considered to negatively affect consumer behaviour, basic supply and development of their own national economies as a whole.³ In course of the TRIPs Agreement negotiations, the developing countries and countries in transition again relied on these arguments to support their position.⁴ The industrial nations, instead, pursued the strategy

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ The working draft of the ministerial conference in Brussels in December 1990 still contained the term “commerce”. The phrase “course of trade” can also be found in Art. 10*bis* PC and is common in Western Europe; see *Gervais*, para. 2.189.

² For examples see: *Kur*, in: *Beier & Schrickler* (eds), 93, 111; *Stahelin*, 102.

³ *Kur*, in: *Beier & Schrickler* (eds), 93, 111.

⁴ See India’s proposal in Negotiating Group on TRIPs, including Trade in Counterfeit Goods, Communication from Argentina, Brazil, Chile, China, Colombia, Cuba, Egypt, India, Nigeria, Peru, Tanzania and Uruguay, MTN.GNG/NG11/W/71, 14 May 1990.

of bargaining other trade and policy related concerns of the developing countries and countries in transition for their own interests in intellectual property which eventually succeeded.⁵

Art. 20 lists three examples of requirements that are regarded as **encumbrances on the trademark's use**. In its totality, this list echoes almost literally the proposals submitted by the EC, the US and Switzerland.⁶ The negotiations on this package led to just one amendment to the proposed wording that related to the trademark's function as in the second example.⁷

The first situation in Art. 20 refers to provisions requiring the trademark to be used with another one, so-called **linking procedure**. The former Art. 127 of the Mexican Act on Inventions and Trademarks of 30 December 1975 has frequently recalled in this respect,⁸ according to which the trademark of a foreign licensor may only be placed on the product in combination with the trademark of the domestic licensee.⁹

According to the second situation mentioned in Art. 20, a requirement that the trademark be used in a special form shall be prohibited, provide it establishes an unjustifiable encumbrance in the course of trade. The third situation concerns measures that might be detrimental to the general **distinctiveness** of the trademark. The wording of the second and third situation leaves room for interpretation. It is *e.g.* conceivable that **"use in a special form"** relates either to the specification of a standard format for all trademark owners (such as the obligation to translate the trademark or to present it in a special format or colour scheme) or to a possible case-by-case ruling by the relevant trademark authority. On the other end, **measures that might be detrimental to the general capability of the trademark to distinguish the goods or services**, may be interpreted as demanding that the trademark be placed in such a way as to hamper the consumer to identify it or as requiring the trademark to be

⁵ See *Schmidt-Pfitzner*, 23.

⁶ Draft Agreement on Trade-Related Aspects of Intellectual Property Rights, MTN.GNG/NG11/W/68, 29 March 1990, Part 2, B, Art. 16; Draft Agreement on Trade-Related Aspects of Intellectual Property Rights, Communication from the United States, MTN.GNG/NG11/W/70, 11 May 1990, Part 2, B, Art. 15; Negotiating Group on Trade-Related Aspects of Intellectual Property Rights, including Trade in Counterfeit Goods, Draft Amendment to the General Agreement on Tariffs and Trade on the Protection of Trade-Related Intellectual Property Rights, Communication from Switzerland, MTN.GNG/NG11/W/73, 14 May 1990, Section 2, B, Art. 217 (1).

⁷ The original wording was: "use which reduces the function of a trademark as an indication", meaning a use which restricts the mark's function as an indication of source; see *Gervais*, para. 2.189.

⁸ *Kur*, in: *Beier & Schricker* (eds), 93, 111; *Schmidt-Pfitzner*, 65; *Stahelin*, 102.

⁹ See the Mexican Act on Inventions and Trademarks of 30 December 1975; *Vargas*, Trademark Rep. 66 (1976) 3, 188 *et seq.* (1976); *Lanahan*, Trademark Rep. 66 (1976) 3, 205.

presented side by side with information or materials which could also reduce the mark's influence on the consumer.¹⁰ These interpretations are plausible and find examples in practice referred to by *Stahelin*.¹¹ Accordingly, Brazil in 1993 decreed that on the packaging of medicines the generic name of the drug be placed above the trade name and be three times the size of the trademark itself.

- 5 The last sentence of Art. 20 provides an **exception** to the general prohibition on the restriction of trademark use by other requirements. According to this provision, the general prohibition of Art. 20 does not affect a requirement to use “the trademark distinguishing the specific goods or services” along with “the trademark identifying the undertaking producing the goods or services”. This exception can be regarded a concession to the concerns raised by the developing countries and countries in transition. The linkage of the domestic with the foreign trademark aims at informing the public that the domestic producer is the actual supplier of the goods or services labelled with the foreign trademark. It is expected that in this way the local public will gain confidence in the capability of the domestic producer to provide the goods.¹² However, the wording of Art. 20 goes beyond this original intention insofar as it does not distinguish between a commissioned company producing for the foreign trademark owner in its home country and one producing for the foreign trademark owner in a third country.¹³ For instance, products manufactured in Hungary and labelled with a German trademark, if put on the Brazilian market, would, in accordance with Art. 20, have to carry an additional trademark of the Hungarian producer in the same way as they would have to carry the trademark of the Brazilian producer if that product had been manufactured in Brazil.¹⁴ Thus, Art. 20 applies irrespective of whether the additional trademark originates from a domestic or foreign producer.
- 6 Moreover, this exception causes delineation problems with the first situation listed in Art. 20, because, on the one hand, the use of a trademark along with another one must not be made compulsory, whereas, on the other hand, the product may be required to carry the trademark of the producer, as long as both trademarks are not linked to one another. While Art. 20 contains no specific indication as of time when impermissible linking of the trademark will have occurred, an interpretation of the other two listed situations may provide assistance in this respect.

¹⁰ *UNCTAD/ICTSD*, 246 *et seq.*

¹¹ *Stahelin*, 102.

¹² *UNCTAD/ICTSD*, 246 *et seq.*

¹³ *Ibid.*

¹⁴ *Ibid.*

Alongside the exception clause of Art. 20, sentence 2, the general prohibition to impose other requirements restricting the use of the trademark is open for **justification** by the Members. Art. 20 does however not determine what may suffice as an acceptable justification. However, a reference to only those reasons that the Members establish independently of one another in their national legislations would strip Art. 20 of its effectiveness. In this respect, it has been proposed to read the provision as requiring compatibility with TRIPS and more general the WTO administered agreements.¹⁵ In light of the Preamble to TRIPS, such proposal goes rather far. The Preamble makes considerable allowance for the special needs of developing countries and countries in transition. Measures of these countries might accordingly be regarded justified, although the purpose of Art. 20 is primarily to avoid specific restrictions.¹⁶ However, since restriction under Art. 20 must occur “in course of trade,” any justification needs to consider the objectives listed in Art. 7 TRIPS and the WTO-administered agreements’ primer purpose that is trade liberalization. Against this background, the implications of the Preamble appear quite limited.

Art. 20 has been relied on in course dispute settlement proceedings in **Indonesia—Autos**.¹⁷ The US challenged measures taken by Indonesia in the context of the Indonesian national automobile programme, claiming that these measures infringed, *inter alia*, the GATT 1994, TRIMS and SCM¹⁸ as well as Art. 20. Amongst other things, the automobile programme envisaged advantages for Indonesian producers of automobiles and spare parts in form of tax relieves for the import of special products and on the sale of vehicles. These advantages were aimed at Indonesian Pioneer companies and depended on the fulfilment of various criteria to be complied with by companies based in Indonesia only.¹⁹ A condition for participation in the programme was the acquisition of a specifically designated and earmarked trademark registered in Indonesia, when selling vehicles through an Indonesian company or a joint venture with an involvement of an Indonesian company.²⁰ The US regarded this measure as an unjustified restriction on trademark use: where a joint venture formed with an Indonesian company to sell a vehicle on the Indonesian market proved to be a successful way of achieving participation in the national automobile programme, this meant that for marketing-strategic reasons the foreign trademark once used worldwide for this vehicle could no longer be used

¹⁵ *Gervais*, para. 2.190.

¹⁶ See *Heinemann*, in: *Beier & Schriker* (eds), 401, 413.

¹⁷ *Indonesia—Autos*, WT/DS54/R, WT/DS55/R, WT/DS59/R, WT/DS64/R.

¹⁸ Agreement on Subsidies and Countervailing Measures; available at: http://www.wto.org/english/docs_e/legal_e/24-scm_02_e.htm#articleXI (last accessed 27 April 2008).

¹⁹ *Ibid.*, para. 2.1; see also *Dörmer*, IIC 31 (2000) 1, 1, 7 *et seq.*

²⁰ *Indonesia—Autos*, WT/DS54/R, WT/DS55/R, WT/DS59/R, WT/DS64/R, para. 2.19.

- 9 along with the new trademark that was created in order to participate in the automobile programme. In consequence, the foreign trademark once used worldwide would risk invalidation in Indonesia by reason of non-use. Moreover, the US argued that there was *de facto* restriction on the foreign company's use of the foreign trademark because failure to participate in the national automobile programme would deprive the company of the available tax relief, thereby disadvantaging a foreign company in competing with domestic companies.²¹ The Panel did not accept the US arguments for the reason that "if a foreign company enters into an arrangement with the Pioneer company it does so voluntarily and in the knowledge of any consequent implications for its ability to use any pre-existing trademark."²² The Panel, therefore, did not consider the Indonesian car programme to constitute a "special requirement" in the sense of Art. 20 and found no violation in this respect. In the Panel's view, it was decisive that the use of the foreign trademark outside the car programme was not restricted by special requirements. Indeed, it did not find that the language or purpose of Art. 20 would protect companies that submit themselves to a voluntary car programme in view of potential competitive disadvantages they might experience outside the programme.²³

²¹ *Ibid.*, paras 11.7, 11.30.

²² *Ibid.*, para. 14.277.

²³ *Ibid.*, para. 14.278.

Article 21* Licensing and Assignment

Members may determine conditions on the licensing and assignment of trademarks, it being understood that the compulsory licensing of trademarks shall not be permitted and that the owner of a registered trademark shall have the right to assign the trademark with or without the transfer of the business to which the trademark belongs.

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Art. 6*quater* PC; Art. 11 TLT.

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A. General

Art. 21 regulates the **licensing** and assignment of trademarks. Members are given considerable freedom in this regard, restricted by only two specifications. In respect of licensing, Members are precluded from requiring **compulsory licensing** of trademarks. It is remarkable in this respect that compulsory licensing is explicitly ruled out only in the field of TRIPS trademark law. This prohibition accommodates the primary trademark function of differentiating the products of one company from those of another. If compulsory licensing of a trademark enabled a third party to label its products with this mark, this would inevitably cause the consumer to be misled about the product's origin, because the trademark would still cause them to attribute the products to the real trademark owner. Against this background, compulsory trademark licensing regularly turns out to be unjustifiable. 1

Trademark assignments must not be made dependent on the simultaneous “transfer of the business to which the trademark belongs”. Apart from these restrictions, Members are generally free to determine the conditions for the licensing and the assignment of trademarks. Possible specifications for trademark licensing are *e.g.* an obligation of the licensor to oblige the licensee to comply with certain quality standards and to monitor them. Other examples are the setting up of a trademark and licence register or the obligation to place a licensing notice on the product.¹ The relatively 2

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ See *Kür*, in: *Beier & Schricker* (eds), 93, 115; *Staelin*, 104.

large amount of freedom that the Members enjoy in defining their licensing and assignment requirements leaves room for **mis- and abusive practices**. Accordingly, concerns have been raised that Art. 21 would enable the Members to make regulations that complicate or hinder the contractual relationship between foreign licensors and domestic licensees.² Governmental measures, however, must accord with the general provisions and principles of Arts 1–8. In particular, arbitrary restrictions on a foreign licensor would have to be examined at least against the standard of national treatment pursuant to Art. 3.³

B. Relationship with Other International Provisions

I. Paris Convention

- 3 According to Art. 6*quater*.1 PC the Union countries can make the assignment of a trademark dependent on the transfer of the business provided that the respective provisions do not require more than the transfer of the portion of the business located in the country in which protection is sought. In this respect, Art. 21 overrules the Paris Convention and introduces the **principle of free assignability**. Thus, the Members are no longer allowed to make the assignment of a trademark dependent on the transfer of the relevant business, even if limited to the domestic portion. Attention needs to be paid to the differing wording of both provisions. While Art. 21 merely refers to “the transfer of the business”, Art. 6*quater*.1 PC also mentions “transfer of business or **goodwill**.” Based on this distinction, it has been concluded that the Members continue to be permitted to make the assignment of a trademark dependent on the transfer of “goodwill”⁴ because Art. 6*quater*.1 PC continues to have legal validity according to Art. 2.1 TRIPS inasmuch as it has not been modified by Art. 21. Following *Bodenhausen, Gervais*⁵ defines “goodwill” as a “customer base.”

II. Trademark Law Treaty

- 4 With reference to permitted conditions for assignment, Art. 11.4 iv) TLT is generally comparable to Art. 21 TRIPS as it prohibits the making of the assignment dependent on the transfer of a business. However, exceeding Art. 21, the prohibition under Art. 11.4 iv) TLT also covers **goodwill** that is understood as the value of a company in this context.

² For examples, see *Stahelin*, 104.

³ See *Elfring*, Article 3, paras 4 *et seq.*

⁴ *Gervais*, para. 2.196.

⁵ *Ibid.*

SECTION 3: GEOGRAPHICAL INDICATIONS

Before Articles 22–24

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A. General

I. The Significance of Geographical Indications of Origin

With growing wealth particularly in industrialized States, consumers are increasingly able to conduct their lives in a healthy and up-to-date manner. Accordingly, expectations rise in respect of the products to be purchased; consumers develop a distinctive conscience with regard to quality and its interrelationship with marks and other labels concerning products, whether common or not, but, in particular, relating to foodstuffs. Because consumers have regularly no ability (of their own) to check the physical conditions of a product, they will frequently evaluate its quality according to its place of manufacture. Geographical indications of origin identify the place of manufacture, and thus carry a certain reputation with regard to the product. Thus, they do not merely indicate the origin of the good or service in question but, more importantly, tie in with certain associations as to the particular characteristics of the product or produce an implicit guarantee concerning its quality.¹ This can be explained by the fact that products may derive their particular characteristics from the geographical area of their manufacture. For instance, the quality of wine to a great extent depends—alongside its grape variety—on the soil and climate where it is grown. The particular taste of cheese is often grounded on the vegetation the animals are fed on; or the residents of a certain area may have developed a peculiar tradition or know-how in producing the product. But, although without a recordable

¹ Cf. *Correa*, 210 *et seq.*; *Martin*, Brook. J. Int'l L. 30 (2004) 1, 117, 119 points out the consumer benefits of GI protection that are reliable information and assurance of the authenticity of the products. According to *Martin*, GIs furthermore “convey the cultural identity of nations and regions and make it possible to add value to a country’s natural riches and to its population’s skills.”

plus in quality, social trends and other factors play a significant role and contribute to the commercial success of geographical indications. In this respect, the globalizing community with its ever greater foreign influences on daily life will enrich national menus. By this means, trends emerge and some foreign meals and dishes reflect a certain way of life and surround the consumer with an urban atmosphere, in particular, if the products actually originate from the area indicated. Therefore, many consumers intend to purchase an original product from that very geographical area and have no interest in obtaining “only” a product produced in the same way, even if there are no differences in quality.

- 2 Because the geographical indication of origin is often decisive to the sale of the product in question, it has its own **commercial value**.² This value is commercially (and where applicable legally) comparable with that of a trademark. For instance, 49% of Italian cheese is labelled with a geographical indication, 70% originating from only three different regions.³ The increasing value of the indication for local residents is accompanied by the fear of forgery or any other exploitation of the reputation in question. In consequence, it is quite sensible and even necessary to provide protection for geographical indications.

II. The Notion of Geographical Indications of Origin

1. Forms

- 3 Geographical indications of origin allocate a good or service to a certain geographical area. They appear in many different **grammatical forms**:⁴ often, they take the form of an adjective preceding the product’s name (*e.g.* Vienna sausages, Swiss clocks), or they follow it using a preposition, as in most French designations (*e.g.* Eau de Cologne, Les portes du Soleil). In part, they have developed into independent terms to some extent altering the original name of the geographical area (*e.g.* Bitburger, Bordeaux, Burgundy, Champagne, Kölsch). Foreign letters (*e.g.* Cyrillic for vodka), a foreign language or individual internationally known terms and phrases (*e.g.* Feta or Mozzarella) can also suggest a certain origin. Geographical indications also occur in non-verbal forms if **figures** or **symbols** can definitely be allocated to areas: typical examples are well-known buildings,⁵ national colours,⁶ national flags⁷ and even the profile of a country. Moreover, the origin may be indicated by special **equipment** that comes with the product,

² *Ibid.*, 209. See also *Rangnekar*, Geographical Indications, 8.

³ These are “Parmigiano Reggiano”, “Grana Padano” and “Gorgonzola.”

⁴ For examples see *Rangnekar*, Geographical Indications, 8.

⁵ For instance, “Leaning Tower”, “Eiffeltower” and the “Cologne Cathedral.”

⁶ For instance, red-white-green for Italy and Hungary.

⁷ For instance, the “Swiss Cross.”

such as local forms of packaging, which identify a geographical region by means of its distinctiveness, origin and the public view.⁸

The term itself or the place of origin indicated by it can relate to an area of different **geographical size**. It can be limited to individual buildings,⁹ but also comprise whole cities,¹⁰ islands, landscapes such as mountains or lakes,¹¹ and extend to regions¹² or whole countries.¹³

2. Qualifications

There are numerous qualifications of indications of origin, according to their origin, function and effect. The basis form—a **plain indication of origin**—simply relates to a certain origin. It can be achieved through the direct naming of the region or indirectly by way of figures, symbols, pictures or colours.¹⁴

However, indications of origin regularly obtain enhanced commercial value only when they are **qualified**,¹⁵ that is when the product has certain characteristics or qualities. If those are based on local peculiarities such as climate or resource, they are considered **appellations of origin**. Art. 2.1 of the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration provides a common definition of the notion. Like plain indications they may be achieved directly or indirectly.

Indications of condition or **generic terms** do not qualify as indications of origin. This is because the public has ceased to consider the indication as one of origin, and instead understands it as a general distinction among different types of products.

Although identifying an existing geographical area, appellations will not qualify as indications of origin if they stand in no recognizable connection to the product in question.¹⁶ In that case, they are regarded as **imaginative names**.¹⁷ The name is often chosen because of its melodic sound or for other reasons. In contrast, **pseudo-indications of origin** are identical with the indicated place, but this happens by chance, which often results

⁸ For instance, the onion dome feature for Russian vodka and the chequered pattern for many Scottish products.

⁹ For instance, “Hofbräuhaus” or “Glockengasse 4711” indicate single products, whereas “Eiffeltower” often stands for products from France in general.

¹⁰ For instance, “Gouda”, “Edamer”, “Hamburger.”

¹¹ For instance, “Ford Capri”, “Capri Pants”, “Mont Blanc”, Chiemsee.”

¹² For instance, “Bordeaux”, “Calvados”, “Champange”, “Cognac”, “Thüringer Würstchen.”

¹³ For instance, “Swiss Clocks”, “Swiss Knives”, “Made in Germany”, “Belgian Waffles”, “French Fries.”

¹⁴ *Correa*, 212 who makes the example “Mozart Kugeln” for chocolates associated with Austria.

¹⁵ For a thorough discussion and differentiation of the terms, see below paras 16–23.

¹⁶ *Correa*, 212.

¹⁷ For instance, “Ford Capri” or pens from “Mont Blanc” and clothing from “Chiemsee.”

from the identity of a place with the name of a person, *e.g.* die creator, manufacturer or inventor.¹⁸ Such names belong to generic terms.

- 9 **Person related or company related indications of origin** emerge if a company transfers its place of manufacture and produce and sells its goods under the same name at the new place.¹⁹ A similar situation occurs if companies expand beyond their original place of production and still use the “name” of the product.²⁰
- 10 **Certification marks** are collective marks which identify goods or performances of numerous commercial entities as conforming to a certain standard of quality. They are granted to sectors of trade and not for individual products, although they may contain a geographical component.
- 11 **Delocalizing additions** often clarify that the geographical name used does not relate to the actual place of manufacture. Additions such as “a la”, “type” are commonly used examples. **Relocalizing additions** like “original” will re-allocate names which have a generic meaning to identifying the initial place of origin.²¹
- 12 Differentiation may also follow the **objective** and **subjective interrelationship** between the product and its place of origin. Often, there is an objecting connection if the particular quality or characteristic may be ensured only at the indicated place. The taste of many types of cheese depends on the local vegetation, which feeds the milk producing animals or on the kind of manufacture, as with Roquefort, which is produced only in certain caves and infused with particular moulds. The same holds true for wines the quality of which will to a great extent be determined by soil conditions and daily exposure to the sun, but also for sparkling waters, where the name of the spring stands for an individual composition of nitrates. Other products, in contrast, can be reproduced at the same quality level anywhere with the necessary resources. In that case, there is no objective relationship between product and place. The geographical name frequently originates from the initially exclusive place as a local “speciality” or from the reputation that has turned the region into to a characteristic of quality.

¹⁸ For instance, the name “Wiener Würstchen” results from a cook named “Wiener” and does not indicate Vienna as the place of origin.

¹⁹ For instance, “Jenaer Glas.”

²⁰ For instance, “Bitburger.”

²¹ For instance, “Original Spreewälder Gurken.”

III. Concept

The major purposes of geographical indications are the concept of origin and the concept of quality. Upon them the commercial value is based. 13

The **concept of origin** serves to differentiate products according to their geographical origin. This is contrasted with the differentiating function of trademarks, which relate to a certain company.²² The origin of a product may establish objective characteristics, in particular, in the context of agriculture. However, more importantly, the **concept of quality** ties in with the good reputation or experience of products from a certain region, and on that basis performs an advertising function. This may not necessarily presuppose objectively recordable links between origin and quality, but can include more general and subjective assumptions of the consumer.²³ 14

Geographical indications of origin will always face direct application or other exploitation of its reputation through non-residents or products of lesser quality and therefore run the risk of their value being misused and even reduced. Turning a geographical indication into a generic term and its monopolization as a trademark constitute additional risks. Together, they necessitate adequate protection of indications on behalf of local residents. 15

IV. Legal Terms and Different Protection Concepts

1. Non-Uniform Terminology

National comparative studies reveal two completely different conceptions of protection, which are the **competition law concept** and the **law of signs**. In principle, they are hard to combine. Worse, however, is the irregular terminology they have established which essentially distinguishes between appellations of origin (“*appellations d’origine*”) and indications of source (“*indications de provenance*”).²⁴ Despite the stark contrasts in terminology and concept of protection, the interlinking of both concepts is increasingly being promoted. The TRIPS Agreement and, on the regional level, NAFTA and Council Regulation (EEC) No. 2081/92 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs as last amended by Council Regulation (EC) No. 510/2006 exemplify this development.²⁵ 16

²² Cf. also *Blakeney*, JWIP 4 (2001) 5, 629, 632; *Correa*, 210.

²³ See also *Rangnekar*, Geographical Indications, 6; *Correa*, 209 *et seq.*

²⁴ Cf. also *Blakeney*, JWIP 4 (2001) 5, 629, 631; *Martin*, Brook. J. Int’l L. 30 (2004) 1, 117; *Correa*, 211 *et seq.*

²⁵ Council Regulation (EEC) No. 2081/92 of 14 July 1992 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs (Agricultural Products Regulation), OJ 1992 L 208/1, as amended after the recent WTO

2. Competition Law Concept

- 17 A concept based on competition law principles typically emphasizes the prohibition of misleading use, and thus the prohibition of misuse of geographical indications. The requirement of misuse will be determined by the prevailing public view. Systems employing competition law principles will ordinarily use the term geographical indications of source.²⁶ The term is defined as any expression or symbol which is used to declare that a good or service originates from a certain geographical area (country, region, place), *i.e.* any direct or indirect indication as to the source of the product.²⁷ Accordingly, the protection is only indirect and does not provide an intellectual property right as such in the sense of an exclusive right. In other words, it is not the geographical indication of provenance as such that is protected, but only the right holder against abusive use.²⁸
- 18 Dependency on the **relevant public view** raises great difficulties with the application of this concept of protection. The relevant public view is hard to ascertain and may itself be subject to changes; and, at the same time, it is the only criterion for deciding what significance to give to a certain local designation. It needs to be clarified whether the name relates to an imaginative name, an indication of an unknown place²⁹ or whether the interrelationship in question is legally significant.³⁰ If the product is produced at different places, the place relevant for the indication needs to be ascertained. The public view may also conceive the indication to have turned into a generic term, which itself does not qualify as a geographical indication but identifies only a certain characteristic. The process of falling into a genus is often encouraged and enhanced by means of infringing action taking the form of open exploitation of the indication's reputation and using its qualitative associations. Such practice is frequently accompanied by delocalizing additions such as "type", "method" or "a la". The potential of a constantly altering view of the public leads to the effect that any proceedings can take effect only *inter partes*, and thus the public view needs to be established anew on each occasion. However, this approach has the advantage that the authorities will not be able to rely on pre-existing decisions but will have to enquire into the actual situation.

Panel rulings in *EC—Trademarks and Geographical Indications* by Council Regulation (EC) No. 510/2006 of 20 March 2006, OJ 2006 L 93/12.

²⁶ For instance, in France "Indications d'Origine", in Italy "Indicazione di Origine", in Spain "Indicacion Geografica", in the Netherlands "Herkomstaanduidingen", in Germany "geographische Herkunftsangaben." See also *Blakeney*, 68 *et seq.*

²⁷ *Martin*, Brook. J. Int'l L. 30 (2004) 1, 117, 118 draws a clear line between indications of source and appellations of origin.

²⁸ See also *Correa*, 212.

²⁹ For instance, the Italian place "Nola" or the English river "Plym" standing for "Plym-Gin."

³⁰ For instance, different US American cities serve as appellations of certain types of products such as "Mont Blanc."

3. Law of Signs

The law of signs³¹ protects the geographical indication as such and is **comparable to the protection of trademarks**.³² Geographical indications are typically **registered** together with their conditions of use, regional limits and the relevant act of manufacture, as well as quality requirements. An official determination can operate as a minimum standard and only identify the geographical indication, or it can contain detailed qualitative requirements. The more accurately the indication is determined the better its qualitative function will perform. The subject matter of protection is traditionally referred to as an appellation of origin (“*appellation d’origine*”).³³ Art. 2.1 of the Lisbon Agreement, which has adopted this concept, contains a comprehensive definition: “appellation of origin means the geographical name of a country, region, or locality, which serves to designate a product originating therein, the quality and characteristics of which are due exclusively or essentially to the geographical environment, including natural and human factors.”

19

Protected appellations of origin may be used only for products that meet the conditions of such use as officially determined. The protection of appellations of origin is direct, absolute and not dependent on the public view, *i.e.* it is not a reflexive protection in the sense of competition law. With determination and registration, the manufacturer obtains a **subjective right** that exists as a **collective right of exclusion** in favour of all local residents.³⁴ The protection extends to products identified and registered; it does not include any other products, for which the use of the geographical appellation is freely available. Delocalizing additions and alteration into generic terms are regularly prohibited by law.

20

4. Delineation—Terminological Difficulties

While protection under competition law is based on the relevant public view, law of signs systems rely on official recognition. Appellations of origin require an objective link between the geographical origin and the quality of the product.³⁵

21

In contrast, the Anglo-American approach that protects geographical indications as collective marks or certification marks does not constitute

22

³¹ This system is applied in France, Italy, Portugal, Spain as well as in the Lisbon and Stresa Agreements. See *Blakeney*, JWIP 4 (2001) 5, 629, 635 *et seq.*

³² The historical roots of this concept go back to France at the beginning of the 20th century and it has coined the notion of “*appltations d’origine*.”

³³ France “*appltations d’origine*”, Italy “*Denominazion di Origine*”, Spain “*Denominacion de Origin*” and the Netherlands “*Oorsprongsbenamingen*.” *Cf.* also *Blakeney*, 69.

³⁴ *Cf.* *Blakeney*, JWIP 4 (2201) 5, 629, 637; *Murphy*, Am. U. Int’l L. R. 19 (2002–2003), 1181, 1191; *Martin*, Brook. J. Int’l L. 30 (2004), 117, 118.

³⁵ *Dutoit*, in: *Dutoit* (ed.), 117. Also *Martin*, Brook. J. Int’l L. 30 (2004), 117, 118.

an independent concept³⁶ because it has no register and is not equivalent to trademark protection.

- 23 EC Regulation No. 2081/92 of 14 July 1992 on the protection of geographical indications and designations of origin for agricultural products and its successor, EC Regulation No. 510/2006 of 20 March 2006, apply a rather new terminology: that of **geographical indication**. The same notion was later adopted in the TRIPS Agreement. Indeed, geographical indication has close connections with appellation of origin (“*appellation d’origine*”), because it requires, although in a reduced form, a certain qualitative link between the product and its origin.³⁷ In consequence, the protection of geographical indications accorded under EC law and the TRIPS Agreement is not an independent concept of protection but a modification of the law of signs system. As has been demonstrated, the terminology is inconsistent and efforts to establish a neutral main term like “geographical indication” as suggested by the WIPO have so far remained unsuccessful.³⁸

V. International Protection of Geographical Indications

1. The Issue

- 24 The international protection of geographical indications has serious problems that mainly result from the **incompatibility** of the two nationally rooted protection concepts.³⁹ Although both concepts may grant complete protection in their own legal systems, their application across borders has revealed notable deficiencies and impedes efforts to provide for comprehensive international protection.

2. Competition Law Model

- 25 Countries which protect indications according to the law of unfair competition will typically possess **differing standards of protection**. The explanation is apparent because the relevant public view will differ according to the country in question. How the relevant section of the public should be defined and when it should be assumed that misleading conduct has occurred are questions of national law, and their determination may vary

³⁶ For instance, the US and Germany follow this approach. *Bendekegy & Mead*, Trademark Rep. 82 (1992) 5, 765, 775 *et seq.*; *Conrad*, Trademark Rep. 86 (1996) 1, 11, 20 *et seq.*; *Murphy*, Am. U. Int’l L. R. 19 (2004) 5, 1181, 1192 *et seq.* The UK also applies tort of passing off, see *Blakeney*, JWIP 4 (2001) 5, 629, 632–635.

³⁷ See *Strauch & Arend*, Article 22.1, paras 9–16; also *Correa*, 212.

³⁸ WIPO/GEO/CE/I/12, para. 64; *Höpferger*, WIPO/GEO/SFO/03/1, para. 64; *Baeumer*, GEO/WI/91/1, 6 *et seq.*; *Baeumer* in: WIPO-Publication No. 648 (E), 50; *Baeumer*, in: WIPO-Publication No. 676 (E), 15; *Baeumer*, in: WIPO-Publication No. 713 (E), 21. See also *Knaak*, WIPO/TM/TBS/96/2 of 28 October 1996.

³⁹ Also *Murphy*, Am. U. Int’l L. R. 19 (2004) 5, 1181, 1204.

accordingly. On the one hand, protection may in some countries be assumed to extend under a low percentage threshold in respect of subsistence of deception and under the assumption of a less-reasonable consumer; if, on the other hand, the national legal conception imposes high expectations on the reasonable man and also requires a high degree of misleading, protection will rarely be granted. Moreover, judicial means of enquiring into the relevant public view will be influential: they range from opinion surveys⁴⁰ to the personal perception of the judge.

A uniform standard of protection therefore requires international specification. An international legal framework could also serve to protect against other exploitations of reputation such as reference or use for goods of inferior quality or monopolization by means of trademarks. 26

The **potential dilution into the pool of generic terms** that is inherent in competition law systems may however not be prevented by international regulation. The specification of the relevant **public opinion** is another area in which uniform rules are very difficult to achieve. The law, and thus the public view of the country in which protection is sought, is relevant. The assessment will regularly come to different results in the country of origin. Often, foreign geographical indications are considered no more than generic or imaginative names in the country in which protection is sought.⁴¹ 27

3. Law of Signs Model

In turn, the protection of a registered appellation of origin on the basis of registration will fail in competition law systems because domestic law applies. The appellation can qualify for protection only in accordance with the rules of unfair competition. Registered appellations of origin will typically be recognized in other jurisdictions applying the law of signs model. 28

Transposing this system to the international plane produces difficulties which are more practical than legal. Numerous States would need to introduce a uniform system of registration and conditions of use, and would be required to exchange their lists. Existing systems would need to be adjusted and States with different qualitative standards would have to bridge the vast gaps. Independent systems of registration for appellations of origin remain the exception.⁴² 29

⁴⁰ On the experiences with surveys in trademark law and unfair competition law, see *Knaak*, IIC 21 (1990) 3, 327 *et seq.*

⁴¹ For instance, “Burgundy”, “Cognac” and “Chablis.”

⁴² Cf. *Michaelis & Bender*, in: *Hilf & Oeter* (eds), § 24, para. 50.

4. Alternative Solution: Protection as Trademark?

- 30 The existing difficulties in establishing an international standard of protection suggest that that legal area should be sidestepped and alternative protection should be provided through trademark law. Geographical indications would have to meet the criteria of protectability and be registered, which is often not the case. Protection as a trademark will fail because many trademark regulations contain a bar on geographical indications. Protection as collective marks is not universally recognized.⁴³ Moreover, protection as a trademark depends on use in the country in which protection is sought.⁴⁴

B. Historical Development of the International Protection of Geographical Indications

I. Pre-TRIPS Protection

1. General

- 31 Even prior to TRIPS, attempts to establish an international regime for the protection of geographical indications were numerous.⁴⁵ Protection under the Paris Convention was accompanied by that under the Madrid Agreement on Indications of Source—a special agreement in accordance with Art. 19 PC—and the Lisbon Agreement. Beyond that, there are a number of bilateral agreements which were concluded on the basis of reciprocity in order to increase protection of the countries' respective geographical indications.⁴⁶ The EC has enacted different Council Regulations in this area. Most of the agreements and regulations have not satisfied right holders and supporters of strong protection of geographical indications and have, on that account, been signed and ratified only with limited success. Hitherto, the TRIPS Agreement has been considered the multilateral treaty with the widest scope.⁴⁷ At the moment, it provides the best relationship between standard of protection and scope of application.⁴⁸

⁴³ *Conrad*, in: *Dinwoodie & Hennessey & Perlmutter* (eds), 326.

⁴⁴ *Knaak*, in: *Beier & Schriker* (eds), 117 *et seq.*

⁴⁵ An historical outline of the driving forces for the establishment of the major international organizations on intellectual property can be seen at *Ricketson*, IIC 26 (1995) 6, 872, 873 *et seq.*; see also *Knaak*, in: *Beier & Schriker* (eds), 119–126; *Correa*, 214.

⁴⁶ *Cf. Höpferger*, WIPO/GEO/SFO/03/1, para. 31.

⁴⁷ *Cf. Ricketson*, IIC 26 (1995) 6, 872, 883 *et seq.*

⁴⁸ This view is shared by *Martin*, Brook. J. Int'l L. 30 (2004) 1, 117, 120, 126.

2. Paris Convention

a) General

The Paris Convention of 1883 meanwhile has 150 countries that are members of the Union⁴⁹ that are seeking to establish protection of industrial property on a global scale. Historically, the Paris Convention records the first international efforts at intellectual property protection.⁵⁰ 32

Since the 1925 Hague Revision Conference, “industrial property” within the meaning of Art. 1.2 PC has explicitly included “indications of source” and “appellations of origin.”⁵¹ The simpler indications of source are thus set on an equal footing with appellations of origin. More specific provisions on indications of source are contained in Arts 10 to 10^{ter} PC but neither do they give a detailed definition⁵² nor is the protection granted considered of much significance.⁵³ Rather, they constitute the lowest standard of protection of all international agreements. 33

b) National Treatment

The explicit enumeration under Art. 1.2 PC makes indications of source and appellations of origin subject to the fundamental disciplines of the Convention. Accordingly, countries of the Union must abide by the **principle of national treatment** as laid down in Art. 2 PC. Any national of a Union State can claim in any other Union State the same rights that are granted to the other country’s nationals.⁵⁴ Foreign geographical indications will be accorded protection (only) as provided for by the domestic law of the country in which protection is sought. The reference to the national legal order of the other State could effectively result in less or even no protection for those indications abroad. In particular, jurisdictions which have hardly any valuable domestic indications will adopt a low standard of protection. “Indication exporting nations,” however, have a strong interest in their indications being adequately protected abroad and will not be satisfied by the mere obligation of national treatment. 34

⁴⁹ A list of the contracting States is available at: <http://www.transpatent.com> (last accessed on 12 February 2008). Art. 10.1 PC has remained in its initial version: Brussels of 14 December 1900.

⁵⁰ *Martin*, Brook. J. Int'l L. 30 (2004) 1, 117, 122.

⁵¹ Art. 1.2 PC reads: “The protection of industrial property has as its object [...] indications of source or appellations of origin.”

⁵² *Conrad*, in: *Dimwoodie et al.* (eds), 317; *Correa*, 214.

⁵³ *Martin*, Brook. J. Int'l L. 30 (2004) 1, 117, 122; *Knaak*, in: *Beier & Schriker* (eds), 117, 120.

⁵⁴ *Ricketson*, IIC 26 (1995) 6, 872, 874 describes the significance of national treatment at the time of its adoption.

c) Special Provisions on Geographical Indications

- 35 Art. 10 PC provides that, in cases of “**direct or indirect use** of a false indication of the source of the goods or the identity of the producer, manufacturer or merchant,” Art. 9 of the Paris Convention should apply. The provision also covers indications of third countries. Art. 9 **requires goods** bearing a false indication of source **to be seized** upon import into any country that is a member of the Paris Convention, or within the country in which the unlawful affixation of the indication of source occurred or within the country of importation. This seizure shall take place at the request of the public prosecutor, or any other competent authority, or any interested party. However, Art. 9.5–6 PC entitles the Union States whose national laws do not permit seizure on importation or inside the country to replace those remedies by either a prohibition of importation or any other nationally available remedy.⁵⁵
- 36 These provisions lay down a **minimum standard of protection** that is to be guaranteed by the countries of the Union. However, they contain a number of weaknesses that outweigh the principal objectives of the Convention. In particular, the remedies available to the States have only gradually been extended by the 1911 Washington Revision and the 1958 Lisbon Revision. To this day, the Convention does not provide mandatory civil or criminal remedies. However, Art. 10^{ter} PC obliges Union countries “to assure to nationals of the other countries of the Union appropriate legal remedies.”
- 37 Protection is generally conditional on the establishment of **objective and formal false indication**.⁵⁶ Some argue that protection against unfair competition as laid down Art. 10^{bis}.3, may be afforded against misleading indications of source.⁵⁷ There is however no explicit obligation to that extent⁵⁸ and the attempts made during the 1958 Lisbon Revision Conference to expressly prohibit misleading indications have so far failed.⁵⁹
- 38 The interpretation of “direct or indirect use of a false indication of the source of the goods” again depends on the **relevant public view** and the legal view in the country in which protection is sought. This concerns in particular questions such as whether the indication at hand is protected (or protectable) and its use for products of different origin would be false, or whether it is to be regarded as generic or imaginative. The reference to

⁵⁵ Cf. *Höpberger*, WIPO/GEO/SFO/03/1, para. 35.

⁵⁶ Cf. *Ladas*, Patents, Vol. 3, 1581; *Cottier*, Common Mkt. L. Rev. 28 (1991), 383, 404; *Bauemer*, in: WIPO, WIPO-Publikation No 713 (E), 21, 28; *Bendekegy & Mead*, Trademark Rep. 82 (1992) 5, 765, 781; *Knaak*, in: *Beier & Schricker* (eds), 117, 120; *Conrad*, Trademark Rep. 86 (1996) 1, 11, 25; WIPO/GEO/CE/1/2, para. 13.

⁵⁷ Cf. *Blakeney*, JWIP 4 (2001) 5, 629, 637; *Bereskin*, Trademark Rep. 83 (1993) 1, 12.

⁵⁸ *Knaak*, in: *Beier & Schricker* (eds), 117, 120; *Reger*, 133 *et seq.*

⁵⁹ *Ladas*, Patents, Vol. 3, 1579; *Bendekegy & Mead*, Trademark Rep. 82 (1992) 5, 765, 780.

the national laws will lead to different treatment among the States and the harmonizing effects of the Paris Convention thus remain very limited.

Moreover, the prohibition of false indication may be circumvented by **delocalizing additions**, provided that they are permitted in the country in question. Neither Art. 10 PC nor Art. 10*bis* PC laying down special rules on unfair competition takes up the misleading effects of such addition and explicitly provides for their prohibition.⁶⁰ It has been argued that Art. 10*bis*.2 PC protects against the use of delocalizing additions.⁶¹ In view of the very narrow formulation of Art. 10 PC, it appears rather doubtful that the Union States intended to include delocalizing additions. Also the failure to establish a prohibition of misleading conduct under Art. 10*bis*.3 (iii) PC in respect of the indication's source suggests that the Paris Convention contains no protection against delocalizing additions.⁶² 39

d) Evaluation

At the benchmark of international harmonization, the international protection of geographical indications provided by the Paris Convention is rudimentary.⁶³ The fundamental problems remain unsolved. As long as the country in which protection is sought determines the scope of protection, there is no duty to raise the standard of protection and enforcement. Also Art. 10 PC read together with Art. 9 PC does not add much to that status. Further vulnerabilities exist in respect of the missing delineation between protectable indications and generic or imaginative terms, as well as in the context of remedial action. 40

The major purpose of the Paris Convention that was agreed about 120 years ago, that is to establish a minimum standard for all States of the Union, has been achieved in many industrialized nations. The current significance of the Paris Convention is considered rather low among those States. The 1974 attempts to adopt a stricter regime under a new Art. 10*quarter* PC may however be regarded as having failed.⁶⁴ 41

⁶⁰ Knaak, in: *Beier & Schricker* (eds), 117, 120. See in detail *Conrad*, in: *Dinwoodie & Hennessey & Perlmutter* (eds), 317.

⁶¹ Supported by *Ladas*, *Patents*, Vol. 3, 1734, Different: *Conrad*, *Trademark Rep.* 86 (1996) 1, 11, 25.

⁶² *Ladas*, *Patents*, Vol. 3, 1733.

⁶³ *Knaak*, in: *Beier & Schricker* (eds), 117, 120.

⁶⁴ *Höpferger*, WIPO/GEO/SFO/03/1, paras 53 *et seq.* See *Ricketson*, IIC 26 (1995) 6, 872, 891 *et seq.* describes the development of the Paris Convention *vis-à-vis* that of the TRIPS.

3. Madrid Agreement on Indications of Source

a) General

42 The Madrid Agreement on Indications of Source, which goes back to 1891 has only 33 Member States.⁶⁵ Compared with the Paris Convention, the Madrid Agreement on Indications of Source provides for a higher standard of protection. The notion of geographical indications is not defined by the agreement, and therefore falls into the national domain. Like the Paris Convention, it extends its disciplines to indications of source (Art. 1.1) and appellations of origin (Art. 1.2), however, excluding such indications of third countries.⁶⁶

b) Relevant Provisions

- 43 Art. 1.1 Madrid Agreement on Indications of Source seeks to prevent “**false or deceptive indication** [of all goods] by which one of the countries to which this Agreement applies, or a place situated therein, is directly or indirectly indicated as being the country or place of origin.” The prohibition of misleading conduct for indications of origin is clearly a Paris Plus provision.⁶⁷ However, Art. 3 Madrid Agreement on Indications of Source permits the use of delocalizing additions. Accordingly, the risk of circumvention known in the context of the Paris Convention applies also under the Madrid system. Infringement by confusion may thus be established only if the misleading indication goes beyond a mere exploitation of reputation.⁶⁸
- 44 Art. 3*bis* Madrid Agreement on Indications of Source extends the scope of protection to the “sale or display or offering for sale of any good,” *i.e.* business partners are also prevented from performing any infringing action.⁶⁹ In addition, the obligation applies to all indications “**capable of deceiving the public** as to the source of the goods.”⁷⁰
- 45 Like the Paris Convention, the Madrid Agreement on Indications of Source relies, in accordance with Art. 4, on the **law of the country in which protection is sought**.⁷¹ Significant decisions such as the protectability of indications will still be decided by national courts applying their domestic law. Art. 4, sentence 2 provides an important exception to this rule for

⁶⁵ Cf. the list available at: <http://www.wipo.int/treaties/ip/mdrid/index.htm> or <http://www.transpatent.com> (last accessed on 12 February 2008).

⁶⁶ However, this is provided for in Art. 10 PC.

⁶⁷ *Martin*, Brook. J. Int'l L. 30 (2004) 1, 117, 123; *Conrad*, in: *Dinwoodie & Hennessey & Perlmutter* (eds), 318.

⁶⁸ Cf. *Schricker*, GRUR Int. 31 (1982) 8–9, 515.

⁶⁹ *Conrad*, in: *Dinwoodie & Hennessey & Perlmutter* (eds), 318.

⁷⁰ *Correa*, 215.

⁷¹ *Conrad*, in: *Dinwoodie & Hennessey & Perlmutter* (eds), 318; *Knaak*, in: *Beier & Schricker* (eds), 117, 120 *et seq.*

“regional appellations concerning the source of **products of the vine**.”⁷² In that case, the level of protection in the country of origin is definitive. The provision is particularly noteworthy because it establishes the first protection against dilution into generic terms.⁷³

c) Remedies

Goods bearing a false or deceptive indication shall, in accordance with Art. 1.1 Madrid Agreement on Indications of Source, **be seized** on import into any of the countries of the agreement. Pursuant to Art. 1.2, “[s]eizure shall also be effected in the country where the false or deceptive indication of source has been applied.” Countries of transit are not bound to effect seizure, Art. 2.2. If national laws of a signatory of the Madrid Agreement on Indications of Source do not permit seizure on importation or inside the country, they are replaced by a prohibition of importation (Art. 1.3) to be established by that signatory, Art. 1.4. Other civil or criminal remedies are not required. 46

d) Evaluation

Indeed, the Madrid Agreement on Indications of Source has achieved two important aspects of effective international protection of geographical indications: these are protection against deceptive indication and the country of origin standard. However, the reach of Art. 4 of the Agreement is limited to “products of the vine” and cannot, on a broad scale, override the fact that the courts of the country in which protection is sought are free to decide whether or not a given indication of source is protectable or is a mere generic term. The general picture remains un-harmonized, and delocalizing additions may even offset the special regime for vines. The seizure exception for countries of transit impedes the effectiveness of remedial action. All in all, the Madrid Agreement on Indications of Source does not significantly increase the standard of protection⁷⁴ and is, in view of its rather small circle of membership, not of much practical significance.⁷⁵ 47

4. Stresa Convention

The International Convention on the Use of Designations of Origin and Names for Cheeses signed at Stresa on 1 June 1951 (the Stresa Convention)⁷⁶ has been ratified by a small number of countries. Considering its very limited 48

⁷² Protection for wines beyond the standards provided for under 1958 Lisbon Conference has been rejected. See *Martin*, Brook. J. Int'l L. 30 (2004) 1, 117, 124.

⁷³ *Conrad*, Trademark Rep. 86 (1996) 1, 11 (25).

⁷⁴ *Ladas*, Patents, Vol. 3, 1593 *et seq.*

⁷⁵ *Martin*, Brook. J. Int'l L. 30 (2004) 1, 117, 124; *Blakeney*, JWIP 4 (2001) 5, 629, 638; *Knaak*, in: *Beier & Schriker* (eds), 117, 120 *et seq.*

⁷⁶ Journal Officiel de la Republique Francaise, No. 5821, 11 June 1952.

scope, it assumes only small significance on the international plane.⁷⁷ It encompasses two systems of registration: the A-register for appellations of origin that are to be protected against dilution into generic terms and a B-register for products the characteristics of which do not suffice for A-registration and, accordingly, enjoy a lower standard of protection.

5. Lisbon Agreement

a) General

- 49 The Lisbon Agreement for the Protection of Appellations of Origin and their International Registration of 1958 has only 20 contracting States.⁷⁸ Of the Member States of the EU, only Bulgaria, France, Italy, Portugal, the Slovakian Republic, the Czech Republic and Hungary are parties. Initially, Lisbon was the supposed place for reconsidering the protection of geographical indications in the course of the Revision Conference for the Paris Convention. In the light of strong protest by the US, a prohibition of deceptive indication could not be implemented. The lesser solution was adoption of an independent agreement⁷⁹—the Lisbon Agreement—that would address the deficiencies of the international protection of geographical indication but could not rely on the strong PC membership.⁸⁰

b) Relevant Provisions

- 50 The Lisbon Agreement takes up the notion of appellation of origin and defines it, in accordance with Art. 2.1, as “the geographical name of a country, region, or locality, which serves to designate a product originating therein, the quality and characteristics of which are due exclusively or essentially to the geographical environment, including natural and human factors.” Pursuant to Art. 1.2, parties to the agreement are required to protect appellations of origin that are protected “as such” in the country of origin.⁸¹ On that account, neither the use nor the public view is relevant; instead protection depends exclusively on the official act of recognition.

⁷⁷ Its signatories are Belgium, Denmark, France, Italy, Norway, The Netherlands, Austria, Sweden and Switzerland. With the adoption of the EC Council Regulation No. 2081/92 the Convention has lost most of its practical importance and is therefore relevant only in respect of Norway and Switzerland.

⁷⁸ A list is available at: <http://www.wipo.int/treaties/registration/lisbon/index.htm> (last accessed on 12 February 2008).

⁷⁹ The Agreement is based on a French initiative.

⁸⁰ *Knaak*, in: *Beier & Schriker* (eds), 117, 121 *et seq.*; *Geuze*, WIPO/GEO/BEI/07/10, 2 *et seq.* provides a clear outline of the agreement’s object and its concept of mutual recognition.

⁸¹ *Blakeney*, JWIP 4 (2001) 5, 629, 638; *Conrad*, in: *Dinwoodie & Hennessey & Perlmutter* (eds), 316, 319.

Protected appellations are to be registered in the international register administered by WIPO.⁸² This follows from Arts 1.2 and 5 Lisbon Agreement. Art. 3 describes the scope of protection: any usurpation or imitation, even if the true origin of the product is indicated or if the appellation is used in translated form or accompanied by terms such as “kind”, “type”, “make”, “imitation”, or the like, is prohibited. A risk of deception is not a necessary requirement. The conditions of use and the acts considered infringing as determined by the country of origin are notified to the country in which protection is sought via the WIPO. In the light of the principle of effectiveness, the latter country is to grant protection accordingly and may not influence the scope or level of protection.⁸³ 51

Art. 6 provides that an appellation which has been granted protection in one of the countries party to the Lisbon Agreement cannot, in that country, be deemed to have become generic as long as it is protected as an appellation of origin in the country of origin. Again, the **country of origin** defines the standard of protection. At the same time, the Lisbon Agreement prevents the monopolization of appellations of origin by means of trademark law.⁸⁴ 52

Under Lisbon, the geographical indication enjoys protection as an industrial property right as such.⁸⁵ The absolute character of protection is a considerable improvement on the pre-existing international standards. Even prior trademarks will not prevail over a geographical indication—they may only incur, in accordance with Art. 5.2, a final period of protection of two years. Exclusively by way of an explicit declaration pursuant to Art. 5.3, the signatory States to the Lisbon Agreement may exclude certain appellations from protection for a limited period. However, the Agreement ties strict requirements to a declaration under Art. 5.3; in particular, it must list the reasons for non-performance and may not be detrimental, in the country concerned, to the other forms of protection of the appellation which its owner may be entitled to claim. Demotion to a generic term and the existence of a prior trademark are conceivable grounds for such declaration.⁸⁶ Of course, the loophole under Art. 5.3 impedes the overall effectiveness of the Agreement⁸⁷ because it allows countries to hold fast to their “sins of the past.” 53

⁸² Internationally registered appellations of origin are published in the WIPO periodical *Les appellations d'origine*.

⁸³ *Conrad*, in: *Dinwoodie & Hennessy & Perlmutter* (eds), 316, 319; Pursuant to Art. 5 Lisbon Agreement, the contracting States are required to notify their national law, *i.e.* who is entitled to protection. See also *Martin*, *Brook. J. Int'l L.* 30 (2004) 1, 117, 125. *Cf.* WIPO/GEO/CE/I/2, 9 April 1990, No. 41.

⁸⁴ *Knaak*, in: *Beier & Schriker* (eds), 117, 121 *et seq.* Also *Martin*, *Brook. J. Int'l L.* 30 (2004) 1, 117, 125.

⁸⁵ *Cf.* also *Blakeney*, *JWIP* 4 (2001) 5, 629, 638; *Correa*, 216.

⁸⁶ See also *Ladas*, *Patents*, Vol. 3, 1604; *Baeumer*, in: WIPO-Publication No. 713 (E), 21, 32.

⁸⁷ *Blakeney*, 69; WIPO/GEO/CE/I/2, No. 41.

c) Evaluation

54 It has been argued that the definition of Art. 2.1 Lisbon Agreement is broad enough to cover geographical indications as understood by systems of unfair competition. It is however very doubtful whether the gap between the two can be bridged because indications in the competition law model do not depend on official recognition. Additional registration regimes remain the exception.⁸⁸ Mere protection through competition law will however not meet the Lisbon criteria on the country of origin and membership of these countries seems hardly conceivable.⁸⁹ Existing indications would be considered unprotected in the sense of the Lisbon Agreement. Rather, a national registration system such as the French list of *Appellations d'Origine* would suffice for purposes of the Convention. Only a few countries provide for lists and registration is often limited to certain products, particularly wine. Although a list is not a *sine qua non* for the collection of indications, Art. 5.1 explicitly requires the registration of the right holder, and many countries will conceive that as fundamentally derogating from their concept of protection and as too high an administrative burden, and will on that account regularly abstain from participation in the Lisbon framework.⁹⁰ Despite its high level of protection, the Convention has not proved to be a great success.

6. Bilateral Agreements

a) General

55 Countries that did not become signatories of the Lisbon Agreement often attempted a similar level of protection through bilateral efforts. In fact, the number of bilateral agreements considerably increased during the 1960s and many countries became aware of the commercial value residing in geographical indications.⁹¹ The **German-French Agreement** of 1960⁹² is of particular significance in this respect because the two differing protections systems could for the first time be successfully combined. This new type of agreement was taken up in numerous instances.⁹³ Earlier agreements were

⁸⁸ In Germany for instance, only the indication „Solingen“ would come under that umbrella. Knaak, in: *Beier & Schricker* (eds), 117, 121 *et seq.*

⁸⁹ *Ibid.*

⁹⁰ *Blakeney*, 69; *Correa*, 216.

⁹¹ *Blakeney*, JWIP 4 (2001) 5, 629, 645 *et seq.*

⁹² *Abkommen zwischen der Bundesrepublik Deutschland und der Französischen Republik über den Schutz von Herkunftsangaben, Ursprungsbezeichnungen und anderen geographischen Bezeichnungen*, 8 March 1961, BGBl. 1961 II, 22.

⁹³ See, for instance, the German-Italian Agreement, *Abkommen zwischen der Bundesrepublik Deutschland und der Italienischen Republik über den Schutz von Herkunftsangaben, Ursprungsbezeichnungen und anderen geographischen Bezeichnungen*, 23 July 1963, BGBl. 1965 II, 156; the German-Greek Agreement, *Abkommen zwischen der Bundesrepublik Deutschland und dem Königreich Griechenland über den Schutz von Herkunftsangaben, Ursprungsbezeichnungen und anderen geographischen Bezeichnungen*, 16 April 1964, BGBl. 1965 II, 176; the German-Swiss Agreement, *Abkommen zwischen der Bundesrepublik*

limited to particular cases and did not establish a general and common protection regime capable of broad application.⁹⁴

b) Structure

The bilateral combination of the law of signs model with the system of unfair competition is featured by means of special lists annexed to the relevant agreement. Arranged according to types of products, the lists name geographical indications that are mutually recognized between the contracting States. Supplements or amendments are subject to the acceptance of all signatories. They are not limited to certain categories or to a special nexus between origin and quality of the product as was the case under the Lisbon Agreement. On the basis of this list, indications may be reserved (principle of reservation) and protected, as in the country of origin (country of origin principle). 56

The listed indications may only be used for products from the country from which the indications originate. Of course, it is necessary for the indication to be permitted for those products in the country of origin. Protection does then not depend on misleading effects, but is reserved as such by the country of origin (**principle of reservation**). The scope of protection goes to such lengths as to include indications that have become generic in the country of origin, but suggests a certain nationality in the course of international trade.⁹⁵ 57

Secondly, bilateral agreements often contain a provision that protects the geographical indication as actually granted in the country of origin and therefore independently of the laws and regulations of the country in which protection is sought (**country of origin principle**).⁹⁶ Accordingly, the national concept of protection in question will be “exported” from the country of origin to the country in which protection is sought. Hence, the legal situation in the country of origin becomes binding also for the country in which protection is sought. Because the “exportation” is undertaken by 58

Deutschland und der Schweizerischen Eidgenossenschaft über den Schutz von Herkunftsangaben und anderen geographischen Bezeichnungen, 7 March 1967, BGBl. 1969 II, 138; the German-Spanish Agreement, *Abkommen zwischen der Bundesrepublik Deutschland und dem Spanischen Staat über den Schutz von Herkunftsangaben, Ursprungsbezeichnungen und anderen geographischen Bezeichnungen*, 11 September 1970, BGBl. 1972 II, 109; see also the bilateral agreements that France concluded with Austria, Switzerland, Spain and Italy.

⁹⁴ Cf. German-Portugese FCN—Treaty, 24 August 1950, BGBl. 1950, 298; German-Cuban Agreement, *Abkommen zwischen der Bundesrepublik Deutschland und der Republik Kuba über die Wiederherstellung gewerblicher Schutzrechte und über den Schutz von Herkunftsbezeichnungen*, 22 March 1954, BGBl. 1954 I, 1112.

⁹⁵ *Reger*, 132; According to the ECJ, this is inconsistent with Art. 30 EC, see C-3/91, *Exportur SA v. LOR SA and Confiserie du Tsch*, 10 November 1992, [1992] E.C.R. I-05529, Recs 37–39.

⁹⁶ Similar principles contain, Arts 3 and 6 Lisbon Agreement and Art. 4.2 Madrid Agreement on Indications of Source.

a dynamic reference to the law of the country of origin, changes in the relevant public view are automatically taken into consideration. However, the country of origin principle is limited as the conditions on use and the scope and requirements of protection will be regulated by the agreement autonomously.⁹⁷

- 59 Both principles are **applied successively**: an appellation can only be used for products originating in the country indicated (principle of reservation) and to fulfil the requirements of protection in that country (country of origin principle).
- 60 Bilateral Agreements often contain additional provisions that seek to **prevent trademark protection** being accorded to foreigners⁹⁸ and the general and autonomous **prohibition of misleading conduct** in respect of the indication's origin and quality, and irrespective of whether or not they are used for the listed categories of products.⁹⁹ Remedies are confined to the laws of the country in which protection is sought.¹⁰⁰ A **second generation** of this kind of bilateral agreement typically extends to country- and county names.¹⁰¹

c) Evaluation

- 61 The general success of this kind of bilateral agreement is based on the major improvements in protection it initiated. Unlike the Lisbon Agreement, this approach was absolutely **neutral** and left the existing national concepts intact. It is therefore not surprising that many countries chose to go bilateral for protection for geographical indications.¹⁰² The bilateral solution did not require fundamental changes in existing national law¹⁰³ and, at the same time, established the best possible protection for indications of the own country.
- 62 The big **disadvantage** was of course their limited reach, as they could not implement a globally or even regionally harmonized protection regime. Furthermore, bilateral agreements seem to be fit only for equal contracting partners pursuing similar interests. Indeed, it was almost impossible to conclude bilateral agreements of such kind between big exporters of geographical indication and “user” countries.

⁹⁷ This is disputed. See, for instance, *Fernández-Nóvoa*, 182.

⁹⁸ *Knaak*, in: *Beier & Schriker* (eds), 117, 122 *et seq.*

⁹⁹ It is disputed whether indirect indication and products that do not belong to the registered categories of products are also covered. Supporting indirect indication is *Beier & Knaak*, IIC 25 (1994) 1, 2 *et seq.*, *Correa*, 212.

¹⁰⁰ *Knaak*, in: *Beier & Schriker* (eds), 117, 122 *et seq.*

¹⁰¹ See the Swizz-German Agreement of 7 March 1967, BGBl. 1969 II 138/139.

¹⁰² Cf. also *Höppinger*, WIPO/GEO/SFO/03/1, paras 31–32; *WIPO Committee on the Law of Trademarks, Industrial Designs and Geographical Indications*, SCT/6/3, paras 39–40.

¹⁰³ *Krieger*, GRUR Int. 33 (1984) 2, 71, 75.

In consequence, it is difficult to transpose this structure to the multilateral scale. Even the **negotiation of the list** would encounter massive debate.¹⁰⁴ Agreement could probably be achieved in respect of the deposition of the lists at a central place and the application of the country of origin principle. Although not easy to agree upon, foreign law is accepted and applied in accordance with Private International Law. Problems do not arise until the deciding judge has to enquire into and assess the relevant public opinion.¹⁰⁵ If the inquiry is not correctly performed, systems based on competition law will find themselves disadvantaged *vis-à-vis* signs regimes. 63

d) Consistency with European Law

In its *Turrón decision*¹⁰⁶ the ECJ was invited to rule on the consistency of bilateral agreements with the EC provisions on free movement of goods. In that case, a number of French companies offered products for sale that were protected by way of a list under the French-Spanish Agreement and therefore reserved for Spanish companies using the indications “Touron de Alicante” und “Touron de Jijona”. The French companies argued that the indications had reverted to generic terms, which was however ruled out under the bilateral agreement. The ECJ was of the opinion that the **principle of the free movement of goods** as laid down in Arts 30 and 36 ECT (now Arts 28, 30 ECT) did not affect the bilateral treaty obligations in respect of geographical indications as long as they had not become generic in the country of origin. 64

It ruled that the notion of industrial and commercial property within the meaning of Art. 36 ECT (now Art. 30 ECT) not only covers appellations of origin but also extends to mere qualitatively neutral “indications of provenance”.¹⁰⁷ Furthermore it is consistent with the EC to transpose protection from the country of origin to the country in which protection is sought, provided the indication has not by way of trade turned into a generic name.¹⁰⁸ On the basis of *Touron*, the protection of geographical indications in the European Union has gained considerable force. 65

¹⁰⁴ For instance, “Kölnisch Wasser” and “Frankfurter Würstchen” are treated rather controversially in the German-French Agreement.

¹⁰⁵ On this issue, see *Knaak*, IIC 21 (1990) 3, 327 *et seq.*

¹⁰⁶ C-3/91, *Exportur SA v. LOR SA and Confiserie du Tech*, [1992] E.C.R. I-05529.

¹⁰⁷ *Knaak*, in: *Beier & Schrieker* (eds), 117, 123 *et seq.*

¹⁰⁸ C-3/91, *Exportur SA v. LOR SA and Confiserie du Tech*, [1992] E.C.R. I-05529. *Cf. Knaak*, in: *Beier & Schrieker* (eds), 117, 123 *et seq.*

7. European Regulations

a) General

- 66 The **European Community** has provided for the protection of geographical indications by means of numerous **regulations and directives**;¹⁰⁹ these are the Wine Market Regulation,¹¹⁰ the Spirit Drink Regulation¹¹¹ and the Agricultural Products Regulation.¹¹² Equally relevant are the Foodstuffs Directive¹¹³ and the new Misleading Advertisement Directive.¹¹⁴
- 67 Because the European Community is—unlike for other international agreements—a party to WTO itself, its legal instruments must conform to the obligations of the TRIPS agreement and are to be measured by this benchmark.¹¹⁵

b) Misleading Advertisement Directive

- 68 In accordance with Art. 5.1, sentence 1 of the Misleading Advertisement Directive, the Member States are under an obligation to ensure that “adequate and effective means exist to combat misleading advertising and enforce compliance with the provisions on comparative advertising in the interests of traders and competitors.” Comparative advertisement¹¹⁶ shall, pursuant to Art. 4, depend on, *inter alia*, “for products with designation of origin, it relates in each case to products with the same designation” (lit. e)

¹⁰⁹ See in further detail *Peter & Arend*, Article 22.2, paras 5 *et seq.*; See also *Beier & Knaak*, IIC 25 (1994) 1, 1, 28.

¹¹⁰ Council Regulation (EC) No. 1493/99 of 17 May 1999 on the Common Organisation of the Market in Wine, OJ 1999 L 179/1, as amended by Council Regulation (EC) No. 1791/2006 of 20 November 2006, OJ 2006 L 363/1 (Wine Market Regulation).

¹¹¹ Council Regulation (EEC) No. 1576/89 of 29 May 1989 Laying Down General Rules on the Definition, Description and Presentation of Spirit Drinks, OJ 1989 L 160/1, as amended by Council Regulation (EC) No. 3378/94 of 22 December 1994, OJ 1994 L 366/1 (Spirit Drink Regulation).

¹¹² Council Regulation (EEC) No. 2081/92 of 14 July 1992 on the Protection of Geographical Indications and Designations of Origin for Agricultural Products and Foodstuffs, OJ 1992 L 208/1, as amended after the recent WTO Panel rulings in *EC—Trademarks and Geographical Indications* by Council Regulation (EC) No. 510/2006 of 20 March 2006, OJ 2006 L 93/12 (Agricultural Products Regulation). See also *Bendeckey & Mead*, Trademark Rep. 82 (1992) 5, 765, 787 *et seq.*

¹¹³ See in particular Art. 2.1 lit. a Council Directive 79/112/EEC of 18 December 1978 on the Approximation of the Laws of the Member States Relating to the Labelling, Presentation and Advertising of Foodstuffs for Sale to the Ultimate Consumer, OJ 1979 L 33/1 (Foodstuffs Directive).

¹¹⁴ Council Directive 2006/114/EC of 12 December 2006 Concerning Misleading and Comparative Advertising, OJ 2006 L 376/21 (Misleading Advertisement Directive).

¹¹⁵ On the EC competence to conclude international agreements, see ECJ Opinion 1/94 of 15 November 1994 *on the Competence of the Community to conclude international agreements concerning services and the protection of intellectual property*, [1994] E.C.R. I-05267; On the relationship of the EC legal system to TRIPS, see *Drexel*, in: *Beier & Schricker* (eds), 18 *et seq.*

¹¹⁶ In accordance with Art. 2 lit. c Misleading Advertisement Directive, comparative advertising for the purpose of the Directive means any advertising which explicitly or by implication identifies a competitor or goods or services offered by a competitor.

and “it does not take unfair advantage of the reputation [...] of the designation of origin of competing products” (lit. f). According to Art. 11, the Misleading Advertisement Directive is to enter into force on 12 December 2007. Because it has no independent regulatory content and merely consolidates and codifies Council Directive 84/450/EEC of 10 September 1984 and its amendments,¹¹⁷ the relevant time-limits for the transposition into national law are to be derived from the substantive directives.¹¹⁸

c) Wine Market Regulation

Based upon Art. 43 ECT, Art. 48 Wine Market Regulation grants protection against false and misleading description, presentation and advertisement in respect of a wine’s “origin or provenance” as well as against additions such as “kind”, “type”, “style”, “imitation”, “brand” or the like. Wine products the description or presentation of which does not conform to this obligation may, in accordance with Art. 49.1, sentence 1 of the Regulation, not be held for sale or put on the market in the Community or exported. Member States on whose territory infringing products are located shall take necessary steps to impose penalties according to the gravity of the infringement committed pursuant to Art. 49.2, sentence 1. The sanctions regime is subject to very narrow exceptions under Arts 49.1, sentence 2 and 49.2, sentence 2. Art. 50 Wine Market Regulation contains a reference to Arts 23 and 24 TRIPS and mandates the entitlement of interested parties according to terms of TRIPS. In this respect, it is particularly noteworthy that Art. 50.2 provides a definition of geographical indications although limited to purposes of that very provision. Geographical indication “is taken to mean indications which identify a product as originating in the territory of a third country which is a member of the World Trade Organisation or in a region or locality within that territory, in cases where a certain quality, reputation or other given characteristic of the product may be attributed essentially to that geographical place of origin.” 69

d) Spirit Drink Regulation

The Spirit Drink Regulation essentially provides a **system of registration**. 70 Listed designations including their translations and additions are limited to products the main process of manufacture of which was undertaken at the place so indicated. The protection is absolute and does not depend on deception or a risk thereof. Moreover, the dilution of designations into

¹¹⁷ Council Directive 84/450/EEC of 10 September 1984 concerning Misleading and Comparative Advertising, OJ 1984 L 250/17, as last amended by Council Directive 2005/29/EC of 11 June 2005 concerning Misleading and Comparative Advertising, OJ 2005 L 149/22 and Council Directive 2006/114/EC of 12 December 2006, OJ 2006 L 376/21.

¹¹⁸ For an overview of the time limits for transposition and the date of application see Annex 1 Part B of the Misleading Advertising Directive.

generic terms is ruled out. Determinations in respect of the quality of the products may be made by the countries of origin.¹¹⁹

- 71 Designations not listed in the register are protected against misleading use. Protection against misleading use additional to registration may be qualified as **Lisbon Plus**.¹²⁰ Art. 11a Spirit Drink Regulation was subsequently added in order to comply with EC obligations under TRIPS.¹²¹ It incorporates the definition of geographical indications pursuant to Art. 22.1 TRIPS and obliges the Member States to comply with Arts 23 and 24 TRIPS. However, the Regulation does not contain rules concerning prior existing trademarks.¹²² In this respect, national law is still decisive.¹²³

e) Agricultural Products Regulation

- 72 The Agricultural Products Regulation No. 2081/92 as last amended by Regulation No. 510/2006 covers certain agricultural products and foodstuffs, and thus extends beyond the Wine Market Regulation. This follows from Art. 1.1 read together with annexes I and II. Wines and spirits are explicitly excluded pursuant to Art. 1.1 and subjected to the relevant regulations. Hence, the scope of application is rather limited. On the other hand, Art. 12 Regulation No. 2081/92 and Art. 5.9 Regulation No. 510/2006 permit registration and thus the protection of indications of third countries if reciprocity is guaranteed. The Regulation therefore extends to any other country, provided that that country accepts all the terms thereunder.
- 73 The Regulation contains a **system of registration** and additional material provisions. The register is administered by the Commission.¹²⁴ Entry of geographical indications into the register is subject to national and European examination of their protectability and may be initiated by collective notification (Art. 17 Regulation No. 2081/92) or individual application respectively pursuant to Art. 5 Regulation No. 510/2006. The Regulation distinguishes between **geographical indications** and **designations of origin**, the latter being understood as in Art. 2.1 Lisbon Agreement,¹²⁵ to contain a certain characteristic of quality. The quality attributes of designations of origin must essentially or exclusively result from a particular geographical environment, whereas the geographical indication's quality, reputation or other characteristics need only be attributable to that geo-

¹¹⁹ See, for instance, Arts 3.2, 5.5 lit.c and 12 Regulation No. 1576/89.

¹²⁰ Similar *Knaak*, in: *Beier & Schrieker* (eds), 117, 124 *et seq.*

¹²¹ Council Regulation (EC) No. 3378/94, 22 December 1994, OJ 1994 L 366/1.

¹²² *Knaak*, in: *Beier & Schrieker* (eds), 117, 124 *et seq.* See further on the Spirit Drink Regulation *Beier & Knaak*, IIC 25 (1994) 1, 1, 3.

¹²³ For an overview of the Member States legal conceptions see *Beier & Knaak*, IIC 25 (1994) 1, 1, 3–19.

¹²⁴ See *Evans & Blakeney*, JIEL 9 (2006) 3, 575, 583 *et seq.*

¹²⁵ Both notions are defined in Art. 2.2 lits a–b Regulation No. 2081/92. *Evans & Blakeney*, JIEL 9 (2006) 3, 575, 585 *et seq.* give a detailed outline of both notions.

graphical origin.¹²⁶ Under what conditions the protected designation can be used may be specified by the Member States or the producer; these **product specifications** are to be given at the time of registration, Art. 5.3 Regulation No. 2081/92.¹²⁷ Protection under the register covers all comparable products and others that, although not comparable, lead to misappropriation of the designation's reputation.¹²⁸ Protected products are recognizable by their labels as having a "protected designation of origin" (PDO) or "protected geographical indication" (PGI) as provided for under Art. 4.1. Products that do not fulfil the specifications will not be permitted directly or indirectly to use the protected designations, whether or not accompanied by delocalizing additions.

In addition, registered names are **protected against any other false or misleading indication** as to the product's provenance, origin, nature or essential qualities and against any practice liable to mislead the public as to the true origin of the product. Finally, a registered name may, in accordance with Art. 13.3, not become **generic**.¹²⁹ The Regulation furthermore contains detailed provisions on coexistence and priority in respect of expression used before the publication of the Regulation. Remedies are to be provided for by national law. There has been criticism of the consistency of the Regulation with EC Primary Law.¹³⁰ 74

II. Negotiations for the TRIPS Agreement

1. North-North Conflict

The **negotiations** for the geographical indications section of the TRIPS Agreement revealed a constellation of interests that was somewhat different from the typical North-South conflict.¹³¹ In particular the US, which 75

¹²⁶ See in detail *Knaak*, in: *Beier & Schriker* (eds), 117, 124 *et seq.*; *cf.* also *Beier & Knaak*, IIC 25 (1994) 1, 1 *et seq.* and in particular, 29 *et seq.*

¹²⁷ Subsequent alterations of an element of the product specification can be procured only "within the framework of the Community arrangements and procedures laid down by the 1992 Regulation and, in particular, in compliance with the procedure laid down in Article 9 of the Regulation, which refers to the Article 6 procedure." C-129 and C-130/97, *Criminal proceedings against Yvon Chiciak and Fromagerie Chiciak and Jean-Pierre Fol*, 9 June 1998, [1998] E.C.R. I-03315, Recs 28–30.

¹²⁸ See Art. 13 Regulation No. 2081/92.

¹²⁹ See *D. Gangjee*, Say Cheese! A Sharper Image of Generic Use through the Lens of Feta, Oxford Intellectual Property Centre EJIPR Papers 2006, for the ECJ's generic test in the Joined Cases C-465/02 and C-466/02, *Federal Republic of Germany and Kingdom of Denmark v Commission of the European Communities*, (Feta case) [2006] ETMR 16. See also *Evans & Blakeney*, JIEL 9 (2006) 3, 575, 591 *et seq.*

¹³⁰ See *Beier & Knaak*, IIC 25 (1994) 1, 29 *et seq.*

¹³¹ A comprehensive outline of the proposals can be found in *UNCTAD/ICTSD*, 16–26. *Knaak*, in: *Beier & Schriker* (eds), 117, 127; *Watal*, 265; *Correa*, 209; *Cf.* also *Blakeney*, 68. See also *Evans & Blakeney*, JIEL 9 (2006) 3, 575, 578 who shed some light in the ongoing debate under Art. 24.

has generally supported strong intellectual property rights, had only little interest in the protection of geographical indications.¹³² The initial US draft¹³³ of a multilateral Agreement did not contain any provisions on geographical indications and the proposal of 1990¹³⁴ was rather limited.¹³⁵ The contrasting position was taken by the European Community¹³⁶ and Switzerland¹³⁷ which mandated advanced protection in this sector from the very beginning of the negotiations.¹³⁸ The allocation of interest is not surprising: colonies and developing countries do, essentially for historical reasons,¹³⁹ not possess very valuable geographical indications and traditionally uphold less effective protection regimes.¹⁴⁰ In contrast, the Member States of the European Community see geographical indications as an important marketing factor¹⁴¹ because they are the biggest “designation exporting nations”¹⁴² and therefore the major beneficiaries of strong protection. For this reason, their proposals followed the concept of Art. IX.6 GATT 1947, according to which Members “shall co-operate with each other with a view to preventing the use of trade names in such manner as to misrepresent the true origin of a product.”

76 Against this background the negotiations proved to be very contentious. In particular, when a special regime for **designations for wines** was to be agreed upon, the conflict between the US and the EC became most difficult to resolve and put the overall success of the Uruguay Round at great risk.¹⁴³ The final solution records a number of concessions on both sides, and enhanced protection was achieved only at the price of several grandfathering clauses that safeguarded the continued existence of the “sins of the past”.¹⁴⁴

¹³² *Michaelis & Bender*, in: *Hilf & Oeter* (eds), § 24, para. 50.

¹³³ MTN.GNG/NG11/W/14 and MTN.GNG/NG11/W/14/Rev.1. *Cf. Blakeney*, 68.

¹³⁴ MTN.GNG/NG11/W/70, 9, Arts 18 *et seq.*

¹³⁵ *Knaak*, in: *Beier & Schriker* (eds), 117, 127.

¹³⁶ MTN.GNG/NG11/W/26, 9 *et seq.* However, the proposal already reflected a compromise among the EC Member States that were divided in big supporters of strong protection (Germany, France, Italy, Portugal, and Spain) and other Member States.

¹³⁷ MTN.GNG/NG11/W/38, 5 *et seq.*

¹³⁸ *Chasen Ross & Wasserman*, in: *Stewart* (ed.), 2302; *Knaak*, in: *Beier & Schriker* (eds), 117, 127.

¹³⁹ *Cf. Baeumer*, in: WIPO-Publication No. 713 (E), 21, 24 *et seq.*; *Reinbothe & Howard*, EIPR 13 (1991) 5, 157, 161.

¹⁴⁰ *Coerper*, The Protection of Geographical Indications in the United States of America, with Particular Reference to Certification Marks, Industrial Property July/August 1990, 232, 235; *Bendekgy & Mead*, Trademark Rep. 82 (1992), 765, 767 *et seq.*; see also *Rangnekar*, Demanding Stronger Protection, 7 who draws a “old world—new world fault line.” *Martin*, Brook. J. Int’l L. 30 (2004) 1, 117, 127.

¹⁴¹ *Cf. Michaelis & Bender*, in: *Hilf & Oeter* (eds), § 24, para. 50.

¹⁴² *Cottier*, Common Mkt. L. Rev. 28 (1991), 383, 404; *Reinbothe & Howard*, EIPR 13 (1991) 5, 157, 161.

¹⁴³ *Ricketson*, IIC 26 (1995) 6, 872, 888.

¹⁴⁴ *Martin*, Brook. J. Int’l L. 30 (2004) 1, 117, 120 characterizes the standard of protection to be “inadequate.” The WTO negotiators have thus agreed to include a negotiation mandate in Art. 24.

2. Uruguay Round Negotiations

Even at the very beginning of the negotiations, the EC emphasized its special interest in addressing the protection of geographical indications, in particular, for **wines and foodstuffs** and drove the negotiations on this topic during the entire Round.¹⁴⁵ Arguments were presented in respect of both consumer and producer protection. Despite the apparent interests of the EC, the first US draft contained no corresponding provisions.¹⁴⁶ In consequence, the EC¹⁴⁷ and Switzerland¹⁴⁸ introduced their own proposals into the negotiation process, grounded on competition law considerations. The **competition law model** sought to protect against misleading and misappropriating use of indications, whereas delocalizing additions were implicitly regarded as liable to create confusion. However, the proposals were limited to **geographical indications with an objective link** between product and place of origin.¹⁴⁹ The current definition of geographical indications in Art. 22.1 essentially goes back to those propositions. Designations of origin were to adopt the **country of origin principle** known in most bilateral agreements.¹⁵⁰ The Swiss proposal went beyond that approach and sought to extend the principle to all geographical indications.

The US response was poor and drew much on existing trademark law. Art. 18 of the following draft provided for protection under the law of signs of **certification marks** and **collective marks** upon registration. Art. 19 aimed at protecting appellations of origin for wines against misleading use unless they had become generic.¹⁵¹ Similar suggestions from other countries followed.¹⁵² In spring 1990, the EC¹⁵³ and Switzerland¹⁵⁴ presented subsequent drafts which in part mirrored their first suggestions.

The hot spots of the negotiations, on the one hand, related to **protection against dilution** and, on the other hand, concerned the retroactive treatment of the so called **“sins of the past”** *i.e.* geographical indications that have already become generic terms for some Members. The European Community sought to reinstate such designations and grant them full protection.¹⁵⁵ The US, however, insisted on their continued use of

¹⁴⁵ MTN.GNG/NG11/W/7, 2 *et seq.* Cf. also Michaelis & Bender, in: *Hilf & Oeter* (eds), § 24, para. 50; *Blakeney*, JWIP 4 (2001) 5, 629, 639.

¹⁴⁶ MTN.GNG/NG11/W/14 and MTN.GNG/NG11/W/14/Rev. 1.

¹⁴⁷ MTN.GNG/NG11/W/26, 9 *et seq.*

¹⁴⁸ MTN.GNG/NG11/W/38, 5 *et seq.*

¹⁴⁹ *Chasen Ross & Wasserman*, in: *Stewart* (ed.), 2303.

¹⁵⁰ It was not intended to introduce a system of recognition of geographical indications. This was probably a result of the negative experiences made in connection to the Lisbon Agreement, *Cf.* paras 49–54 above.

¹⁵¹ *Knaak*, in: *Beier & Schriker* (eds), 117, 127.

¹⁵² *Cf. Comrad*, Trademark Rep. 86 (1996) 1, 11, 30, fn. 87.

¹⁵³ MTN.GNG/NG11/W/68.

¹⁵⁴ MTN.GNG/NG11/W/73.

¹⁵⁵ In particular, this applies to designations for wines. Alongside the US, the major

designations such as “Burgundy”, “Chablis” and “Champagne”. The conflict was eventually settled with the introduction of Art. 24.4–6 TRIPS which represented a major concession by the EC.¹⁵⁶

- 80 Another key issue concerned the European approach to **trademarks vis-à-vis geographical indications**. This approach envisaged the deletion of and denial of protection to all trademarks containing a geographical indication as such.¹⁵⁷ Many Latin American countries often being former colonies still used many such marks that referred to the colonial power. These countries were not convinced by a *per se* invalidation of trademarks bearing a geographical indication and protested strongly.¹⁵⁸ Later in the negotiations, Australia¹⁵⁹ and Switzerland¹⁶⁰ limited the European approach and provided for invalidation only if there was a risk of being misled. Moreover, continued use was to be permitted of a trademark if it was acquired in good faith.
- 81 The **Draft Final Act** of 3 December 1990¹⁶¹ provided a general protection regime for geographical indications, with particular disciplines for wines and spirits.¹⁶² The **Dunkel Draft** of 20 December 1991¹⁶³ contains only small alterations¹⁶⁴ and is essentially equivalent to the current provisions.

C. General Principles of Section 3

I. Relevant Provisions

- 82 Arts 22 to 24 which constitute Section 3 of Part II of the TRIPS Agreement set out the major provisions on geographical indications. All intellectual property is furthermore subject to the general provisions and principles contain in Part I of the Agreement (Arts 1–8). This includes the Members’

opponents were Australia (MTN.GNG/NG11/W/35, 6 *et seq.*), New Zealand (MTN.GNG/NG11/W/46, 5), Canada (MTN.GNG/NG11/W/47, 8, 14), Korea (MTN.GNG/NG11/W/48, 6) and Hong-Kong (MTN.GNG/NG11/W/51, 4). Supporters were Japan, Peru, Switzerland as well as Australia in a later proposal (MTN.GNG/NG11/W/75, 2).

¹⁵⁶ See also *Ricketson*, IIC 26 (1995) 6, 872, 888.

¹⁵⁷ MTN.GNG/NG11/W/26, 10; MTN.GNG/NG11/W/68, 9, Art. 21.3.

¹⁵⁸ For an outline of the different positions, see *Chasen Ross & Wasserman*, in: *Stewart* (ed.), 2304.

¹⁵⁹ MTN.GNG/NG11/W/75, 1.

¹⁶⁰ MTN.GNG/NG11/W/38, 6; MTN.GNG/NG11/W/73, 11.

¹⁶¹ MTN.TNC/W/35/Rev.1, Annex I: Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, 57, 65 *et seq.*, Art. 24–26.

¹⁶² See *Chasen Ross & Wasserman*, in: *Stewart* (ed.), 2305.

¹⁶³ Named after Arthur Dunkel, MTN.TNC/W/FA, 20 December 1991, Annex III: Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, 57, 65 *et seq.*, Arts 22–24.

¹⁶⁴ In particular, Art. 24.1 and 4.

duty pursuant to Art. 2.2 to honour existing obligations under the Paris Convention, the Berne Convention, the Rome Convention and the IPIC Treaty.¹⁶⁵ In the realm of geographical indications, the **Paris Convention and its special agreements** according to Art. 19 PC assume particular importance. Art. 10 PC is to be respected pursuant to Art. 2.1 TRIPS. In this respect, Arts 22 to 24 are clearly Paris Plus.¹⁶⁶

TRIPS requires its Members to grant **minimum protection** to geographical indications along the lines of Arts 22 to 24.¹⁶⁷ It also provides in Art. 24.3 that Members may not lower the present (1 January 1995) standard of protection, even if they uphold a higher level of protection than required by TRIPS.

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II. Direct Applicability

The question of granting direct legal effect to an international norm has frequently been considered to be a political one.¹⁶⁸ The big market players, such as the EC,¹⁶⁹ the US and Japan have repeatedly rejected direct application in respect of TRIPS provisions.¹⁷⁰ Apart from the political dimension, there are general rules of international law governing general capability of an international norm to have direct effect. In order to qualify for direct application, the international norm must address individuals and precisely define their rights and obligations which may not be made subject to a condition or require a further act of implementation by the domestic authorities. On these terms, the provisions of the TRIPS Agreement may be considered directly applicable on the national plane and even in the EC Member States, provided that the provision does not regulate a matter

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¹⁶⁵ *Ricketson*, IIC 26 (1995) 6, 872, 886.

¹⁶⁶ *Cf.* ECJ Opinion 1/94 of 15 November 1994 *on the Competence of the Community to conclude international agreements concerning services and the protection of intellectual property*, [1994] E.C.R. I-05267. *Cf. also Kur*, in: *Beier & Schriker* (eds), 93, 96.

¹⁶⁷ *Cf.*, for instance, *Martin*, Brook. J. Int'l L. 30 (2004) 1, 117, 126. *Tran Wasescha*, WIPO/GEO/BEI/07/15 provides a good overview with regard to the geographical indications in the WTO system.

¹⁶⁸ *Inter alia*, *Bellem & Nollkaemper*, Giving Effect to Public International Law and European Community Law Before Domestic Courts: A Comparative Analysis of the Practice of Consistent Interpretation, EJIL 14 (2003) 3, 569, 573.

¹⁶⁹ See the jurisprudence of the ECJ, in particular, Joined Cases 21–24/72, *International Fruit Company*, [1972] E.C.R. I-1219; C-280/93, *Germany v. Council*, [1994] E.C.R. I-4973; C-149/96, *Portugal v. Council*, [1999] E.C.R. I-8395, Recs 36 *et seq.* See also C-69/89, *Nakajima v. Council*, [1991] E.C.R. I-2069, Recs 31 *et seq.* and C-70/87, *Fediol v. Commission*, [1989] E.C.R. I-1781.

¹⁷⁰ *Cf.*, *inter alia*, *Klabbers*, International Law in Community Law: The Law and Politics of Direct Effect; Yearbook of European Law 21 (2001–2002), 263–298; *Hartley*, International Law and the Law of the European Union—A Reassessment; British Year Book of International Law 72 (2001), 1–35; *Berkey*, The ECJ and Direct Effect for the GATT, EJIL 9 (1998) 4, 626–657; *Peters*, The Position of International Law Within the EC Legal Order, German Yearbook of International Law 40 (1997), 9–77.

- of Community competence.¹⁷¹ Of the relevant TRIPS provisions on geographical indications, some provisions of Arts 22 and 23 are capable of direct application.
- 85 Art. 22 may be applied directly by the national (administrative and judicial) authorities because its language, content and purpose are precisely and explicitly determined. This holds true for the definition in para. 1 as well as for the substantial obligations under the subsequent paragraphs. The direct applicability of the norm is furthermore emphasized by the direct reference to “interested parties” which is, in turn, adequately identified by Art. 10.2 PC. However, to the extent Art. 22 concerns the legality of delocalizing additions, the notion of unfair competition remains only insufficiently clarified for purposes of direct application.¹⁷²
- 86 Also Art. 23.1 may be capable of direct application. Despite the phrase “[e]ach Member shall provide the legal means”, the provision is sufficiently precise and unconditional as to the protection to be provided. It defines the subject matter of protection, names “interested parties” as the beneficiaries of GI protection (identifiable through Art. 10.2 PC) and specifies what exclusive rights are to be granted to them. Art. 23.2, sentence 1 is even drafted as a private right. Art. 23.3, sentence 2, however, explicitly addresses the Members which are to make further rules and determinations. Together with the mere institutional provision of Art. 23.4 they are not capable of direct application.¹⁷³
- 87 Art. 24.1–2 also exclusively addresses the Members and is not capable of direct application.¹⁷⁴ However, paras 3, 5 and 8 of Art. 24 are sufficiently precise and explicit, and thus directly applicable. In contrast, paras 4, 6, 7 and 9 of Art. 24 leave protection open to the discretionary power of the Members.¹⁷⁵

¹⁷¹ See also the recent decision with particular regard to the TRIPS Agreement Joined Cases C-300/98 and C-392/98, *Dior et al.*, [2000] E.C.R. I-11307, Rec. 48 and C-431/05, *Merk v Merk*, [2007] E.C.R. I-7001, Rec. 34 read: “On the other hand, in a field in respect of which the Community has not yet legislated and which consequently falls within the competence of the Member States, the protection of intellectual property rights, and measures adopted for that purpose by the judicial authorities, do not fall within the scope of Community law. Accordingly, Community law neither requires nor forbids that the legal order of a Member State should accord to individuals the right to rely directly on the rule laid down by Article [...] of TRIPs or that it should oblige the courts to apply that rule of their own motion.”

¹⁷² See *Peter & Arend*, Article 22.2, paras 14 *et seq.*

¹⁷³ *Reger*, 212 *et seq.*

¹⁷⁴ *Hermes*, 257.

¹⁷⁵ *Reger*, 213 *et seq.*

III. Interested Parties

The notion of “**interested parties**” under Art. 22.2 TRIPS must be read together with Art. 10.2 PC (Art. 31 VCLT).¹⁷⁶ In accordance with Art. 10.2 PC, “any producer, manufacturer, or merchant, whether a natural person or legal entity, engaged in the production or manufacture of or trade in such goods and established either in the locality falsely indicated as the source, or in the region where such locality is situated, or in the country falsely indicated, or in the country where the false indication of source is used, shall in any case be deemed an interested party.”¹⁷⁷ 88

Governments or governmental national or international organizations—for instance the French INAO¹⁷⁸—are, in principle, not interested parties¹⁷⁹ because they do not fall under the notion of producer, manufacturer or merchant which implies a certain commercial interest in the matter.¹⁸⁰ The INAO, being established in particular to represent French producers in proceedings abroad, enjoys standing before US courts.¹⁸¹ However, this is not required by Arts 22–24 and, as TRIPS Plus, is not mandatory for the Members.¹⁸² 89

IV. Relationship with Trademark Law

The Agreement for the first time contains multilateral conflict rules on the relationship between geographical indications and **trademarks**. Prior to TRIPS, these questions were regulated only on a bilateral or regional level.¹⁸³ Art. 22.3 TRIPS now provides **protection against misleading use** for geographical indications, in general;¹⁸⁴ Art. 23.2 contains particular regulations for wines and spirits and Art. 24.5 **grandfathers** certain 90

¹⁷⁶ *Gervais*, para. 2.210.

¹⁷⁷ For a detailed analysis of the notion of “interested parties” in the TRIPS context see *Conrad*, Trademark Rep. 86 (1996) 1, 11, 36 *et seq.*

¹⁷⁸ *«Institut national des appellations d'origine»*, Art. L. 115–10, 115–20.

¹⁷⁹ This does not include the principle of national treatment in accordance with Art. 10*ter* PC as read together with Art. 2.1 TRIPS according to which federations and associations representing interested industrialists, producers or merchants are permitted to take action in the courts or before the administrative authorities, with a view to the repression of the acts referred to in Articles 9, 10, and 10*bis* PC.

¹⁸⁰ *Meltzer*, Trademark Rep. 83 (1993) 1, 18 (32); *Gervais*, para. 2.210; *Conrad*, Trademark Rep. 86 (1996) 1, 11, 37.

¹⁸¹ *INAO v. Vintners International Co. Inc.*, 958 F2d 1574—Chablis With a Twist.

¹⁸² *Conrad*, Trademark Rep. 86 (1996) 1, 11, 38. Different *Gervais*, para. 2.210.

¹⁸³ *Cf.* Art. 7.1 lit. c Council Regulation (EC) No. 40/94 of 20 December 1993, OJ 1994 L 11/1.

¹⁸⁴ *Blakeney*, JWIP 4 (2001) 5, 629, 642.

pre-existing trademarks.¹⁸⁵ Whether locals may invoke protection for **individual and collective marks** is not determined by TRIPS and thus subject to national and international trademark law.

¹⁸⁵ See *Strauch & Arend*, Article 22.3, Article 23, paras 11–16 and Article 24, paras 19–32.

Article 22.1 Protection of Geographical Indications

1. Geographical indications are, for the purposes of this Agreement, 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 good is essentially attributable to its geographical origin.

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A. Legal Definition

Art. 22.1 provides a **legally binding definition** of the term geographical indications which corresponds with the main proposals made by the EC.¹ According to the specification in Art. 22.1, 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 good is essentially attributable to its geographical origin.” Neither the Paris Convention nor the Madrid Agreement on Indications of Source contains such a definition. However, the definition in Art. 22.1 resembles that of “appellations of origin” as it appears in Art. 2 Lisbon Agreement. 1

¹ Cf. MTN.GNG/NG11/W/26 9; MTN.GNG/NG11/W/68, 8, Art. 19. The Australian proposal, MTN.GNG/NG11/W/75, 2.

B. The Notion of Good

- 2 Art. 22.1 qualifies geographical indications as indications which identify **good**. In this respect, the notion of good is to be interpreted broadly as encompassing all marketable matters. There is no restriction as regards a certain kind or category of products.² The term “good” likewise covers agricultural commodities and foodstuffs, as well as industrial products of any kind ranging from *e.g.* textiles to hardware and machinery.
- 3 In contrast to the earlier draft submitted by the EC,³ the current Art. 22.1 does not include the passage “including natural and human factors”. The passage was omitted when the “**Status of Work**”⁴ and the “**Final Draft Act**” were issued⁵ without there being many details of why this was done. Some commentators understand the omission as expressing a restriction on agricultural products.⁶ According to their view, relevant factors that must be considered when determining geographical indications are soil, climate, fauna and flora, but not the cultural heritage of a region. The object and purpose of the TRIPS Agreement however argue for a comprehensive **minimum level of protection** for goods including industrial products. Following this understanding, it is suggested that the omitted passage was simply considered to be dispensable. Thus, human factors may also fall within the relevant characteristics that are attributable to a geographical origin.
- 4 **Services**⁷ are however not included in the notion of good.⁸ An extension into the service sector was suggested only by the draft proposals of

² *Conrad*, Trademark Rep. 86 (1996), 11, 32; *Knaak*, in: *Beier & Schricker* (eds), 117, 128.

³ MTN.GNG/NG11/W/68, Art. 19. The passage can also be found in Art. 2.1 Lisbon Agreement. *Cf. Conrad*, in: *Dinwoodie & Hennessey & Perlmutter* (eds), 316, 323.

⁴ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Statement made by the Delegation of Mexico at the Meeting of 17, 18 and 21 October 1988, MTN.GNG/NG11/W/28, 29 November 1990.

⁵ Trade Negotiations Committee, Draft Final act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, MTN.TNC/W/35/Rev.1, 3 December 1990, 205, Art. 24.1.

⁶ See *Conrad*, Trademark Rep. 86 (1996), 11, 33. Also *Bendekgey & Mead*, Trademark Rep. 82 (1992) 5, 765, 785 consider this possible.

⁷ Relevant services are conceivable in the areas of tourism, insurance and banking. The Swiss delegation introduced the notion of “Les portes du Soleil” in the meeting of the negotiation group on 12–14 July 1989, Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Meeting of Negotiating Group of 12–14 July 1989, Note by the Secretariat, MTN.GNG/NG11/14, 12 September 1989, 25 *et seq.*, paras 55, 59; likewise in the meeting of 14–16 May 1990, Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Meeting of Negotiation Group of 14–16 May 1990, Note by the Secretariat, MTN.GNG/NG11/21, 22 June 1990, 27, para. 41.

⁸ *Conrad*, Trademark Rep. 86 (1996) 1, 11, 33; *Knaak & Wiszniewska*, *Revue Internationale de la Concurrence* 1997, 37, 41.

Switzerland⁹ and the US.¹⁰ In fact, the substitution of the notion of “product” by that of “good” as early as shortly before the Brussels Ministerial of 1990 indicates the limited scope of the provision.¹¹ This is confirmed by the use and understanding of both terms which are common in the GATT and WTO context. Finally, it needs to be emphasized that Art. 24.6 draws a clear distinction between goods and services. The French and Spanish official texts which—as yet unaltered—contain the terms *produit* and *producto* put this narrow understanding into question.¹² A comparative analysis with the Lisbon Agreement, where the English, Spanish and French versions all use the same wording—product, *produit* and *producto*—can not provide assistance on the matter.

C. The Notion of Protected Indications

In accordance with Art. 22.1, indications “identify a good as originating in the territory of a Member, or a region or locality in that territory.” Therefore, the **names of countries** are protectable alongside **regional and local terms**.¹³ 5

It is sufficient for the indication to identify the product in question as originating in the territory, region or locality. **Identification** in this respect means any indication that provides a reference to a geographical area, including **indirect indications**.¹⁴ This concept also encompasses certain forms of packaging or colour schemes. In contrast, the Lisbon Agreement requires explicit geographical naming of the country, region or locality. 6

⁹ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Standards and Principles concerning the Availability, Scope and Use of Trade-Related Intellectual Property Rights, Communication from Switzerland, MTN.GNG/NG11/W/38, 11 July 1989, 5 and Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Draft Amendment to the General Agreement on Tariffs and Trade on the Protection of Trade-Related Intellectual Property Rights, Communication from Switzerland, MTN.GNG/NG11/W/73, 14 May 1990, 10, Art. 220.4, which explicitly covered services.

¹⁰ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Draft Agreement on the Trade-Related Aspects of Intellectual Property Rights, Communication from the United States, MTN.GNG/NG11/W/70, 1 May 1990, 9, Art. 18. In this document, a limitation to goods was not undertaken. *Conrad*, in: *Dinwoodie & Hennessy & Perlmutter* (eds), 316, 323.

¹¹ *Gervais*, para. 2.206.

¹² *Cf. ibid.*, para. 2.202.

¹³ This is however different under the Council Regulation (EEC) No. 2081/92 on the Protection of Geographical Indications and Designations of Origin for Agricultural Products and Foodstuffs, OJ 1992 L 208, Art. 2.2, where names may relate to a country only in “exceptional cases”.

¹⁴ *Knaak & Wiszniewska*, *Revue Internationale de la Concurrence* 1997, 37 *et seq.*; *Knaak*, in: *Beier & Schrieker* (eds), 117, 128; *Beier & Knaak*, *IIC* 25 (1994) 1, 1 *et seq.*

- 7 Both **appellations of origin** (“*appellations d’origine*”), *i.e.* indications that guarantee the quality of a product by naming its origin, and **indications of source** (“*indications de provenance*”), *i.e.* indications independent of the quality of the product, are covered by the broad language of Art. 22.1.¹⁵

D. The Interrelationship Between the Good and its Place of Origin

- 8 The scope of the provision is however limited by the requirement to “identify a good as originating in” a Member’s territory or a part of it. Therefore, the language implies that the product’s quality, reputation or characteristic must follow from the source.¹⁶ In other words, under Art. 22.1 it must be **established that there is a nexus**¹⁷ between the good and its geographical origin. This specific interrelationship certainly raises one of the most difficult problems on the application and implementation level.¹⁸ This is because, in order to establish a nexus between good and geographical origin, a demonstrated quality, reputation or other characteristic of the good must depend on its geographical origin.¹⁹ The nexus requirement is however not as strict as under Art. 2.1 Lisbon Agreement. In contrast to TRIPS, the Lisbon Agreement does not mention reputation, but limits appellations to objective qualities and characteristics of the good.
- 9 The **criteria** applied in an examination of the nexus will significantly influence the protectability of geographical descriptions and, thus, the provision’s factual scope. They are to determine whether (industrial) products without a particular reputation which can be manufactured at any location in equal quality are meeting the nexus requirement.
- 10 The notion of **reputation** proves to be the central element in this discourse. Its understanding—which has to be undertaken in consideration of the rules of Arts 31 *et seq.* VCLT on the basis of the wording of the provision and the supplementary documents—specifies the factual scope of protection under the TRIPS. Accordingly, the wording and context of the provision provide the primary source of interpretation, since there are no supplementary or subsequent documents, agreements or practices.

¹⁵ *Bereskin*, Trademark Rep. 83 (1993), 1, 11.

¹⁶ *Gervais*, para. 2.205 who refers to the WIPO document SCT/8/4, 2 April 2002 on Geographical Indications: Historical Background, Nature of Rights, Existing Systems for Protection and Obtaining Protection in Other Countries.

¹⁷ *Conrad*, Trademark Rep. 86 (1996) 1, 11, 32.

¹⁸ *Knaack*, in: *Beier & Schricker* (eds), 117, 128.

¹⁹ *Knaack & Wiszniewska*, *Revue Internationale de la Concurrence* 1997, 37, 41.

There is also **no established understanding** for the notion of reputation. Taking a broad view, the mere use of the geographical indications for advertisement purposes already suggests that there is a certain touting reputation attributed even in cases of unknown indications. Consequently, any geographical indication would be deemed worthy of protection provided that it was understood as such an indication. Such a broad understanding is shared by Italy²⁰ and Germany²¹ in respect of the Council Regulation on the Protection of Geographical Indications and Designations of Origin for Agricultural Products and Foodstuffs.²² The view expressed by Italy relies on the notion *notorieta* used in the Italian text of the TRIPS Agreement. However, given that such text is not authoritative, the Italian opinion may not be followed. The German conception coming to a similar result invokes the consistent jurisprudence of the *Bundesgerichtshof* on § 5 German Act of Unfair Competition (*Gesetz gegen den unlauteren Wettbewerb, UWG*)²³ and the notion of “Wertschätzung” (appreciation).²⁴ Again, due to the lack of identity of the notions of “Wertschätzung” and “reputation”, the broad German conception is not conclusive. This is supported by the jurisprudence of the ECJ—notably the *Turrón* decision²⁵—according to which generic geographical indications of origin may not necessarily carry a particular reputation. Finally and with particular regard to the concept of mislead, the Italian and German conception would render the nexus requirement redundant whenever there is a generally assumed reputation.²⁶

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If—as in this particular case—the ordinary meaning of the term and its context lead to an ambiguous result, Art. 32 lit. a VCLT provides for supplementary means of interpretation, including the *travaux préparatoires* of the treaty and the circumstances of its conclusion. The EC—when tabling the provision—intended a rather narrow definition, which was not to encompass all identifications. Instead, it was envisaged that **geographical particularity** would be raised as a relevant characteristic of the product and to accord protection to only such indications that resulted from significant or persistent investment of a financial or other nature.²⁷ Not every geographical indication ought to meet this objectively conceived condition for nexus. Hereafter, mere labelling with the name of the relevant area is not sufficient. In fact, a certain promotional effort and appreciation by

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²⁰ Sandri, 52.

²¹ Reger, 147 *et seq.*, 163.

²² Council Regulation (EEC) No. 2081/92, OJ 1992 L 208.

²³ BGBl. I 2004, 1414 *et seq.*; as last amended by BGBl. I 2006, 3367, 3374.

²⁴ See Knaak, GRUR Int. 44 (1995) 8, 642, 647.

²⁵ C.3/91, *Exportur SA v. LOR SA und Confiserie du Tech*, [1992] E.C.R. I-5529, Rec. 28.

²⁶ Reger, 164.

²⁷ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Meeting of 30 October–2 November 1989, Note by the Secretariat, MTN.GNG/NG11/16, 4 December 1989, 29, para. 53.

consumers similar to qualified indications of origin is required. This is supported, first, by a plea raised in the course of the negotiations, which objected to the definition as too narrow²⁸ and, second, by the Swiss proposition, which was similarly formulated and understood.²⁹

- 13 In consequence, the notion of reputation is to be interpreted narrowly and **does not protect any generic, qualitatively neutral indication**. The degree of appreciation may however be lower than that which is sufficient for the assumption of a qualified indication of origin.
- 14 The **actual determination** of the nexus between the good and the geographical indication is left to the courts and administrative authorities of the Member which is to protect the geographical indications.³⁰ Hereby, TRIPS relies on the country in which protection is sought. A contrasting proposal by the EC³¹ pursuant to which the protection and use of geographical indications were to be determined by the country of origin could not be accepted on the multilateral level. It is in this context in particular that it may prove problematic that the TRIPS Agreement does not provide any indications or criteria as to the determination whether the nexus is present or not. So far, there is no experience with that issue in the international context. Given the lack of clearly defined criteria for the purpose of determining the nexus condition by national courts and a supranational instance of interpretation, one may anticipate an autonomous and inconsistent practice in that area. The level of protection will therefore largely depend on the national position of the individual Member. In view of the mundane nature of this matter, neither the Council for TRIPS (Art. 63) nor the TRIPS mechanism of dispute settlement (Art. 64) will be able to provide effective assistance. Both institutions may be involved only if a Member generally refuses to accord protection.³²
- 15 The **requirement of a nexus** thus potentially allows Members with an extremely narrow conception to refuse protection, the more so as their courts may decide on that issue autonomously. Furthermore and in contrast to the Lisbon Agreement, there is no register which codifies the criteria to be met by the nexus.

²⁸ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Meeting of 2, 4 and 5 April 1990, Note by the Secretariat, MTN.GNG/NG11/20, 24 April 1990, 14, para. 20.

²⁹ MTN.GNG/NG11/W/73, 10, Art. 221.2–3.

³⁰ *Knaak & Wiszniewska*, *Revue Internationale de la Concurrence* 1997, 37 (41).

³¹ MTN.GNG/NG11/W/68, 8, Art. 20.2; as before the Guidelines and Objectives Proposed by the European Community, MTN.GNG/NG11/W/26, 10.

³² There is no procedure parallel to the EC Commission's examination of protectability under Regulation (EEC) No. 2081/92.

Article 22.2 Protection of Geographical Indications

2. In respect of geographical indications, Members shall provide the legal means for interested parties to prevent:
 - (a) the use of any means in the designation or presentation of a good that indicates or suggests that the good in question originates in a geographical area other than the true place of origin in a manner which misleads the public as to the geographical origin of the good;
 - (b) any use which constitutes an act of unfair competition within the meaning of Article 10bis of the Paris Convention (1967).

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¹ Model Provisions for Protection Against Unfair Competition, WIPO Publications No. 832 (E), available at: www.law.upenn.edu/BlI/IP_TREATIES/wpeC342.doc.

A. General

- 1 The international law on unfair competition has its roots in the 1900 Brussels Revision of the Paris Convention, which led to the inclusion of Art. 10*bis* and Art. 10*ter* PC initiated by France.² TRIPS contains a number of regulations on unfair competition which to some extent directly refer to the Paris Convention, but which are also in part constructed independently.³ Art. 22.2, which sets the general standard of protection for geographical indications,⁴ provides a combination of both approaches, that is lit. b is meant to cover any other form of unfair competition provided for in the Paris Convention which is not already mentioned in lit. a. However both alternatives are directed at satisfying different interests: While Art. 22.2 lit. a is primarily aimed at representations misleading the public, *i.e.* consumers, Art. 22.2 lit. b protects the interests of producers and merchants. The provision addresses Members; thus, an act of implementation into national law is necessary.⁵ The Paris Convention remains unrestricted, in terms both of its contents and its application. In fact, Section 3 TRIPS is to provide additional protection for geographical indications.⁶ However, the scope of application of TRIPS is not to be determined by the interpretation criteria of the Paris Convention. In view of the blanket reference in lit. b, one must therefore resort to an international common standard of protection so far as such standard is identifiable—as *e.g.* in continental Europe.
- 2 Article 22.2 is supplemented by Articles 22.3 and 22.4 dealing specifically with the registration of trademarks containing or consisting of a geographical indication, and deceptive geographical indications, respectively.⁷ Historically, Art. 22.2 goes back to the propositions submitted by the EC⁸ and Switzerland⁹ which argued for the improvement of international standards of protection.

² For a comprehensive outline of the historical background of international protection against unfair competition see *Henning-Bodewig*, IIC 30 (1999) 2, 166 *et seq.*; *Conrad*, Trademark Rep. 86 (1999) 1, 11, 22 *et seq.*; see also *WIPO Secretariat*, SCT/6/3 Rev. on Geographical Indications: Historical Background, Nature of Rights, Existing Systems for Protection and Obtaining Protection in Other Countries (SCT/8/4), 2 April 2002, 7 *et seq.*, available at: <www.wipo.int>.

³ Provisions where TRIPS makes general reference to competition law provisions of the Paris Convention other than Art. 22.2 are Art. 39.1 on the protection of undisclosed information and Art. 2.1.

⁴ *Keon*, in: *Correa & Yusuf* (eds), 165, 175.

⁵ *EC—Trademarks and Geographical Indications (US)*, WT/DS174/R, para. 7.741; *Knaak*, in: *Beier & Schriker* (eds), 117 *et seq.*

⁶ *Knaak*, in: *Beier & Schriker* (eds), 117, 127.

⁷ See *Strauch & Arend*, Article 22.3 and Article 22.4.

⁸ See Art. 20.1 Draft Agreement on Trade-Related Aspects of Intellectual Property Rights, MTN.GNG/NG11/W/68.

⁹ MTN.GNG/NG11/W/73.

B. The Concept of Unfair Competition

Conceptually, geographical indications derive their particular significance in terms of the law of unfair competition from their function of carrying with them a certain **character of distinction and quality** or as a **means of promotion**. First, the indication enables the consumer to distinguish and identify the product. Second, the competitor may take advantage of the geographical indication of origin carrying certain quality expectations on the market *vis-à-vis* competitive products of a different origin—for instance in the case of “Champagne”.¹⁰ 3

TRIPS employs this approach to unfair competition which protects, first, consumers from deceptive names and second, competition in general.¹¹ According to this conception, a geographical indication is not conceived as an individual right to protection in the sense of trademark law, but rather operates **indirectly** through the protection of competition in favour of the competitor calling upon the faithful and fair use of the indication.¹² By retaining the basis of protection separately from the natural and judicial persons concerned, the overall protection proves to be more “flexible”, and hereby is one example of the consumer-protecting character of competition law. At the same time, this concept has a number of practical problems and potential chinks. The different association(s) (alternatives) of a geographical indication on the market already constitute a problematic issue of considerable significance, since an indication may not necessarily be understood as identifying the origin of the product and may thus not be capable of misleading the relevant market participants. Another issue refers to questions of legitimacy and the evaluation of **delocalizing additions**. In this context, a number of countries have excluded the capability to mislead the public, provided that the true place of origin is indicated by way of such addition.¹³ 4

C. EC Regulations on the Protection of Geographical Indications and the ECJ’s *Turrón* Decision

Given that the EC has significantly influenced the current text of Art. 22, a closer look at the European law governing geographical indications appears to be worthwhile. In essence, European legislation does not provide a uniform 5

¹⁰ See also *Ribeiro de Almeida*, EIPR 27 (2005) 4, 150, 152, who, in addition, draws attention to geographical indications function as a means of protecting traditional knowledge and folklore.

¹¹ Cf. *Conrad*, Trademark Rep. 86 (1996), 11, 14.

¹² Cf. also *Gervais*, para. 2.208; *Ribeiro de Almeida*, EIPR 27 (2005) 4, 150 *et seq.*

¹³ E.g. France: *Dutoit*, in: *Dutoit* (ed.), 122.

approach in this regard. In fact, at the European level, protection of geographical indications is rather product specific. Relevant instruments are the Wine Market Regulation,¹⁴ the Spirit Drink Regulation,¹⁵ and the Agricultural Products Regulation.¹⁶ In accordance with Art. 48 Wine Market Regulation, “the description and presentation [...] must not be incorrect or likely to cause confusion or to mislead persons to whom they are addressed,” which also prohibits the use of certain additions.

- 6 The Spirit Drink Regulation employs a **licensing scheme** listing the different names of spirits which are protected as geographical indications of origin (Art. 5.3). Protection against the misleading of persons is however also granted to spirits not listed. This also includes the use of additions which are intended to counter misleading effects of the used indication.
- 7 Finally, the Agricultural Products Regulation applies a **complex protection and registration system**, thereby distinguishing between designations of origin and geographical indications.¹⁷ It is not just the consistency with effective EC law but also the practical implications of this system which are highly problematic: this is because a geographical indication—provided it does not meet the formal requirements—does not enjoy any protection in the EC, even under national law. However, the Regulation provides for protection under competition rules to secure consumer protection. Accordingly, deceptive indications, even if made together with clarifying additions, are prohibited.
- 8 In its *Turrón* decision of 11 November 1992¹⁸ the ECJ expanded the protection of geographical indications from industrial and commercial property within the meaning of Art. 36 ECT (now Art. 30 ECT) to mere qualitatively

¹⁴ Council Regulation (EC) No. 1493/1999 of 17 May 1999 on the Common Organisation of the Market in Wine, OJ 1999 L 179/1, as amended by Council Regulation (EC) No. 1791/2006 of 20 November 2006, OJ 2006 L 363/1 (Wine Market Regulation).

¹⁵ Council Regulation (EEC) No. 1576/89 of 29 May 1989 Laying Down General Rules on the Definition, Description and Presentation of Spirit Drinks, OJ 1989 L 160/1, as amended by Regulation (EC) No. 3378/94 of 22 December 1994, OJ 1994 L 366/1 (Spirit Drink Regulation).

¹⁶ Council Regulation (EEC) No. 2081/92 of 14 July 1992 on the Protection of Geographical Indications and Designations of Origin for Agricultural Products and Foodstuffs, OJ 1992 L 208/1, as amended after the recent WTO Panel rulings in *EC—Trademarks and Geographical Indications* by Council Regulation (EC) No. 510/2006 of 20 March 2006, OJ 2006 L 93/12 (Agricultural Products Regulation). See also *Bendekegy & Mead*, Trademark Rep. 82 (1999) 5, 765, 787 *et seq.*

¹⁷ The Agricultural Products Regulation was however challenged in the *EC—Trademarks and Geographical Indications* case, where the Panel ultimately rejected a claim made by Australia and the United States, according to which the Regulation would violate Art. 22.2. Another critical view in respect of the Regulation has been voiced by *Beier & Knaak*, IIC 25 (1994) 1, 1, 29 *et seq.* A recent examination of the Regulation can be found in *Blakeney*, JIEL 9 (2006) 3, 575 *et seq.*; and in the context of the ECJ’s *feta* decision in *Gangjee*, available at: www.oiprc.ox.ac.uk/EJWPO0706.pdf. (last accessed 19 May 2008).

¹⁸ C-3/91, *Exportur SA v. LOR SA and Confiserie du Tech*, [1992] E.C.R. I-05529.

neutral “indications of provenance”, thus going beyond protecting only appellations of origin.¹⁹ If however, there is a danger of misleading persons due to different understandings in terms of generic names in the country of origin and the country in which protection is sought, the international and national protection standards of the latter still apply.²⁰

D. Members’ Duty

I. General

Members are required to establish within in their national legal orders the legal means to prevent such acts as described in lits a and b. The term “**legal means**” leaves a considerable margin of discretion to the national legislator in meeting its obligation under Art. 22.2.²¹ In fact, the provision does not clarify whether Members are to establish a mechanism within existing national trademark law or an explicit right alike a subjective legal title. A general clause enacted into competition law may produce such mechanism. However, there should at least be some reference to geographical indications, for instance taking the form of examples within national regulations or a continuing jurisprudence complying with the content of lits a and b. Because Art. 22.2 on the one hand calls not only for the mechanism of prevention but also for legal means to provide it and on the other hand is subject to the rule of effective interpretation, it includes the Members’ duty to provide for a **legal review** and civil judicial procedures.²²

Of particular note is the use of the notion **interested parties**. Indeed, the notion reflects the competition law character of the provision as not referring to a right holder, since competitors are considered equal participants in the first instance. However, the notion is not intended to restrict or does not cause a restriction of possible parties. Art. 10.2 PC may be used as a clarification, in particular because it is mentioned in Art. 2.1.²³ In accordance with Art. 10.2 PC, “any producer, manufacturer, or merchant, whether a natural person or legal entity, engaged in the production or manufacture

¹⁹ *Ibid.*, Rec. 28.

²⁰ *Ibid.*, Rec. 28 *et seq.* For a detailed analysis of the ECJ case law before the Turrón decision and the decision itself, see *Beier & Knaak*, IIC 25 (1994) 1, 1, 22 *et seq.*

²¹ See also *Conrad*, Trademark Rep. 86 (1996) 1, 11, 34. The broad conception of Art. 22.2 is strongly emphasized by *inter alia* the United States in Council for TRIPS, Suggested method for domestic recognition of geographical indications for WTO Members to produce a list of nationally-protected geographical indications, IP/C/W/134, 11 March 1999, paras 4 *et seq.*, where it is proposed to accomplish the requirements of Arts 2 and 23 through a registration of geographical indications under trademark regimes as collective or certifications marks.

²² *Cf. Gervais*, para. 2.210.

²³ *Ibid.*

of or trade in such goods and established either in the locality falsely indicated as the source, or in the region where such locality is situated, or in the country falsely indicated, or in the country where the false indication of source is used, shall in any case be deemed an interested party.”²⁴

- 11 The provision protects exclusively geographical indication of goods, **not those of services**.²⁵ This does not, however, prevent national legislators from providing protection also for indications for services as long as they are acting consistently with international law. It merely follows that TRIPS does not establish an obligation to prohibit the unfair use of geographical indications in respect of services.

II. Protection Against Misleading Use (Art. 22.2 lit. a)

- 12 Members shall provide the legal means for interested parties to prevent the misleading use of geographical indications. The means of prevention provided are to be broad—“to prevent the use of any means”—and thus to include, in accordance with the Madrid Agreement on Indications of Source and the relevant EC proposal of 1990,²⁶ any direct and indirect, or even merely suggested use of the indication. To fall within the scope of the prohibition, the literal designation of the geographical allocation is not necessary, since even the presentation of the product is considered a means in the sense of Art. 22.2 lit. a. The potential risk of misleading the public shall be sufficient. However, there needs to be an actual risk of misleading. In this context, the question raised is how to classify a risk as actual. Until it materializes a risk is by its very nature not actual. Consequently, one must refer to the prevailing view of the informed and reasoned consumer in order to assess whether the designation or presentation of the product creates a **“goods-place-association.”**²⁷ According to the EC proposition, which has however been criticized and may therefore not be considered decisive in interpretation, any use of a geographical indication which does not show the actual origin is to be deemed misleading. The provision does however require a particular manner of use which is misleading, but no misleading *per definitionem* by the mere labelling of goods of different origin.
- 13 If a product is identified by a geographical indication which does not conform to its actual place of origin, this may be due to its particular means of manufacture. However, such situation holds the potential risk of misleading, which should generally lead to a prohibition of the indica-

²⁴ For a detailed analysis of the notion of “interested parties” in the TRIPS context, see *Conrad*, Trademark Rep. 86 (1996) 1, 11, 36 *et seq.*

²⁵ See *Strauch & Arend*, Article 22.1, paras 2–4; *Cf. Gervais*, para. 2.202.

²⁶ MTN.GNG/NG11/W/68, 8.

²⁷ *Cf.* also *Conrad*, Trademark Rep. 86 (1996) 1, 11, 34.

tion. In order to reduce the risk of misleading—and thereby circumvent the prohibition—correcting, **delocalizing additions** may be applied, which refer to the true place of origin not identified by the geographical indication. The broadly composed conception of misleading may also cover imitations of geographical indication, even if their use is explicitly explained, provided that the public already has a false impression as to the geographical allocation of the product. In this situation and without notice of an addition, an immediate association with a place of origin could occur which might ultimately mislead.²⁸ However, the mindful consumer will not be misled by a clarifying delocalizing addition. The reference to a certain manner of manufacture, which is associated by the prevailing public view with a place of manufacture, may by all means be openly expressed. There is also no principle in international law of unfair competition which considers such addition insufficient. In the course of the negotiations for the TRIPS, it appeared that the EC proposal, according to which geographical indications that did not conform to the true place of origin but clarified its use by a delocalizing addition would be regarded deceptive, could not be agreed upon.²⁹ In the end, explicit regulation of that aspect was omitted. Consequently, the national courts will determine this question on a case by case basis.³⁰ Since the misleading of the public will eventually depend on the clarity of the addition and the fair reason for the designation or presentation, for instance in the case of the actual manner of manufacture, and can therefore not be generally assumed, and the international principles of treaty interpretation do not provide for a definite classification in this respect, Art. 22.2 cannot be understood in such a way as to require Members to provide for the prohibition of such geographical indications with delocalizing additions.

III. Act of Unfair Competition (Art. 22.2 lit. b)

In accordance with Art. 22.2 lit. b, the means of prevention must refer to “any use which constitutes an act of unfair competition within the meaning of Article 10*bis* of the Paris Convention.” The general clause of the Paris Convention, which is extended by Art. 22.2 TRIPS to the area of geographical indications, is required to cover all unfair uses, which are not deceptive, albeit that misleading ranks among the Paris Convention’s concepts of unfair competition under Art. 10*bis*.3 PC. Pursuant to Art. 10*bis*.2 PC “**any act of competition contrary to honest practices in industrial or commercial matters** constitutes an act of unfair competition.”

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²⁸ Knaak, in: *Beier & Schricker* (eds), 117, 130.

²⁹ Negotiation Group on TRIPS, Including Trade in Counterfeit Goods, Meeting of 5–8 July 1988, Note by the Secretariat, MTN.GNG/NG11/8, 29 August 1988, 17.

³⁰ Knaak, in: *Beier & Schricker* (eds), 117, 130.

Art. 10*bis*.3 PC defines such acts as including “all acts of such nature to create confusion [...] with the establishment, the foods, or the industrial or commercial activities, of a competitor; [discrediting] false allegations in the course of trade [...]; [and] mislead [...].”

- 15 In both agreements, TRIPS and the Paris Convention, it is made explicitly clear that they only concern acts of competition, the latter exclusively referring to industrial and commercial activities. The prohibition relates to indications that refer to the true place of origin, but make unfair use of certain qualitative standards associated with that indication. This also includes open imitation, unfair exploitation of reputation and the dilution of geographical indications with a particular reputation, even in cases where the products are not of a similar type.³¹ Whether the protection against misleading, confusion or exploitation of a reputation introduces a prohibition on the use of **delocalizing additions** is highly contentious. The underlying proposition, namely that lit. b may by way of blanket reference prohibit delocalizing additions which are otherwise not covered by lit. a is, in the authors' view, not established.
- 16 Since the risk of misleading is to be assumed only in cases of insufficient additions, and dependence upon a particular reputation is deemed unfair only in the form of any exploitation of such reputation, delocalizing additions should not be considered a *per se* violation of competition law. There may be fair references, for instance by pointing at a particular method of manufacture. As the case may be, a geographical indication may have lost its association with a geographical place of origin almost completely and merely be understood as a designation of a certain method of manufacture. In those situations, the indication lacks the “goods-place-association” under lit. a and at the same time is not considered a violation of honest practices expected by a prevailing public opinion, as is the case with regard to the term “Pilsener” for a particular manner of brewing,³² which, according to the prevailing public view, is not considered to indicate that the product originates from the town of Plzen, in the Czech Republic. Moreover, **bona fide acquired trademark rights** are not deemed an unfair act of competition and therefore do not fall within the scope of the prohibition laid down in Art. 22.2.

³¹ Cf. *Knaak*, WIPO Regional Seminar on Trademarks and Geographical Indications of 28–30 October 1996, TM/TBS/96/2, 5 *et seq.*

³² Cf. *Reichsgericht, Herrenhäuser Pilsener*, RGZ 139, 363, 367 *et seq.*

E. EC—Trademarks and Geographical Indications

Art. 22.2 has so far been invoked only in the *EC—Trademarks and Geographical Indications* case, where the claiming parties—Australia and the United States—challenged the abovementioned European Regulation on Agricultural Products.³³ While the Panel held the Regulation, which imposed conditions of reciprocity and equivalence on the availability of protection for geographical indications located in other WTO Members, to be inconsistent with the national treatment clauses of GATT and TRIPS, it found no violation of Art. 22.2. 17

In this context, the Panel did not accept the Australian and US main argument that by means of *inter alia* the reciprocity and equivalence conditions, the EC failed to provide legal means for interested parties in respect of protection for geographical indications and thus did not conform to Art. 22.2.³⁴ The Panel first made clear that Art. 22.2 **cannot be used** for the protection of other subjects, *e.g.* trademarks, “**against**” geographical indications.³⁵ It then went on to state that the provision does **not provide for a right to object** to the registration of geographical indications.³⁶ Finally and with regard to the systematic of the Art. 22.2 test, the Panel noted that “the assessment of the conformity of measures with Members’ obligations generally requires an assessment of the **manner in which they confer rights or protection on private parties.**”³⁷ On the merits, it found that the Agricultural Products Regulation in fact did not provide any legal means to interested parties with respect to geographical indications located in a third country. The Panel drew the claiming parties’ attention to the fact that the EC—as it had submitted—might have implemented its obligations under Art. 22.2 by other alternative measures, which have however not been challenged and thus do not come within the Panel’s terms of reference. According to the Panel, it would have been for the complaining parties to demonstrate that these alternative measures were inadequate to provide protection for interested parties who were nationals of other Members. As they had failed to do so, the claim was rejected.³⁸ 18

³³ *EC—Trademarks and Geographical Indications*, WT/DS174/R, WT/DS290/R.

³⁴ *EC—Trademarks and Geographical Indications*, WT/DS174/R, paras 7.730–7.751; WT/DS290, paras 7.705–7.718.

³⁵ *EC—Trademarks and Geographical Indications*, WT/DS290/R, paras 7.705–7.718.

³⁶ *EC—Trademarks and Geographical Indications*, WT/DS174/R, paras 7.752–7.757.

³⁷ *Ibid.*, para. 7.742.

³⁸ *Ibid.*, paras 7.745–7.751.

F. Principle of Territoriality

- 19 The law of unfair competition depends on the country in which protection for the geographical indication is sought. This general principle of territoriality is mainly regarded the weakness of Art. 22.2.³⁹ Certainly, the overall uniformity and efficiency of protection suffer a setback, and in the end, the law of unfair competition is limited to a minimum standard or the **lowest common denominator**. However, one must also take note of the extension of the competition law clause of Art. 10*bis* PC in the area of geographical indications within the framework of the WTO. The same holds true for the general proscription of misleading in this area.

G. Doha Round

- 20 In course of the **Doha Round**, discussions began whether protection beyond the mere misleading of persons shall also include goods other than wines and spirits.⁴⁰ According to the Doha Declaration, the negotiations were to be finalized at the 5th Ministerial Conference, which took place from 10 to 14 September 2003 in Cancun, Mexico. Altogether, the Cancun negotiations must be regarded as having collapsed. The conflicting interests between the developed and the developing countries could not be resolved or mediated. Hence, the European initiative for furthering development in the competition law sector remains unaccomplished. Neither the developing nor the developed countries have succeeded in their arguments.⁴¹ Since completion of the mandate was not achieved, negotiations are now (2008) taking place within the overall timetable of the round.⁴²

³⁹ See also *Conrad*, Trademark Rep. 86 (1996) 1, 11, 45; *Knaak*, in: *Beier & Schricker* (eds), 117, 130.

⁴⁰ WT/MIN(01)/DEC/1, para. 12.

⁴¹ For an overview of the controversial negotiation process, see at: www.wto.org/english/tratop_e/trips_e/gi_background.htm (last accessed 19 May 2008)

⁴² On the opposing conceptions of unfair competition law in TRIPS see, *Henning-Bodewig*, IIC 30 (1999) 2, 166, 181; more generally *Bendeckey & Mead*, Trademark Rep. 82 (1992) 5, 765, 766; interesting also *Caenegem*, EIPR 26 (2004) 4, 170 *et seq.*

Article 22.3 Protection of Geographical Indications

3. A Member shall, *ex officio* if its legislation so permits or at the request of an interested party, refuse or invalidate the registration of a trademark which contains or consists of a geographical indication with respect to goods not originating in the territory indicated, if use of the indication in the trademark for such goods in that Member is of such a nature as to mislead the public as to the true place of origin.

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Art. 1712.2 NAFTA.

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A. Concept and Historical Development

Together with Arts 23.2 and 24.5, Art. 22.3 is among the provisions governing the registrability of geographical names as trademarks. It sets out a **general barrier against protection for misleading trademarks**. According to the provision, the registration of a trademark which contains or consists of a geographical indication shall be refused or invalidated if the product does not originate from the territory indicated and the use of the indication in the trademark for such goods in that Member is of such a nature as to mislead the public about the true place of origin.¹ Art. 23.2 in particular regulates the registration of trademarks identifying wines or spirits. Finally, Art. 24.5 adds two exception to this framework. 1

The provision goes back to the proposals tabled by the European Commission, Switzerland and Australia.² The requirement of misleading nature was however introduced by Switzerland and Australia only, thereby resuming the 2

¹ *Gervais*, para. 2.211.

² MTN.GNG/NG11/W/68; MTN.GNG/NG11/W/73; MTN.GNG/NG11/W/75.

failed revision of Art. 10*quater*.1 PC.³ The European draft⁴ did not provide a requirement of misleading nature, thus attempting absolute protection,⁵ which was eventually not supported by the majority of the Members.

B. Relationship with Trademarks

- 3 Currently, there is no regulation equivalent to Art. 22.3 in an international agreement.⁶ As regards limitations on trademark registration, the principle of Art. 22.3 is however common to a number of national legal orders.⁷ The provision aims at extending the protection of geographical indication to the realm of trademarks⁸ and enlarges the protection under Art. 22.2 lit. a to trademarks of non-residents.⁹ National trademark law is thereby restricted to the effect that trademarks which contain or consist of a geographical indication must be “true”. Art. 22.3 thus is the “logical complement”¹⁰ to Art. 22.2 lit. a and contains a **prohibition¹¹ on according protection to geographical indications by way of registering them as a trademark** or as part of a trademark, if the product indicated does not originate from the territory identified by the indication. The regulation thereby—*argumentum e contrario*—requires the Members to make their protection of geographical indications in the form of trademarks dependent on their true indication, *i.e.* the product must originate from the territory appearing on the label.
- 4 In respect of the place of **origin**, Art. 22.3 uses the term “territory”, whereas Art. 22.1 speaks of “territory of a Member, or a region or locality

³ MTN.GNG/NG11/W/73, Art. 221.3; MTN.GNG/NG11/W/75, 1; *Cf.* also. *Baeumer*, WIPO Publication No 713 (E), 21, 25.

⁴ MTN.GNG/NG11/W/68, Art. 21.2, sentence 1. Before in: Negotiation Group on TRIPS, including Trade in Counterfeit Goods, Guidelines and Objectives Proposed by the European Community for the Negotiations on Trade Related Aspects of Substantive Standards of Intellectual Property Rights, MTN.GNG/NG11/W/26, 7 July 1988.

⁵ *Conrad*, in: *Dinwoodie & Hennessey & Perlmutter* (eds), 316, 326 *et seq.* For the negotiation process see Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Negotian Group Meeting of 12–14 July 1989, Note by the Secretariat, MTN.GNG/NG11/14, 12 September 1989, 27, para. 62. Korea mandated absolute protection for trademarks only for „well-know geographical names“ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Standards and Enforcement of Intellectual Property Rights, Communication from the Republic of Korea MTN.GNG/NG11/W/48, 26 October 1989, para. 6.

⁶ *Conrad*, in: *Dinwoodie & Hennessey & Perlmutter* (eds), 316, 326 *et seq.*

⁷ *Ibid.*; *Cf. Knaack*, in: *Beier & Schriker* (eds), 117, 131 referring to the absolute barrier of protection to trademarks under the German Trademark Act § 8.2 No. 4; *Conrad*, Trademark Rep. 86 (1996), 11, 40 lists § 2(c) United States Laham Act, Art. 18, 1(c) of the Italian Trademark Law and Art. L. 711–4 of the French IP Code.

⁸ Whether Art. 22.3 establishes the supremacy of geographical indications over trademarks is questionable. *Cf.* also *Gervais*, para. 2.211.

⁹ See *Peter & Arend*, Article 22.2, para. 12.

¹⁰ *Gervais*, para. 2.211.

¹¹ Likewise *Knaack*, in: *Beier & Schriker* (eds), 117, 131.

in that territory.” The concept of origin in Art. 22.3 is however linked with Art. 22.1, and thus the term “territory” as applied in para. 3 also includes regions or localities in that territory.¹²

Furthermore, Art. 22.3 requires that there be a **risk of misleading the public**.¹³ The prohibition on misleading is subject to the same criteria of interpretation and application as is that in Art. 22.2 lit. a. In consequence, the actual risk of misleading the public is sufficient. In assessing the risk, the indication on the trademark label as used in the country in which protection is sought is decisive. Hence, the public view in that country needs to be determined. However, since the public view will vary in each individual Member, different standards of protection will be accorded. Consequently, the principle of territoriality may accord relative protection only. This may ultimately lead to the result that a geographical indication, which is merely understood to be generic or even imaginative in connection with the specific product in the country in which protection is sought, can legitimately be applied for and registered as a trademark even by a non-resident.

5

C. Legal Effect

If the product does not originate in the territory indicated and the illegitimate use of the indication is of such a kind as to mislead the public, the Member shall, in accordance with Art. 22.3, make a regulation¹⁴ to **refuse or invalidate**¹⁵ **the registration of a trade mark at the request** of an interested party. If the legislation of the Member so permits, TRIPS allows for and presumably welcomes *ex officio* action. Members are now obliged to examine all trademarks in the course of their registration as to whether they contain a (direct or indirect) indication of origin. Whether the use of a certain term is considered an indication of origin again depends on the prevailing public view in the country in which the protection is sought. If it is established that there is such an indication of origin, it furthermore needs be examined whether the product so indicated actually originates in the territory designated on the label, and, if not, whether the use of the indication entails the risk of misleading the public. Given

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¹² *Gervais*, para. 2.211.

¹³ The corresponding provision to trademarks for wines and spirits—Art. 23.2—does not contain a requirement of misleading the public. However, the provision envisages advanced protection.

¹⁴ For the enabling legislation in Asian countries see *Blakeney*, EIPR 18 (1996) 8, 544, 549; See also *Strauch & Arend*, Article 24.5, paras 19–31.

¹⁵ Note the use of “invalidate” as compared to the notion of “cancellation” in Arts 15 and 19. *Cf. Gervais*, para. 2.211. For opposition, revocation and cancellation procedure, see Art. 62.4–5.

Art. 22.2, trademark protection for geographical indications in support of non-residents can be expected to be assessed particularly strictly.

- 7 However, Art. 22.3 **does not create advanced protection** of geographical indications from registration by non-residents by way of reserving them to local manufacturers.¹⁶ There is also no ruling on the registration of trademarks containing or consisting of a geographical indication which identify their true origin. Such registration is not subject to the prohibition on misleading indications, but depends on the barriers of protection set out in trademark law for descriptive signs.¹⁷
- 8 An exception to the prohibition of Art. 22.3 is however provided for in Art. 24.5 concerning the continued use of trademark rights *bona fide* acquired.¹⁸

¹⁶ *Knaack*, in: *Beier & Schriker* (eds), 117, 131.

¹⁷ *Ibid.*

¹⁸ See *Strauch & Arend*, Article 24.5, paras 19–31.

Article 22.4 Protection of Geographical Indications

4. The protection under paragraphs 1, 2 and 3 shall be applicable against a geographical indication which, although literally true as to the territory, region or locality in which the goods originate, falsely represents to the public that the goods originate in another territory.

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A. Homonymous Geographical Indications

Art. 22.4 regulates the issue of so called homonymous geographical indications that are indications of the same name. According to the provision, “the protection under paragraphs 1, 2 and 3 shall be applicable against a geographical indication which, although literally true as to the territory, region or locality,” gives the **impression of another, false origin**. Art. 22.4 thus concerns situations in which the territory, region or locality indicated is nominally identical or at least similar to a known territory of another country. In this respect, a number of examples may be taken from colonial countries and their colonies, where emigrants preferred to use a name from their home country in their new country of residence.¹

Art. 22.4 does not explicitly make use of the clause “**homonymous geographical indications**.” It can also not be derived from the historical background of the provision in the first place: based on an Australian proposal,² the negotiation documents do not provide much information in this respect.³ However, Art. 23.3 explicitly addresses “homonymous

¹ *Gervais*, para. 2.212. *E.g.* Cambridge as used in the UK and the US.

² MTN.GNG/NG11/W/75, 1. Proposals submitted from other countries, in particular, the EC’s did not envisage an explicit regulation.

³ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Meeting of the Negotiation Group of 25 and 29 June 1990, Note by the Secretariat, MTN.GNG/NG11/22, 22 August 1990, paras 1–6.

geographical indications” by reference to Art. 22.4. This contextual connection makes it clear that Art. 22.4 is to regulate this issue also without explicit specification.⁴

- 3 **Another view** is expressed by *Sandri* who regards the provision as an absolute prohibition on delocalizing additions not requiring the criterion of misleading the public.⁵ Yet, the reference to Art. 22.4 set out in Art. 23.3 argues against this understanding.

B. Substantive Principles of Protection

- 4 In accordance with Art. 22.4, the **principles of misleading use and unfair competition** as laid down in Art. 22.2 are also applicable to **homonymous geographical indications**. For this reason, true indications of origin may be misleading within the meaning of para. 2, provided they are identical or similar to a large extent.
- 5 Since both indications are worth protecting in the first instance, they will regularly be protected **side by side** and in equal or similar measure.⁶ This result is also supported by Art. 23.3. Only in situations where the prevailing public has a false association of origin and is thus misled is there a collision and consequently a need to take priority by application of Art. 22.4. However, these situations appear to occur rather rarely. In the case of different products, for instance, a false association of origin can normally be excluded.
- 6 Regional differences which can lead to differing groups relevant for determining the prevailing public view, the application of Art. 22.4 may cause different results. Depending on the relevant **prevailing public view**, an indication may be prohibited in one place and take priority and be worthy of protection in another. This again reflects the relative nature of the protection against misleading the public.

⁴ *Knaak*, in: *Beier & Schricker* (eds), 117, 131 *et seq.*; *Gervais*, para. 2.212.

⁵ *Sandri*, 53.

⁶ Different *Knaak*, in: *Beier & Schricker* (eds), 117, 131, expressing the view that there is not much room for coexistence.

Article 23 Additional Protection for Geographical Indications for Wines and Spirits

1. Each Member shall provide the legal means for interested parties to prevent use of a geographical indication identifying wines for wines not originating in the place indicated by the geographical indication in question or identifying spirits for spirits not originating in the place indicated by the geographical indication in question, even where the true origin of the goods is indicated or the geographical indication is used in translation or accompanied by expressions such as “kind”, “type”, “style”, “imitation” or the like.^[4]
2. The registration of a trademark for wines which contains or consists of a geographical indication identifying wines or for spirits shall be refused or invalidated, *ex officio* if a Member’s legislation so permits or at the request of an interested party, with respect to such wines or spirits not having this origin.
3. In the case of homonymous geographical indications for wines, protection shall be accorded to each indication, subject to the provisions of paragraph 4 of Article 22. Each Member shall determine the practical conditions under which the homonymous indications in question will be differentiated from each other, taking into account the need to ensure equitable treatment of the producers concerned and that consumers are not misled.
4. In order to facilitate the protection of geographical indications for wines, negotiations shall be undertaken in the Council for TRIPS concerning the establishment of a multilateral system of notification and registration of geographical indications for wines eligible for protection in those Members participating in the system.

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^[4] Notwithstanding the first sentence of Article 42, Members may, with respect to these obligations, instead provide for enforcement by administrative action.

TRIPS, Multilateral System of Notification and Registration of Geographical Indications under Art. 23.4 TRIPS, Communication from Hong Kong, China, TN/IP/W/8, 23 April 2003; Council for TRIPS, Proposed Draft Trips Council Decision on the Establishment of a Multilateral System of Notification and Registration of Geographical Indications for Wines and Spirits, Submission by Argentina, Australia, Canada, Chile, Dominican Republic, Ecuador, El Salvador, Honduras, Mexico, New Zealand, Chinese Taipei and the United States, TN/IP/W/10, 1 April 2005; General Council, Trade Negotiations Committee for TRIPS, Geographical Indications, Communication from the EC, TN/IP/W/11, 14 June 2005; WTO Secretariat, Side-by-Side Presentation of Proposals, TN/IP/W/12, 14 September 2005; Ministerial Conference of Hong Kong, 13–18 December 2005, Ministerial Declaration, WT/MIN(05)/DEC, 22 December 2005.

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A. General

- 1 The use of geographical indications is particularly common and significant in the case of **wines and spirits**. This especially “sensitive”¹ area is specifically regulated by Art. 23. The provision exceeds the level of protection provided for in Art. 22. Since there is no condition that the public must be confused about the origin of the product, Art. 23 provides for **absolute protection against false use**.
- 2 The regulation is based on a proposal of the EC,² being one of the biggest exporters of wine with designations of origin. Given that the protection was envisaged to be extremely extensive, the provision was under discussion.³ However, in order to evaluate its **legal efficiency** Art. 23 needs to be read in conjunction with Art. 24.6. Both provisions taken together reflect the delicate compromise between, on the one hand, the interests of the minimalists that increased protection of geographical indications, especially for wines

¹ *Martin*, Brook. J. Int'l L. 30 (2004) 1, 117, 131; *Knaak*, in: *Beier & Schrieker* (eds), 117, 132.

² MTN.GNG/NG11/W/68, Art. 20.1, sentence 2. Likewise the Swizz proposal MTN.GNG/NG11/W/73, 11.

³ *Martin*, Brook. J. Int'l L. 30 (2004) 1, 117, 127 *et seq.*; *Comrad*, in: *Dinwoodie & Hennessy & Perlmutter* (eds), 325.

and spirits, should not upset what they refer to as “acquired rights” in their countries and, on the other hand, the concerns of the countries mandating maximal protection with regard to the so called “sins of the past.”⁴

B. Absolute Prohibition of False Use (Art. 23.1)

I. General

Art. 23.1 obliges the Members to establish **absolute prohibition** for the use of false geographical indications with regard to wines and spirits. This means that wines and spirits may carry names and designations containing or consisting of a geographical indication only if they actually originate in the territory identified. The use of an incorrect geographical indication is thus generally prohibited, and to be prohibited by the Members. Moreover, the prohibition, borrowing from Art. 3 Lisbon Agreement, applies to translations or the use of additions such as “kind”, “type”, “style”, “imitation” or the like. This conception aims at preventing the indication from becoming a generic term.⁵ The general protection under Art. 22.2 applies only to geographical indications for products other than wines and spirits.

In evaluating, whether the criteria for the situation provided for in Art. 23.1 are met, the general situation and the prevailing public view are irrelevant. In particular, the plea must not be raised that the indication is considered a mere generic appellation in the **country in which the protection is sought**. The general exception laid down in Art. 24.9 applies exclusively to the situation where the indication is deemed generic even by the **country of origin** and no longer used as a geographical indication. Accordingly, only indications which have turned into a generic term even in their country of origin and are no longer used as geographical indications do not enjoy protection and do not fall within the scope of TRIPS.

The prohibition applies regardless of the risk of misleading, and thus goes further than that under Art. 22.⁶ The standard of according protection to the same extent as it is accorded in the country of origin could however be established only in respect of wines and spirits. The initial European proposal envisaged that the protection level be determined by the country of origin across the entire ambit of appellations of origin.⁷ The adoption

⁴ Cf. *Keon*, in: *Correa & Yusuf* (eds), 165, 176; *Conrad*, Trademark Rep. 86 (1996) 1, 11, 38.

⁵ *Conrad*, in: *Dinwoodie & Hennessey & Perlmutter* (eds), 325 *et seq.*; *Conrad*, Trademark Rep. 86 (1996), 11, 39.

⁶ *Gervais*, para. 2.217; *Evans & Blakeney*, JIEL 9 (2006) 3, 575, 581; *Martin*, Brook. J. Int'l L. 30 (2004) 1, 117, 131.

⁷ MTN.GNG/NG11/W/68, Art. 20.2.

of the principle only in part led to the division of the protection regime as it appears now in Arts 22 and 23.

II. Similar Indications—Relationship with Art. 22.2

- 6 Art. 23.1 does not cover appellations which are modifications of or **sound phonetically similar** to a protected indication, for instance “*Calognac*” relative to “*Cognac*”.⁸ The use of such indications may be prohibited in accordance with the general principles set out in Art. 22.2.⁹ In this respect, the textual interpretation (Art. 31 VCLT) of Art. 23.1 leads to a definite result, which forecloses an interpretation expanding to modifications or similar indications. Such modifications or similar indications are neither translations nor other expressions covered by the last clause of Art. 23.1. Furthermore, the term “and the like” by its internal systematic conception does not include them. Likewise, the historical background may not provide information on this broad interpretation. Indeed, the very fact that the “imitation or evocation” clause was deleted from the original European proposal argues to the contrary.¹⁰
- 7 Distinguishing a geographical indication accompanied by additional expressions that falls within the scope of Art. 23.1 from the use of a similar indication within the meaning of Art. 22.2 may be particularly difficult. A correct classification may therefore be particularly troublesome in future.¹¹

III. Legal Enforcement

- 8 In accordance with the official footnote to Art. 23, Members may choose to provide for enforcement either by **civil legal process** (Art. 42 TRIPS) or by **administrative action**.

IV. Evaluation and Outlook

- 9 For the first time, Art. 23.1 establishes a comprehensive and absolute protection of wines and spirits, which is restricted only by the general exceptions under Art. 24.4–9. An effective evaluation must therefore consider both provisions **together**.¹² The exceptions in Art. 24 reflect the concessions made by the EC necessary to enforce its proposal on comprehensive pro-

⁸ *Bureau Interprofessionnel du Cognac v. International Better Drinks Corp.*, 6 USPQ 2d 1610 (TTAB 1988).

⁹ *Knaak*, in: *Beier & Schriker* (eds), 117, 132; *Brody*, Trademark Rep. 84 (1995), 520, 532, who leaves the question open.

¹⁰ MTN.GNG/NG11/W/68, Art. 20.1, sentence 2.

¹¹ *Knaak*, in: *Beier & Schriker* (eds), 117, 133.

¹² *Gervais*, para. 2.217; *Conrad*, Trademark Rep. 86 (1996), 11, 38; *Conrad*, in: *Dinwoodie & Hennessy & Perlmutter* (eds), 325 *et seq.*

tection. However, it needs to be emphasized that the exceptions cover only indications of wines and spirits which already exist; future indications are not fully protected. It is however a moot question how extensive and relevant the development of new, commercially successful indications will be.

When one looks at the present state of negotiations on Art. 23.1, the European proposal of June 2005 is notable. It seeks to extend the level of protection currently afforded to geographical indications for wines and spirits to all products.¹³ Endorsing such extension, the African Group requested that the protection of geographical indications be extended “to other products recognizable by their geographical origins”, notably agro-food and handicraft products.¹⁴ Such proposal was also adopted by a large number of developing countries, which considered the extension of Art. 23.1’s scope of application a useful legal instrument to facilitate market differentiation and the protection of cultural heritage.¹⁵ Opponents of the proposal, led by the US, warned that an extended Art. 23.1 would involve a considerable burden for Members and “will undoubtedly be accompanied by claims from certain producer groups that they have the exclusive rights to particular terms.”¹⁶ The Hong Kong Ministerial Declaration of December 2005 did not record any great progress in this respect, but merely encourages Members to “redouble their efforts to find an appropriate solution [...] to outstanding implementation-related issues [including] the extension of the protection of geographical indications provided for in Art. 23 of the TRIPS Agreement to products other than wines and spirits.”¹⁷ 10

¹³ TN/IP/W/11, 2–3, 7.

¹⁴ General Council, Preparations for the 1999 Ministerial Conference, Communication from Kenya on Behalf of the African Group, WT/GC/W/302, 6 August 1999, para. 27.

¹⁵ See for instance, Council for TRIPS, Communication from Bulgaria, the Czech Republic, Egypt, Iceland, India, Kenya, Liechtenstein, Pakistan, Slovenia, Sri Lanka, Switzerland and Turkey, IP/C/W/204/Rev.1, 2 October 2000, 2 *et seq.* Council for TRIPS, Proposal from Bulgaria, Cuba, the Czech Republic, Egypt, Iceland, India, Jamaica, Kenya, Liechtenstein, Mauritius, Nigeria, Pakistan, Slovenia, Sri Lanka, Switzerland, Turkey and Venezuela, IP/C/W/247/Rev.1, 17 May 2001, in particular para. 20. *Cf.* also *Martin*, Brook. J. Int’l L. 30 (2004) 1, 117, 176 *et seq.*

¹⁶ Council for TRIPS, Communication from Argentina, Australia, Canada, Chile, Guatemala, New Zealand, Paraguay and the United States, IP/C/W/289, 29 June 2001, para. 20.

¹⁷ WT/MIN(05)/DEC, para. 39. For a detailed discussion on increased protection for geographical indications, see *Evans & Blakeney*, JIEL 9 (2006) 3, 575, 607 *et seq.*; see also *Lang*, Duke J. Comp. & Int’l L. 16 (2006) 2, 487 *et seq.* who comes to the conclusion that the extension of Art. 23 to cover other types of goods is “long overdue.” Also *Calboli*, Marq. Intell. Prop. L. Rev. 10 (2006) 2, 181, 197 *et seq.*

C. Relationship with Trademarks (Art. 23.2)

- 11 In accordance with Art. 23.2, competitors not producing within the geographical area may not use trademarks containing or consisting of geographical indications used to identify wines or spirits—however subject to the exceptions provided for in Art. 24. Hence, Art. 23.2 contains a considerable **barrier to trademark protection** with regard to wine and spirit labels, as has hitherto been missing from the otherwise strict European system on trademark law and the law of wine and spirits.¹⁸ Nevertheless, the provision is based on a European proposal.¹⁹ The protection accorded is comprehensive as it does not employ the criterion of misleading use and thus forecloses the contentious issues inherent in that concept. The regulation corresponds to Art. 22.3, which however employs the misleading use criterion.
- 12 Pursuant to Art. 23.2, **trademarks** for wines and spirits which contain or consist of a geographical indication may be permitted and thus registered **only if the product actually originates in the territory indicated**. The geographical indication in question must originate in a Member's territory and be typically used for wines or spirits in that territory. Indications which are unusual for wines and spirits are not covered. This may, for instance, cause a geographical indication for a cheese to be used within a trademark for a wine or spirit, provided they do not originate in the area indicated.²⁰ Hence, well known indications for wines and spirits may only be protected in support of local manufacturers, and for goods originating from the particular area by way of individual, collective or warranty trademarks, respectively.
- 13 The Member shall, in accordance with the provision, **refuse or invalidate any registration** of trademarks that do not meet the aforementioned criteria. If a Member's legislation so permits, action may be taken *ex officio*, otherwise it is to be taken at the request of an interested party.
- 14 Such absolute barrier of protection together with the absolute prohibition on the use of false geographical indications as established in Art. 23.1 reflects

¹⁸ *Knaak*, in: *Beier & Schriker* (eds), 117, 133 *et seq.*; *Conrad*, Trademark Rep. 86 (1996) 1, 11, 39 *et seq.*; *Cf.* Council Regulation (EC) No. 1791/2006 of 20 November 2006, OJ 2006 L 363/1; Regulation (EC) No. 3378/94 of 22 December 1994, OJ 1994 L 366/1; Council Regulation (EC) No. 510/2006 of 20 March 2006, OJ 2006 L 93/12.

¹⁹ MTN.GNG/NG11/W/68, Art. 21.2.

²⁰ Examples, where Art. 23.2 does not apply: Trademark “*Champaign*” in respect of perfume—*cf.* CA Paris, 15 December 1993, JCP (éd. G.) 1994 II, 22229, where the court prohibited SA Yves St. Laurent the use of the trademark for perfume; Trademark “*Champagner-Weizenbier*”—*cf.* GRUR 71 (1969) 11, 611. For the lack of confusion, also Art. 22.3 seems not applicable in these cases. Only a protection via the general competition law provision of Art. 22.2 lit. b is conceivable here.

the **Members' recognition of the protection standard as accorded in the country of origin** in respect of wines and spirits. In this context, Art. 23.2 reasonably supplements the protection under para.1.

At the same time, Art. 23.2 prevents geographical indications for wines and spirits from becoming a mere **generic term** or even capable of registration as an imaginative designation in the territory of other Members, which may by circumvention of para. 2 establish trademark protection for indications of non-local products. In view of Art. 24.6, sentence 1, however, this applies only for new indications. In fact, Art. 24.9 still needs to be considered as the basic criterion, according to which protection is accorded only if the geographical indication is also protected in the country of origin. 15

D. Homonymous Geographical Indications for Wines (Art. 23.3)

Art. 22.3 concerns **homonymous geographical indications for wines**. 16 It applies exclusively for **wines**, but not for spirits.²¹ Homonymous geographical indications for spirits are dealt with in Art. 22.4.²² The regulation addresses the internal relationship of the homonymous indications to each other; the external relations remain unaltered. In this respect, para. 3 refers to the limitations of Art. 22.4 and thus to the prohibition of misleading use and unfair competition set out in Art. 22.2.

As to the content, the **provision matches Art. 22.4** as is already demonstrated by explicit reference. Their separation is rather of editorial nature: Art. 23.3 stresses the coexistence of the rights and not the solution of the emerged conflict as done by Art. 22.4.²³ 17

Art. 23.3, sentence 2 however goes further than the language of Art. 22.4. 18 The provision requires Members to **“determine the practical conditions** under which the homonymous indications in question will be differentiated from each other [...] [in order to prevent the consumers from being confused or] misled.” At the same time, Members must accord appropriate consideration to the interests of the producers concerned. This is regularly undertaken by differentiated additions.²⁴ Another possibility to be considered in areas with different languages is the use of a linguistic distinction.²⁵ Also other possibilities which allow for **coexistence are conceivable**. However, the determination of the conditions for homonymous

²¹ Keon, in: *Correa & Yusuf* (eds), 165, 176; *Different Gervais*, para. 2.218.

²² See *Strauch & Arend*, Article 22.4, paras 1 *et seq.*

²³ *Calboli*, *Marq. Intell. Prop. L. Rev.* 10 (2006) 2, 181, 191.

²⁴ *Knaak*, in: *Beier & Schricker* (eds), 117, 134.

²⁵ *Gervais*, para. 2.218.

indications is left entirely to the discretion of the individual Members; there is no legal requirement to coordinate the different approaches. This is unfortunate, as the producers concerned must if applicable use different labels in the markets they wish to compete in.²⁶ In view of the rather narrow limitation, the interests of producers are given due account as mandated by the agreement. In addition, it needs to be emphasized that producer organizations may play an active role in reaching a uniform cross-border solution on this issue.

E. Registration of Geographical Indications for Wines (Art. 23.4)

I. General

- 19 In the area of geographical indications there is a strong wish for further dynamic development of the TRIPS Agreement. Art. 23.4 is of particular significance in this respect. By way of establishing a build in agenda, it was purposed to achieve an efficient compromise on a proposal tabled by the EC: the proposal envisaged an unrestricted register of geographical indications.²⁷ According to the current legal framework of Art. 23.4, the Members commit themselves to **further negotiations** on the establishment of a “multilateral system of notification and registration.” Within that system, the geographical indications for wines capable of being protected in the territory of the Members shall be collected. It is the declared aim to achieve a greater degree of transparency, to facilitate enforcement and ultimately to reach a better standard of protection.²⁸ On account of the large number of indications for wines, the system appears conducive.
- 20 In order to facilitate the protection of geographical indications for wines, negotiations shall be undertaken in the Council for TRIPS concerning the establishment of a multilateral system of notification and registration of geographical indications for wines eligible for protection in those Members participating in the system. Spirits were not governed by the provision, in the first place. It was held that their quantity was unmanageable and a registration system would thus prove inappropriate.
- 21 The very broad language of Art. 23.4 gives no further clarifications of the particular form of the system envisaged and its effects *vis-à-vis* national legal orders. A **central system of registry** like the register within in

²⁶ Cf. analysis in *Blakeney*, JWIP 4 (2001) 5, 629, 643.

²⁷ MTN.GNG/NG11/W/68, Art. 21.3; see already earlier MTN.GNG/NG11/W/26, 7 July 1988, 10.

²⁸ *Martin*, Brook. J. Int'l L. 30 (2004) 1, 117, 133.

the Lisbon framework²⁹ or a multilateral exchange of **national lists** of protected goods is therefore a conceivable option.

The particular **legal effects** of the register also remain an open question. 22
It may be of constructive effect for the protection, it may be considered an authoritative determination of eligibility for protection within the meaning of Art. 22.1, it may preclude the qualification of a generic identification or the lists may merely be understood to be declaratory. The wording of Art. 23.4 agrees for the second alternative, *i.e.* that the eligibility of protection is authoritatively determined by the register.³⁰ Such understanding would resolve the abovementioned difficulties, and would hence extend the scope of protection. The effects however would remain comparatively minor since the threshold of protection for wine designations pursuant to Art. 22.1 is regularly exceeded. The requirement to demonstrate a link to quality would therefore not apply; neither would the connected (factual) territorial limitation of the protection or uncertainties as to whether protection persists. Instead, it would lead to a harmonized legal situation, which is here understood as a considerable step towards effective protection of geographical indications.

Whether such interpretation of a “multilateral system of notification and registration” is welcome to the Members remains questionable. In any case, **participation** in the register is **voluntary**.³¹ Apart from the lists in accordance with the Lisbon Agreement, the European Union currently has such a system in place. 23

II. Negotiations

The negotiations envisaged in the context of Art. 23.4 commenced in 1996. The relevant report of the 1996 Ministerial Conference in Singapore reflected the uncertainties of the Members as to whether spirits should also be included within the registry regime.³² The **incorporation of spirits** was eventually agreed to in the **Doha Ministerial Declaration**.³³ Several 24

²⁹ According to *Gervais*, para. 2.219, “a register under TRIPS, if it were established could supersede the Lisbon system in this area owing to (a) the much wider geographic scope of TRIPS and (b) the fact that it is limited to geographical indications for ‘wines eligible for protection in those members participating in the system.’”

³⁰ Because a constitutive effect does not seem to be wanted by the Members, designations which are not listed remain capable of protection under general principles. Likewise, *Martin*, *Brook. J. Int’l L.* 30 (2004) 1, 117, 137.

³¹ *Cf. Martin*, *Brook. J. Int’l L.* 30 (2004) 1, 117, 134 undertaking a literal interpretation, Also *Keon*, in: *Correa & Yusuf* (eds), 165, 177.

³² Report (1996) of the Council for TRIPS, IP/C/8, para. 34.

³³ WT/MIN/(01)/DEC/1, para. 18 reads: “negotiations for a system for wine and spirits shall continue in the fifth round of the ministerial conference.”; *Martin*, *Brook. J. Int’l L.* 30 (2004) 1, 117, 138 *et seq.*; *Gervais*, para. 2.219.

States also mandated to extend Art. 23 and thus the system of registry to cover also other groups of goods, *e.g.* beer.³⁴

- 25 The debate regarding the establishment of a register features a transatlantic disagreement on the nature, reach and legal effects of such system of notification and registration. The **information** which has been **collected** and summarized in respect of existing registration regimes³⁵ and the formally and informally conducted negotiations could so far not contribute much to a resolution. In early proposals made by the EC and its Member States³⁶ and Hungary³⁷ and the joint counter proposal tabled by Chile, Japan, Canada and the United States³⁸ conflict loomed as to whether participation merely applied to notification and registration or also covered actual protection. No progress could be attained in the course of the Council's **Special Session** in March 2002. Regrettably, further negotiations, which have been divided into two phases, have no definite time schedule.
- 26 Another **EC proposal of 2005** revives the debate.³⁹ It suggests a three tiered centralized registration which has definite legal effects. Members would, in accordance with the European suggestion, first notify their geographical indications. When these indications are published by the WTO Secretariat, Members have in the second place an 18 month period in which to object to the registration under a set arbitration procedure. Thirdly, upon expiry of that time limit, there is full and final protection. In other words, geographical indications can no longer be claimed to be inconsistent with the TRIPS definition of geographical indications, to be falsely homonymous or to be generic. In addition, the suggested registration system would create a rebuttable presumption of eligibility for protection.⁴⁰
- 27 According to the **counter proposition**, a database of all geographical indications used in the Members would be established on a voluntary basis. The legislative decisions relating to geographical indications of all participating Members must then be notified and submitted to the database. Thus, it is the Members which ultimately decide upon the protection. Any objection to protective rights is also dealt with on the national level. All registered indications within a Member are—despite their registration—protected under the TRIPS Agreement.⁴¹

³⁴ See outline on the negotiations paras 9–10 above.

³⁵ See the reports of the Members: IP/C/W/76 and Addenda 1–11.

³⁶ IP/C/W/107 and Revision IP/C/W/107/Rev.1.

³⁷ IP/C/W/234 and IP/C/W/255.

³⁸ IP/C/W/133 and Revision IP/C/W/133/Rev.1.

³⁹ TN/IP/W/11, 3 *et seq.*

⁴⁰ See in particular paras 2–4 of the Annex to the proposed Art. 23.4 in TN/IP/W/11.

⁴¹ TN/IP/W/10. In its alternative model for Art. 23.4 TRIPS, TN/IP/W/8, Hong Kong, China suggested a compromise to both opposing proposals. The WTO Secretariat

The **Hong Kong Ministerial Declaration** of December 2005 did not record any notable progress concerning the multilateral register for wines and spirits. The depth of the transatlantic division between the major negotiation powers, the EC and the US, therefore puts at risk further progress.⁴² 28

provided a Side-by-Side Presentation of Proposals, TN/IP/W/12, 14 September 2005. Cf. also *Martin*, Brook. J. Int'l L. 30 (2004) 1, 117, 141 *et seq.*

⁴² It is however notable that in September 2005 the EC and the US reached a bilateral agreement on wine-making practices and the labelling of wine which, *inter alia*, provides for the US limiting the use of certain "semi-generic" terms and each party recognizing certain names of origin in each other's markets. The pact therefore sets a precedent for the recognition of product-based geographical indications among two powerful Members. It is thus hoped that this approach will spill over into their negotiating positions in the WTO. A more positive view is also taken by *Martin*, Brook. J. Int'l L. 30 (2004) 1, 117, 169 *et seq.* For a detailed discussion on desirability of a register, see *Evans & Blakeney*, JIEL 9 (2006) 3, 575, 607 *et seq.*; see also *Lang*, Duke J. Comp. & Int'l L. 16 (2006) 2, 487 *et seq.*

Article 24 **International Negotiations; Exceptions**

1. Members agree to enter into negotiations aimed at increasing the protection of individual geographical indications under Article 23. The provisions of paragraphs 4 through 8 below shall not be used by a Member to refuse to conduct negotiations or to conclude bilateral or multilateral agreements. In the context of such negotiations, Members shall be willing to consider the continued applicability of these provisions to individual geographical indications whose use was the subject of such negotiations.
2. The Council for TRIPS shall keep under review the application of the provisions of this Section; the first such review shall take place within two years of the entry into force of the WTO Agreement. Any matter affecting the compliance with the obligations under these provisions may be drawn to the attention of the Council, which, at the request of a Member, shall consult with any Member or Members in respect of such matter in respect of which it has not been possible to find a satisfactory solution through bilateral or plurilateral consultations between the Members concerned. The Council shall take such action as may be agreed to facilitate the operation and further the objectives of this Section.
3. In implementing this Section, a Member shall not diminish the protection of geographical indications that existed in that Member immediately prior to the date of entry into force of the WTO Agreement.
4. Nothing in this Section shall require a Member to prevent continued and similar use of a particular geographical indication of another Member identifying wines or spirits in connection with goods or services by any of its nationals or domiciliaries who have used that geographical indication in a continuous manner with regard to the same or related goods or services in the territory of that Member either (a) for at least 10 years preceding 15 April 1994 or (b) in good faith preceding that date.
5. Where a trademark has been applied for or registered in good faith, or where rights to a trademark have been acquired through use in good faith either:
 - (a) before the date of application of these provisions in that Member as defined in Part VI; or
 - (b) before the geographical indication is protected in its country of origin; measures adopted to implement this Section shall not prejudice eligibility for or the validity of the registration of a trademark, or the right to use a trademark, on the basis that such a trademark is identical with, or similar to, a geographical indication.
6. Nothing in this Section shall require a Member to apply its provisions in respect of a geographical indication of any other Member with respect to goods or services for which the relevant indication is identical with the term customary in common language as the common name for such goods or services in the territory of that Member. Nothing in this Section shall require a Member to apply its provisions in respect of a geographical indication of any other Member with respect to products of the wine for which the relevant indication is identical with the customary name of a grape variety existing in the territory of that Member as of the date of entry into force of the WTO Agreement.
7. A Member may provide that any request made under this Section in connection with the use or registration of a trademark must be presented within five years after the adverse use of the protected indication has become generally known in that Member or after the date of registration of the trademark in that Member provided that the trademark has been published by that date, if such date is earlier than the date on which the adverse use became generally known in that Member, provided that the geographical indication is not used or registered in bad faith.
8. The provisions of this Section shall in no way prejudice the right of any person to use, in the course of trade, that person's name or the name of that person's predecessor in business, except where such name is used in such a manner as to mislead the public.
9. There shall be no obligation under this Agreement to protect geographical indications which are not or cease to be protected in their country of origin, or which have fallen into disuse in that country.

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A. Negotiations and Review

I. General

In the area of geographical indications, the TRIPS Agreement is to be dynamically **furthered and improved**. While the Members may bring their own proposals into this process, the Council for TRIPS is institutionally responsible for this.¹ Together with Art. 23.4, Art. 24 in its paras 1 and 2 contains provisions on review and development.

¹ Cf. Kaiser, Article 68, paras 1 *et seq.*

II. Negotiations (Art. 24.1)

- 2 Art. 24.1 requires the Members to “enter into negotiations aimed at increasing the protection of individual geographical indications” for wines and spirits under Art. 23. The phrase “individual geographical indications” means in particular **unresolved cases**, which fall within the general exceptions of Art. 24.4–6. This includes *e.g.* the use of “Chablis”, “Burgundy”, “Champagne”, “Moselle” or other “semi-generic” indications, in particular, in the United States, Canada or Australia.²
- 3 Such negotiations are to lead to **bilateral or multilateral agreements**; there are however no detailed requirements as to form or time-frame. The EC efforts first succeeded in 1997, when it entered into an agreement with the United States providing for the expiry of the use of the French indication “Gamay-Beaujolais” by US American wine makers within a period of 10 years. In September 2005, the EC and the US reached another bilateral agreement on wine-making practices and the labelling of wine which, *inter alia*, provides for the US limiting the use of certain “semi-generic” terms. Several other agreements of this kind are expected to be concluded in the near future.³
- 4 Furthermore, the TRIPS Agreement does not appear to foreclose negotiations on **geographical indications other than those for wines and spirits**, which aim at increasing the level of protection.

III. Review by the Council for TRIPS (Art. 24.2)

1. Sentence 1

- 5 The Council for TRIPS regularly revises the application of Arts 22–24, the first such review to be scheduled within two years of the entry into force of the WTO Agreement, *i.e.* 1 January 1997. Due to disagreement⁴ on the formal action, the procedure and the factual scope of the review, it did not take place.⁵ In particular the big opponents of protection for geographical indications like the United States, Canada and Australia refused to conduct negotiations to increase the existing level of protection.⁶

² *Knaak*, in: *Beier & Schriker* (eds), 117, 138 *et seq.*

³ Critical *Keon*, in: *Correa & Yusuf* (eds) 165, 177.

⁴ *Cf.* Council for TRIPS, Minutes of Meeting, *e.g.* IP/C/M/8, 14 August 1996, G; IP/C/M/9, 30 October 1996, E.; recapitulatory Council for TRIPS, Annual Report (1997), IP/C/12, 29 November 1997, VII. For further examples on the disagreement see Council for TRIPS, Minutes of Meeting, IP/C/M/12, 16 April 1997, G (iii), IP/C/M/14, 15 August 1997, G (i), IP/C/M/16, 5 December 1997, F (i).

⁵ *Cf.* in particular Council for TRIPS, Minutes of Meeting, IP/C/M/11, 6 December 1996, I. The preparations for review are however still ongoing.

⁶ Council for TRIPS, Minutes of Meeting, IP/C/M/12, 16 April 1997, G (iii).

At the end of 1996,⁷ however, there were review proceedings within the meaning of Art. 68, sentence 1, according to which national legislation notified pursuant to Art. 63.2, sentence 1, was to be revised. The review procedure involved the enabling legislation of about 30 Members, which were predominantly developed countries.⁸ The major opponents⁹ considered the review sufficient in the context of Art. 24.2 as well.¹⁰ Most countries however argued for a continuous review, which ultimately led the Council for TRIPS during its meeting of 12 May 1998 to draft a list containing questions for the Members on their national application of the agreement.¹¹ The list was further developed in the course of the meeting of 17 July 1998.¹² 6

In the meeting of 7–8 July 1999, the Council for TRIPS appointed the Secretariat to summarize the feedback so far.¹³ 7

Whilst the Council for TRIPS does not possess particular competences in the review process, it is to advance and facilitate consultations, to settle disagreements, and thus to facilitate efficient discussions.¹⁴ 8

2. Sentences 2 and 3

In accordance with sentences 2 and 3 of the provision, the Council for TRIPS is required to provide **assistance** in respect of compliance issues. At the request of a Member, the Council may also take up an intermediate position in matters where the Members cannot reach a mutually satisfactory solution. This function, in particular, applies to bilateral and multilateral negotiations pursuant to Art. 24.1. 9

⁷ Council for TRIPS, Minutes of Meeting of 11–15 November 1996, IP/C/M/11, 16 December 1996, H.

⁸ In the case of the developing countries, the transition periods under Art. 65.2 and Art. 66.1 had not yet expired at that time.

⁹ Argentina, Brasil, Chile, Canada, United States.

¹⁰ See Council for TRIPS, Minutes of Meeting, IP/C/M/11, 16 December 1996, I and IP/C/M/14, 15 August 1997, G (i).

¹¹ Council for TRIPS, Minutes of Meeting, IP/C/M/18, para. 45; For the list of question see IP/C/13, 14 May 1998.

¹² Council for TRIPS, Minutes of Meeting, IP/C/M/19, para. 42; For the list of question see IP/C/13/Add, 1 November 1998.

¹³ Council for TRIPS, Minutes of Meeting, IP/C/M/24, para. 39. For the remark of the Secretariat see IP/C/W/253. Cf. also TRIPS Analytical Index, available at: http://www.wto.org/english/res_e/booksp_e/analytic_index_e/TRIPS_e.htm (last accessed 19 May 2008).

¹⁴ See also *Gervais*, para. 2.226, who describes the Council's function as that of "a watchdog [...] without specific powers"; *Calboli*, Marq. Intell. Prop. L. Rev. 10 (2006) 2, 181, 193.

IV. Higher Level of Protection Exists (Art. 24.3)

- 10 Members undertake **not to lower the present (1 January 1995) standard of protection**, even if the individual Member maintains a higher level of protection than is required by TRIPS.¹⁵ Such a standstill provision is consistent with Art. 1.1, sentence 2, in accordance with which TRIPS sets out a minimum standard of protection.
- 11 It was made clear by the Panel in *EC—Trademarks and Geographical Indications* that Art. 24.3 does not permit or require limitations on the exclusive right of trademark owners under Art. 16.1. In this respect, Art. 24.3 is inapplicable.¹⁶

B. General Exceptions

I. General

- 12 Art. 24.4–6 contain **general exceptions** to the protection of geographical indications under Arts 22 and 23. Together with the limits of protection set out in paras 7–9, the provisions reflect the existing **conflict of interest** between supporters and opponents of strong protection for geographical indications. The length of the Article itself indicates the vigour of the debate. Indeed, Art. 24 has been the most revised and amended provision in the course of the TRIPS negotiations. The present result is a **delicate compromise**: envisaging safeguards for “acquired rights”, and thus restricting the partially far reaching protection under Arts 22 and 23. The so called **“sins of the past”** could thereby not be reversed. The EC had to make further concessions now codified in Art. 24.7–9 in order to carry through its far reaching proposal on Arts 22 and 23.

II. Continued Use (Art. 24.4)

1. The Rule

- 13 Art. 24.4, often referred to as the “grandfather clause”,¹⁷ goes back to an Australian proposal.¹⁸ It grants “nationals or domiciliaries” a **right to the**

¹⁵ In *EC—Trademarks and Geographical Indications (US)*, WT/DS174/R, paras 7.633–7.636 the Panel interpreted the phrase “the protection of geographical indications that existed in that Member immediately prior to the date of entry into force of the WTO Agreement” to mean the state of protection of GIs immediately prior to 1 January 1995, *in terms of the individual GIs* which were protected at that point in time.

¹⁶ *Ibid.*, para. 7.632.

¹⁷ *E.g.* in *Gervais*, para. 2.227; *Calboli*, Marq. Intell. Prop. L. Rev. 10 (2006) 2, 181, 193.

¹⁸ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Draft Text on Geographical Indications, Communication from Australia, MTN.GNG/NG11/W/75, 13

continued use of geographical indications for wines and spirits of another Member. The provision merely imposed the condition that the indication “was used [...] in a continuous manner with regard to the same or related goods or services in the territory of that Member either (a) for at least 10 years preceding 15 April 1994 or (b) in good faith preceding that date.” 15 April 1994 was chosen as the date when the TRIPS was signed.

Members are however not obliged to grant a right to continued use to their nationals; denial of such right leads to **advanced protection** of geographical indications, which may again not be diminished after the entry into force of the TRIPS Agreement in accordance with Art. 24.3. 14

2. The Legal Effect

The provision leads to a right of indefinite length¹⁹ continuously to use the indication within the territory of the Member. Also in terms of its **factual scope**, the provision’s legal effects are not limited and *inter alia* include the use of the indication in the trademark sense.²⁰ In the situation of Art. 24.4 lit. a, the regulation extends the right to continue to be used for registered and applied trademarks under Art. 24.5 also to trademarks used with wine and spirit designations which were not acquired in good faith. 15

Thus, Art. 24.4 at the same time constitutes—to the extent that the use of designations for wines and spirits are prohibited—a **restriction** of protection under Art. 23.1 and—to the extent that a right to the continued use for other goods and services persists—a limitation on Art. 22.2. 16

The exception is however **itself restricted**. First, the principle of territoriality applies to the right to prior and continued use, *i.e.* the relevant acts must be committed within the territory of a Member that accords the right. Secondly, the right to continued use may only be granted to citizens of the country where protection is invoked, *i.e.* “nationals or domiciliaries.” This however means contravening fundamental principles of the Agreement, namely the principle of national treatment (Art. 3) and MFN treatment (Art. 4). It thus needs to be borne in mind that Art. 24.4 does not lay down general rules but rather exceptions, which again influences the interpretation of the provision. 17

June 1990, 2, No. 4(a). Cf. also Note by the Secretariat, MTN.GNG/NG11/22, 22 August 1990, 2, No. 2.

¹⁹ In contrast, in accordance with Art. 5.6 Lisbon Agreement, the right expires after only two years. For Member States of the Lisbon Agreement, the Art. 5.6 should prevail. *Gervais*, para. 2.227.

²⁰ *Meltzer*, Trademark Rep. 83 (1993) 1, 18 (34); *Knaak*, in: *Beier & Schricker* (eds) 117, 135. See also *Conrad*, Trademark Rep. 86 (1996) 1, 11, 43 who takes up the Budweiser example. See in this respect para. 55, fn. 32. below. Another example is discussed in *Blakeney*, para. 6.12.

- 18 Consequently, Art. 24.4 applies only in the country of the **seat** of the user. Protection must not be sought in countries to which the user exports. Foreigners who import into the same market do not also enjoy protection, because they lack a seat in the country. Finally, the exception is limited to indications identifying wines and spirits.

III. Continued Use of *Bona Fide* Acquired Trademarks (Art. 24.5)

1. General

- 19 Art. 24.5 is also based on the Australian proposal.²¹ The paragraph is one of the most contentious in TRIPS negotiation history. Again, the provision can be considered a **concession** by the EC²² and Switzerland²³ to the United States and other opponents of comprehensive protection for geographical indications which was eventually made with a view to enforcing the advanced protection under Arts 22 and 23, in particular relating to their interface with trademarks.²⁴
- 20 Art. 24.5 grants a **right of indefinite length to the continued use** of trademarks which are “identical with, or similar to, a geographical indication”, provided they have been acquired in good faith. The continued existence of rights to trademarks alongside geographical indications will be ensured not only in the country in which the owner of the trademark has the seat but in all countries.²⁵
- 21 Despite the wording of Art. 24.1 and its exceptional nature,²⁶ the clause **applies not just to indications for wines and spirits**.²⁷ This is because Art. 24.5 speaks of “section” which relates to Section 3 of Part II and thus also covers Arts 22 and 23.
- 22 The right to continued use is to be granted if the **conditions** of one of the alternatives set out in lits a or b are met. Protection under lit. a requires the acquisition of the trademark before the date of application of

²¹ MTN.GNG/NG11/W/75, 2, No. 4(a).

²² Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Draft Agreement on Trade-Related Aspects of Intellectual Property Rights, MTN.GNG/NG11/W/68, 29 March 1990, 9, Art. 21.2.

²³ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Draft Amendment to the General Agreement on Tariffs and Trade on the Protection of Trade-Related Intellectual Property Rights, Communication from Switzerland, MTN.GNG/NG11/W/73, 14 May 1990, 11, Art. 221.3.

²⁴ Art. 22.3 and Art. 23.

²⁵ *Knaak*, in: *Beier & Schriker* (eds), 117, 136 *et seq.*

²⁶ As explicitly stated in *EC—Trademarks and Geographical Indications (US)*, WT/DS174/R, para. 7615: “Article 24.5 creates an exception to GI protection—as reflected in the title of Article 24.”

²⁷ *Gervais*, para. 2.228.

these provisions in that Member pursuant to Art. 65 or Art. 66 (Part VI). Lit. b relates to the situation where the trademark has been acquired “before the geographical indication is protected in its country of origin.” Acquisition is satisfied through application, registration or use in good faith.

2. Good Faith

The understanding of the “**good faith**” requirement in Art. 24.5 is crucial. 23 It significantly determines the provision’s scope and thus shapes the right of continuance. A definition of the notion geared to a civil law understanding cannot provide adequate guidance, since such strict interpretation proves inappropriate and impractical in the area of marks and indications.²⁸ Use of a designation is often made despite the knowledge of its meaning and standing.²⁹ A strict understanding of good faith taking into account inconsistent cases of knowledge or grossly negligent ignorance of the facts in respect of the designation would unduly raise the threshold of protection under Art. 24.5 and render the provision redundant.

Rather, the provision is to be **interpreted** in accordance with Art. 31.1 24 VCLT, taking into account its object and purpose. Art. 24.5 aims at maintaining the rights in pre-existing trademarks that may conflict with geographical indications, but not at reversing the “sins of the past”.³⁰ This is also made clear by the historical background to the regulation. Art. 24.5 was first introduced by the opponents of strong Arts 22 and 23 in order to safeguard the rights of existing trademarks which included a geographical indication and to preserve the *status quo*.

This objective is achieved when interpreting the notion of “good faith” as 25 presupposing that the holder of the trademark did not assume at the time of its application or use that the geographical indication in question was capable of such protection that would conflict with the trademark protection in the country of application or registration; and that the holder of the trademark did not intend to interfere with the use of the geographical indication, in particular, with its market access.³¹ Consequently, a geographical indication that is protected in the country of origin but does not however produce an association of origin in the country in which protection is sought is not capable of protection in that country and may be acquired in good faith.

²⁸ Cf. for example *Garner*, Black’s Law Dictionary, 713.

²⁹ Cf. *Gervais*, para. 2.230.

³⁰ *Keon*, in: *Corea & Yusuf* (eds), 177; *Conrad*, Trademark Rep. 86 (1996) 1, 11, 42.

³¹ Different *Conrad*, Trademark Rep. 86 (1996) 1, 11, 42, who understands the term as “without deceptive or misleading intent.”

3. Date of Acquisition

- 26 The **acquisition of rights to a trademark** is to be undertaken either “(a) before the date of application of these provisions in that Member as defined in Part VI; or (b) before the geographical indication is protected in its country of origin.”
- 27 The **first alternative** relates to the date of the first application of TRIPS provisions, which may vary between one and eleven years from the entry into force of the Agreement depending on classification as a developed country, threshold country or developing country as laid down in Arts 65 and 66. Under this alternative, a right of coexistence with geographical indications may even be granted to trademarks which have a later priority date.³² This situation appears most relevant in practice.
- 28 The **second alternative** refers to the date on which the geographical indication achieves protection in its country of origin.³³ In this respect, it is not the administrative or judicial decision that determines the relevant date because countries addressing indication issues through a system of misleading use would be comparatively disadvantaged *vis-à-vis* countries which employ a registration system. Consequently, it is sufficient within the legal framework of Art. 24.5 that protection is granted to geographical indications in general. Hence the second alternative applies to trademarks acquired earlier than the priority date.³⁴

4. EC—Trademarks and Geographical Indications and the Right to Use

- 29 The features of the “**right to use**” are however not entirely clear. It is suggested that the standard of Art. 16 applies in this respect, according to which the right to use not only encompasses the entry into a register and the use despite a parallel existing geographical indication but also allows the exclusion of others from the use of the geographical indication.³⁵ Whether such exclusive right was envisaged by the Members was subject to the Panel’s examination in *EC—Trademarks and Geographical Indications*.³⁶ In that case, the US alleged Art. 14.2–3 of the Agricultural Products Regulation³⁷

³² Examples for US trademarks are “Chablis With a Twist” and “Budweiser”.

³³ *Conrad*, Trademark Rep. 86 (1996) 1, 11, 42 *et seq.* regards this alternative as considerably problematic since it “gives an unwarranted advantage to countries which have long recognized geographical indications.”

³⁴ *Cf.* the “Torres” trademarks.

³⁵ *Gervais*, para. 2.229, at footnote 85.

³⁶ *EC—Trademarks and Geographical Indications (US)*, WT/DS174/R.

³⁷ Council Regulation (EEC) No. 2081/92 of 14 July 1992 on the Protection of Geographical Indications and Designations of Origin for Agricultural Products and Foodstuffs (Agricultural Products Regulation), OJ 1992 L 208/1. See *Peter & Arend*, Article 22.2, paras 5, 17 *et seq.*

to be inconsistent with Art. 16.1 TRIPS Agreement.³⁸ Under Art. 14.2 Agricultural Products Regulation, trademark owners' rights under Art. 16.1 TRIPS could not be exercised against persons who had registered a geographical indication, whereas Art. 14.3 prevented the registration of geographical indications only in cases in which it would mislead the consumer as to the true identity of the product.

As a matter of principle, the Panel made clear that geographical indications and trademarks constitute **independent but equal** forms of intellectual property and that the boundary between them is further defined in Art. 24.5, which may be understood as providing for the **coexistence of geographical indications with prior trademarks**.³⁹ 30

While the Panel accepted that Art. 14.2–3 Agricultural Products Regulation 31 limits the exclusive rights of trademark owners is so far as it does not prevent all forms of use of geographical indications, it found the provision to be a limited exception in the meaning of Art. 17 TRIPS, thus constituting a valid and affirmative defence to derogation from Art. 16.1.⁴⁰ In that context, the Panel considered the Regulation to fall within the example of “fair use of descriptive terms”, first, because geographical indications were descriptive terms, and second, since Art. 14.2 Agricultural Products Regulation allowed use only by producers who were established in the geographical area and indicated the true origin of the product, the use was fair.⁴¹ Following the reasoning of the Panel, the “right to use” under Art. 24.5 does not necessarily mean that the geographical indication which is later in time cannot be used if it conflicts with a pre-existing trademark acquired in good faith. However, Art. 24.5 may not itself justify limitations on the exclusive rights of trademark owners under Art. 16.1.

IV. Continued Use of Generic Terms/Grape Varieties (Art. 24.6)

1. Continued Use of Generic Terms (Art. 24.6, Sentence 1)

Art. 24.6, sentence 1 is a demonstration of the conflict existing between 32 supporters and opponents of strong protection for geographical indications, which may be traced back to their proposals made in the negotiations for the TRIPS.⁴² The provision establishes a right to the continued use of

³⁸ *EC—Trademarks and Geographical Indications (US)*, WT/DS174/R, paras 7.512, 7.532–7.539.

³⁹ *Ibid.*, paras 7.604–7.621.

⁴⁰ *Ibid.*, paras 7.562, 7.644–7.661. The Panel however did not accept that Art. 24.3 or Art. 24.5 can provide a sufficient legal basis to limit the rights under Art. 16.1.

⁴¹ *Ibid.*, paras 7.662–7.688.

⁴² MTN.GNG/NG11/W/68, Art. 21.1; MTN.GNG/NG11/W/73, Art. 221.2; MTN.

generic terms. It was the particular intention of its supporters to prevent future shifts of **geographical indications into generic terms**, and above all to defeat the “sins of the past” through re-localizing, in particular, economically very significant designations such as “Champagne”, “Chablis”, “Burgundy”, “Dôle” *etc.*, which were regarded as generic abroad. In contrast, the opponents aimed at safeguarding for their national companies the continued use of those designations, at least in their own territory.⁴³ On this specific matter, the EC could not stand up to its opponents.⁴⁴ Hence, the final compromise provided for the safeguarding of pre-existing rights.⁴⁵

- 33 Art. 24.6, sentence 1 **applies**—unlike Art. 24.4—to **all designations** and is thus not limited to indications for wines and spirits.⁴⁶ It provides the right to continued use of all geographical indications of any other Member with respect to goods or services, if the relevant indication is “customary in common language as the common name” in the territory of that Member.⁴⁷ The right however extends only to use as a generic term.
- 34 In contrast to Art. 24.4, continued use is not limited to the country where the manufacturer or service provider has his seat, but refers to **all countries** where the indication is considered generic. The contrasting regulations result from the different interests which they aim to accommodate: Art. 24.6 is to protect the general interests of the country in which protection is sought. Art. 24.4 focused on the interests of individuals which may be protected only in the country of their seat.
- 35 The assumption under Art. 24.6, sentence 1, pursuant to which a geographical indication has become a generic term, not only refers to **past** developments but also applies for the **future**.⁴⁸

GNG/NG11/21, para. 12. The current provision goes back to a proposal of (the opponent) Australia, MTN.GNG/NG11/W/75, No. 4(b).

⁴³ Those traditional conceptions on geographical indications result from the different historical developments of both groups of States. The European countries always emanated from exclusive rights, whereas the former colonies conceived geographical indications as a public good. The reason for this is that the settlers who had brought the designations into the colonies naturally understood them to refer just to production or quality characteristics, but not to criteria of origin. *Bendekegy & Mead*, Trademark Rep. 82 (1992) 5, 765, 766; *Conrad*, Trademark Rep. 86 (1996) 1, 11, 12.

⁴⁴ See also *Conrad*, Trademark Rep. 86 (1996) 1, 11, 40.

⁴⁵ Examples: United States “Californian Chablis”, “Champagne-style sparkling wine”; Germany „Pilsener“.

⁴⁶ *Gervais*, paras 2.231, 2.227.

⁴⁷ The phrase “term customary in common language as the common name for such goods of services” does however not differ from the more common use of the phrase “generic term”.

⁴⁸ Different *Gervais*, para. 2.231.

Attempts of the group of supporters to prevent the dilution of geographical indications into generic terms have been severely restricted in the clause. The **prohibitions on using delocalizing additions** for wines and spirits as set out in Art. 23.1 and on **misappropriating a reputation** as well as its unfair exploitation in respect of all groups of products as envisaged in Art. 22.2 lit. b are thus of limited force.⁴⁹ 36

This holds true even more when taking into account that it is for the courts of the country in which protection is sought to decide whether the relevant indication is considered generic. Not only does the Agreement not provide a statement of requirements on that question, but an international standard also cannot be derived by interpretation. In the situation where the relevant country is also a signatory of the Lisbon Agreement, the limitation is however largely superfluous.⁵⁰ 37

2. Continued Use of Grape Varieties (Art. 24.6, Sentence 2)

Art. 24.6, sentence 2 provides for a **right to the continued use** of generic designations for **grape varieties**⁵¹ which have turned into geographical indications, provided they existed and were grown in the country in which protection is sought at the date of entry into force of the WTO Agreement. Therefore, the provision's effect is purely retrospective. The right to continued use also applies to producers who import into the territory. Consequently, the requirement to grow the grape variety is not of a personal nature, but only a geographical limitation. 38

Most of the cases under Art. 24.6, sentence 2 will however already be covered by sentence 1 and will therefore have no time limit. In respect of grape varieties, sentence 2 **does not have a *lex specialis* relationship** with sentence 1. 39

⁴⁹ The acceptance of trademarks containing geographical indication in the framework of Art. 22.3 and 23.2 comes to the same result, *i.e.* the risk of reduction to generic terms.

⁵⁰ Art. 6 Lisbon Agreement provides that "an appellation which has been granted protection in one of the countries [...] cannot, in that country, be deemed to have become generic, as long as it is protected as an appellation of origin in the country of origin. *Blakeney*, 69.

⁵¹ Examples are "Grauburgunder", "Blauburgunder" but also designations with indirect indications like *e.g.* "Riesling", which suggests a German or Alsatian wine.

C. Limitations on Protection

I. Incontestable Trademarks (Art. 24.7)

- 40 The very complicatedly formulated⁵² Art. 24.7 enables Members to establish **rules of incontestability** in favour of trademarks which are registered and used in conflict with Arts 22 and 23, unless the right holder of the trademark acts in **bad faith**. The adverse registration or use of such trademarks must be challenged within a period of five years. The **period** starts either when the adverse use of the protected indication has become generally known in that Member or on the date of registration and publication⁵³ of the trademark. Whichever alternative occurs first determines the relevant commencement of the period. If the geographical indication becomes generally known within five years after its registration and publication, the term runs until five years have elapsed since the indication became generally known. According to the provision, Members may not only exclude challenges to indications for wines and spirits under Art. 23.1–2, but also claims against all misleading and otherwise unfair trademarks under Art. 22.2–3.⁵⁴ Art. 24.7 hereby becomes the procedural counterpart to Art. 24.5.⁵⁵

II. The Use of Names (Art. 24.8)

- 41 The person's right in the course of trade to use its name or the name of that person's predecessor in business remains unaffected as long as the name is not used in such a manner as to mislead the public. The condition "used in such manner as to mislead the public" is objective. The intention of the user must therefore not be taken into account.⁵⁶ Art. 24.8 is a **general limitation on the protection** already known in the area of trademark law. A new and explicit implementation may thus prove to be necessary only in a few countries.

III. Protection in the Country of Origin (Art. 24.9)

- 42 In accordance with Art. 24.9, there is "no obligation [...] to protect geographical indications which are not or cease to be protected in their country of origin, or which have fallen into disuse in that country." This paragraph applies for the entire TRIPS Agreement. Apart from Arts 22

⁵² *Knaak*, in: *Beier & Schricker* (eds), 117, 137 *et seq.*; *Gervais*, para. 2.232.

⁵³ As to the special situation where the trademark is published after and not before or in course of the registration, see *Gervais*, para. 2.232.

⁵⁴ *Knaak*, in: *Beier & Schricker* (eds), 117, 137 *et seq.*

⁵⁵ *Gervais*, para. 2.232.

⁵⁶ *Ibid.*, para. 2.233.

and 23, this also includes the protection under the Paris Convention by way of reference in Art. 2.1.⁵⁷ Consequently, Art. 24.9 accepts misleading designations which are considered geographical indications in the country in which protection is sought, if the country of origin does not (or no longer) protect(s) those indications.

The provision constitutes an **exception to the principle of national treatment** as laid down in Art. 3.⁵⁸ 43

⁵⁷ *Gervais*, para. 2.233.

⁵⁸ *Conrad*, Trademark Rep. 86 (1996) 1, 11, 43. This regulation also corresponds to the *Turrón* decision, C-3/91, *Exportur SA v. LOR SA and Confiserie du Tech*, [1992] E.C.R. I-05529, Rec. 37.

SECTION 4: INDUSTRIAL DESIGNS

Before Article 25*

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* The commentary is translated by Susanne Kruse, professional graduate translator.

A. International Design Protection

I. General

- 1 Compared to the “strong” property rights relating to patents, trademarks or copyright, international law offers a rather **low profile of regulation** for the protection of industrial designs (two-dimensional designs) and models (three-dimensional designs). On the one hand, the protection of industrial designs and models cannot be easily categorized into one of the intellectual property rights mentioned above. On the other hand, the economic relevance of the protection of industrial designs and models seems less perceptible than in the case of inventions or in trademark law. In the last decade, for instance, the discussion on problems of design laws relating to the economic aspect of the spare part market as one example for industrial designs and legal problems of the protection of the products in the textile industry has given design protection a higher significance at international level which better suits its economic importance. However, national regulations on design protection are very different with regard to both their structure and the general consideration of the subject matter of protection. As a result, the range of protection regimes is broad and fails to be harmonized by the TRIPS as it is the case *e.g.* at European level. Rather, TRIPS establishes some **basic principles** that can guarantee protection as such and provide some criteria for protection in a standardized form.

- 2 The **origins** of international design protection mainly lie in **Arts 1.2, 5quinquies PC** and in the provisions of the Berne Convention (BC), the Universal Copyright Convention (UCC) and the Hague Agreement Concerning the International Deposit of Industrial Designs.¹ Art. 5quinquies PC obliges the countries of the Union to protect industrial designs. Moreover, Art. 5B PC prohibits compulsory use which exists *e.g.* for trademarks in German trademark law and is also permitted in Art. 15.3 TRIPS. This does not, however, indicate the prohibition of compulsory licences in the countries of the Union, although this has certain limited significance in practice. The **parallelism** of design law **and copyright law** is reflected by the Berne Convention provision on works of applied art which are outlined in the catalogue of Art. 2.1 BC since the 1908 Berlin Revision. In respect of (industrial) commodities, Art. 2.7 BC leaves it to the national legislator to determine whether or how protection is to be granted within the framework of copyright law. The attempts at the 1948 Brussels Conference to provide obligatory protection for works of applied art in industrial use failed because of the resistance of, *inter alia*, Italy and the

¹ For an outline, see also *Kür*, in: *Beier & Schricker* (eds), 141, 144 *et seq.*; *Stahelin*, 127.

United Kingdom. Where such protection exists pursuant to national law, its minimum term of protection is, in accordance with Art. 7.4 BC, 25 years. As far as the material protection of works of applied art is concerned, the Berne Convention goes further than the UCC which stipulates a minimum term of protection of 10 years.

Being a pure registration agreement, the **Hague Agreement Concerning the International Deposit of Industrial Designs** renders it possible for countries that protect industrially used designs by way of special laws in connection with a deposit or registration to make a central deposit at the WIPO in Geneva. In this way protection can be obtained in selected—or even all—contracting States to the Agreement to the extent such protection is provided for in national laws. The term of protection for internationally deposited designs pursuant to Art. 11 of the Agreement—leaving longer terms in national regulations unaffected—is 5 years. This term can be extended by another 5 years. 3

II. Historical Development

During negotiations on design law, similar intentions and objectives existed among Members who actually took very different positions on national design protection. The European, Japanese and US position was, to a great extent, influenced by the Intellectual Property Committee (IPC) set up by the US Advisory Committee on Trade and Policy Negotiations in 1986 to provide privately operated and funded input to the negotiations. The IPC presented a “Statement of Views of European, Japanese and United States Business Communities” to government negotiators as the minimum standards for an acceptable TRIPS Agreement. At that time, Japan already had a special design law and did not need to resort to copyright law for the protection of design compositions, while the US envisaged protection through its patent laws since 1842. The **Business Communities Statement** defined the designs as two- or three-dimensional appearance of an article which has a utility function²—a definition which is generally known to have been unable to find its way into the TRIPS Agreement. The TRIPS now provides no explicit definition of designs,³ which raises a number of questions concerning the scope of protection.⁴ 4

Plagiarism has particularly negative influences on the trade of original products in the textile industry. On the one hand, reproduction of textiles is often easier than producing copies of other products. On the other hand, the commercial value of fabric designs is harder to maintain than in other 5

² See *Kür*, in: *Beier & Schricker* (eds), 141, 150, fn. 41.

³ *Blakeney*, 76; *Stoll & Schorkopf*, Max Planck CWTL, Vol. 1, para. 635.

⁴ See paras 7 *et seq.*, 21 below.

industries, and will traditionally be subject to seasonal changes and developments of fashion. Nonetheless, the problem of **design plagiarism** also exists in other industries. A look at the currently booming markets in the threshold countries, such as *e.g.* the automobile market in China, shows that wide circulation of plagiarizing products is an obvious problem. However—especially when the relevant “legal infrastructure” is taken into account,—not all developing and threshold countries can be reproached with this observation. Nevertheless, it was in particular the industrialized nations that pleaded for strong design protection by TRIPS during the Uruguay Round.⁵

B. Design Law Under TRIPS and in Europe

I. Problems

- 6 Essential questions arising from the regulation of industrial designs by TRIPS are issues of definition that in part merge into the problem of an overlap between designs as a “beautiful shape” and **functional designs** in relation to their utility. A related issue concerns the treatment of designs whose manufacture is solely dictated by necessity and aesthetic reasons and thus leaves the reproducer no alternative choice. This has proven to be of particular practical relevance for the market of spare parts. In Europe this issue has received special attention mainly in the last 10 years, while it has been discussed much earlier in the US. An important regulation in this regard is Art. 25.1, sentence 3 which is based on the principle that design protection is not supposed to protect technical ideas. In any case, the defining feature of a design is the **aesthetic content** of the product in question.⁶ This necessary concept is independent of any further requirements or definitions of design.
- 7 Art. 25.2, sentence 2 seems to leave the choice between statutory *sui generis* **regulation and the incorporation of design protection into copyright law or patent law up** to the Members.⁷ It is questionable, however, whether the provision that is tailored to textile designs covers the complete ambit of design protection. In the US for instance, design protection has always been subject to the **patent approach**, for which reason designs in the US must comply not only with the additional prerequisite of “orna-

⁵ *Cf. Suthersanen*, 435.

⁶ See for the German law on industrial designs *Bundesgerichtshof, Spielzeugautos*, GRUR 98 (1996) 1, 57, 59; *Bundesgerichtshof, Kötflügel*, GRUR 89 (1987) 8, 518 (519).

⁷ See also *Kür*, in: *Beier & Schricker* (eds), 141, 154.

mentality”,⁸ but also with the further requirements of patent protection.⁹ In the TRIPS context, protection must be conferred upon independently created designs. There is no duty, under TRIPS, to adopt laws on designs. Indeed, the language of Art. 25.2, sentence 2 is quite imprecise. It does not suggest the application of a certain system of protection for designs. Neither does Section 4 of Part II TRIPS indicate that there is an obligation to protect designs *sui generis* on account of the special problematic or subject matter. It is rather to be assumed that the Members would have explicitly stipulated *sui generis* protection because their laws were known to be so complex to give rise to explicit wording on this account. Accordingly, a *sui generis* solution does not appear **necessary**.

Apart from the parallels to copyright and patent law, design laws are also connected to competition laws and specifically the **law of unfair competition in TRIPS**. International law of unfair competition also contains rules against slavish imitation. Because TRIPS contains rules on unfair competition specifically for trademarks (Art. 17) and geographical indications (Art. 22.2), it can be concluded that Arts 25 and 26 do not permit recourse to international principles of unfair competition, but provide a final and conclusive legal framework for design protection.

II. Community Designs Regulation and TRIPS

1. General

Because the European Community is a Member to WTO on its own account, its legal instruments must conform to the obligations of TRIPS and are to be measured by this benchmark. It is thus of particular interest to review the TRIPS consistency of the **Community Designs Regulation**, which came into force on 6 March 2002.¹⁰ The Regulation introduces a registered and an unregistered Community design into European laws on design protection.¹¹ Since 1 April 2003, a “genuine” Community design can be obtained from the trademark office for European Community trademarks (OHIM) in Alicante. Moreover, the entry into force of the Community Designs Regulation also meant the introduction of protection

⁸ Compare also *Chisum*, GI-6, and § 1.04, 1–311.

⁹ See regarding conflicts with textile-design protection in TRIPS *Peter*, Article 25, paras 25 *et seq.*

¹⁰ Council Regulation (EC) No. 6/2002 of 12 December 2001 on Community Designs (Community Designs Regulation), OJ 2002 L 3/1 and the Commission Regulation (EC) No. 2245/2002 of 21 October 2002 implementing Council Regulation (EC) No. 6/2002 on Community designs. OJ 2002 L 341/28. See also the previous Directive 98/71/EC on the Legal Protection of Designs of 13 October 1998, OJ 1998 L 289/28.

¹¹ See, for instance, *Bartenbach & Fock*, Wettbewerb in Recht und Praxis 48 (2002) 10, 1119 *et seq.*; *Musker*, paras 2–001 *et seq.*

of unregistered Community designs.¹² The earlier Directive 98/71/EC was unable to harmonize the Member States' legal orders¹³ necessary for the implementation of the Single Market. The new Community Designs Regulation is to meet these concerns. It applies a very **broad definition of product** that includes not only visual features but also tactile ones.¹⁴ Protection is granted to designs and models excluding those that only feature purely functional shapes ("must-fit").¹⁵ However, an exception is allowed for modular systems ("Lego"),¹⁶ which is also granted by German design law.¹⁷ Art. 4.2 lit. b of the Community Designs Regulation requires at least one visible part of a component be innovative and idiosyncratic, which will justify the protection of "must-match" parts (if they are innovative and idiosyncratic in their original form), so that for the market of spare parts the production of protected "must-match" designs is exclusively reserved to authorized manufacturers. Indeed, not only "must-match" parts produce conflicts between the design right owners and their competitors who could offer their products at lower prices.¹⁸

- 10 The short-term unregistered design is intended to accommodate the **special needs** of short-lived designs (*e.g.* textile designs in fashion). Together with unregistered design protection, the Community Designs Regulation provides for designs to be registered for longer periods.¹⁹ Moreover, the Regulation has extended the width of protection, since there is no limitation to visually perceptible design elements, and thus the texture of a product may be protected as a design as well.²⁰

2. Legal Situation Before the Introduction of the Community Designs Regulation

- 11 Before the Community Designs Regulation and Commission Regulation (EC) No. 2245/2002 on the Implementation of the Regulation on Community Designs were enacted, the **legal situation in the Member States** was

¹² *Rigopoulos*, GRUR Int. 52 (2003) 2, 186.

¹³ See Rec. 4 Community Designs Regulation.

¹⁴ *Bulling*, Mitteilungen der deutschen Patentanwälte 4 (2002), 170, 171.

¹⁵ *Kur*, GRUR 104 (2002) 8, 661.

¹⁶ *Cf. Sulthansan*, 36.

¹⁷ *Bundesgerichtshof, Modulgerüst*, GRUR 102 (2000) 6, 521–528; *Bundesgerichtshof, Klemmbausteine I*, GRUR 66 (1964) 11, 621–627, *Bundesgerichtshof, Klemmbausteine II*, GRUR 94 (1992) 9, 619–621.

¹⁸ *Eichmann*, GRUR Int. 45 (1996) 8–9, 859, 868.

¹⁹ See Rec. 17 and Arts 1.2, 11, 12 Community Designs Regulation.

²⁰ *Kur*, GRUR 104 (2002) 8, 661, 663.

quite **heterogeneous**.²¹ The earlier Directive²² allowed Member States to liberalize the trade in spare parts (**freeze-plus** solution).²³ The European specifications have been incorporated into several national laws, though with considerable delay.²⁴

British design protection²⁵ recognises registered designs as well as the coexistence of copyright protection and *sui generis* protection of unregistered designs.²⁶ The copyright protection provides a term of protection of 70 years *post mortem auctoris* and also protects two-dimensional designs against three-dimensional reproduction, while design protection grants a maximum term of protection of 15 years.²⁷ The Copyright, Design and Patent Act (CDPA) of 1988²⁸ seems to offer rather restrictive protection, but British law also protects unregistered designs.²⁹ In accordance with Sec. 2.1C.2 of the Registered Design Regulation 2001 No. 3949,³⁰ a right in a registered design shall not subsist in features of appearance of a product which must necessarily be reproduced in their exact form and dimensions so as to permit the product in which the design is incorporated or connected to another product so that either product may perform its function. 12

Under **Italian** law,³¹ industrial designs enjoy copyright protection, if there are original creations. The courts understand the competition law based prohibition of slavish copying rather as a protection against deception, which is hardly in the design creator's interest. Art. 5*quinquies* of Regulation No. 1411 was incorporated into Legislative Decree No. 95 of 2 February 13

²¹ See *International Association for the Protection of Intellectual Property* (AIPPI) Resolutions Q 73, Q 108 and Q 108A and Working Guidelines Q 148, available at: <http://www.aippi.org/reports> (last accessed 21 March 2008); For an overview on the industrial design laws of EC Member States, see *Suthersanen*, 103–382 and the synopsis at 110 *et seq.*—National designs are not automatically invalidated through the registration of a Community design.

²² Council Directive 98/71/EC of 13 October 1998 on the Legal Protection of Designs, OJ 1998 L 289/28.

²³ *Cf. Bulling*, *Mitteilungen der Deutschen Patentanwälte* 6 (2004), 254, 260.

²⁴ *Ibid.*

²⁵ See *Cornish*, *GRUR Int.* 47 (1998) 5, 368.

²⁶ *Cf. also Bulling*, *Mitteilungen der Deutschen Patentanwälte* 4 (2002), 170.

²⁷ Sec. 216.1 CDPA 1988 reads: “Design right expires—(a) fifteen years from the end of the calendar year in which the design was first recorded in a design document or an article was first made to the design, whichever first occurred, or (b) if articles made to the design are made available for sale or hire within five years from the end of that calendar year, ten years from the end of the calendar year in which that first occurred.”

²⁸ Available at: http://www.opsi.gov.uk/acts/acts1988/UKpga_19880048_en_1.htm (last accessed 7 May 2008).

²⁹ *Suthersanen*, 224 *et seq.*, in particular, 233. See also the EC Regulation No. 3949/2001.

³⁰ See: <http://www.statutelaw.gov.uk/content.aspx?LegType=All+Legislation&title=The+Registered+Designs+Regulations&Year=2001&searchEnacted=0&extentMatchOnly=0&confersPower=0&blanketAmendment=0&sortAlpha=0&TYPE=QS&PageNumber=1&NavFrom=0&parentActiveTextDocId=2566956&ActiveTextDocId=2566956&filesize=149362> (last accessed 15 May 2008).

³¹ *Auteri*, *GRUR Int.* 47 (1998) 5, 360, *Benussi*, *GRUR Int.* 29 (1980) 7, 403.

2001,³² which provides protection for designs of spare parts (components of a complex product)³³ as long as the visible features meet the criteria for protection, *i.e.* novelty or originality in the sense of Art. 25.1 TRIPS.

- 14 The **Nordic countries**³⁴ attempted a common approach to design protection and drafted their legislation in close correspondence. Nevertheless, the individually applicable thresholds of protection greatly differ from each other. Design protection, for instance, is applied more strictly in Sweden than in Denmark, where merely the protection of identity is guaranteed. However, neither of these two countries provides protection for purely functional designs. Finally, a harmonized copyright law offers protection for works of applied art.
- 15 **French** law,³⁵ with its principle of *l'unité de l'art*, equates the original character or value of the author's individuality which is regarded as the prerequisite for protection in the copyright law with the "originality" in design law. In doing so, however, French law only recognizes protection of registered designs. Protection is available both by copyright law and by design law.³⁶ The protection of individual components is safeguarded, while cases of must-fit (technically specified designs) are excluded from protection.³⁷
- 16 The **Benelux** States³⁸ envisage genuine design protection as laid down in the *Autojalouzieen II* decision.³⁹ Beyond that, industrial designs may be protected by copyright, however, only under strict(er) conditions. No design protection pursuant to the Benelux design law is granted to designs having had *de facto* fame in the past 50 years.
- 17 **German** design law is not completely free from paralleled stipulations with copyright law, but designs often lack the creative level of intellectual content required by copyright law. If new or original, two-dimensional and three-dimensional products⁴⁰ may be registered with the German trademark and patent office in accordance with the previous law (before 2004). German law provides no protection of unregistered designs.⁴¹ However, protection against slavish imitation is provided by competition laws. German law has been amended to comply with the Community Designs Regulation. The

³² *Regio decreto 25 agosto 1940*, n. 1411; see: <http://www.dirittoproarte.com/legggibre/RD1411.htm> (last accessed 15 May 2008).

³³ See for a definition of spare parts *Pilla*, 49.

³⁴ See *Levin*, GRUR Int. 47 (1998) 5, 371.

³⁵ See also *Ruijsenaars*, GRUR Int. 47 (1998) 5, 378.

³⁶ *Suthersanen*, 135 *et seq.*

³⁷ See Regulation (EC) No. 670/2001 of 25 July 2001.

³⁸ Also *Ruijsenaars*, GRUR Int. 47 (1998) 5, 378.

³⁹ *Benelux-Gerechtshof (BenGH)*, *Bijblad bij de Industriële Eigendom*, (BIE) (1987), 197, 201.

⁴⁰ See *Peter*, Article 25, para. 11.

⁴¹ *Bulling*, *Mitteilungen der Deutschen Patentanwälte* 6 (2004), 254.

revised Design Act⁴² was announced on 18 March 2004⁴³ and entered into force on 1 June 2004. The revised and newly added 50 provisions implement to a great extent European Regulations. Among other things, it provides that protection is available in any case for individual components.⁴⁴ The legislative reasons refer to the problematic discussion on the market of spare parts and potential repair clauses, according to which designs that are aesthetically predetermined by the original (“must-match”) would not be protected in order to safeguard competition on the market of spare parts. Protection is justified *inter alia* with the promise made by automobile manufacturers not to restrict competition.⁴⁵ Now § 2 Design Reform Act explicitly requires both, novelty and originality for purposes of a design protection. The legislative explanations to the Act indicate that this was the case also under the previous § 1.2 Design Act.⁴⁶

In **Greek** law, by contrast, protection for registered designs is unavailable. 18
The only way to obtain design protection in Greece is by copyright law. **Portugal** follows a copyright approach, however, requiring commercial (industrial) utility of the design.

Design protection in **Spain** can be achieved through different systems of 19
protection. While protection of designs is specifically provided for in the 1975 legislation, protection of copyright, which imposes higher demands on originality, can be obtained since 1996.⁴⁷

Owing to the Community Designs Regulation, there is now also common 20
European *sui generis* design protection. No further act of implementation by the Members is required to ensure the direct application of the new regulation. Thus, **throughout the Community** special protection for registered und unregistered designs is available.⁴⁸

3. Subject Matter of Protection

There is no uniform definition of the **scope of protection**. While in 21
Germany and France the immaterial design creation is often considered the subject matter to be protected, the design law of the Benelux States and the United Kingdom defines the subject matter as the product displaying design creation.⁴⁹ Depending on the link—being either the intellectual idea of the aesthetic form or the formed article itself—to which protection

⁴² See BT-Drs. 15/1075 of 28 May 2003.

⁴³ BGBl. I 2004, 390.

⁴⁴ *Bulling*, Mitteilungen der Deutschen Patentanwälte 6 (2004), 254, 260.

⁴⁵ BT-Drs. 15/1075, 34.

⁴⁶ BT-Drs. 15/1075, 30 and 33.

⁴⁷ *Suthersanen*, 111.

⁴⁸ See *Bulling*, Mitteilungen der Deutschen Patentanwälte 4 (2002), 170 *et seq.*

⁴⁹ Cf. *Cornish*, GRUR Int. 47 (1998) 5, 368, 370; *Ruijsenaars*, GRUR Int. 47 (1998) 5, 378, 379; *Kür*, GRUR 104 (2002) 8, 661, 662 *et seq.* giving a general account.

attaches, the use of the idea beyond the use of the article will be relevant to the judgment of creativity and infringement.

- 22 Such conflict in European design law is reflected in the general question about whether the **particular product or the idea** shall be protected as the subject matter. In the former case, the Dutch decision on the design of a hairdresser's chair for children in the shape of a Ferrari sports car⁵⁰ would be unproblematic with regard to design law. If, however, what is protected is the idea, protection also extends to uses beyond those provided for the design form. The European Commission seems to regard the product as the subject matter to be protected,⁵¹ while the ECJ has yet no clear position on this issue. In US laws, on the other hand, design protection is inseparably associated with the object as design medium, *i.e.* it is applied to the concrete product.⁵²
- 23 However, if the scope of protection is defined by originality, the **Community design** can be regarded as the **protection of the form** instead of just the product, because originality exists when the informed user's⁵³ impression of the design differs from that of a previously known design. This refers to the design and not the object representing its manifestation.⁵⁴
- 24 The broad wording in the **TRIPS Agreement** is open to **interpretation**.⁵⁵ Ultimately, it will be up to the national legislator to clarify the subject matter.
- 25 The new Community design does not rule out **complementary protection by way of competition law**. While this would be out of the question if the protected rights and the competition rights were orientated in the same direction, competition laws and the Community design are different with respect to their prerequisites for and orientations of protection, for which reason national competition laws—depending on the prerequisites—are not necessarily superseded by the Community design.⁵⁶
- 26 Outside Europe, the protection of designs continues to be complex. In the **US**, for instance, copyright protection can be obtained only if the fundamentally protectable components can be conceptually abstracted from the functional elements. Otherwise, the so-called *Design Patents* are protected by patent law, which, however, does not rule out additional protection

⁵⁰ *Hoge Raad, Ferrari-Friseurstuhl*, GRUR Int. 46 (1997) 8–9, 756.

⁵¹ *Kür*, GRUR 104 (2002) 8, 661, 662; and *Kür*, GRUR Int. 47 (1998) 5, 353, 355.

⁵² *Chisum*, § 1.04 [2][a], 1–302.

⁵³ See *Bartenbach & Fock*, Wettbewerb in Recht und Praxis 48 (2002) 10, 1119, 1120.

⁵⁴ *Cf. Maier & Schlötelburg*, 3, 13.

⁵⁵ *Kür*, in: *Beier & Schricker* (eds), 141, 149 *et seq.*

⁵⁶ See regarding German law *Bartenbach & Fock*, Wettbewerb in Recht und Praxis 48 (2002) 10, 1119, 1123.

by copyright law, trademark law or competition law *per se*.⁵⁷ Protection is granted to designs that are new, original (peculiar) and ornamental.⁵⁸ Design protection can be provided for both surface designs and models.⁵⁹ Designs are infringed if an ordinary observer⁶⁰ is unable to detect any differences from the protected design when paying the kind of attention usually displayed by a purchaser.

In **Japan**—another Business Communities Statement country—protection of designs is not provided by copyright law.⁶¹ A new design law entered into force in Japan on 1 January 1999 facilitating design protection also for part of products. Must-fit designs are excluded from protection. The system of registration of similar designs has been superseded by that of relevant designs, according to which several designs that are related to each other can be registered under one main design. Another regulation in Japanese law, according to which a prior registration can challenge any other new registration despite the denial of the previous right, has been repealed. Now the previous right is overridden by a definite denial of the design in question. 27

III. Competences Between the WTO, the EC and Their Members

A different issue—but one of considerable relevance—is the **distribution of competences** between the WTO, the EC and the States who are Members to both international organizations.⁶² While this issue is of course not specifically design related it is, nevertheless, one that becomes especially evident in design protection due to the Community Designs Regulation. The ECJ has found itself to be the only competent forum for the settlement of TRIPS disputes among its Member States.⁶³ It should be noted with regard to the Member States that the ECJ maintains that the internal operation of the TRIPS Agreement is determined by Community laws insofar as those exist in the individual areas of the TRIPS.⁶⁴ Accordingly, outside Community competences, it is up to the Member States to 28

⁵⁷ *Chisum*, GI-6, *design patent*.

⁵⁸ It is required that, “the design must appeal to the eye as a thing of beauty”, *Cf. Chisum*, § 1.04 [2][c], 1–311 with further references.

⁵⁹ *Chisum*, § 1.04, 1–296.

⁶⁰ The US Supreme Court in *Gorham Mfg. Co. v. White*, 81 U.S. (14 Wall.) 511, 1872 has rejected any recourse to the expert views.

⁶¹ *Cf. Yamaguchi*, U Balt. L Rev. 19 (1989–90), 417.

⁶² See *Suthersanen*, 440 *et seq.*

⁶³ See C-53/96, *Hermès International v. FHT Marketing Choice BV*, [1998] E.C.R. I-3603; *Epiney*, EuZW 10 (1999) 1, 5 *et seq.*

⁶⁴ C-300/98, *Parfums Christian Dior SA v. Tuk Consultancy BV* and C-392/98, *Assco Gerüste GmbH, Rob van Dijk v. Wilhelm Layher GmbH & Co. KG, Layher BV*, [2000] E.C.R. I-11307.

determine the mode of implementing TRIPS obligations.⁶⁵ With regard to design law, the Community Designs Regulation provides the Community with sufficient competence in the area of Part II, Section 4 of TRIPS.⁶⁶ For the time being, this is not causing any conflict with the WTO. There is also no WTO jurisprudence in respect of Arts 25 and 26.

IV. Provisions Relevant for Design Law Beyond TRIPS Part II, Section 4

- 29 Since designs may potentially be subject to **three legal regimes**: *sui generis*, patent or copyright protection, TRIPS provisions on copyright (Arts 9 *et seq.*) and patents (Arts 27 *et seq.*) will be of particular interest to the Members implementing industrial design protection in their national legal orders. Within the context of TRIPS, the provisions of Arts 25 and 26 are of course *legi speciali*, and their interpretation does not result from Sections 1 and 5.
- 30 The Paris Convention is incorporated by reference in Art. 2 TRIPS⁶⁷—a fact that *e.g.* becomes significant with regard to Art. 5 *quinquies* PC. Another provision to be taken into account is Art. 62 TRIPS, which regulates the acquisition and maintenance of intellectual property rights. This is relevant for the **adoption of procedural provisions**. Art. 62.1, sentence 2 stipulates, for instance, that procedures and formalities for the acquisition or maintenance of property rights shall be consistent with the provisions of the TRIPS Agreement. To avoid curtailing the term of protection unwarrantedly, these procedures shall not unreasonably delay the acquisition of the right in question. The determination of what is “reasonable” or the definition of the term “unwarranted curtailment” will also have to be based on the special provisions on the property right, *i.e.* a patent may require an immanent procedural term of protection that would be unreasonable for an industrial design.⁶⁸

⁶⁵ See *Kaiser*, Introduction III, paras 4 *et seq.* and *Elfring & Arend*, Article 1, para. 4.

⁶⁶ *Cf.* on trademark law the C-300/98 and C-392/98, [2000] E.C.R. I-11307, Rec. 47.

⁶⁷ For a detailed analysis, see *Brand*, Article 2.

⁶⁸ See *Anzellotti*, Article 62, paras 2–3.

Article 25* Requirements for Protection

1. Members shall provide for the protection of independently created industrial designs that are new or original. Members may provide that designs are not new or original if they do not significantly differ from known designs or combinations of known design features. Members may provide that such protection shall not extend to designs dictated essentially by technical or functional considerations.
2. Each Member shall ensure that prerequisites for securing protection for textile designs, in particular in regard to any cost, examination or publication, do not unreasonably impair the opportunity to seek and obtain such protection. Members shall be free to meet this obligation through industrial design law or through copyright law.

BIBLIOGRAPHY

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CROSS REFERENCES

See Before Article 25.

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A. Scope of Protection (Art. 25.1)

I. General

In accordance with Art. 25, Members shall provide legal protection for “independently created industrial designs.” The broad language of Art. 25 leaves the Members considerable discretion for implementation. It addresses the Members and is not sufficiently precise as to confer direct rights to individuals. Rights in respect of industrial designs may thus only be derived from national laws.¹

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ *Cf. Kür*, in: *Beier & Schricker* (eds), 141, 149 *et seq.*

II. Concept of Industrial Designs

- 2 Unlike in the Business Communities Statement,² no definition of the term “industrial design” is given in Art. 25.³ This may especially affect the functions of the design, whereas its fundamental elements, *i.e.* the **two- or three-dimensional appearances/creations** or designs respectively, may correspond *per se*.⁴ Moreover, the concept of industrial design requires a certain aesthetic quality although not setting a high artistic standard.⁵ Arts 25 and 26 do not foreclose protection of industrial designs through other models of protection, for instance, copyright or patent law, provided such protection is consistent with the respective specification of Arts 9 *et seq.* and 27 *et seq.*⁶
- 3 Further indications that could clarify the notion of an industrial design are provided in Art. 2.1 BIRPI Model Law for Developing Countries on Industrial Designs (**WIPO Design**).⁷ Accordingly, industrial designs that aim exclusively at achieving a technical result are not included in the concept of industrial designs. Instead, it is defined by the composition and arrangement of lines and colours or three-dimensional forms. Art. 25.1, sentence 3 mirrors that approach because it permits Members to deny protection to technical and functional designs.
- 4 The provision does not clarify whether the particular product or the underlying idea are the subject matter of protection. With no stipulation in the Agreement, it is up to the national legislator or the courts⁸ to resolve issues of definition, for instance, with regard to car design reproduction in the toy sector.

III. Requirements for Protection

- 5 Although the detailed specifications of the notion of “industrial design” are left to the Members, Art. 25.1, sentence 1 contains two basic requirements

² “A design is the two- or three-dimensional appearance of an article which has a utility function.”

³ *Blakeney*, 76; *Kür*, in: *Beier & Schricker* (eds), 141, 149 *et seq.*; *Stoll & Schonkopf*, Max Planck CWTL, Vol. 1, para. 635; *Suthersanen*, 437.

⁴ *Blakeney*, 76 draws attention to the fact that Members frequently require the subject of protection to possess an “ornamental or aesthetic aspect.”

⁵ See *Peter*, Before Article 25, para. 6.

⁶ Concerning the difficulties in design protection under copyright law and patent law, see also *Abbott & Cottier & Gurry* (eds), 111; *Kür*, GRUR Int. 44 (1995) 3, 185, 189 *et seq.*

⁷ Art. 2.1 BIRPI Model Law for Developing Countries on Industrial Designs reads “Any composition of lines or colours or any three-dimensional form, whether or not associated with lines or colours, is deemed to be an industrial design, provided that such composition or form gives a special appearance to a product of industry or handicraft and can serve as a pattern for a product of industry or handicraft”.

⁸ *Cf.* also *Kür*, in: *Dimwoodie & Hennessey & Perlmutter* (eds), 348, 351; and also *Peter*, Before Article 25, para. 28.

for design protection. First, the industrial design must be “**independently created**”, and secondly, it needs to be “**new or original**”.

Irrespective of how specific these requirements are conceived,⁹ they will as a minimum standard provide absolute protection against slavish imitations of protected designs. This is different to protection under the law of unfair competition. In order to be protected it is necessary for an industrial design to assume subjective novelty¹⁰ or creative authorship.

The first criterion of **independent creation** does not identify whether the designs can be taken from an existing one or whether it must show a minimum degree of creativity and individuality.¹¹ The requirement is of subjective and relative nature,¹² where as novelty implies an objective aspect. On this account, it has been suggested that copies or imitations will never be “independently created.”¹³ “Independent creation” is not consumerative with (objective) novelty. It performs the independent function to prevent the protection of designs that are created through unlawful misappropriation of another design irrespective whether the latter has been published or not.

In order to define the requirements for protection, it may be helpful to have a look at the Members’ practice with regard to the legal protection of commerce. The requirement of **novelty** is not specified and leaves considerable room for interpretation.¹⁴ Novelty is generally defined as something that was still unpublished¹⁵ and unknown at the date of the application for protection. While it cannot be inferred from the provision whether the standard of being known is an **absolute or a relative** one, the Members are free to establish certain rules in this respect. For instance, the Community Designs Regulation¹⁶ considers a design to be new if “no identical design has been made available to the public” provided that it is possible for relevant professional circles in the EC to know the design. Accordingly, the European standard applied hereto is an (objective) relative one.¹⁷ The requirement of **individual character** is laid down in Art. 3.2 of the Community Designs Directive¹⁸ as well as in Art. 4.1 Community Designs Regulation where it should mark a lower protection threshold than *e.g.* the prerequisite of peculiarity. It is unclear, however, whether this is also

⁹ This approach is suggested by *Kur*. See *Kur*, in: *Beier & Schricker* (eds), 141, 149 *et seq.*

¹⁰ *Ibid.*

¹¹ *Suthersanen*, 437.

¹² *Ibid.*

¹³ *Gervais*, para. 2.243.

¹⁴ *Stahelin*, 132.

¹⁵ *Cf. Blakeney*, 77.

¹⁶ Council Regulation (EC) No. 6/2002 of 12 December 2001 on Community Designs (Community Designs Regulation) OJ 2002 L 3/1.

¹⁷ *Cf. Bartenbach & Fock*, WRP 48 (2002) 10, 1119, 1120.

¹⁸ Directive 98/71/EC of 13 October 1998 on the Legal Protection of Designs (Community Designs Directive), OJ 1998 L 289/28.

noticeable in the legal practice.¹⁹ In contrast thereof, Art. 25 leaves the level of originality un-specified and although the term does not suggest a particularly high standard, it indicates the presence of certain characteristics that result from a creative plus to a known design or that express the subjective creativity and aesthetic of the author.²⁰ In fact pursuant to Art. 25.1, sentence 2, Members are entitled to impose the requirement that designs are to be considered new or original only if they **significantly differ from known designs** or combinations of known designs. Hence, that a design is known may be equally significant to novelty and originality. With regard to novelty, Art. 25 does not lay down temporal or material specifications or limits the geographical scope of consideration to a certain area.²¹ With no apparent limitation, novelty should be defined with respect to the territory of the Members of TRIPS. The Agreement extends to but not beyond TRIPS Members,²² and it is not aimed at providing protection to non-Members but at regulating the relations among its Members.

9 The patent approach according to **US law** produces some particular issues concerning the protection of industrial designs.²³ In the United States, protection is granted to design patents that are “not obvious.” This is permissible for purposes of patent protection because, in accordance with Art. 27, the requirement of “non-obviousness” may be equated with “inventive step.”²⁴ Unlike Art. 27, Art. 25 does not allow to set both terms on equal footing. In consequence, it is impermissible to depend design protection on the criterion of “non-obviousness.”

10 One interesting interpretative issue is whether **novelty** and **originality** are **cumulative or alternative requirements**. The language of the Art. 25.1 suggests an alternative application of either the patent approach (novelty) or the copyright approach (originality), while cumulative application seems to impede the minimum standard of protection provided by TRIPS.²⁵ However, a number of scholars argue that TRIPS does not limit the Members to the application of only one protection regime but permits them to adopt a combination of novelty and originality.²⁶ This view is supported by the negative

¹⁹ *Hubmann & Götting*, § 30, para. 15.

²⁰ Also *Bulling & Langöhrig & Hellwig* (eds), 9.

²¹ *Kür*, in: *Dimwoodie & Hennessey & Perlmutter* (eds), 348, 351; *Kür*, in: *Beier & Schricker* (eds), 141, 149 *et seq.*

²² In contrast thereof, the novelty requirement under the Community Designs Regulation is absolute, *i.e.* it is not geographically limited. See *Bulling & Langöhrig & Hellwig* (eds), 7.

²³ *Kür*, in: *Beier & Schricker* (eds), 141, 149 *et seq.* with further references.

²⁴ See on the meaning of the term inventive step *Neef & Reyes-Knoche*, Article 27.1, paras 42–47.

²⁵ *Pataky*, GRUR Int. 44 (1995) 8–9, 653.

²⁶ *Kür*, in: *Dimwoodie & Hennessey & Perlmutter* (eds), 348, 351; *Kür*, in: *Beier & Schricker* (eds), 141, 149 *et seq.*; *Stoll & Raible*, in: *Prieß & Berrisch* (eds), 587, referring to *Gervais*, para. 2.243, who explains why the history of the provision suggests alternative application of the requirements. Leaving this issue open *Suthersanen*, 437.

definition of the criteria for protection under Art. 25.1, sentence 2. Moreover, a new approach—a special **design approach**—is considered possible by a corresponding interpretation of the criteria.

At the first sight, the cumulative approach is supported by the understanding of several Members such as France,²⁷ Italy²⁸ or Germany. However, it can neither be resorted to national laws nor to the **design approach** in the Community Designs Regulation for purposes of interpreting Art. 25.1, since this would mean to draw a conclusion from what is found in the laws of the Member and, hence, to interpret TRIPS according to the individual sympathy for the legal consequences one seeks to achieve.²⁹ For example, the German Design Law was not fixed to an interpretation until 30 May 2004, because protection could be granted only to new (“neu”) and peculiar (“eigentümlich”) product designs according to § 1.2 of the previous Design Act.³⁰ However, this provision may also be cited as an especially suitable example of alternative interpretation, because the connotation of the provision is virtually not congruent with the (non-used) sentence declaring that protection was granted only to products that are new and peculiar. In fact, this provision merely implies that new designs and peculiar designs can be protected.³¹ In the § 1.2 Design Reform Act³² though, the requirements of novelty and originality have explicitly been applied in a cumulative way that is in harmony with the Community Designs Regulation but—as will be shown below—incommensurate with the specification in TRIPS.

To begin with, the **wording** of Art. 25.1, sentence 1 clearly suggests an **alternative application**. Contrary to the prevalent opinion,³³ there can be no conclusion other than that reached from the perspective of systematic context. Art. 25.1, sentence 2—unlike sentence 1—is indeed formulated in a negative way, but it is unfounded to draw a conclusion simply by such formulation. While sentence 2, due to its negative wording, does not conflict with sentence 1 which seems to be formulated in a cumulative way, it provides no counterevidence that sentence 1 can be reinterpreted as indicating a cumulative application—or in accordance with the prevalent

²⁷ Art. L. 511–2. *Code de la propriété intellectuelle*, last amended by regulation 2001–670 of 25 July 2001; see: <http://www.legifrance.gouv.fr/affichCode.do?cidTexte=LEGITEXT000006069414&dateTexte=20080129> (last accessed 15 May 2008).

²⁸ Art. 5 I *Regio decreto 25 agosto 1940*, n. 1411; see: <http://www.dirittoproarte.com/leggi-bre/RD1411.htm> (last accessed 15 May 2008).

²⁹ Pilla, 320 argues like Stoll & Raible, in: Prieß & Berrisch (eds), 587 in line with European law and the meaning of the terms in the national legal orders of the Member States.

³⁰ *Geschmacksmustergesetz*, BGBl. I 2004, 390 *et seq.*

³¹ Cf. Peter, CIP-Newsletter 02/2004, 1, 2; however different the prevailing view in Bartenbach & Gennen, 51; Hubmann & Götzling, § 30, para. 12; Stoll & Raible, in: Prieß & Berrisch (eds), 587, fn. 105; Stolz, 122.

³² BGBl. I 2007, 2897 *et seq.*; the amendment is in force since 1 January 2008.

³³ Kur, GRUR Int. 44 (1995) 3, 185, 189; Stoll & Raible, in: Prieß & Berrisch (eds), 587.

opinion—an arbitrary application. In terms of an alternative application, the option in sentence 2 makes sense only with a re-use of the conjunction “or”, because it would be absurd in a patent approach to demand originality in case of a lack of difference from known designs. In sentence 2 it is stated that—depending on the respective approach—the prerequisite for protection is not fulfilled in case of lack of difference as mentioned above. Further grammatical/linguistic conclusion cannot be drawn from such wording—it is impossible to deduce cumulative application of the prerequisites.³⁴

- 13 Alternative application of the requirements novelty and originality is finally suggested by **teleological and historical considerations**. The negotiation process reveals contentious debates on the phrasing of the Art. 25 with the issue of the alternative or cumulative application of novelty and originality being one of the hottest topics in the discussions.³⁵ While it was primarily the US that argued for cumulative application of the requirements, the European proposal mandating that “novelty and originality should not be cumulative prerequisites”³⁶ finally prevailed and established the conceptual background for the current provisions.³⁷
- 14 This result appears problematic with regard to the TRIPS consistency of the Community Designs Regulation. Pursuant to Rec. 19 of the **Community Designs Regulation**, a Community design “should not be upheld unless the design is new and unless it also possesses an individual character in comparison with other designs.” Accordingly, Art. 4.1 Community Designs Regulation requires both criteria to be satisfied.³⁸ In order to avoid a collision between the Community Designs Regulation and the TRIPS, endorsement of the prevalent opinion appears supportive. However, it has just been shown that the arguments of that view do not stand on firm ground.
- 15 While *Kur*³⁹ acknowledges that the here held view (alternative relationship) has its merits, she argues that the Community does not need to worry being challenged in Panel proceedings because the abandonment of one of the criteria would change nothing about the matter as such. So far as

³⁴ Cf. also *Pataky*, GRUR Int. 44 (1995) 8–9, 653; *Stachelin*, 131, fn. 38.

³⁵ See Synoptic Table Setting out Existing International Standards and Proposed Standards and Principles, MTN.GNG/NG11/W/32/Rev.1, 29 September 1989, 70–77, which presents a clear outline of the negotiations. See also Draft Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations (Dunkel Draft), MTN.TNC/W/FA, 20 December 1991, 68, which contains the conjunction “or”. See *Gervais*, para. 2.243; *Pataky*, GRUR Int. 44 (1995) 8–9, 653, 654 with further references; *Speyart*, EIPR 19 (1997) 10, 603, 607.

³⁶ EC Commission: Note for the 113 committee, 29 September 1989, 12.

³⁷ Basic Framework of GATT Provisions on Intellectual Property, Statement of Views of the European, Japanese and United States Business Communities, June 1988.

³⁸ See concerning cumulative application in the EC Community Designs Regulation *Bulling & Langöhrig & Hellwig* (eds), 6.

³⁹ *Kur*, GRUR 104 (2002) 8, 661, 664.

the possible interpretations of the terms are concerned, this view shall not be completely dismissed for the **practical effect** of the protection requirements.⁴⁰ This is especially true if the requirement that the design be independently created is understood as exclusion to protection in respect of copied or counterfeited designs.⁴¹

One problem yet to be mentioned is whether the compelling nature of the provision to provide protection obliges the Members to offer **both alternatives** as prerequisites for protection or whether they are free to choose one of them and disregard the other.⁴² Offering both alternatives would fully correspond to the text of the provision, but one choice is certainly acceptable, too.⁴³

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IV. Exception to Protection of Designs Dictated by Functional Considerations

Art. 25.1, sentence 3 entitles the Members to deny protection to “designs dictated essentially by technical or functional considerations.” As indicated by the optional wording (“Members may provide [...]”), the Members are not prevented from providing protection to functional designs. They may, thereupon, deny protection to them as well. Numerous Members have resorted to this alternative.⁴⁴ Technical functions shall be regulated by patent law, while the essence of the design lies in the individual **aesthetical form of expression** beyond its technical necessities. However, if the manufacturer of the original product can also obtain protection for designs that actually cannot be designed in any other way due to their functions (“**must-fit**”), that manufacturer would be entitled to hold a monopoly on the market of spare parts, too. Of course, protection of intellectual property that allows the owner exclusive commercial rights⁴⁵ is always difficult to balance out with competition law principles (not to be understood in this context as the law of unfair competition law). “[D]esigns dictated [...] by [...] functional considerations”, in accordance with Art. 25.1, sentence 3 cover industrial designs where the product requires a certain form of design out of objective necessity (must-fit cases) and such where the design is “essentially” dictated

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⁴⁰ Cf. on the capture of “new” through the term “originality” *Speyart*, EIPR 19 (1997) 10, 603, 607.

⁴¹ *Gervais*, para. 2.244.

⁴² Cf. *Putaky*, GRUR Int. 44 (1995) 8–9, 653.

⁴³ *Stahelin*, 132 supports the view that offering one alternative of protection suffices for purposes of Art. 25.

⁴⁴ See also *Peter*, Before Art. 25, paras 6, 11 *et seq.*

⁴⁵ *Fikentscher*, in: *Beier & Schricker* (eds), 226, 237 *et seq.* regards this as a misunderstanding because property and competition are mutually dependent. While the latter argument certainly has its merits, it only relates to the permissibility of a monopoly but does not argue against the monopoly character of the exclusive right.

by technical or functions.⁴⁶ Thus, must-fit designs do not commensurate with designs under the provision but are only one category instead.

- 18 The situation is similar for spare part designs dictated by aesthetic and creative considerations of the original product (“**must-match**”). However, it is disputed on whether must-match designs dictated by creative considerations should be treated like functionally dictated designs and thus, whether Members may deny protection to them.⁴⁷ In practice, this question is relevant in particular for the **market of spare parts**. A spare part is defined in this context as a component or element of a complex product that is not sold together with the overall product when the latter is first brought into circulation and that is intended and suitable as a replacement for an original equipment part due to its identical function.⁴⁸ The production of spare parts should be subject to the specification of the original part, since otherwise it would be unsuitable for use as spare part. For example, a car mudguard needs not only to match the technical recesses on the car but must also correspond to the non-technically dictated design, because otherwise it will not complement the original design and thus fail to satisfy the consumer. Accordingly, “must-match” spare parts are not automatically covered by Art. 25.1, sentence 3 and therefore subject to exclusion at the discretion of the Members because their design is not solely dictated by functional and technical considerations. In practice, however, spare parts that look different from “must-match” parts will generally not be accepted on the market. In view of these difficulties, it was suggested in course of the Community designs negotiations that “must-fit” and “must-match” cases be equalized—a choice one may, for competitive reasons, resort to in interpreting the provisions in TRIPS in accordance with the principle “no design alternative—no design protection.”⁴⁹ On the other end, it might be argued that extending the exception clause to designs dictated by creative considerations would cause the provision’s reach to get out of hand⁵⁰ because also the costs incurred lack of economic alternative would have to be included as being yet another factor that dictates the availability of alternative of “must-match” parts. It is no specific problem of “must-match” parts⁵¹ but immanent in the system of intellectual property rights that “must-match” parts will hinder competition. In fact, it would contradict the very policy objective underlying intellectual property rights if Members were to grant

⁴⁶ *Fellner*, 114, who compares must-fit designs to the British law that uses the expression “dictated solely” and TRIPS applying the phrase “dictated essentially”.

⁴⁷ *Cf. Pilla*, 48; For the Community Design, see *Eichmann*, GRUR Int. 45 (1996) 8–9, 859, 865 *et seq.*; *Holeweg*, GRUR Int. 50 (2001) 2, 141; *Kür*, GRUR Int. 42 (1993) 1, 71 *et seq.*; *Riehle*, GRUR Int. 42 (1993) 1, 49 *et seq.* For the British position, see *Fellner*, 112 *et seq.*

⁴⁸ *Pilla*, 49.

⁴⁹ *Riehle*, GRUR Int. 42 (1993) 1, 49, 60.

⁵⁰ *Kür*, GRUR Int. 42 (1993) 1, 71, 74.

⁵¹ *Eichmann*, GRUR Int. 45 (1996) 8–9, 859, 869.

protection to imitators by denying property rights to creators of original designs.⁵² Nevertheless, the US and several European Members decided to treat the market of spare part separately⁵³ and grant competitors access also through slavish imitations. Accordingly, they distinguish between the **market**⁵⁴ in the individual part and spare part respectively.

This argument is not conclusive because the allocation of the issue to anti-trust and competition law may not serve to define the scope of protection to be granted according to intellectual property law. Arts 25 and 26 make it clear that certain parts and characteristics of designs and models are to be granted intellectual property rights. In addition, it is questionable whether the market of spare, complementing or replacement parts can be regarded as a **separate market** or should rather be considered an **annex to the market of the overall product**. Finally, because the legislator can determine the equal status of competition laws and intellectual property rights only if such determination is not overridden by a higher ranking (constitutional) norm,⁵⁵ a conclusion could not be reached in favor of an exception to property right without recognizing such overriding norm. Yet Art. 25.1, sentence 3 provides exactly an overriding provision which authorizes the Members to prevent designs dictated by functional considerations from excluding competition. However, considering the nature of Art. 25.1, sentence 3 as an explicit exception that the Members may choose to provide, such an exception should not be applied to other cases (*argumentum e contrario*). Thus, the competition-specific incentive of an attractive solution works for the customer only on the market of the overall product and fails to work on the market of spare parts. 19

Furthermore, the explanations for excluding from protection “must-fit” and “must-match” products differ considerably. There is no **design alternative** to “must-fit” products because the original design does not present itself as an aesthetic arrangement of color and form but as the functionally dictated application of a part of the whole product whose essential value conceptually differs from that of the design. “Must-match” products are totally different because their distinct nature lies in aesthetic creations. Lack of alternative to such type of designs does not contradict the essence of the design and is therefore open for protection. Consequently, design protection of “must-match” products should not be denied. Against this background, it becomes apparent that a number of Members need to reform their laws on design 20

⁵² *Kroher*, GRUR Int. 42 (1993) 6, 457, 460.

⁵³ See for the Community Design Law *Suthersanen*, 16.

⁵⁴ See for this approach *Beier* in: *Westermann* (ed.), 15, 20 *et seq.*; *Kür*, GRUR Int. 45 (1996) 8–9, 876, 884.

⁵⁵ See *Kür*, GRUR Int. 45 (1996) 8–9, 876, 884.

protection.⁵⁶ However, this applies irrespective of whether “must-match” protection can be obtained via Art. 26.⁵⁷

- 21 It remains unclear whether Art. 25.1, sentence 3 is a conclusive provision or whether other exceptions beyond “must-fit” and (where applicable) “must-match” designs are permissible. In this respect, an exception necessary to protect the *ordre public* is discussed.⁵⁸ On the one hand, exclusions based on *ordre public* have specifically been envisaged to refuse patent protection. Because not explicitly provided for under Art. 25, *ordre public* should not serve as an exception to industrial design protection. On the other hand, there is wide-spread objection to this view on the ground that the Members hardly intended to tolerate offensive designs when adopting Art. 25. In fact, the vague nature of the provision itself can be regarded as an argument against a conclusive determination.⁵⁹
- 22 However, one must be careful not to get trapped in circular reasoning with this argument, since the vague nature of the provision is exactly based on the assumption that the exception in Art. 25 was unthinkingly differentiated from that in Art. 27, while the thoughtless drafting of both provisions serves, in turn, as an argument to explain the vague character of Art. 25.1. Certainly, the Members are given considerable discretion to implement their obligation under Art. 25. Nevertheless, Art. 25 would have been formulated in the way Art. 27 is done if the *ordre public* were to be covered, too. More convincing than the reference to the vague nature of the provision is the argument that the Members would hardly be willing to facilitate the protection of designs inconsistent with the *ordre public*. German Law, for instance, excludes offensive designs from protection.⁶⁰ French law excludes designs inconsistent with the *ordre public*, too⁶¹—though the Members’ conception is not determinative for the interpretation of TRIPS. It does make a difference, however, whether a technical invention that usually has a greater impact on the technological development is granted protection as intellectual property or whether the granted property right is available only for the perceptible design. Against this background, it may be argued that Members have less autonomy to provide exceptions to the protection of designs than they have in respect of patents. Moreover, the property right **does not**, *nota bene*, **justify the authorization for use** but justifies the exclusive status concerning the use. Therefore, denying the protection of offensive designs does not prevent them from being used. In fact, such offensive designs

⁵⁶ Under British law, must-match designs do not enjoy protection as designs. *Cf. Suthersanen*, 286. See also *British Leyland v. Armstrong* [1986] R.P.C. 279.

⁵⁷ See *Peter*, Article 26, para. 24.

⁵⁸ *Kür*, in: *Beier & Schricker* (eds), 141, 151 *et seq.*

⁵⁹ *Ibid.*; *Kür*, in: *Dinwoodie & Hennessy & Perlmutter* (eds), 348, 353; *Stachelin*, 134.

⁶⁰ § 7.2 read together with § 10.2, sentence 3 German Design Reform Act.

⁶¹ Art. L 511–7 *Code de la propriété intellectuelle*.

could still be used, even if the economic incentive would be smaller due to the exclusive status. This would leave prohibitions unrelated to property rights—such as *e.g.* the prohibition of the use of unconstitutional symbols in German law—unaffected, because the TRIPS regulates the protection of intellectual property rather than matters that have nothing to do with property rights. The same holds true concerning the relation between property rights and general rights in design law. In sum, it is assumed that the Members are not prevented from denying protection to designs that are inconsistent with the *ordre public*.

The **practical relevance** of this issue should, however, not be overestimated, if other systematic and economic reasons for a desired exclusion of design protection are conceivable apart from the *ordre public*.⁶² 23

The option to exclude functional designs from protection is not aimed at establishing further material requirements for protection that would impede the protection provided by the TRIPS provisions. This causes problems for the US patent approach with its requirement of **non-obviousness**. Its purpose to provide a long-term solution for existing problems⁶³ does not correspond to the aesthetic focus of the design patent which is acknowledged by the US law as well. In US laws design patent protection is not granted to purely technically dictated designs.⁶⁴ Due to such impediment to protection, conformity to the TRIPS will have to be negated—a problem, however, which has been known for quite some time.⁶⁵ 24

B. Textile Designs (Art. 25.2)

I. Purpose and Content

Art. 25.2 obliges Members to “ensure that prerequisites for securing protection for textile designs [...] do not unreasonably impair the opportunity to seek and obtain such protection”. This provision establishes a special regime for textile designs that is aimed at providing speedy protection available for those products that may lose much of their value in a rather short time (end of season)⁶⁶ and for which not only developing countries⁶⁷ had failed to provide sufficiently uncomplicated and quickly available protection.⁶⁸ Textile designs particularly depend on strong protection because the industry is very 25

⁶² Cf. *Kür*, in: *Dinwoodie & Hennessey & Perlmutter* (eds), 348, 353.

⁶³ *Chisum*, § 5.05[1], 5–568.

⁶⁴ *Ibid.*, § 1.04[2][d], 1–322.

⁶⁵ *Kür*, in: *Beier & Schricker* (eds), 141, 142 *et seq.*

⁶⁶ *Ibid.*; *Stahelin*, 135.

⁶⁷ *Blakeney*, 79, who limits his observation to this point.

⁶⁸ Cf. also *Stahelin*, 135.

vulnerable to systematic design (and collection) copies. While the provision contains no definition of textile design, for which reason it remains unclear whether the provision also covers or rather excludes **clothing designs**,⁶⁹ the *ratio* of the provision suggests that clothing designs be covered, because speedily obtainable protection has proven to be particularly relevant to the clothing industry. However, since this applies to the entire clothing industry, the *ratio* also suggests the inclusion of **three-dimensional textile designs**.⁷⁰ If *e.g.* the US Copyright Law only offers protection for surface designs, this reveals an accumulated need for the achievement of conformity to TRIPS.⁷¹

- 26 Possible sources of impairment that are explicitly **listed** are **cost, examination and publication**. It is rather questionable whether this suggests an obligation for the Members to regulate textile design protection separately,⁷² because the provision only stipulates that there must be no unreasonable impairment to “the opportunity to seek and obtain [...] protection”. It should therefore also suffice if this is guaranteed by the general provisions on design protection, provided the standard of Art. 25.2 is applied. Thus, the Members are free to choose between national **copyright law** and a special protection though **industrial design law** (Art. 25.2, sentence 2). The provision makes clear that a patent approach is not permitted in respect of textile designs.
- 27 It is discussed whether the limitation to copyright and design law also collides with the legal systems that offer protection via a **competition** approach.⁷³ A provision under competition law tailored to the special needs of design protection could arguably meet the specification, because Art. 25 does not stipulate that design protection be systematically placed in a specific design act (as an alternative to copyright protection). Yet it seems problematic that competition law presupposes factors relevant to competition, which might result in essential impairment of the protection in comparison with copyright law or genuine design law and would thus conflict with Art. 1.⁷⁴ The counter-argument is that Art. 26.1 provides protection only against actions

⁶⁹ *Gervais*, para. 2.245 and *Suthersanen*, 438, leave open this question and refer to the respective WTO Agreement on Textiles.

⁷⁰ For instance, embroidery with relief effect, but also shoe design.

⁷¹ Concerns are voiced out by *Pataky*, GRUR Int. 44 (1995) 8–9, 653, 654.

⁷² But *Kür*, in: *Beier & Schricker* (eds), 141, 154 *et seq.*

⁷³ For Japan and the US, see *Kür*, in: *Beier & Schricker* (eds), 141, 142 *et seq.* The facilitation to protection applies only to surface designs under the waiver to “separability” and raises the question, whether shoe design (and other three-dimensional design of clothing) is also covered by textile design; *Cf.* also *Kür*, in: *Dimwoodie & Hennessey & Perlmutter* (eds), 348, 353 *et seq.* Because the average procedure for the acquisition of rights in respect of industrial designs amounts to more than two years, Japan has initiated attempts to reform its system.

⁷⁴ *Pataky*, GRUR Int. 44 (1995) 8–9, 653, 655.

committed for commercial purposes.⁷⁵ While this does not imperatively form a competition-relevant fact, it is, however, deemed as a general rule, and especially the relations between competitors necessitate design protection. On the other hand, concerns raised in respect of the competition approach are intensified by the wording of the provision. In fact, Part II, Section 4 TRIPS foregoes a competition approach such as an incorporation of Art. 10*bis* PC.⁷⁶ Therefore, incorporating textile design protection into competition law should be excluded.

II. Unreasonable Impairment

With its broad and general wording, the provision provides no information about when an unreasonable impairment has occurred. The listed examples of costs, examination and publication offer no indication for the **criterion** themselves but only name the fields in which impairment may occur. Clearly unreasonable are provisions on the given examples that would make the application for a property right unprofitable⁷⁷ or that would regularly admit no earlier examination result than before the end of a season (possibly 6 months). The need for design protection does of course exist already at the start of a season.

28

While the vague phrasing does **not allow for** the formulation of **concrete specifications**, the provision does, however, imply that it is possible to conduct multiple applications if there was no other way to obtain timely protection. Moreover, the protection period laid down in the provision can be implemented through the introduction of an initially deferred publication. Without such variants, the protection may indeed become unreasonably impaired. In addition, unreasonable impairment can also be avoided by the protection of non-registered design as is *e.g.* envisaged by the Community Designs Regulation.

29

⁷⁵ See on the meaning of commercial purposes *Peter*, Article 26, paras 11–12.

⁷⁶ Cf. *Peter*, Article 17, para. 2; *Peter & Arend*, Article 22.2, paras 14 *et seq.* and *Peter & Michaelis*, Article 39, paras 1 *et seq.*

⁷⁷ Of course, it needs to be considered whether this results from the costs or from marketing failures.

Article 26* Protection

1. The owner of a protected industrial design shall have the right to prevent third parties not having the owner's consent from making, selling or importing articles bearing or embodying a design which is a copy, or substantially a copy, of the protected design, when such acts are undertaken for commercial purposes.
2. Members may provide limited exceptions to the protection of industrial designs, provided that such exceptions do not unreasonably conflict with the normal exploitation of protected industrial designs and do not unreasonably prejudice the legitimate interests of the owner of the protected design, taking account of the legitimate interests of third parties.
3. The duration of protection available shall amount to at least 10 years.

BIBLIOGRAPHY

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A. Right to Prevent (Art. 26.1)

I. Nature of the Provision and Applicability

- I While the subject matter and requirements for protection are laid down in Art. 25, the content and the scope of the protection of industrial designs are stipulated in Art. 26. Art. 26.1 grants owners a **right to prevent** third parties from certain enumerated acts. According to this provision, only those acts undertaken for commercial purposes can be precluded by the owner. Thus, designs copied exclusively for private purposes shall not be taken into account.¹ On the one hand, Members are not hindered from establishing systems that prevent a wide range of copies, since the agreed standard cannot be lowered pursuant to Art. 26.1 but only be enhanced.

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ Cf. also *Kür*, in: *Dinwoodie & Hennessey & Perlmutter* (eds), 348, 355; *Kür*, in: *Beier & Schricker* (eds), 141, 155 *et seq.*; *Stoll & Raible*, in: *Prieß & Berrisch* (eds), 588.

On the other hand, Art. 26.1 does not require Members to prevent privately motivated acts.

The relevant literature contains no detailed discussion on whether the formulation of Art. 26.1 is sufficiently precise to substantiate a **direct claim** by the owner of a protected industrial design. A **direct claim in the sense of subjective right** by the owner of a protected industrial design² can be supported by the clear wording in Art. 26.1. Moreover, Art. 26.2, which addresses the Members and explicitly entitles them to limit design rights,³ does not rule out such a claim. As Art. 26.1 provides no remedies in cases of infringement, it is often necessary to resort to the procedural laws of the Members to implement the right. However, it can be inferred from the wording in Art. 45 (“The judicial authorities shall have the authority...”) and Art. 47 (“Members may provide that the judicial authorities shall have the authority...”)⁴ that the Members need not regulate each and every detail of protection but may entitle their judicial authorities to make specifications. In this respect, Art. 26.1 may still be considered sufficiently precise to confer subjective rights to individuals. This holds true irrespective of the fact that individuals are not admitted in WTO dispute settlement proceedings. Although the issue has not yet been clarified in relevant literature and case law, Rec. 4 of the Preamble of the TRIPS Agreement addresses private rights. Therefore, Art. 26.1 may well be regarded as a direct legal source of claims in the sense of a subjective right, provided the Member’s national legal order accepts direct invocation as a matter of policy.⁵

Presumably, Art. 26.1, as a minimum standard, does not rule out the grant of additional exclusive rights. Moreover, in contrast to the opinion voiced in the Business Communities Statement,⁶ Art. 26.1 requires the third party to know of the original industrial design.⁷ Furthermore, Art. 45.1 encompasses a requirement that the user is unaware due to gross negligence. However, in respect of future acts, awareness or malicious intention already result from action against an infringing party or warnings. Nevertheless, it is impossible to claim compensation for previous unaware infringement of rights relating to industrial designs.

² The concept of direct applicability itself does not necessarily contain an element of subjective right.

³ See *Peter*, Article 26, paras 13–24.

⁴ See *Vander*, Article 45, paras 2–7 and Article 47.

⁵ Cf. *Stachelin*, 225, 236.

⁶ See *Peter*, Before Article 25, para. 4.

⁷ *Kür*, in: *Beier & Schricker* (eds), 141, 156; *Stachelin*, 136 *et seq.*

II. Rights Conferred

- 4 Art. 26.1 enables the owner of an industrial design to prevent third parties from committing without prior consent those acts listed in Art. 26.1. The acts to be prevented include the making, selling or importing of articles bearing the protected design. The language of the provision, to a great extent, corresponds to Art. 28.1. Accordingly, the meaning of the terms in patent law may be useful for purposes of interpreting Art. 26.1.
- 5 “**Making**” comprises the original production of the article as well as the individual manufacturing processes.⁸ On the one hand, such making of the article is not restricted to the production process by one single manufacturer; on the other hand, it should also cover the use of the protected design, *inter alia* when applied in the alleged infringer’s design. Consequently, the term “making” is to be broadly interpreted as covering each step of the article’s production. However, the definition should not be extended to acts committed after the manufacturing process is finished, for instance, the export of a manufactured design shall not be included as the complement to the prohibition of import.⁹
- 6 **Selling** is used to cover sale transactions. Accordingly, this does not encompass renting. Among the detailed definitions of rights provided by *e.g.* the copyright laws in many Members, prohibition of renting is frequently considered to be explicitly regulated which rules out any extension by analogy. The wording of the provision suggests that other commercial distribution acts are not prohibited, as is *e.g.* the case in Art. 6 of the IPIC Treaty, to which Art. 36 TRIPS refers.¹⁰
- 7 An article is **imported** if it is brought into the territory of Members where national legislation with its regulation for protection of industrial design prevails. Since Art. 26 is binding on all Members, this shall apply to the territory of all Members. From an economic perspective, the term “import” shall cover—pursuant to the protective aim of the provision—any personal importation and all self responsible facilitation of import, even if the actual import has been conducted by others. Although the provision contains no reference to import assistance or arrangement, the import shall be economically attributed to the person or company prompting it and not to the employee. It is, thereupon, the same with an entrepreneur employing a representative or subcontractor. In this case, both execution by a

⁸ Pursuant to § 4.1 and § 4.2 German Product Liability Act (*ProdukthaftungG*, BGBl. I 1989, 2198 as amended by BGBl. I 2002, 2674; the amendment is in force since 01 August 2002), the concept of “producers” covers anybody who produces the finished product, spare parts or raw material, which, however, indicates a circular definition of “production”. Compare also *Reyes-Knoche*, Article 28, para. 4.

⁹ See para. 7 below.

¹⁰ See *Klopmeier*, Article 36, paras 2–4.

subcontractor acting on own authority and facilitation by an entrepreneur placing an order for importation seem to comprise import in the sense of the provision. However, the situation is different if the person placing the order or the purchaser does not plan or organize the import on the own responsibility. Only the party with the economically power to dispose of the products in question carries out the import. The party placing an order shall be regarded as the instigator of the import whose acts would be equivalent to the infringement itself only if the national legislation so provides. So far as this is concerned, difficulties in differentiation are inevitable.

Export is not mentioned in Art. 26.1.¹¹ In view of the import prohibition, regulations on export are unnecessary if both countries are Members to TRIPS. However, Art. 26.1 does not ban export into a country that is not a WTO Member. It remains unclear whether **transit** of an article bearing a protected design through TRIPS Member countries is also banned in the sense of import. The ECJ decided with regard to national industrial designs on EC territory that a transit through another Member implies no use of industrial designs in any form.¹² In any case, the temporary transfer of an article to a TRIPS Member *e.g.* for the purpose of repairing that article has been considered an exception to the import prohibition in the sense of Art. 26.2.¹³

For purposes of infringement, an article must bear or embody “a design which is a copy, or substantially a copy, of the protected design”. The **bearing or embodying** of a design should largely cover varieties of uses, irrespective of whether the protected design forms a part of the whole article or represents the article itself in its complete form. The description of the different kinds of uses mirrors the wide scope of protection concerning the correspondence to the original design.

The prohibition to copy or to substantially copy a protected design shall provide the industrial design with the protection as comprehensive and profound as possible. Consequently, the provision covers not only copies, *i.e.* exact, so-called “**slavish**” **copies**, but also designs that are “**substantially**” copies and merely render feigned deviations from the original ones. However, the incorporation of insignificant features that might remind of the original design shall not be taken into account. The criterion is that either the overall picture of the design is (substantially) reproduced or the essence of the design is copied. Thus, reproductions that embody insignificant adaptations only to avoid slavish copies are also prohibited, while new

¹¹ *Gervais*, para. 2.249, who holds that export from the country of origin is likely to constitute a violation of prohibition of making—an opinion that is not adopted by this author.

¹² C-23/99, *Commission v. France*, [2000] E.C.R. I-7653, Rec. 39.

¹³ See para. 15 below.

independent designs inspired by a protected design are not.¹⁴ As is always the case with general clauses, this may cause difficulties in differentiation and borderline cases.

III. Commercial Purposes

- 11 Prohibited acts are only those “undertaken for commercial purposes.” In principle, TRIPS entitles Members to offer more extensive protection provided that such protection does not conflict with the principles and purposes of the TRIPS Agreement. In this respect Arts 7 and 8 act as an absolute barrier of protection. The language in Art. 26.1 is therefore limited to the indication that Members need not prohibit third parties to use or copy designs **for private purposes**. This also complies with Art. 9.2 BC, according to which private copies are generally permitted.¹⁵ National legislation should also follow this policy in the regulation of industrial designs by a copyright approach.
- 12 Commercial purposes do **not necessarily** mean **only those related to competition**. Art. 26 itself requires no nexus to competition. Therefore, acts beyond the competition with the owner of the protected design within certain industries are also covered. However, this is only relevant if Art. 26.1 protects not only the material form of the industrial design but also the design idea underlying it.¹⁶ Otherwise a competition aspect would regularly be present whenever the market is regionally or geographically the same.

B. Exceptions (Art. 26.2)

I. Concept

- 13 Pursuant to Art. 26.2, no mandatory exceptions to design protection are required, but Members are **entitled** to provide for limited exceptions in national legislation under the listed conditions. Thus, the Members are free to lay down those exceptions in their national laws. Meanwhile, all exceptions shall apparently fulfil the prerequisites in Art. 26.2. Accordingly, exceptions to the rights conferred by Art. 26.1 shall “not unreasonably conflict with the normal exploitation of protected industrial designs and shall not unreasonably prejudice the legitimate interests of the right holder, taking into consideration the interests of third parties.”

¹⁴ Therefore it is widely supported that industrial designs, that are independently created, will not constitute infringements even if they are identical to protected design.

¹⁵ *Kur*, in: *Dinwoodie & Hennessey & Perlmutter* (eds), 348, 355; *Kur*, in: *Beier & Schricker* (eds), 141, 156 *et seq.*; *Stachelin*, 137.

¹⁶ See also *Peter*, Article 25, para. 4.

II. “Limited” Exceptions

Limited exceptions to the protection of designs are permitted. From the term “limited exceptions” it has been inferred that the Members’ authority to provide for exceptions must be **interpreted restrictively** and “must **not undercut the body of rules from which it is made.**”¹⁷ However, the term “exceptions” as such already implies the compliance with the existence of limitations.¹⁸ 14

Because Art. 26.1 addresses acts undertaken for commercial purposes and does not explicitly relate to private use, the exceptions to protection in accordance with Art. 26.2 must be equally understood to comprise activities that might have commercial effects, provided they do not entirely supersede the requirements laid down in Art. 25, as this would otherwise be detrimental to the whole system. The exception covers, *inter alia*, reproduction of the design for **scientific research, experimentation and teaching purposes**. It also applies if the design is fixed to a vehicle which remains only temporarily in the territory of the country in which protection is sought. Moreover, Members may provide for importation of parts for **repair purposes** and repair itself pursuant to Art. 26.2.¹⁹ These exceptions are widely accepted, and with regard to teaching purposes, the representation or rendering of the design will mostly not require a making, importing or selling of copies or substantial copies in the meaning of Art. 26.1. If, however, the making of a copy is required for teaching purposes, Members may well rely on Art. 26.2 to permit reproduction. Finally, **use in good faith**, use by public authorities or use **for public interest** based on licence can be considered an exception pursuant to Art. 26.2.²⁰ 15

Since Art. 26 does not explicitly prohibit—unlike Art. 21 (trademarks)—the use of **compulsory licences**, a Member may also facilitate compulsory licences of industrial designs through the “gateway” of Art. 26. 2.²¹ However, it hardly conceivable when a compulsory licence of an industrial design will be relevant. 16

¹⁷ Compare *Canada—Pharmaceutical Patents*, WT/DS114/R, para. 7.30. In this case, the Panel held that the term “limited exception” must connote a “narrow exception—one which makes only a small diminution of the rights in question.”

¹⁸ See also *Peter*, Article 17, para. 10.

¹⁹ *Kür*, in: *Beier & Schricker* (eds), 141, 156 *et seq.*; Cf. also *Kür*, in: *Dinwoodie & Hennessey & Perlmutter* (eds), 348, 355.

²⁰ *Blakeney*, 80.

²¹ *Kür*, GRUR Int. 44 (1995) 3, 185, 192; *Stachelin*, 138; *Stoll & Raible*, in: *Prieß & Berrisch* (eds), 588.

III. Unreasonable Conflict with the Normal Exploitation

- 17 Members may provide exceptions to the rights conferred by Art. 26.1 if those exceptions “do not unreasonably conflict with the normal exploitation” of the protected commercial design. It cannot be inferred from Art. 26.2 what “normal exploitation” exactly means or what kind of exploitation would not be normal. In this respect, the Panel decision in *US—Section 110 (5) Copyright Act* is instructive.²² Normal exploitation will probably encompass the economically self-evident forms of exploitation and the most common commercial uses of design.²³ The provision does not make clear whether **normal exploitation** refers to a certain scale of exploitation. In view of the character of Art. 26.1 as an exception, the notion of “**normal exploitation**” should be interpreted broadly. Accordingly, the terms “normal” and “unreasonably” both refer to the scope of the exceptions. The term “unreasonably” in a negative sense relates to the legal consequence, whereas the term “normal” in a positive sense concerns the factual requirements with regard to the material scope of Art. 26. They comprise the two ends of the same review. Ultimately, it is a matter of opinion whether an exception could be regarded as reasonable or whether the unprotected aspect of exploitation should no longer be categorized as normal exploitation.
- 18 Also the notion of “**unreasonable conflict**” does not provide for a clear cut determination of the scope of application of Art. 26.2 so that, so far, only the *US—Section 110 (5) Copyright Act* Panel provides indications in this respect.²⁴ However as a minimum, Art. 26.2 must leave the core of protection under Art. 26.1 unaffected and reduce exceptions to the absolute necessary. Otherwise, the justification for the exception which makes the latter reasonable will cease to exist.

²² The Panel in *US—Section 110 (5) Copyright Act*, WT/DS160/R, paras 6.165 *et seq.* held that normal exploitation in relation to the copyright provision of Art. 13 involves “less than full use of an exclusive right” by the copyright holder and “should be judged for each exclusive right individually”. It concluded that a conflict with normal exploitation would arise when the privileged user enters into “economic competition” with the concerned right holder. The “economic competition” should be capable of preventing the right holder from “normally extract[ing] economic value” from his copyright, thereby depriving him of “significant or tangible commercial gains”. See also *Füller*, Article 13, para. 14.

²³ Licences at market price are conceivable in this respect, if an exclusive licence or the economic interest in such are not made impossible.

²⁴ *US—Section 110 (5) Copyright Act*, WT/DS160/R, paras 6.229 *et seq.* The Panel noted that the right holders’ legitimate interests are unreasonably prejudiced “if an exception or limitation causes or has the potential to cause an unreasonable loss of income” to the right holder. See also *Füller*, Article 13, paras 15–16.

IV. Balance of Interests

First, the exception shall not “unreasonably prejudice the legitimate interests 19
of the owner of the protected design.” Such interests include the interest
in normal exploitation. In this respect, the requirement corresponds to the
condition that an unreasonable conflict with the normal exploitation of the
industrial design may not exist. Second, the legitimate interests of a third
party are to be taken into account when formulating an exception. Together,
these create a **triangle of interests** between the purpose of the excep-
tion, the legitimate interests of the owner of the protected design and the
legitimate interests of third parties, whereat the purpose of the exception
may be rooted in the assurance of the third parties’ interests.

It is notable that Art. 26.2 does not place the legitimate interests of the 20
owner and those of third parties on equal footing; instead, they are put in a
certain order. The exceptions shall not unreasonably prejudice the legitimate
interests of the owner of the protected design while third party interests are
taken into account. Whether this implies a ranking of the **importance of
the interests** cannot directly be inferred from the provision. The succes-
sive order itself would not justify any difference of the relevant interests.
Prohibition of unreasonable prejudice of the owner’s interest and the taking
into account of third party interests necessitate a **balancing act**. Only, the
“reasonable” test with regard to the interests of the owner contains—due
to reference to the rights of the owner—more concrete indicators for the
conduct of a balancing evaluation than the third party interests that are left
without further reference. In practice however, the registered design right will
frequently assume a stronger position than third party interests not based on
any subjective rights, even if those interests are legitimate.²⁵ As a result, the
balancing act considers both, the relevance of interests for the individual
party and the relevance of legally protected rights that principally prevail
over interests that are not protected with formal rights or titles.

The provision does not specify what **third party interests** are to be 21
taken into account. While there might be economic reason for certain
third party interests, such reason does not make the use reasonable as such.
Still, the interests may be considered either illegitimate or inferior to the
rights protected by law, so that it is bound to step back in course of the
balancing act.²⁶ If the industrial design conflicts with a copyright or other
intellectual property right of a third party, that party may invoke its rights
according to the law of the country in which protection is sought. The

²⁵ This is because it would be unreasonable to refer to such preemption in this part of
the provision, since the exception to protection prejudices only the owner of the design and
not a third party whose interests are affected by the protection of the design.

²⁶ The consideration of this general interests in competition results from the limited
term of protection.

enforcement of a formally protected third party right is undoubtedly covered by Art. 26.2. Legitimate third party interests that are not protected by a formal right—whether vital or not—are hardly conceivable. If however accepted, those interests would most probably require a compulsory licence. In addition, **legitimate** interests are not limited to **commercial** interests but may also ideal interests.

- 22 Still, the definition of ideal interests as a kind of “legitimate interest” also suggests the protection of the third party’s sense of morals and tact as well as justice, which should be justified at least when it is equivalent to *ordre public*.
- 23 Third parties in the sense of the provision do not have to be individuals. Moreover, interests of third parties are to be taken into account, they need not provide the bases for the exception. This raises the question whether *ordre public* exceptions to the protection of industrial designs can be supported by Art. 26.2. In principle, the vague language in Art. 26 reflects the Members broad margin of discretion with respect to the regulation of industrial designs. However, systematic reasons argue against an *ordre public* exceptions in Art. 26.2. Art. 25 determines what the circumstances for the protection of design are. Art. 26 is not meant to revoke this protection. Exceptions provided for in accordance with Art. 26.2, permit users to undertake certain acts with regard to the industrial design, but do **not suspend** the use of the design by the owner of the protected design, as can be concluded from the systematic position of the exception clause. Consequently, *ordre public* should not qualify for an exception in the sense of Art. 26.2. Otherwise, third parties would be allowed to produce or import industrial designs that violate *ordre public*. In consequence, the very opposite result would be achieved as the dissemination of the violating design could no longer be prevented by design law.
- 24 Furthermore, protection of industrial designs could also be denied in “**must-match**” cases in order to protect interests of third parties (competitors on the spare parts market).²⁷ However, the classic interest of competitors as a legitimate interest in such denial of protection can regularly not limit the protection pursuant to Art. 26.1, because this would unreasonably contradict the “normal exploitation.” Rather, Art. 26.2 only provide exceptions to industrial designs that in principle are protected by law, so that it is not appropriate to regard fundamental objections to the industrial design as justification of limited exception. If a “must-match” design is in principle not excluded from the scope of protection, an exception pursuant to Art. 26.2 would unreasonably conflict with its normal exploitation and

²⁷ *Suthersanen*, 439 regards this—under further requirements of Art. 26. 2—as a starting point.

would not meet the other criteria of Art. 26.2. This does not mean that an exception to protection cannot be applied to “must-match” designs in special cases. Rather, it is the very task of Art. 26.2 to provide for such option. On the other end, Art. 26.2 does not justify an *a priori* exception to protection of design in the case of “must-match” designs simply due to their “must-match” character.

C. Term of Protection (Art. 26.3)

I. Minimum Term

In accordance with Art. 26.3, the **minimum term** of protection for industrial designs is ten years. Despite the simple language of the provision, it is by no means self-explanatory.²⁸ 25

The provision does not specify the date of commencement of the ten year period. Art. 11.1 lit. a Hague Agreement Concerning the International Deposit of Industrial Designs, suggests that the **ten-year period** starts on the date of the deposit of the design. 26

Moreover, the provision contains no explicit regulation regarding the question whether the term of protection can be **divided** into extendable phases, *i.e.* whether an initial term of protection such as five years would suffice if the entire term can be extended to at least ten years. Since Art. 26.3 provides no specifications for the procedure but only determines the minimum result, a shorter initial period is not prohibited by TRIPS, as long as a term of protection can be extended to at least ten years upon request. A conflict with Art. 25.2 regarding further costs for extensions should be avoided. In practice, however, such case is unlikely to arise considering that textile designs do usually not require a long term of protection. 27

II. Regulations by Members

While some Members certainly **need to adjust**²⁹ to the minimum term of protection, others require no amendment at all. The Community Designs Regulation³⁰ exceeds the specified minimum term with a term of protection that may potentially last for 25 years. 28

²⁸ Different *Gervais*, para. 2.250.

²⁹ *Cf. Staehelin*, 138 with further references.

³⁰ Council Regulation (EC) No. 6/2002 of 12 December 2001 on Community Designs (Community Designs Regulation), OJ 2002 L 3/1.

- 29 Art. 11 of the Community Designs Regulation that gives un-registered designs protection up to three years could be seen as conflicting with Art. 26.3. However, the Regulation offers the alternative to register a design and enjoy protection for potentially 25 years. For purposes of consistency with Art. 26.3, it suffices that the Members provide at least one option the receive protection for ten years in respect of the industrial design.³¹ In fact, the protection of un-registered designs is considered a European extension to international design protection.
- 30 Provisions on the **limitation of actions or claims** for restitution, such as *e.g.* the three-year term in French law,³² do not relate to the term of protection because they do not affect the subsistence of the design right but its enforceability.

III. Relationship with the Berne Convention

- 31 The minimum term of protection of 25 years for works of applied art pursuant to Art. 7.4 BC raises the question whether a term of protection of ten years for industrial designs is sufficient. Art. 26.3 is a minimum provision that does not exclude a longer term of protection. Nor does it exclude provisions envisaging a longer term of protection in other international agreements. In fact, it is laid down in Art. 9.1 that Members shall also comply with the provisions of Arts 1–21 BC without deriving any rights or obligations from Art. 6*bis* BC.³³ Consequently, Art. 7.4 BC is to be observed. If a Member chooses to **protect industrial designs by way of copyright** in order to meet the requirements of Arts 25 and 26, it needs to take into account the longer term under the Berne Convention and also to grant it to the industrial design in question.³⁴

³¹ See also *Suthersanen*, 440.

³² Art. L 511–10 *Code de la propriété intellectuelle* as amended by regulation 2001–670 of 25 July 2001; See in this regard also Art. 25.

³³ See also *Brand*, Article 9, para. 8.

³⁴ *Suthersanen*, 440.

SECTION 5: PATENTS

Article 27 Patentable Subject Matter

- I. Subject to the provisions of paragraphs 2 and 3, patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application.^[5] Subject to paragraph 4 of Article 65, paragraph 8 of Article 70 and paragraph 3 of this Article, patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced.

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CASE LAW

Panel Report, *Canada—Pharmaceutical Patents*, WT/DS114/R.

CROSS REFERENCES

Art. 52.1–3 EPC; Arts 1.2, *Aqualer* PC.

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^[5] For the purposes of this Article, the terms “inventive step” and “capable of industrial application” may be deemed by a Member to be synonymous with the terms “non-obvious” and “useful” respectively.

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A. Introduction

1 Art. 27 is the central provision of TRIPS for the **evaluation of patentability**.¹ Before the entry into force of the TRIPS Agreement, the Paris Convention was the main international instrument dealing with patents.² Under the Paris Convention, States were free to exclude areas from patentability, as well as to provide special rules for certain types of inventions. Furthermore, States enjoyed the freedom to define the requirements for patentability in their domestic laws. This situation was changed by the TRIPS Agreement, as Art. 27.1 includes a general obligation of patentability. For the first time and after very controversial³ negotiations, Art. 27 establishes general and uniform patentability criteria: those of novelty, inventive step and industrial applicability.⁴ Within the TRIPS, Art. 27 is one of the provisions with the highest commercial implications. Moreover, the provision ensures that nearly all inventions enjoy treatment similar to that for goods traded internationally.⁵

2 Art. 27 sets up a rule-exception partnership regarding the requirements of patent protection: para. 1, which determines under what circumstances **patent protection** shall in principle be granted to a product or process, and

¹ To *de Carvalho*, 141, Art. 27.1 is to be considered the core provision, and “the reason of being of the whole TRIPS Agreement.” According to *Correa*, 271, the issue of patentability and the exclusion thereto was one of the main areas of controversy in the TRIPS negotiations.

² *Cf.* with more detailed information and other references, *Straus*, in: *Beier & Schricker* (eds), 160, 172 *et seq.*; *de Carvalho*, 141.

³ See for detailed information about the discussed drafts *UNCTAD/ICTSD*, 354 *et seq.*

⁴ See for more details paras 5–8 below.

⁵ *Straus*, in: *Beier & Schricker* (eds), 160, 172 *et seq.*

paras 2 and 3 which provide **exclusions** from this principle for the preservation of *ordre public* or morality (para. 2) and for diagnostic, therapeutic and surgical methods concerning humans or animals respectively (para. 3).

In accordance with the **concept and purpose** of the TRIPS Agreement to provide a **minimum standard of patentable objects**, Art. 27 obliges Members to grant patent protection at least for those subjects which meet the requirements of para. 1 and are not lawfully excluded pursuant to paras 2 and 3. Members may nevertheless grant protection under less stringent requirements, and thereby broaden the scope of patentable subject-matter unless such protection is inconsistent with the purpose of the Agreement.⁶ This understanding follows directly from the wording of Art. 1.1, sentence 2. Regarding some aspects TRIPS establishes coercive minimum conditions. Art. 29.1, for instance, requires the reproducibility of the invention, which may indeed be considered on the same footing as the patentability requirements stipulated in Art. 27.1 for the grant of a valid patent.⁷

B. Patentability Requirements (Art. 27.1)

I. Introduction

Art. 27.1, sentence 1 is predominantly directed to those countries that—until the entry into force of the TRIPS Agreement—had no or, in certain fields of technology, a very restrictive standard of **patent protection**. This is the case primarily in developing countries. In contrast, the non-discrimination provision of Art. 27.1, sentence 2 is predominantly directed to the United States.

On the one hand, Art. 27.1, sentence 1 establishes a very **high standard of protection**, making it clear that inventions in *all* fields of technology are to be granted patent protection, *i.e.* for products and processes. Thus, the provision precludes the earlier practice of several States⁸ not to grant patent protection even if the technical invention meets the international common conditions⁹ as to novelty, inventiveness and susceptibility of industrial application, particularly in the fields of health, food¹⁰ and agriculture, unless the exclusions of paras 2 and 3 apply.¹¹ Art. 27.1 explicitly obliges Members

⁶ That means also that Members have considerably leeway in applying the patentability criteria as stipulated in Art. 27.1. Members may implement those criteria according to what is most appropriate to their level of development, as long as they do not run counter to the basic definitions, the common understanding of those criteria.

⁷ See *Correa*, 300.

⁸ See hereunto, *ibid.*, 270.

⁹ For example: § 1 German Patent Act; Art. 52 EPC.

¹⁰ See *UNCTAD/ICTSD*, 353.

¹¹ *Cf. Straus*, in: *Beier & Schricker* (eds), 160, 170 *et seq.*

to provide patents for both products and processes. Thus, the exclusions from patentability of pharmaceutical products—once common in several patent laws such as that of India—are not permissible under TRIPS.¹² During the negotiations of the TRIPS Agreement, the question of patentability of matter as such was a bone of contention between the industrialized and developing countries and countries in transition respectively.¹³

- 6 On the other hand, the TRIPS Agreement does not provide for a definition of the terms “invention”,¹⁴ “technical”, “novelty”, “inventive step” and “industrial application.” The provision specifies only the requirements that an invention should meet in order to be patentable, leaving Members considerable freedom to determine what should be deemed an invention. Depending on the agreed or the differing national interpretation of those concepts and the different specific level of development Members have, this may raise enormous difficulties in achieving any degree of uniform application. It must therefore be the **major task** of the Members to arrive at a largely **harmonized interpretation** within a reasonable time, whereby national courts in particular are expected not just to apply a national perspective, but also to take into consideration the understanding of other Members in the course of a comparative interpretation. Certainly, in a number of areas, such as the determination of novelty (absolute/relative novelty), a common understanding within the patent system appears to be almost impossible to achieve. How difficult harmonization is can easily be illustrated by the differing regulations concerning the extent of the protection conferred by the different national parts of a European patent. This is the case, although Art. 69 of the European Patent Convention (EPC)¹⁵ and its Protocol of Interpretation give a mandate for the uniform and consistent definition of the scope of application.¹⁶
- 7 In accordance with Art. 27.1, sentence 2, Members are **obliged to avoid discrimination** with regard to the place of invention, the field of technology and the place of production. This non-discrimination clause is unique in the whole Agreement.¹⁷

¹² Cf. *Verma*, IIC 27 (1996) 3, 331, 347.

¹³ Cf. *Stahelin*, 144.

¹⁴ *Correa*, 270. Some patent laws include a definition of “invention”. The Mexican patent law considers as an invention all human creation that permits the transformation of matter or energy that exists in nature, for the benefit of man and to satisfy his concrete needs (Art. 15). The Argentine patent law has adopted a similar concept in its Art. 4 lit. a.

¹⁵ Art. 69 EPC addresses the issue of the extent of the protection conferred by a European Patent or a European patent application.

¹⁶ See *Bundesgerichtshof, Schneidmesser I*, BGHZ 150, 149–161; *Bundesgerichtshof, Kunststoffrohrteil*, BGHZ 150, 161–164.

¹⁷ The non-discrimination clause was introduced into the Agreement before the submission of the Dunkel Draft in December 1991. It is a compromise solution aiming at essentially addressing the conflicting views regarding the possible grant of compulsory licences in cases of lack of or insufficient working of patented inventions. See *Correa*, 281.

II. Technical Invention as the Subject of Patent Protection

1. Introduction

Art. 27.1 provides patent protection for *technical* inventions. The term “invention” according to the TRIPS Agreement has a broader meaning than in the German Patent Act¹⁸ for example. Unlike the TRIPS Agreement, the German Patent Act considers the technicality to be immanent in the invention. Art. 27.1 limits its scope explicitly to technical inventions, there is no difference between the two regimes.

8

2. Invention

Art. 27.1 does not provide for a definition of the term “invention”.¹⁹ However, it is a common understanding in all patent regimes that an invention must solve a particular problem. The inventor enjoys protection precisely for laying his **solution to the problem** open to the public. The determination of the problem to be solved by the invention is decisive for defining the proper subject-matter of the invention and the scope of the patent rights. Furthermore, the solution to the problem must not follow by accident occasionally or after a number of failed tests, but is to be the normal and consequent result of the instructions. Likewise, the subject of protection must not simply open the way for further action which is necessary for solving the problem. This follows from Art. 29.1: protection will be available only if the solution to the problem—the invention—is disclosed in a sufficiently clear and complete manner to be understood by a person skilled in the art. Whereas Art. 29.1—as a formal provision—specifically refers to the applicant’s obligation to disclose the invention, this provision also indirectly implies that TRIPS requires all inventions to be capable of being disclosed in any case. However, this restriction of patentability, which exceptionally follows from the TRIPS Agreement itself, can again be characterized as an inherent result of the nature of the patent, *i.e.* the reward for disclosing the solution to the problem. Insofar as the solution is not credibly reproducible, the “invention” has no value for the public and, consequently, the inventor has not earned the right to be rewarded.

9

Inventions are practical, new, and useful solutions to technical problems.²⁰ Thus, an **invention** pursuant to Art. 27.1 can generally be **defined** as any activity leading up to a systematic course of action, and resulting in a

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¹⁸ *PatentG*, BGBl. I 1981, 1 (as amended 5 September 2007 by BGBl. I 2007, 2166 *et seq.*; the amendment is in force since 13 December 2007).

¹⁹ Unlike some patent laws which provide a definition for the term “invention”, see fn. 16 above.

²⁰ *de Carvalho*, 145.

clear success, in terms of product or process to which a causal relationship can be established.²¹

3. Technicality

- 11 The term “technicality” effectively reduces the scope of inventions to those subjects which **solve a problem by applying controllable natural forces**. Technical action therefore has a broad meaning. First of all, it covers any activity in the classical fields of technology, *i.e.* mechanics and electronics. In addition, the definition clarifies that the application of biological or any other natural force also belongs to the field of technology, as long as those natural forces are controllable and lead directly to a clear and causal result. This becomes very clear when one considers the wording of Art. 27.3.²² Art. 27.3 allows Members to exclude from patent protection in particular biological processes for the production of plants or animals as well as plants and animals as such. If those subjects were not covered by para.1 as generally patentable inventions, any exclusion within para. 3 would be obsolete. At any rate, there would not be any need for such a precise regulation.
- 12 In accordance with Art. 1.1, sentence 2, Members *may* also grant patent protection for other, non-technical creations such as **business methods**.²³ However, patent protection *is* to be granted to any subject that falls within the scope of technicality.
- 13 To what extent exclusions outside the scope of Art. 27.2 and 3 are consistent with Art. 27.1 will be addressed under heading 5. Examples of further exclusions can be found in a number of patent regimes, *e.g.* Art. 52.2 EPC, § 1.2 German Patent Act.

4. Patent Types

- 14 Art. 27.1 obliges Members to grant patent protection to both **products** and **processes** in all fields of technology. The effects of the regulation can hardly be overestimated. Yet, in 1988, the WIPO concluded that patent protection was not achievable for the most commercially relevant pharmaceutical products in more than half of the Union States of the Paris Convention, namely in 49 out of a total of 92 States.²⁴ Further exclusions

²¹ For a similar definition of the term invention see § 1 German Patent Act.

²² *Straus*, in: *Beier & Schriicker* (eds), 160, 185 *et seq.*

²³ See for more details about the discussion concerning business methods and the debate about their questioned patentability *de Carvalho*, 148 *et seq.*; *Žekos*, *JWIP* 7 (2004) 5, 693–709, who argues that business methods “implementing mere abstract ideas or overall and general conceptions lack the characteristics for a valid patent and therefore are not patentable.”

²⁴ WIPO Document on the Existence, Scope and Form of Generally Accepted and Applied Standards/Norms for the Protecting of Intellectual Property, WO/INF/29, of 15 September 1988, Annex II, 96 *et seq.*; see *Straus*, in: *Beier & Schriicker* (eds), 160, 173 and in

noted by the WIPO concerned animal varieties, methods for the treatment of humans and animals, biological methods for the production of animal and plant varieties, food products, computer programs, chemical products, pharmaceutical processes, methods of production of food and micro-organisms.²⁵ Art. 27 TRIPS establishes uniform standards of protection precluding any such autonomous practice not consistent with the permitted exemptions.²⁶

a) Product Patents

Although Art. 27.1 refers to products, it relates not just to the individual physical subject matter as such. It also includes product protection in the sense of invention protection, and thereby protects the underlying intellectual idea. Accordingly, the product patent must be interpreted in light of the interpretation of the word invention that is the instruction for any activity leading up to a systematic approach, and resulting in a clear success, here in terms of products with which a causal relationship can be established. The physical product itself does not satisfy this definition: it does not instruct, but (merely) exists. The **subject of the product protection**—according to Art. 27.1—is the product specific *invention*, not the product itself. It means that it is the abstract recordable nature and design of the physical object that is protected. The physical object is already a concrete implementation of the invention. Such implementation is of an internal or external design; it is in other words a physical, visible shape or material composition. 15

The product patent provides for the comprehensive protection of the invention. In contrast to a process patent, the purpose of its protection is not limited to a certain method producing the physical subject. It includes all subjects that possess the **design of the invention, irrespective of the specific underlying production method.**²⁷ In view of the exclusive right to prevent third parties from doing the acts listed in Art. 28.1 lit. a, the purpose the product is intended to serve is also irrelevant; this is true even if the inventor has not discovered other possible uses. However, provided that such other uses constitute technical inventions in themselves that meet the requirements of novelty and industrial applicability and include an inventive step, they may be protected as process patents (depending on the product patent). Thus, protection encompasses the process relating to the specific use of the patented product. Considering the aim of Art. 27.1, which is to guarantee patent protection for all technical (and in particular 16

particular for the development in Latin-America *Pacón*, GRUR Int. 43 (1994) 11, 888 *et seq.* and 893 *et seq.*

²⁵ See regarding the repercussions of the Patent Cooperation Treaty on the harmonization of substantive patent law *Straus*, in: *Beier & Schriker* (eds), 160, 174 *et seq.*

²⁶ *Cf.* regarding the impact of Art. 27.1 *de Carvalho*, 141 *et seq.*

²⁷ *Cf.* Art. 28.1 lit. a.

process) inventions in all fields of technology, it would be difficult to come to any different conclusion.

- 17 Pursuant to Art. 29.1, the disclosure of the invention must reveal at least one way of carrying out the technical invention without, at the same time, limiting the protection of the process shown. However, this obligation is relevant only as long as it is not evident to a person skilled in the art how the product can be manufactured.
- 18 It is essential for the person skilled in the art to be able clearly to differentiate the product from others. In conformity with the general principles of security and legal clarity as mandated *inter alia* by Art. 29.1, inventions indistinguishable from prior art are not deemed patentable. As the person skilled in the art is considered to be the addressee of the patent, his or her knowledge determines the standard of assessment of whether the patent covers a specific and distinctive product. The TRIPS Agreement does not object to demonstrating the specificity and distinctiveness of the product by means of an indirect description or a description that contains the manufacturing process for the specification of the product only. Furthermore, the distinction between product patents and process patents pursuant to Art. 27.1 may not serve as an indication that the protection of such specified products is limited to defining the process of manufacture. A product which is defined by its process of manufacture enjoys protection in this case even though it could have been manufactured in a different way or by a different process. The specification of the mode of production merely serves (indirectly) for the description, but is not itself subject to protection. Under the terms of Art. 29.1, it is however essential for the process shown *clearly* to specify the manufactured product.

a) Process Patents

- 19 As opposed to the all-encompassing patent protection for products, process patents grant protection to the **method that leads to the solution of the problem only**, *e.g.* a method of manufacturing a product. Due to these specific characteristics, the process patent falls within the scope of the term “invention”. Process patents may take the form of a patent for a process of manufacture or a patent for another (second) use.
- #### i) Patents for the Process of Manufacture
- 20 The subject matter of this type of patent may be specified as a certain mode of influence on a certain (raw) material in order to **create a specific product**. Irrespective of Art. 27.2 and 3, this involves all fields of technology including mechanical, electronic, and biological and chemical processes.
- 21 The novelty of the product is irrelevant. The process can therefore relate to a product that is already widely known. If the process also relates to a

new product, both the process and the product may enjoy patent protection provided that all other patent criteria are met.

In order to comply with the **requirement for disclosure** stipulated in Art. 29.1, the application must first specify the raw material necessary for carrying out the invention; secondly, name the specific influence on the material according to the invention; and, thirdly, describe the resulting product that allows it to be clearly distinguished and identified by a person skilled in the art. 22

ii) Patent for Uses/Second Indications 23

Patents for uses protect a **particular application of substances or processes**, which are often already known. Patentability depends on the assessment of whether the purpose that determines the utilization gives a new, inventive and industrially applicable solution to a technical problem. This can be concluded from the clear wording of Art. 27.1, sentence 1, which precludes processes fulfilling the relevant criteria being exempt from patent protection, unless in constellations explicitly referred to in paras 2 and 3 of the provision.

Referring to Art. 54.4 and 5 of the European Patent Convention (EPC),²⁸ *de Carvalho*²⁹ holds a different point of view on the question of patentability of a new use made to the same substance. It is clear that admitting such patentability expands the scope of protection where no new product has been developed. According to *de Carvalho*, Member States³⁰ would be able in principle to exclude from patentability **second uses** of known substances: In accordance with Art. 54.4–5 EPC the novelty of the (known) substances is ‘borrowed’ from their secondary or additional use. Novelty, therefore, is not intrinsic to the substance, which explicitly integrates the state of the art, but extrinsic to it, given that the element that is not comprised in the state of the art is the use, not the product. WTO Members are not obliged to follow this sort of reasoning. The second use, as identified by the European Patent Convention (EPC) is nothing more than a new result or advantage of a utilization of a known substance. However, advantages and results are generally not admitted as subject matter of patent claims. *Correa* supports this point of view by taking into account the wording of Art. 27.1. which does not address the issue of second indications. According to him, Art. 27.1 obliges Members to protect “products and processes” only. He 24

²⁸ The European Patent Office allows the protection of second indications of a pharmaceutical product on the basis of a legal fiction called *Swiss formula* (“use of x for the manufacture of product y to treat disease z ”).

²⁹ *de Carvalho*, 150–152.

³⁰ This is the case of the Members of the Andean Community. Art. 21 of Decision 486, 14 September 2000, precludes the patentability of second uses of known medical substances, available at: www.comunidadandina.org/normative/dec/D486.htm (last accessed 18 March 2008).

concludes from this that Members are free to consider such indications as non-patentable.³¹

- 25 However, this is not convincing. First, it is contrary to the clear **wording** of Art. 27.1, sentence 1, to hold that a certain type of process would generally not be patentable. The obligation to grant patent protection does not result from some form of legal, independent, “general” understanding, but exclusively from Art. 27.1, sentence 1. If the utilization of a subject matter for the achievement of a specific purpose constitutes a new, inventive and industrially applicable instruction for a technical action, it clearly falls within the wording of Art. 27.1. For any other result an exception clause is required,³² but this does not exist in the case of second uses.
- 26 Secondly, contrary to *de Carvalho’s* view regarding the use claim, it is not just the benefit or the result of the utilization of a known substance that is protected by the patent. Also protected is the utilization of the substance as the procedural step to the solution of a problem. The utilization needs to be new. The substance, however, does not need to be new. In this sense, the novelty concerning the substance can only be regarded as extrinsic, because the **utilization for the protected purpose is (still) unknown** and thus does not already exist within the substance as prior art.
- 27 Patents for uses arise if a matter or process that is already known and used for a specific purpose is **applied in a new industrial field**, in particular the pharmaceutical field, **for the achievement of a new result**.³³ The applicant’s identification of the utilization specifically affects the scope of protection inasmuch as the matter must be used precisely for the identified purpose in order to be a violation pursuant to Art. 28.1 lit. b. Utilization for any other purpose does not constitute a use of the protected process. At the same time, only the utilization of the known subject is protected, and this, in the case of a product, does not include its manufacture.

28 Patents for uses can also be granted if the **known substance**—now used in a different field—is **itself protected**. This is the coercive consequence of Art. 27.1 requiring that patent protection is to be granted for *any* process in all fields of technology provided that the substantive patent criteria apply to that process. In this context, the Agreement does not distinguish between whether or not the use of a process relates to a subject which is already protected. It is, however, another question what kind of consequences such a constellation brings, for instance in respect of (possible mutual) royalties.

³¹ *Correa*, 274.

³² See also, regarding the same conclusion but without making any reference to patent of use, *Gervais*, para. 2.257: “one might say that a general principle of eligibility to be patented is established. Any exclusion from patentability would therefore be looked upon as an exception to that rule.”

³³ Also known as “Swiss claims” or “Schweizer Ansprüche”.

Since there is no provision in TRIPS regulating private licences, this is left to the discretion of the Members.

5. Special Issues

In view of the principle of compulsory patentability in accordance with Art. 27.1, **discoveries** and **computer software inventions**, which have gained increasing significance in recent times, cause a number of special problems. Some patent regimes provide for exception clauses, such as Art. 52.2 EPC, § 1.2 German Patent Act, which again must be consistent with Art. 27.³⁴ Another contentious issue is the question of the extent to which ethically disputed patents are to be granted for inventions in the biotechnology field. 29

a) Discoveries

Art. 27 obliges Members to provide patent protection for inventions. The provision does not address the issue of the patentability of discoveries. Taking into account the diverse national approaches of Members concerning the interpretation of the concept of discovery,³⁵ it cannot be ruled out that discoveries may be classified as inventions within the meaning of Art 27. However, during the negotiation of the TRIPS Agreement, several States suggested permitting exclusions from patentability for *inter alia* discoveries, particularly about substances found in nature such as genes,³⁶ scientific theories, mathematical concepts, aesthetic creations, plans, rules or procedures for intellectual activities, games or business activities and the presentation of information.³⁷ While the current provision remains silent on this issue, the historical background arguably implies that the Members may still define what they deem to be a patentable invention and what not. With this in mind, **Members have indeed considerable leeway in defining those criteria**, but they are obliged to implement them in compliance with the principles of Art. 27.1. 30

³⁴ See hereto *Straus*, in: *Beier & Schricker* (eds), 160, 187 *et seq.*

³⁵ According to the EPC a discovery as such has no technical effect and is therefore not an invention within the meaning of Art. 52.1. However, if the property is put to practical use, then this constitutes an invention which may be patentable.

³⁶ According to US patent law, isolated genes are deemed patentable. This is not the case with a substance as it exists in nature. It has to be noted that the line separating inventions from mere discoveries has been proved to be very thin. In addition in accordance with Art. 3.2 of the Directive 1998/44/EC of the European Parliament and of the Council of 6 July 1998 on the Legal Protection of Biotechnological Inventions (Biopatent Directive), OJ 1998 L 213/13, "biological material which is isolated from its natural environment or processed by means of a technical process may be subject of an invention even if it already occurred in nature."

³⁷ Cf. *Straus*, in: *Beier & Schricker* (eds), 160, 187; *Correa*, EIPR 16 (1994) 8, 327, 329; See for a Synoptic Table Setting out International Standards and Proposed Standards and Principles, MTN.GNG/NG11/W/32/Rev.2, 2 February 1990, 84–87.

b) Computer Software

- 31 The patentability of computer software principally raises the same questions as were raised with respect to discoveries. According to many laws, computer software programs are *per se* excluded from patentability. This is still the case within the Members of the EPC,³⁸ which to this day forbids the patenting of computer programs as such.³⁹ The EPC excludes software programs from patent protection unless they have a “technical effect.”⁴⁰ In contrast, the United States⁴¹ has a permissive approach to software patents⁴² based on a broad understanding of the concept of “utility.”⁴³ US patent law demands that software programs should have practical utility in order to be regarded as patentable subjects.⁴⁴
- 32 If computer software *per se* fails to meet one of the criteria required by Art. 27.1, one can question whether this result implies that the exclusion of software from patent protection is consistent with TRIPS. Computer software can certainly be based on a new, commercially applicable and inventive act. The underlying key question is whether software meets the TRIPS standard of **technicality**. Taking into account the historical background to the provision, it can be said that at the time of negotiation several delegates pushed forward their governments’ intention to include in TRIPS an exception clause for computer programs. Given this controversial discussion, Art. 27 remains silent on this issue. Bearing this in mind, it can be stated that the **Members have again considerable leeway in deciding** under which conditions computer software can be deemed patentable inventions. Again, it is left to the Members to decide *whether* and under *what* conditions computer software is then to be regarded as technical and therefore as patentable subject matter. Finally, the adoption of Art. 10.1 supports this approach by requiring the Members to protect computer programs at least as literary works. Through this provision, TRIPS ensures a uniform minimum standard of protection for computer software. Hence, if Members in their national legislation define software as being

³⁸ *Freedman*, International Journal of Law and Information Technology 8 (2000) 3, 285, 287.

³⁹ According to the Guidelines for Execution of the European Patent Office, “a computer program claimed by itself or as a record on a carrier or in the form of a signal” is not patentable. In addition, “programs for computers” are included among the items listed in Art. 52.2 EPC; hence, they are not patentable.

⁴⁰ *Cf. Žekos*, JWIP 9 (2006) 4, 426, 427.

⁴¹ See for more details about the development regarding the patentability of software in the United States *Freedman*, International Journal of Law and Information Technology 8 (2000) 3, 285, 297 *et seq.*

⁴² See for more details of the US patent protection regarding computer programs *Correa*, 278–281.

⁴³ According to the US patent system, the requirement of “industrial application” or “utility” is met when the invention can be *used* in many kind of industry.

⁴⁴ *Žekos*, JWIP 9 (2006) 4, 426, 427.

technical, any subsequent exclusion from patentability is prohibited, since patents must, in accordance with Art. 27.1, sentence 1, be available in all fields of technology.

Taking into consideration that in Continental Europe the patenting of computer programs has been very restricted, an **increasing trend towards opening up patent protection for software-related inventions** can be noted. In this context, a decision of the Board of Appeals of the European Patent Office relating to the interpretation of the scope of Art. 52 lit. c EPC has to be taken into account. According to the Board's decision, Art. 52 lit. c of the EPC establishes an important limitation to the scope of this exclusion. To the Board, software programs excluded from patentability are those that are "mere abstract creations lacking a technical character." The Board concluded that all programs for computers "must be considered as patentable inventions when these have a technical character" which can be stated if the software is used to solve a "technical problem."⁴⁵ This difference in implementing the concept of "industrial application" or "utility" clearly demonstrates that software patents have significant importance. Although in July 2005, at European level, the EC Council's proposal relating to a Directive on the patentability of computer-implemented inventions⁴⁶ was rejected by an overwhelming majority in the European Parliament—648 dissenting out of a total of 680 votes—this trend is continuing. However, the Directive's failure is scarcely regarded as a signal vetoing the protection of software-related inventions. This failure will not reverse the opening up of patent protection as already carried out by the European Patent Office (EPO) and the national authorities. It cannot therefore be maintained that computer programs *per se* are not treated as inventions.⁴⁷ In the majority of cases, patentability will instead be refused by reason of the lack of an inventive step. 33

c) Biotechnology-Related Inventions

Biotechnological inventions can be defined as inventions which concern a product consisting of or containing biological material or a process by means of which biological material is produced, processed or used. Despite Art. 27.3, the TRIPS Agreement does not provide for any regulation specifically relating to biotechnology-related inventions. However, if, and to the extent that, results of biotechnical research activities can be qualified 34

⁴⁵ See for more details *e.g.* Glazier, 42.

⁴⁶ EC Council's proposal relating to a directive on the patentability of computer-implemented inventions, 25 June 2002, COM/2002/0092, see: <http://cupat.ffii.org/papers/europarl0507/> (last accessed 15 May 2008); The European Directive's aim was to harmonize EU national patent laws and practices.

⁴⁷ See *van Raden*, GRUR 97 (1995) 7, 451, 456 *et seq.*; *Klopmeier*, Mitteilung der deutschen Patentanwälte 2 (2002), 65 *et seq.*; and *Straus*, in: *Beier & Schrickler* (eds), 160, 188, fn. 119.

as inventions pursuant to Art. 27.1, the Members are entitled to exclude patent protection on the grounds of *ordre public* or morality, Art. 27.2.

- 35 In view of the very different understandings of the evaluation of biotechnology-related inventions within the European Member States, the **Biopatent Directive** has contributed to the necessary harmonization process.⁴⁸

III. Novelty

1. Introduction

- 36 In accordance with Art. 27.1, an invention must be new in order to be protected by a patent. This requirement[s] aims at preventing the patentability of information which belongs to the “prior art”. This substantive patent requirement generally implies that the inventive solution to a problem was **not already available to the technological knowledge of a person skilled in the art**.

2. Purpose

- 37 The novelty requirement is intended to rule out protection for technical inventions that are already generally known to a skilled person. Protecting those inventions does not induce inventors to undertake commercially relevant research. Only a new invention can encourage technology and commerce and thus be regarded as **progress**. That is precisely the purpose of patent law.

3. Relevance

- 38 Art. 27.1 does not define the concept of novelty.

a) Relationship with Inventive Step

- 39 Art. 27.1 addresses **novelty**, which means that an invention is new until all criteria of the inventive solution to the task are established by a single source of information. In contrast, no harm is done if the inventive solution to the problem results from a synopsis of different publications or is suggested by a single instance of pre-publication. This fact in the end has no impact on the invention’s novelty.⁴⁹

⁴⁸ In principle, biotechnological inventions are patentable under the EPC. For European patent applications and patents concerning biotechnological inventions, the relevant provisions of the EPC are to be applied and interpreted in accordance with the provisions of Rules 26 to 29. It needs to be noted that the Biopatent Directive is to be used as a supplementary means of interpretation.

⁴⁹ See regarding “inventive step” paras 42 *et seq.* below.

b) Relevant Date

TRIPS does not determine the relevant date, that is the date on which the invention must not yet been known in order to be considered new. The Agreement does not give any guidance on how the Members define what inventions are to be considered “new” within their national laws. Hence, the wording of Art. 27.1 allows the application of grace periods. Many countries,⁵⁰ like the United States,⁵¹ have used this flexibility to introduce such a **period of grace** provision for the time before the application in their patent laws. This different treatment regarding the interpretation of the time of disclosure clearly illustrates the limited role of TRIPS as a harmonizing instrument. 40

However, Art. 29.1 requires applicants to disclose their inventions at the time of application. Accordingly, the concept of the Agreement already implies that an invention can no longer be deemed new following a natural understanding at any time after disclosure of the application. Consequently, Art. 27.1 merely obliges Members to grant patent protection *at least* to such inventions that have **not been available to the public prior to the original application date**.⁵² 41

IV. Inventive Step/Non-Obvious

1. Purpose

According to this requirement, the invention must represent a development of prior art. The criterion is not fulfilled if the invention is to be considered “just new”. The substantive requirement of “inventive step” absolves Members from the obligation to grant patent protection to any kind of technical progress. The **official footnote 5** makes it clear that the term “non-obvious” may be deemed by a Member to be synonymous with the term “inventive step”. Thus Members are free to choose between the two concepts while incorporating the provision into their domestic law. 42

⁵⁰ Countries like the United States and the European Union are proposing the harmonization of patent legislation regarding prior art and grace periods. See Annex to “Proposal by the United States of America, Japan and the European Patent Office for Establishing a New Work Plan for the Standing Committee on the Law of Patents (SCP)”, WO/GA/31/9, 23 July 2004.

⁵¹ The United States maintains a double novelty standard depending on the place of disclosure, that means depending on whether the disclosure of the invention has taken place within or outside its territory (35 USC § 102 (a)). According to this provision “A person shall be entitled to a patent unless the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for the patent, or the invention was patented or described in a printed publication in this or a foreign country or in public use or sale in this country, more than one year prior to the date of the application for the patent in the United States.”

⁵² Priority date.

Members are expected to grant a patent only to those inventions which are considered to represent **above-average progress**, either by providing the first solution for a well-known problem or for a hitherto unknown problem or to grant a patent for an invention which is highly distinctive compared to established solutions for a known problem.

- 43 All patent regimes require a certain degree of inventive activity. However, again TRIPS establishes **minimum standards** of patent criteria. As mentioned before, TRIPS leaves significant freedom to Members to determine the degree of strictness to be applied for judging the inventive step. Their options must in any case be consistent with Art. 27.1.

2. Non-Obvious for a Person Skilled in the Art

- 44 The evaluation of the question whether a technical invention contains an inventive step depends, in the end, on the objective understanding of a skilled person in the art. Such a person is the person to whom the invention was disclosed during the application, Art. 29.1. The level of inventiveness necessary to fulfil the standards of Art. 27.1 is considered to be met if the inventive solution to the problem is not obvious for an expert in the relevant field, **taking into account the technical knowledge and the state of the art**. At the same time, this understanding of the concept demonstrates that the official term “non-obvious” does not alter the meaning of Art. 27.1. “Non-obvious”⁵³ is precisely the core element of an inventive step.

a) Person Skilled in the Art

- 45 A person skilled in the art is a **legal fiction** depending on the invention in question and the technical field concerned. It embodies all the knowledge and skills of an average person trained and continuously engaged in the relevant field of technology. A person skilled in art can *i.e.* be a master craftsman as well as a professor in the relevant academic field; the only essential criterion is that the person skilled in the art belongs to group of people that are regularly working on finding solutions to problems such as the one underlying the invention. The skilled person’s knowledge can also be in a combination of different fields, given that an invention may be on the boundaries of different technical disciplines.

b) Non-Obvious

- 46 Whether the invention was obvious for a person skilled in the art is a **question of judgement**. Indications for this purpose may be, for instance, how

⁵³ Unlike in the European patent system, the United States implements the concept of non-obviousness in its domestic law, while applying a low standard of inventiveness.

long the problem in question has existed without relevant progress being made in this respect, or how many approaches to the problem have so far remained unsuccessful. In addition, the eradication of an erroneous technical belief deeply rooted among experts or deeply held theoretic reflections and investigations suggests an inventive activity.

3. Disclosure and Inventiveness

Disclosure pursuant to Art. 29.1 and the evaluation of inventiveness **are mutually interdependent**. 47 On the one hand, only what the skilled person derives from the application documents as a new, technical, inventive and industrially applicable step is protected as an invention. On the other hand, the person skilled in the art, who is the addressee of the disclosure, must be the standard with regard to the evaluation of the inventiveness. Hence, it is not permissible to make the standard of average knowledge of the skilled person from the outset as low as possible in order to achieve the necessary level of inventiveness relatively quickly, but thereafter a high level of average knowledge for assessing the necessary extent of disclosure and thereby the scope of the protected subject matter. This would lead to the constellation that the relevant person skilled in the art, without explicitly mentioning the fact, “reads” large parts of the disclosure together with his specialized knowledge.

V. Industrial Application/Usefulness

1. Purpose

The third patentability requirement refers to the industrial applicability of the invention. Art. 27.1 does not provide for a definition of the concept of “industrial application”. This follows again from the considerable freedom left to the Members in applying and implementing the substantive patent requirements. The concept of TRIPS’ patent regime rests on the conviction that patent protection does not have a supportive technological and economic effect until it is restricted to those subjects that have a **legally accepted market**. Members are obliged to grant patent protection to those technical inventions. 48

Members may exercise their discretion to **waive this requirement** in their national patent laws. It must, however, be ensured that *at least* those inventions that fulfil the industrial application requirement, along with the other criteria of Art. 27.1, are capable of being protected. Thus, it is *a fortiori* irrelevant whether the invention is both industrially and non-industrially applicable. 49

2. Special Rules for Diagnostic, Therapeutic and Surgical Methods

- 50 Art. 27.3 entitles Members to exclude certain methods from patentability even if they meet the criteria of para. 1. The provision does not set out how the exclusion needs to be implemented.⁵⁴

VI. Principle of Non-Discrimination (Art. 27.1, Sentence 2)

1. Introduction

- 51 While Art. 27.1, sentence 2 has only little significance for most industrialized States because they already have a fairly uniform approach to the implementation of the criteria in para. 1, sentence 1 and the existing differences fit easily into its broad range of interpretation, para. 1, sentence 2 is primarily directed to the United States.

2. Relevance

- 52 Art. 27.1, sentence 2 requires **non-discriminatory treatment** in respect of **six different aspects**. Patents have to be available and patent rights have to be granted regardless of the field of technology, the place of invention and whether products are imported or produced locally.

a) Field of Technology

- 53 Insofar as discrimination regarding the availability of patents is prohibited in certain fields of technology, Art. 27.1, sentence 2 confirms and reinforces Art. 27.1, sentence 1.
- 54 This applies also indirectly for the **ownership of patent rights**, as on the one hand it would run counter to the Agreement if patents were available pursuant to para. 1; on the other hand, the ownership of the rights would be differentiated on the basis of the field of technology. Both of these non-discrimination alternatives therefore support the notion of Art. 27.1, sentence 1.

b) Place of Invention

- 55 The prohibition on discriminating as to the place of invention has brought about an important change in US patent law for foreign applicants for US patents. In contrast to the **“first-to-file” concept** which is common elsewhere, according to which the patent is available for the first person to apply for it, the United States upholds the **“first-to-invent” principle**. This principle provides patent protection for the person who is first to invent the

⁵⁴ As in the case of § 5.2 German Patent Act, Members may preclude protection on the grounds of a perceived or actual lack of industrial applicability.

technical innovation. Until December 1993, Section 104 of the US Patent Act⁵⁵ did not allow foreign applicants to submit **evidence** of the date of an invention made outside the United States. This ultimately convinced several scientists to transfer their research activities to the United States, especially since they could continue to benefit from the advantages of the European “first-to-file” principle. Albeit that Art. 27.1, sentence 1, the “first-to-invent” procedure, is still being implemented. However, evidence that proves first inventorship outside the US must henceforth also be accepted.⁵⁶

c) **Place of Production**

A second major improvement relates to the guarantee to grant equal treatment to **imported** products and to locally produced products. This precludes, *a priori*, any interdependence between the grant of a patent and local production activities. It is, however, even more important not to make the use of patent rights in the territory of a Member dependent on the issue of whether the invention is exported or imported. 56

VII. Transitional Regulations

Art. 27.1, sentence 2 read together with Arts 65.4 and 70.8 provides for transitional arrangements regarding the provision of a patent protection system consistent with Art. 27.1 for developing-country Members and those other Members which, at the date the WTO Agreement entered into force, did not provide patent protection for pharmaceutical and/or agricultural chemical products. 57

C. WTO Jurisprudence

On 19 December 1997, the European Community and its Member States requested consultations with Canada for the latter’s alleged violation of, *inter alia*,⁵⁷ Art. 27.1 regarding the non-discrimination requirement.⁵⁸ The key issue at the heart of this case was whether under Canadian law patent rights were or were not enjoyable without discrimination as to the field of technology within the meaning of Art. 27.1, sentence 2. However, the Panel did not find a violation of Art. 27.1,⁵⁹ since the challenged provision 58

⁵⁵ 35 USC.

⁵⁶ *Stahelin*, 145.

⁵⁷ Regarding the question if the “regulatory review provision of Canada’s Patent Act satisfies all three conditions of the exception set out in Art. 30 TRIPS see in detail Art. 30 margin number [...]”

⁵⁸ *Canada—Pharmaceutical Patents*, WT/DS114/R.

⁵⁹ *Ibid.*, para. 7.105.

of the Canadian law (Section 55.1(1))⁶⁰ was not limited to pharmaceutical products,⁶¹ but was applicable to every product that was subject to marketing approval requirements.⁶² Although the Panel based part of its findings on Art. 27.1, it did not provide a definition of the concept of “discrimination”. The Panel recognized that discrimination can result from explicitly different treatment (*de jure* discrimination) or from the application of formally identical treatment which, due to differences in circumstances, produces differentially disadvantageous effects (*de facto* discrimination).⁶³ Regarding the definition of the word “discrimination”, the Panel argued that given the very broad range of issues that might be involved in defining the word “discrimination” in Art. 27.1 of the TRIPS Agreement, the Panel decided that it would be better to defer attempting to define that term at the outset, but instead to determine which issue were raised by the record before the Panel, and to define the concept of discrimination to the extent necessary to resolve those issues.⁶⁴ The Panel’s explanation of its understanding of the *de facto* discrimination under Art. 27.1 is noteworthy. According to the Panel,⁶⁵ there are two elements to a finding of *de facto* discrimination which are (1) discriminatory effect and (2) discrimination purpose, the latter based on the objective characteristics of the measure, as opposed to the subjective purposes of government officials. As the case was not appealed, the Appellate Body did not have the opportunity to express an opinion on how *de facto* discrimination under Art. 27.1 should be judged.

⁶⁰ Canadian Patent Act, R.S., 1985, c. P-4.

⁶¹ The European Communities failed to prove that the Canadian regulatory review provision results in discrimination against a particular “field of technology”, in this case pharmaceuticals.

⁶² *Canada—Pharmaceutical Patents*, WT/DS114/R, para. 7.99.

⁶³ *Ibid.*, para. 7.94.

⁶⁴ *Ibid.*, para. 7.98.

⁶⁵ See regarding the explanation of the Panel’s understanding of *de facto* discrimination *ibid.*, para. 7.101.

Article 27.2

2. Members may exclude from patentability inventions, the prevention within their territory of the commercial exploitation of which is necessary to protect *ordre public* or morality, including to protect human, animal or plant life or health or to avoid serious prejudice to the environment, provided that such exclusion is not made merely because the exploitation is prohibited by their law.

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A. General

- 1 **Negotiations** on the text of Art. 27.2 TRIPS proceeded relatively smoothly. The summary given by the chairman of the Negotiating Group on the status of negotiations on 23 July 1990¹ (also called the Anell Draft) suggested that Art. 27.2 TRIPS should cover also the publication,² and not just the commercial exploitation, of the invention. The report on the negotiations also indicates that delegates agreed to replace the words “public order” with “*ordre public*”.³ The French term was preferred⁴ because it can be understood in the sense of “public policy”, whereas a translation such as “public order” would not permit such an interpretation.⁵ The English translation “public order” is understood much more to mean “public safety”.⁶ Furthermore, in the examination of Article 27.3 lit. b the discussion had focused on the exceptions in para. 2. The question whether the patenting of life breached “*ordre public*” and “morality” and whether the commercial exploitation of such inventions was to be prohibited proved to be particularly controversial in the course of the negotiations.⁷

B. Grounds for Excluding Patentability

- 2 In accordance with Art. 27.2, Members may⁸ exclude from patentability unspecified inventions **in the public interest**, such as in order to protect the *ordre public*, morality, including human, animal or plant life or health⁹ or to avoid serious prejudice to the environment. The prohibition of patentability applies only if it is the use of the invention that establishes such an infringement. The requirements of Art. 27.2 must also be met cumulatively:

¹ MTN.GNG/NG11/W/76, para. 1.4–1.5.

² In this meaning according to Art. 53 lit. a EPC, according to which prohibitions to publish entitle the members to deny the patent protection.

³ MTN.GNG/G11/W/76, para. 1.4.1, 17.

⁴ On the context of the history regarding the preferred terminology see also *Correa*, 287.

⁵ *de Carvalho*, 170.

⁶ See thereto *Gervais*, para. 2.261; *de Carvalho*, 170.

⁷ For an overview on this discussion see *Gervais*, para. 2.270.

⁸ That means that Members are not obliged to establish such exclusions in their domestic law.

⁹ By listing “health” as a protective good, Art. 27.2 provides the Members with the opportunity to use “to the full” the flexibility to protect public health as stated in paragraph 4 of the Doha Declaration on the TRIPS Agreement and on Public Health: “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 to the WTO members’ right to protect public health and, in particular, to promote access to medicine for all.

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

firstly, the commercial exploitation of the relevant invention must be prohibited, then the prohibition must be necessary in order to protect *ordre public* or morality, and finally the exclusion of patentability must not be made merely because the exploitation is prohibited by national law.

I. *Ordre Public*

The TRIPS Agreement does not define what it means by *ordre public*.¹⁰ Art. 27.2 refers to the protection of human, animal or plant life or health and the avoidance of serious prejudice to the environment as possible examples of a breach of *ordre public*, and hence as possible barriers to patentability. To this extent the TRIPS Agreement specifies, at least in part, what regulations belong to the *ordre public*.¹¹ Although the wording of Art. 27.2 does not unambiguously associate the **conservation objectives**¹² with the term *ordre public*, the view is that these conservation objectives have to be regarded as part and parcel of the *ordre public*. Furthermore, the use of the word “including” indicates that these conservation objectives are covered by the protection of *ordre public* and are not to be considered further additional conservation objectives. The **interpretation**¹³ of the conservation objectives listed in Art. 27.2 by way of example can be based on Art. XX lit. b GATT 1994¹⁴ and Art. 2.2 of the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement),¹⁵ although Art. 27.2 TRIPS goes beyond Art. XX lit. b GATT 1994 since it also refers to the environment as a protected objective.

This listing also makes it clear that the concept of *ordre public* does not comprise the entirety of domestic legislation.¹⁶ This is the case because the

¹⁰ For the consideration regarding the concept of law and order and human rights, and their implementation in the TRIPS Agreement see *Rott*, 117 with further references.

¹¹ Cf. also *Straus*, in: *Beier & Schricker* (eds), 160, 182.

¹² Human, animal or plant life or health or the avoidance of serious prejudice to the environment are listed by way of example in Art. 27.2 TRIPS and are conservation objectives.

¹³ Art. 2.2 Agreement on the Application of Sanitary and Phytosanitary Measures, Annex 1 A to the Marrakesh Agreement Establishing the WTO: “Members shall ensure that any sanitary or phytosanitary measure is applied only to the extent to protect human, animal or plant, is based on scientific principles and is not maintained without sufficient scientific evidence.”

¹⁴ Art XX lit. b GATT 1994, General Exceptions: “Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade, nothing in this Agreement shall be construed to prevent the adoption or enforcement by any contracting party of measures: (a) necessary to protect public morals; (b) necessary to protect human, animal or plant life or health; (...).”

¹⁵ Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement), UNTS 1867 (1995), 493.

¹⁶ Unlike e.g. Indonesia Patent Act, see on that point *Rott*, GRUR Int. 49 (2000) 1, 42, 44.

term *ordre public* includes only **objectives of central importance** for the country concerned,¹⁷ whereas no national crisis or emergency is required in order to deny the patentability of an invention on grounds of Art. 27.2. The countries do not have the ability arbitrarily to exclude the undesired patentability of certain inventions on these grounds alone.¹⁸ This is also expressed by the order in which the conservation objectives are listed. For the States these listed conservation objectives serve almost as a yardstick against which the fundamental conservation objectives of the specific State must be measured in order to be recognized as elements of the *ordre public*. At the same time, the lack of any conclusive definition of the term *ordre public* emphasises the freedom given to the Members to determine what they consider to be of particular importance for the protection of their *ordre public*.¹⁹

- 5 At the suggestion of the European Community, the term *ordre public* used in Art. 27.2 had been taken, for the purposes of this standard, from the **wording of Art. 53 lit. a EPC**.²⁰ It may therefore be useful to consider²¹ the interpretation of the term *ordre public*²² given by the European Court of Justice (ECJ), which is very restrictive. For an exclusion from patent protection to be admissible, the ECJ demands, for instance, a “genuinely and sufficiently serious threat affecting one of the fundamental interests of society.”²³
- 6 There is no generally accepted definition of the term *ordre public*. Although the extensive and differentiated precedents of the European Patent Office (EPO)²⁴ can be useful for its interpretation in a particular case, the WTO Members are not bound to follow these principles. Indeed, the very **absence of a definition** of the term in the TRIPS Agreement suggests that the WTO Members are given the necessary freedom and flexibility to determine for themselves which substantive conservation objectives they consider to be

¹⁷ See *Gervais*, paras 2.261 *et seq.*; *Fuchs*, *Juristenzeitung* 54 (199) 12, 597, 602; see on § 2 German Patent Law: *Schulte*, *Patentgesetz mit EPÜ*, § 2 para. 21.

¹⁸ See *Straus*, in: *Beier & Schrickler* (eds), 160, 182; *Correa*, *EIPR* 16 (1994) 8, 327, 328.

¹⁹ *Correa*, in: *Correa & Yusuf* (eds), 189, 193.

²⁰ Thereby, it should be noted that Art. 53 lit. a EPC is more comprehensive than Art. 27.2 TRIPS, as according to Art. 53 lit. a EPC an invention may be excluded from the patent protection if its publication would infringe “*ordre public*”; See also *UNCTAD/ICTSD*, 376.

²¹ *Ackermann*, *Tex. Int'l L.J.*, 32 (1997), 489, 491.

²² For details of Art. 53 lit. a EPC see *Moufang*, in: *Overvalle* (ed.), 68 *et seq.*

²³ C-30/77, *Pierre Bouchereau*, [1977] E.C.R. I-1999, Recs 33–35. Also the European Patent Office interprets the term restrictively. So the appeal board of the European Patent Office subsumes under the term “*ordre public*” the protection of public security and the physical integrity of the individual as a member of society, and, in addition to this, the protection of the environment. There follow inventions whose utilization would seriously endanger the environment which are to be excluded from the patent protection due to violation of the public order, *cf. European Patent Office*, *Case Law of the Appeal Boards of the European Patent Office*, 39; T-356/93, *Plant and Cells /Plant Genetic System*, OJ EPO 1995 545.

²⁴ For this case law see amongst others *UNCTAD/ICTSD*, 379 *et seq.* and fins 624–626.

of particular importance for the preservation of their *ordre public*. The set of agreements leaves such arrangements to the WTO Members.

As regards the scope of protection, it is clear that the Members have the right to determine the prevailing level of protection for themselves. 7

II. Protection of Morality

Art. 27.2 does not define what it means by morality, nor is there any uniform understanding of this term at an international level. Art. XX lit. a GATT 1994 uses the similar term “*public morals*”.²⁵ In *US—Gambling*,²⁶ the Appellate Body confirmed the Panel’s applied definition of the term “*public morals*”. The Panel found that this term denotes “standards of right and wrong conduct maintained by or on behalf of a community or nation”. In addition, the Appellate Body confirmed the Panel’s finding that the definition of the term “order”, read in conjunction with footnote 5 of the GATS, “suggests the ‘public order’ refers to the preservation of the fundamental interests of a society, as reflected in public and law.”²⁷ Other agreements such as GATS also contain a corresponding exception provision.²⁸ Such exception clauses are contained in the majority of all international treaties and have the **purpose** of giving the parties to the treaty **individual freedom to determine how to preserve their national interests**. This exception gives the Members the room to consider national custom, moral rules and religious world views that are fundamental to them. However, Art. 27.2 does not allow for blanket refusal because the patent breaches morality; what matters is how the relevant invention is used. The Member’s discretion is furthermore limited by the principle of good faith. 8

Given the precedents of the Board of Appeals of the EPO, it can thus be concluded that the term “morality” is linked to the **perception** that **particular conduct is correct and reasonable**, and other conduct is incorrect; this conviction is based on the entirety of the norms recognised and deeply rooted in a particular cultural group.²⁹ The basis of the evaluation is the perception of all fair and right-minded people as reflected in these norms.³⁰ 9

It can therefore be maintained that an examination of the question whether a breach of morality exists requires **objective consideration on a** 10

²⁵ See for an interpretation *Wenzel*, Art. XX lit. a GATT 1994, in: *Wolfrum & Stoll & Seibert-Fohr* (eds), *Max Planck CWTL*, Vol. 3, paras 5–7.

²⁶ *US—Gambling*, WT/DS285/AB/R.

²⁷ *Ibid.*, paras 296 *et seq.*

²⁸ Art. XIV lit. a GATS.

²⁹ *European Patent Office*, Case Law of the Appeal Boards of the European Patent Office, 39.

³⁰ *Melliss*, in: *Benkard* (ed.), Art. 53, para. 30.

case-by-case basis which takes into account the religious, social and moral values and world views of the society in the particular Member.³¹

C. Necessity of the Measure

- 11 In addition to the existence of a particular public interest, it is a further requirement for the exclusion of patentability under Art. 27.2 TRIPS that the measure is “**necessary**” in order to safeguard the public interest. There must be a **particular relationship** between the **measure** required (exclusion of patentability) **and** the **outcome** to be achieved (protection of the public interest). In accordance with Art. 27.2, the exclusion of patentability can be regarded as a necessary measure if the commercial exploitation of the invention on the sovereign territory of the Member concerned objectively endangers the legal interests of *ordre public* or morality. An interpretation of the term *necessity* can be based on the GATT Panel reports on Art. XX lit. b GATT 1994, in particular the reports in *Thailand—Cigarettes*³² and *US—Tuna (Mexico)*.³³ In the first report, the Panel endorsed an earlier opinion on the interpretation of the term “necessary”³⁴ in Art. XX lit. d GATT 1994³⁵ and established this interpretation also for Art. XX lit. b.³⁶ A measure was not necessary within the meaning of this provision and, hence, was not justified if a Member could reasonably require the application of an alternative measure that was in harmony with GATT rules.³⁷ The Panel also found that Art. XX GATT 1994 was intended to give Members the option of adopting restrictive trade regulations that were not in harmony with GATT in order to protect greater public interests (public policy goals).³⁸ The Panel stated that “by the same token, in cases where a measure consistent with other GATT provisions is not reasonably available, a contracting party is

³¹ See for numerous examples for inventions contrary to “*ordre public*” from different value and moral conceptions *Rott*, 227 *et seq.* with further references.

³² *Thailand—Cigarettes*, BISD 37S/200.

³³ *US—Tuna (Mexico)*, BISD 39S/155.

³⁴ Until then GATT Panels had considered commercially restrictive measures as necessary, if no other reasonable, less determining measures were available, *cf. US—Gasoline*, WT/DS2/R, paras 6.22 *et seq.*

³⁵ *Thailand—Cigarettes*, BISD 37S/200, para. 74. The Panel here states that the term “necessary” in Art. XX lit. d and Art. XX lit. b GATT 1994 has to be interpret in an identical manner.

³⁶ See *Reyes-Knoche & Arend*, Article XX lit. d GATT 1994, in: *Wolfrum & Stoll & Seibert-Fohr* (eds), Max Planck CWTL, Vol. 3, paras 15 *et seq.*; *Stoll & Strack*, Article XX lit. b GATT 1994, in: *Wolfrum & Stoll & Seibert-Fohr* (eds), Max Planck CWTL, Vol. 3, para. 38.

³⁷ In that case the Panel considered a measure to “be “necessary” in terms of Art. XX lit. b only if there were no alternative measure consistent with the General Agreement, or less inconsistent with it, which Thailand could reasonably be expected to employ to achieve its health policy objectives, *Thailand—Cigarettes*, BISD 37S/200, para. 75.

³⁸ *Ibid.*, 222–223; *Japan—Alcoholic Beverages II*, WT/DS8/R, WT/DS10/R, WT/DS11/R, paras. 73–74; *US—Tuna (Mexico)*, BISD 39S/155, para 5.27.

bound to use, among the measures reasonably available to it, that which entails the least degree of inconsistency with other GATT provisions.³⁹ In its *US—Tuna (Mexico)* report the Panel supplemented this interpretation of Art. XX lit. b GATT 1994. It stated that the Member concerned was in principle permitted to implement restrictive trade regulations that contradicted GATT, but it would have to demonstrate that all possible measures in harmony with GATT had been considered.⁴⁰ The net result was that the State invoking an exception under Art. XX lit. b GATT 1994 had to demonstrate the non-availability of alternative measures.⁴¹

In its report on *EC—Asbestos*,⁴² the Appellate Body amended this understanding to a certain extent. It made it clear that an examination of the availability of alternative measures can be influenced by the **level of protection to be determined independently by the WTO Member**. Should other measures not achieve the exact same level of protection, they were not considered *per se* as reasonably available alternatives meeting the necessity test. According to these rulings, a measure within the meaning of Art. 27.2 TRIPS would have to be classed as necessary and justified if, for the Member concerned, a reasonable milder measure with an identical objective outcome that was likewise in harmony with WTO law were not available and the application of another measure could not objectively be expected effectively to protect *ordre public* and morality. 12

D. Prohibition of Exploitation by National Law

Where there are grounds for assuming that it is necessary to exclude the patentability of the invention, the exclusion may not be made merely because exploitation is prohibited by national law. This means that the unlawfulness of certain acts or outcomes under national law does not *per se* justify the **exclusion of patentability**. 13

Instead, there must be a **close connection** between the special public interest and the prohibition of certain acts or outcomes (exclusion from patentability) under national law. This connection is precisely what makes this exclusion of patentability appear necessary.⁴³ It is thus not possible under Art. 27.2 to declare certain items non-patentable while at the same 14

³⁹ *US—Section 337 of the Tariff Act of 1930*, BISD 36S/345, para. 5.26.

⁴⁰ *US—Tuna (Mexico)*, BISD 39S/155, para 5.28.

⁴¹ See *Charnovitz*, 191, 194, available at: <http://www.geocities.com/charnovitz/Clean.htm> (last accessed 18 March 2008).

⁴² *EC—Asbestos*, WT/DS135/AB/R, paras 170–175.

⁴³ *Cf. Stoll & Raible*, in: *Prieß & Berrisch* (eds), 591.

time permitting their marketing.⁴⁴ Here Art. 27.2 TRIPS goes further than Art. 4*quater* PC,⁴⁵ which refers only to the sale of an invention or a product obtained by means of a patented process as a type of exploitation. To that extent Art. 27.2 can be applied to all forms of exploitation listed in Art. 28. Moreover, Art. 4*quater* PC deals only with cases of restrictions or limitations imposed by domestic law, and in this regard differs from Art. 27.2 TRIPS, which also concerns the absolute prohibition of commercial exploitation, as it makes no distinction in graduation in respect of the scope of the prohibition.

- 15 Art. 27.2 does not offer any definition of what is meant by **exploitation**. According to the principle of systematic interpretation, this term must be interpreted in harmony with the use of the word exploitation in Art. 30. The Panel in the *Canada—Pharmaceutical Patents*⁴⁶ case interpreted the term exploitation as the commercial activity through which the patent owner uses and exercises exclusive rights under the patent in order to obtain an economic benefit from his patent.⁴⁷ Activities in this sense include, for instance, the conclusion of licensing agreements, the sale of the patent, or the manufacture of the patented product, for exploitation at home or abroad.
- 16 The term “**commercial**” is also not defined in Art. 27.2 TRIPS. This term has been variably interpreted in the literature. Some authors see it as any form of exploitation,⁴⁸ excluding State and not-for-profit exploitation, while others understand commercial exploitation as acts of exploitation with the intention of making a profit,⁴⁹ which must be achieved at least in the long term.
- 17 According to the principle of systematic interpretation, the distinction made in Art. 31 lit. c between “commercial” and “non-commercial” can be useful here. At this point, the **TRIPS Agreement differentiates between commercial and non-commercial** exploitation in the field of patent law. This distinction thus applies also for the interpretation of Art. 27.2

⁴⁴ See also *Correa*, EIPR 16 (1994) 8, 327, 328, as a concept similarly thereto *UNCTAD/ICTSD*, 379.

⁴⁵ Art. 4*quater* PC: “The grant of a patent shall not be refused and a patent shall not be invalidated on the ground that the sale of the patented product or of a product obtained by means of a patented process is subject to restrictions or limitations resulting from the domestic law.”

⁴⁶ *Canada—Pharmaceutical Patents*, WT/DS114/R.

⁴⁷ *Ibid.*, para. 7.54: “The Panel considered that “exploitation” refers to the commercial activity by which patent owners employ their exclusive patent rights to extract economic value from their patent.”

⁴⁸ See *Hassemer*, 42, fn. 97; of the same opinion but without differentiation *Straus*, in: *Beier & Schriker* (eds), 160, 182 *et seq.*; *Correa*, EIPR 16 (1994) 8, 327, 328 regarding any distribution or sale of the products.

⁴⁹ *Ackermann*, *Tex. Int'l L.J.*, 32 (1997), 489, 509.

TRIPS, and hence the term “commercial exploitation” within the meaning of Art. 27.2 TRIPS includes only **economic activities carried out with the intention of realizing profit**. The cases of the free distribution of goods by the public sector or sale at cost price by not-for-profit organizations do not satisfy the element of commerciality within the meaning of Art. 27.2. It follows that the prohibition of commercial exploitation does not *per se* hinder *every* exploitation of the patented invention, irrespective of whether it is a product or a process.

E. WTO Jurisprudence

There have been no WTO dispute settlement cases on this matter.

18

Article 27.3 lit. a

3. Members may also exclude from patentability:

- a. diagnostic, therapeutic and surgical methods for the treatment of humans or animals.

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A. General

- 1 Art. 27.1 indicates that the TRIPS Agreement demands as a minimum standard the protection of products and processes subject to the provisions in Arts 27.2 and 3. Art. 27.3 provides for exceptions which are of considerable importance to the medical care of the population and to the access to foodstuffs.
- 2 Diagnostic, therapeutic and surgical methods had already been excluded from patent protection in many legal systems before the TRIPS Agreement came into force. As can be seen from the Anell Draft, the insertion of a provision with the content of the current Art. 27.3 lit. a had already been envisaged and was not a subject for discussion in the **negotiation rounds**.¹ The draft was explicitly endorsed by the developing countries.² The current formulation of Art. 27.3 lit. a has its origin in the Patent Cooperation

¹ MTN.GNG/NG11/W/76, 17, which with regard to the reason for an exclusion of the patentability reads as follows: "1.4 The following [shall] [may] be excluded from patentability: 1.4.3 Methods of [medical] treatment for humans [or animals]." See also *UNCTAD/ICTSD*, 385 with regard to the wording of the Brussels Draft.

² See *Pacón*, in: *Beier & Schriker* (eds), 329, 338 *et seq.*; *Correa*, 292 referring to the communication of developing countries of 1990 proposing an exception regarding therapeutic and surgical methods.

Treaty (PCT).³ The EPC regulations served as an additional model⁴ for the wording of this regulation.⁵

B. Regulatory Content

In accordance with Art. 27.1, sentence 2,⁶ patents for inventions should be available in all fields of technology. This principle is restricted by Art. 27.3 lit. a in that it gives Members the **option to exclude from patentability** diagnostic, therapeutic and surgical methods for the treatment of humans and animals. 3

This exception applies only to the **method as such**, and in particular does not apply to those substances which are dispensed in the course of the method,⁷ nor does the regulation affect the medical equipment or diagnostic agents used, or the therapy provided. These can therefore be covered by patent protection.⁸ Cosmetic methods likewise do not fall within the scope of Art. 27.3 lit. a.⁹ Methods for promoting growth or improving the quality of meat and for improving other beneficial properties of animals will be classified as other methods for the treatment of animals that are not subject to Art. 27.3 lit. a.¹⁰ 4

In contrast to the corresponding provision in Art. 52.4., sentence 1 EPC, Art. 27.3 lit. a is of only **facultative character**. Furthermore, Art. 27.3 lit. a goes beyond Art. 52.4, sentence 1 EPC as it covers not just methods “practised on the human or animal body.” Instead, the wording relates to **all “methods for the treatment of humans or animals.”**¹¹ Unlike the EPC provision, methods practised on blood or tissue outside the human 5

³ Rule 39.1 AO PCT.

⁴ See thereto MTN.GNG/NG11/26, III., D., para. 3.

⁵ See *Straus*, in: *Beier & Schricker* (eds), 160, 183 *et seq.*; *Moufang*, GRUR Int. 41 (1992) 1, 10, 14 *et seq.*

⁶ *Cf.* Art. 52 EPC, § 1 German Patent Act; *PatentG*, (BGBl. I 1981, 1, as amended 5 September 2007 by BGBl. I 2007, 2166 *et seq.*; the amendment is in force since 13 December 2007).

⁷ For example, not affected are medicines which are given at the time of the execution of this procedure. This is evident also from Art. 70.8 TRIPS, which provides only a temporally limited exemption for inventions of pharmaceutical products and imposes the obligation to grant patent protection to medicaments. See *Straus*, in: *Beier & Schricker* (eds), 160, 184 *et seq.*

⁸ *Ibid.*, 189; *Correa*, EIPR 16 (1994) 8, 327, 328; *Pacón*, in: *Beier & Schricker* (eds), 329, 339.

⁹ Their patentability is not of importance for the public health and met not substantial ethical doubts, like the excluded procedures. See thereto *Rott*, 213; *Moufang*, GRUR Int. 41 (1992) 1, 10, 12.

¹⁰ See in respect to the interpretation of Art. 52.4, clause 1 EPC *Moufang*, GRUR Int. 41 (1992) 1, 10, 15 and *Flammer*, 46 *et seq.*

¹¹ See also *Straus*, in: *Beier & Schricker* (eds), 160, 183 *et seq.*

body also fall within the scope of Art. 27.3 lit. a.¹² Likewise, methods practised immediately before the actual treatment are also covered.

- 6 **Other countries** such as the United States,¹³ Australia and New Zealand have not made use of this option and have extended their patent protection to therapeutic methods where these meet the criteria necessary under Art. 27.1.¹⁴

C. WTO Jurisprudence

- 7 No cases relating to this provision have yet been brought before the WTO.

¹² Cf. *Thums*, GRUR Int. 44 (1995) 4, 277, 279 for the differentiation under Art. 52.4, sentence 1 EPC.

¹³ See *Correa*, 292.

¹⁴ So the usefulness (“utility”) and not the commercial applicability (“industrial applicability”) must be given as a condition for the grant of a patent in the USA.

Article 27.3 lit. b

- b. plants and animals other than micro-organisms, and essentially biological processes for the production of plants or animals other than non-biological and microbiological processes. However, Members shall provide for the protection of plant varieties either by patents or by an effective *sui generis* system or by any combination thereof. The provisions of this subparagraph shall be reviewed four years after the date of entry into force of the WTO Agreement.

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A. General

1 This very controversial provision¹ demonstrates that, in accordance with the TRIPS Agreement, wide areas of biotechnology must be accessible to patent protection. This conforms to the practice in many **industrialized Members**, but not to that in many developing countries. Developing countries frequently imposed a wide-ranging exclusion, particularly of the patentability of pharmaceutical products as well as products for agriculture and nutrition. With the consent of the TRIPS Agreement, however, these **developing countries** committed themselves in the Final Act of Marrakesh to adapt their national patent legislation to the requirements of the TRIPS Agreement within certain transitional periods.² The patentability of inventions in the field of the living world was already recognized in principle when the TRIPS Agreement came into force.³ A patent for a living organism *per se* was granted for the first time by the decision of the US Supreme Court in *Diamond v. Chakrabarty* in 1980.⁴ After this judgment the **practice of patenting living material** such as cells, parts of cells and genes spread widely in many industrialized states. This practice was based initially on the idea that an invention could not be excluded from patent protection merely because it was based on, or made use of, living matter. Regardless of this generally supported principle, the national laws of these States differed considerably in respect of the scope and extent of the patentability of biotechnological inventions. It was here that the differences between developed and developing countries⁵ were the greatest, because the

¹ Art. 27 3 lit. b TRIPS is the final expression of the lack of consent of the contracting states regarding the question of the patentability of life forms, see e.g. *Reichman*, Int'l Law. 29 (1995), 345, 358 *et seq.* Cf. also *Correa*, 293.

² The general deadline for the implementation of the TRIPS Convention for industrialized countries was 1 January 1996. Even for industrialized countries the period was too short, see *Dörmer*, GRUR Int. 47 (1998) 12, 919, 920. In contrast to this, Art. 65.2 TRIPS entitled the developing countries to postpone the implementation of TRIPS with the exception of Arts 3, 4 and 5 TRIPS for a further four years, to 1 January 2000. In accordance with Art. 65.4 TRIPS the period is extended by a further five years for developing countries, to the extent that they are obligated by the Convention to extend the patent protection for goods in the technology field which were not patentable in their territory to 1 January 2005 or the time of their accession. In some developing countries this rule concerns the medicine, plant protection products and food fields. On the danger of increasing prices for a short time, see e.g. *Gupta*, in: *Gupta* (ed.), 113, 121. In addition, regarding the so-called fewest developed member states, the term determination pursuant to Art. 66 TRIPS has to be considered, according to which one term of 10 years applies after the day of application in sense of Art. 65.1 TRIPS. This term can be extended on request.

³ *Spranger*, GRUR Int. 48 (1999) 7, 595, 597; *Mellulis*, in: *Benkard* (ed.), Art. 53, para. 44 with further references.

⁴ *Diamond v. Chakrabarty* (1980) 447 US 303, 100 S Ct 2204. The patent applied for in 1972 referred to a genetically modified micro-organism. See on the history of the judgment *Chisum*, 758–763.

⁵ See WIPO Memorandum on Exclusion from Patent Protection, HL/CE/IV/INF/1 reprinted in: 27 Industrial Property 192 (1988), 655 *et seq.* An extract of this WIPO document can be found in MTN.GNG/NG11/W/24, Annex II, 34 *et seq.*

majority of the developing countries did not grant patent protection in their legal systems for plant and animal varieties.⁶ The first negotiating proposals put forward by the United States,⁷ Japan, Switzerland and the Nordic States, for instance, aimed at a broadly-defined patent protection for plants and living matter.⁸ This proposal was consistently rejected by most developing countries and—in relation to plant varieties and animal breeds—by the European Community as well.⁹ The diverging views on patent exclusion can easily be seen by the use of square brackets in the Anell Draft:

1.4. The following [shall] [may] be excluded from patentability: (...)

1.4.4 [Any] plant or animal [including micro-organisms] [varieties] or [essentially biological] processes for the production of plants and animals; [this does not apply to microbiological processes or the products thereof.] [As regards biotechnological inventions, further limitations should be allowed under national law].¹⁰

In December 1990 still no agreement had been reached on the issue of the patentability of plants and animals. The **Brussels Draft**¹¹ puts in square brackets what the Members were able to exclude from patentability:

[b] A. Animal varieties [and other animal inventions] and essentially biological processes for the production of animals, other than microbiological processes or the product thereof. PARTIES shall provide for the protection of plant varieties either by patents or by any effective sui generis system or by any combination thereof. This provision shall be revised [...] years after the entry into force of this Agreement.

[b] B. Plants and animals, including microorganisms, and parts thereof and processes for their production. As regards biotechnological inventions, further limitations should be allowed under national law.

The compromise reached in the final version of this provision was initially seen as a major achievement of the developing countries.¹² Soon after

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⁶ See the critical comment of *Bai*, *Tex. Int'l L.J.* 32 (1997), 139, 148 on the lack of a material distinction relating to the patentability of micro-organisms.

⁷ The United States aimed at the incorporation of indispensable patent protection into the TRIPS Agreement. See the Notes on Informal Meeting on Intellectual Property Standards, 7–11 March 1988 in: *Correa & Yusuf* (eds), 335 *et seq.*

⁸ See *Ross & Wassermann*, in: *Stewart*, (ed.), 2294; *Straus*, in: *Beier & Schriker* (eds), 160, 182.

⁹ Art. 53 lit. b EPC has to be interpreted narrowly. Subsequently, in principle a patent can be granted on inventions which concern plants or animals (except plant varieties or animal species) or technical procedures for their production, *cf.* T-19/90, *Krebsmaus II*, OJ EPO 1990 476. In its first draft of 1987, the European Community was in favour of the patent protection of plant varieties, see *Bai*, *Tex. Int'l L.J.* 32 (1997), 139, 142. It accepted in 1988 the opinion of the developing countries and suggested the solution adopted in the end, see MTN.GNG/NG11/W/26. See on the position of the EEC *Straus*, in: *Beier & Schriker* (eds), 160, 178 *et seq.*

¹⁰ GNG, MTN.GNG/G11/W/76, 17.

¹¹ MTN.TNC/W/35-1/Rev.1.

¹² *Brühl & Kulesa*, 12; *Otten* in: *Cottier* (ed.), 67, 75; *Ross & Wassermann*, in: *Stewart* (ed.), 2241, 2284.

the TRIPS Agreement had been concluded, however, this achievement turned out to be less dramatic than it first appeared. The reason is that the initial results were practically offset by **subsequent bilateral and multilateral agreements** between industrialized States and developing countries outside the WTO. In these agreements, the developing countries had to commit themselves to introducing patent protection for inventions of plants and animals.¹³

B. Regulatory Content

- 3 The provisions of Art. 27.3 lit. b¹⁴ concern in particular the obligations and powers of Members in the biotechnology sector.¹⁵ This provision permits the exclusion of product patents on plants and animals with the exception of micro-organisms.

I. Plants and Animals

- 4 Art. 27.3 lit. b gives TRIPS Members the power to exclude plants and animals from patentability. This provision must be interpreted narrowly in the sense that it means only the exclusion from patents of plants and animals **as such**.¹⁶ It also concerns animal breeds, animal varieties and plant varieties. Transgenic plants and animals have to fall within this exception.¹⁷ Inventions relating to plants and animals are not in principle excluded from patent protection. In particular, the provision is not to be understood as giving Members the option in principle to exclude patent protection for inventions relating to genes, gene sequences, or body parts or substances, or the corresponding processes.¹⁸

¹³ These agreements concerned *e.g.* Mongolia, Jordan, Nicaragua, Sri Lanka and Vietnam. In accordance with Art. 45.5 Cotonou Agreement with the European Community the ACP States have committed themselves to implementing patent protection for biotechnological innovations, see *Rott*, 215, fn. 1151.

¹⁴ Often called the “biotechnology clause”.

¹⁵ The exception rules of Art. 27.3 lit. b TRIPS are accepted by numerous countries in their national legislation, see the answers to the questionnaire from the WTO-Secretariat, Review of the Provisions of Article 27.3(b)—Illustrative List of Questions—Prepared by the Secretariat, IP/C/W/122, 22 December 1998; Review of the Provisions of Article 27.3(b)—Communication from Canada, the European Communities, Japan and the United States, IP/C/W/126, 5 February 1999; OMPI/BIOT/WG/99/1, 29 October 1999 and OECD, Intellectual Property Practices in the Field of Biotechnology, Working Party of the Trade Committee, TD/TC/WP/(98) 15/Final, 1 February 1999.

¹⁶ *Cf. also Correa*, EIPR 16 (1994) 8, 327, 328.

¹⁷ *Cf. Straus*, in: *Beier & Schricker* (eds), 160, 184, fn. 104.

¹⁸ See also *Stoll & Raible*, in: *Prieß & Berrisch* (eds), 591.

II. Micro-Organisms

In a counter-exception to the possibility of excluding plants and animals from patent protection, Art. 27.3 lit. b, sentence 1 stipulates that patent protection is to be granted to micro-organisms. Thereby, TRIPS enshrines the **legal practice** of the patentability of micro-organisms, long propounded by many industrialised nations. This is also reflected in the **Budapest Treaty** on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure. 5

The TRIPS Agreement does not define what it means by “micro-organism”. The WTO adjudicatory bodies have not yet interpreted this term. The EPO defines micro-organisms as all organisms, generally single-cell and not visible to the naked eye, which can be bred and manipulated in a laboratory, such as bacteria, fungi, yeast, algae, protozoa and human, animal and plant cells.¹⁹ In some jurisdictions, *e.g.* in the United States, the **requirement of novelty** is satisfied by the isolation of the micro-organism and the assignment of a particular function,²⁰ according to which “novel” is to be understood as “prior art”.²¹ The element of novelty can thus also be satisfied if the unknown natural product is itself already in existence. In accordance with the EPC, micro-organisms are patentable only if they are not the outcome of a repeatable human activity, so that their mere occurrence in nature is normally only to be classed as a non-patentable discovery.²² Art. 3.2 of the Biopatent Directive²³ determines that biological material that is isolated from its natural environment or manufactured by means of a technical process can be the subject of an invention even if it was present in nature. 6

III. Biological Processes for the Production of Plants or Animals

Art. 27.3 lit. b, sentence 1 also regulates exceptions for particular process patents, according to which “essentially biological processes for the production of plants or animals” can be excluded from patent protection. **Process** 7

¹⁹ T-356/93, *Pflanzenzellen*, OJ EPO 1995, 545; T-292/85, *Polypeptide-Expression*, OJ EPO 1989, 275; *cf.* also *Singer et al.*, Art. 53, para 53; *Keukenschrijver*, in: *Busse* (ed.), Art. 2 German Patent Act, para. 59; German Patent Act, *PatentG* (BGBl. I 1981, 1, as amended 5 September 2007 by BGBl. I 2007, 2166 *et seq.*; the amendment is in force since 13 December 2007).

²⁰ Unlike on the other hand for example Art. 10.XI of the Brazilian Patent Law (Law No. 9.279, 14 May 1996), according to which biological material (including Genome and Protoplasm), even if it is isolated, may not be patented.

²¹ See also *UNCTAD/ICTSD*, 392 *et seq.*

²² *Cf. e.g. Bundesgerichtshof, Bäckerhefe*, GRUR 77 (1975) 8, 430.

²³ Directive 1998/44/EC of the European Parliament and of the Council of 6 July 1998 on the Legal Protection of Biotechnological Inventions (Biopatent Directive), OJ 1998 L 213/13.

patents concern methods of production and cultivation and can have a much greater effect because they can be applied simultaneously to several different plant and animal varieties. The underlying idea of this provision is to exclude traditional methods of production, such as processes for crossing varieties, mixing breeds or selective breeding, from patent protection.²⁴

- 8 Art. 27.3 lit. b, sentence 1 TRIPS reflects a widely-held regulatory practice that is applied in many States for the protection of plant varieties and animal breeds as the results of such production and breeding processes. Art. 53 (b) EPC,²⁵ for instance, contains a corresponding exception regulation²⁶ which only excludes what is known as natural production processes.²⁷ The EPC has already been criticized for the **lack of clarity of the individual elements**.²⁸ According to the European Patent Office's guidelines for examination, it is not the result²⁹ but rather the degree of technical intervention that is the prevailing criterion for categorizing a process as "essentially biological".³⁰ Only if the technical intervention makes a key contribution to the control or determination of the results, can the process acquire patent protection. Accordingly, conventional or "natural" methods of breeding or cultivation in which the result is achieved by exploiting the usual biological processes, particularly the rules of heredity, are not patentable.³¹ According to the narrow interpretation of Art. 2.2 Biopatent Directive, a process for the production of plants or animals is essentially biological if it consists entirely of natural phenomena such as crossing or selection. As with the other elements of this provision, there is considerable **scope for interpretation** too. An interpretation of Art. 27.3 lit. b TRIPS does not have to follow the interpretation of another regional provision such as Art. 53 lit. b EPC, so a restrictive procedure is still admissible.
- 9 As a **counter-exception** to this, Art. 27.3 lit. b, sentence 1 stipulates that patent protection must be granted for "non-biological and microbiological processes". **Microbiological processes** are processes in which micro-organisms or parts of micro-organisms are used to produce or modify products;³² this includes in particular biotechnological and genetic methods.³³

²⁴ See for example *Armitage*, GRUR Int. 39 (1990) 9, 662, 664.

²⁵ The term of the essentially biological procedure has been adopted into this regulation from Art. 53 lit. b EPC.

²⁶ In the abovementioned connection, see on this regulation *Flammer*, 54.

²⁷ The German Patent Act contains in § 2 No. 2 a similar regulation.

²⁸ See *Armitage*, GRUR Int. 39 (1990) 9, 662, 664.

²⁹ Cf. *Mellulis*, in: *Benkard* (ed.), Art. 53, para. 69.

³⁰ EPO Guidelines for Examination, No. X-232.2, available at: <http://www.epo.org/patents/law/legal-texts/guidelines.html> (last accessed 18 March 2008).

³¹ Cf. *Mellulis*, in: *Benkard* (ed.), Art. 53, para. 69.

³² Cf. *Brandi-Dohrn et al.*, *Europäisches und Internationales Patentrecht*, 141; *Rott*, 217.

³³ *Stoll & Raible*, in: *Prieß & Berrisch* (eds), 592.

Thus fermentation, for instance, falls within the scope of this provision, as it does in the legal systems of many WTO Members.³⁴

Other processes for the production of plants and animals that cannot be categorized as essentially biological processes can therefore be covered by patent protection even if the products produced by these processes cannot be patented. 10

IV. Protection of Plant Varieties

Art. 27.3 lit. b, sentence 2 establishes a special rule for the legal protection of plant varieties without, however, defining the term. A **definition** of plant variety can be taken from the **UPOV Convention**.³⁵ In accordance with Art. 1.4 of the UPOV Convention of 1991, a plant variety means “a plant grouping within a single botanical taxon of the lowest known rank, which grouping, irrespective of whether the conditions for the grant of a breeder’s right are fully met, can be defined by the expression of the characteristics resulting from a given genotype or combination of genotypes, distinguished from any other plant grouping by the expression of at least one of the said characteristics and considered as a unit with regard to its suitability for being propagated unchanged.” 11

Art. 27.3 lit. b states that plant varieties must be protected. Members, however, have the option of guaranteeing this protection by patents or by another effective *sui generis* system or by any combination of the two. In contrast to the other exception regulations in Art. 27.3 lit. b, this exception element is formulated as a **positive requirement of protection** according to which Members are given the option of **choosing between three possibilities of legal protection**. Nevertheless, the provision does not specify what has to be understood by an “effective” system. Members can therefore determine the extent and the content of the protective rights which have to be granted. The results of plant cultivation and new plant varieties are already protected in many States³⁶ by special protective rights.³⁷ 12

³⁴ See *Correa*, EIPR 16 (1994) 8, 327, 328.

³⁵ The International Union for the Protection of New Varieties of Plants (UPOV) pursues the goal of protecting new varieties of plants by the preparation and promotion of an effective varieties protecting system. The UPOV Agreement, which was concluded in 1961 in Paris, plans a form of protection of the intellectual property *sui generis*, which was adapted specifically to the process of plant breeding and developed for it. It should give the breeders an incentive to create new varieties of plants. The Convention has been revised in the years 1972, 1978 and 1991. Currently 54 States are members of the UPOV Convention, and among them are the USA and nearly all Member States of the European Union.

³⁶ See also *Bai*, Tex. Int’l L.J. 32 (1997), 139, 140.

³⁷ Thus for instance in Germany by the Act of Plant Varieties, *SortenschutzG*, (BGBl. I 1985, 2170 *et seq.*, as enunciated in BGBl. I 1997, 3164 *et seq.*, as last amended in 2007 by BGBl. I 2007, 2897 *et seq.*) See also the International Convention for the Protection of Plant

It is recognized, for instance, that the plant variety right, particularly in the form of the UPOV Convention, satisfies the requirements of an effective *sui generis* system within the meaning of this provision.³⁸ Other States are developing *sui generis* protective systems; in August 2001, for example, India promulgated its own law protecting plant varieties and farmers' rights.³⁹

- 13 This **flexibility** in Art. 27.3 lit. b **in relation to the interpretation** of the protection which has to be granted for plant varieties stems from the lack of unanimity among the industrialized nations during the TRIPS negotiations. In most States both plant and animal varieties are not in principle eligible for patent protection.⁴⁰ In Japan and Australia, however, new plant varieties may be patented as such.⁴¹ In the United States there is, in addition to the plant variety right, the possibility of acquiring protection for a variety by what is known as a plant patent.⁴² In contrast, Art. 53 lit. b EPC prohibits the patenting of plant varieties. The provision is intended, firstly, to prevent patent protection being granted where variety protection exists,⁴³ the key is that variety protection can in principle be granted, but the actual issue of the plant variety right is not necessary.⁴⁴ Secondly, it is intended to prevent plant varieties being indirectly included under patent protection through the patenting of seeds.⁴⁵

Breeding, 2 December 1961, at last amended on 19 March 1991 (BGBl. II 1998, 258). See *Bai*, *Texas Int. Law Journal* 32 (1997), 139, 140.

³⁸ *Wolfrum & Klepper & Stoll & Franck* (eds), 70; *Gervais*, para. 2.265.

³⁹ India, Plant Variety Protection and Farmer's Rights Bill dated 9 August 2001.

⁴⁰ See, TD/TC/WP/(98), 5. Only in five OECD States can plants as well as components of plants and plant varieties be patented. In six OECD States actual animals, animal organs and animal species are subject to patent protection.

⁴¹ *UNCTAD/ICTSD*, 394.

⁴² US Patent Act, 35 USC §§ 161–164 (2006). Patent for plants: "Whoever invents or discovers and asexually reproduces any distinct and new variety of plant, including cultivated sports, mutants, hybrids, and newly found seedlings, other than a tuber propagated plant or a plant found in an uncultivated state, may obtain a patent therefore, subject to the conditions and requirements of this title [35 USC § 1 *et seq.* (2006)]. The provisions of this title [35 USC § 1 *et seq.* (2006)] relating to patents for inventions shall apply to patents for plants, except as otherwise provided."

⁴³ This double protection prohibition has its origin in the version of the UPOV Convention of 1961, valid at the time of the conclusion of the EPC. In the version at that time priority had been granted to variety protection, so that patent protection should be excluded from the field of variety protection. The current revised version of the UPOV Convention no longer contains this prohibition of simultaneous protection of variety protection and patent right. This change, however, has not been reflected in the EPC. See *Keukenschrijver*, in: *Busse* (ed.), § 2 German Patent Act, para. 45.

⁴⁴ *Cf. Mellulis*, in: *Benkard* (ed.), Art. 53, para. 55.

⁴⁵ *Ibid.*, paras 52, 53.

V. Review Clause

Because of the great significance and implications of Art. 27.3 lit. b, a review clause was inserted in its sentence 3.⁴⁶ The review, which was due to take place four years after the WTO Agreement entered into force, was duly opened in 1999 but was then postponed. The review process has not delivered any new findings to date.⁴⁷ There is disagreement even regarding the scope of the review clause;⁴⁸ developing countries in particular hold that the review clause opens the door for a review of the provision itself, with the concomitant possibility of a modification of its content.⁴⁹ Many industrialized States, by contrast, are of the opinion that the review clause is only aimed at questions regarding the effective implementation of the provision,⁵⁰ and that it is precisely not meant to enable a retreat from the agreed standards. 14

Furthermore, in para. 19 of the **Doha Ministerial Declaration**, the Council for TRIPS is called to review the relationship between the TRIPS Agreement and the Convention on Biological Diversity (CBD) and to protect traditional knowledge and the folklore.⁵¹ Partly because of this mandate, this provision is taken as a starting point for discussions aimed at resolving conflicts of opinion between industrialized States and developing countries far beyond the WTO. The current debate about the review and implementation of the Doha mandate has led to some controversy with regard to the following topics in particular: (1) the relationship between the 15

⁴⁶ It is the only regulation in the TRIPS Agreement with such an (earlier) examination obligation.

⁴⁷ *Stoll & Raible*, in: *Prieß & Berrisch* (eds), 592; For an overview of the debate and the different views represented during the negotiation of the revision of Art. 27.3 lit. b see *Notes by the Secretariat*, Review of the Provision of Article 27.3(b), Summary of issues raised and points made, IP/C/W369/Rev.1, 9 March 2006; The Protection of Traditional Knowledge, Summary of issues raised and points made, IP/C/W/370/Rev.1, 9 March 2006; and The Relationship between the TRIPS Agreement and the Convention on Biological Diversity, IP/C/W/368/Rev.1, 8 February 2006 as well as, *Gervais*, in particular paras 2.260–2.271 for an overview of the most important topics in the context of the discussion of the revision clause of this regulation.

⁴⁸ See *UNCTAD/ICTSD*, 395.

⁴⁹ See e.g. the notification of the African Group, WT/GC/W/2002 and IP/C/W/404, 26 June 2003, for the text of the notification, IP/C/W/404, 26 June 2003, see *UNCTAD/ICTSD*, 396.

⁵⁰ See e.g. the notifications of US, IP/C/W/209, 3 October 2000, and Australia, IP/C/W/310, 2 October 2001.

⁵¹ Doha Ministerial Declaration, WT/MIN(01)DEC/1, 20 November 2001: “Para. 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 the 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.”

TRIPS Agreement and the CBD;⁵² (2) closely related to that, the protection of traditional knowledge and folklore;⁵³ (3) the requirement to introduce information on origin for genetic resources and (traditional) knowledge in the patent application process; (4) the introduction of a certificate evidencing compliance with national legislation regarding PIC (prior informed consent)⁵⁴ and MAT (mutually agreed terms)⁵⁵ for access to genetic resources and the associated traditional knowledge; and (5)⁵⁶ the hoped-for fight against bio-piracy.⁵⁷ While not actually offering a normative foundation for them, Art. 27.3 lit. b TRIPS is taken as a basis for discussion of these topics for the purpose of attempts at achieving a legal resolution of these problems. The **5th WTO Ministerial Conference**, held in Cancún, Mexico, from 10 to 14 September 2003, also did not make any contribution to this debate. The subject was addressed briefly at the **6th WTO Ministerial Conference**, held in Hong Kong from 13 to 18 December 2005. The Ministerial Declaration refers to para. 19 of the Doha Declaration; the mandate is being confirmed and renewed. It can thus only be assumed that the controversial subject is still on the agenda.⁵⁸

⁵² Basically there are three positions represented: (1) between the TRIPS Agreement and the CBD there would be an inherent conflict. This conflict can be eliminated only by an amendment to the TRIPS Agreement. (2) There would not be a conflict between the two instruments; they could and have to be implemented in a mutually supporting way. (3) Possibly a conflict between the two instruments would exist. This would have to be clarified, so that the TRIPS Agreement and the CBD can be implemented in a mutually supporting way. For an overview of the different positions and their arguments, see *Gervais*, paras 2.271 *et seq.* Also Note by the Secretariat, The Relationship between The TRIPS Agreement and the Convention on Biological Diversity: Summary of Issues Raised and Points made, IP/C/W/368, 8 August 2002, paras 20 *et seq.*

⁵³ See *Gervais*, 274 *et seq.* and the reference in fn. 75; see also *UNCTAD/ICTSD*, 399 for the discussion regarding an adequate discussion forum for the topic of traditional knowledge and folklore.

⁵⁴ Art. 15.5 CBD: "Access to genetic resources shall be subject to prior informed consent of the Contracting Party providing such resources, unless otherwise determined by that Party."

⁵⁵ Art. 15.4 CBD: "Access, where granted, shall be on mutually agreed terms and subject to the provisions of this Article."

⁵⁶ See *Gervais*, para. 2.270; see also IP/C/W/368, 8 August 2002, paras 20 *et seq.*

⁵⁷ See for an overview of the different opinions on this subject matter *Gervais*, para. 2.270.

⁵⁸ So far the following official documents for discussion of Art. 27.3 lit. b have been submitted: Brazil, Response to questions raised on the draft amendment to TRIPS. Article 29*bis*, IP/C/W/475, 26 July 2006, which deals in particular with the proposed amendments to Art. 29 TRIPS; Brazil, India, Pakistan, Thailand, Peru and Tanzania, Doha Work Programme, The outstanding Implementation Issue on the Relationship between the TRIPS Agreement and the Convention on Biological Diversity, WT/GC/W/564/Rev.2 or Norway, The Relationship between the TRIPS Agreement, the Convention on Biological Diversity and the protection of traditional knowledge, Amending the TRIPS Agreement to Introduce an Obligation to Disclose the Origin of Genetic Resources and Traditional Knowledge in Patent Applications, IP/C/W/473, 14 June 2006, which deal in particular with the criteria required for the mutual and supportive implementation of TRIPS and CBD; Japan, IP/C/W/472; Bolivia, Cuba, Ecuador, India, Sri Lanka and Thailand, Submission in Response to the Communication from Switzerland (IP/C/W/446), IP/C/W/470, 21 March 2006; United States of America, Article 27.3(b), Relationship between the TRIPS Agreement and

C. WTO Jurisprudence

No proceedings relating to this regulation have yet been brought before the WTO. The United States and Argentina have agreed to adapt their national legislation in respect of the TRIPS Agreement. Argentina, for instance, has amended its legislation in light of Art. 27.3 lit. b and issued directives for the patenting of micro-organisms.⁵⁹ 16

D. Relationship with Other International Regulations

Art. 27.3 lit. b and the debate about its review reveal **many points of contact** with other international agreements. 17

I. UPOV Convention

As already explained above,⁶⁰ it is recognized that the plant variety right of the UPOV Agreement meets the requirements of an **effective sui generis system** within the meaning of Art. 27.3 lit. b. The TRIPS Agreement demands only the protection of plant varieties and mentions as an implementation device a *sui generis* system without defining what this is. It was proposed in the course of debate on the review of Art. 27.3 lit. b that a reference to the UPOV protection system, in particular to the 1991 Agreement, should be incorporated into the TRIPS Agreement.⁶¹ Opponents argue that the UPOV protection system is not the appropriate system of protection for some developing countries. Members should therefore have the right to choose for themselves the system that is appropriate to their interests.⁶² 18

the CBD, and the Protection of Traditional Knowledge and Folklore, IP/C/W/469, 13 March 2006; and the Communications of the Secretariat, IP/C/W/370/Rev.1, 9 March 2006 and IP/C/W/368/Rev.1, 8 February 2006.

⁵⁹ See *Argentina—Certain Measures on the Protection of Patents and Test Data*, WT/DS196 and, in particular, WT/DS196/4.

⁶⁰ See paras 15 *et seq.* above.

⁶¹ See UPOV, Review of the Provisions of Article 27.3(b), Relationship between the TRIPS Agreement and the Convention on Biological Diversity and Protection of Traditional Knowledge and Folklore—Information from Intergovernmental Organizations—International Union for the Protection of New Varieties of Plants (UPOV)—Addendum, IP/C/W/347/Add.3 June 11, 2002.

⁶² See in detail to the relationship of TRIPS and UPOV *de Carvalho*, 178–185.

II. Convention on Biological Diversity

- 19 The 1992 Convention on Biological Diversity (CBD) pursues the objective of guaranteeing the **conservation** and **sustainable use of biological diversity** and achieving a **fair and equitable sharing of the benefits** arising out of the **utilization of genetic resources**.⁶³ In accordance with the CBD, third parties have access to genetic resources only on the basis of prior informed consent and on mutually agreed terms.⁶⁴ The CBD also awards the State in which the resources are (originally) located sovereignty over their genetic resources.⁶⁵ By contrast, the objective of the TRIPS Agreement is to protect intellectual property rights in order to counter distortion in international trade and promote worldwide technological progress. The two agreements may conflict if inventions which are founded on genetic resources and/or associated traditional knowledge that have not been acquired in conformity with the CBD are to be protected by patents. According to the TRIPS Agreement, for instance, patentability is possible even in the case of the unauthorised use of genetic resources or traditional knowledge.
- 20 The **relationship between the two agreements** is a matter of considerable debate in the Council for TRIPS in respect of the review of Art. 27.3 lit. b.⁶⁶ While the industrialized States in particular hold the view that there is no conflict between TRIPS and the CBD, several developing countries insist on the need to harmonize TRIPS and the CBD, for instance by reviewing and possibly amending the TRIPS Agreement.⁶⁷ It was, for example, suggested that a regulation should be included in the TRIPS Agreement stating that a patent could not be granted if Art. 15 CBD had been infringed.⁶⁸

⁶³ Art. 1 CBD.

⁶⁴ Art. 15.5 CBD and Art. 15.4. CBD.

⁶⁵ Art. 3 CBD.

⁶⁶ See in detail the relationship of Art. 27.3 lit. b TRIPS to the CBD: *UNCTAD/ICTSD*, 397 *et seq.*; and see regarding the actual debates Notification of the Secretariat, IP/C/W/369/Rev.1 and IP/C/W/368/Rev.1.

⁶⁷ See Communication from India, Proposals Regarding the Agreement on Sanitary and Phytosanitary Measures in terms of Paragraph 9(a)(i) of the Geneva Ministerial Declaration, WT/GC/W/202, 14 June 1999; Communication from Egypt, Preparation for the 1999 Ministerial Conference, WT/GC/W/136, 29 January 1999.

⁶⁸ See Communication from India, Preparation for the 1999 Ministerial Conference, WT/GC/W/225, 2 July 1999.

III. International Treaty on Plant Genetic Resources for Food and Agriculture (FAO Treaty)

The International Treaty on Plant Genetic Resources for Food and Agriculture (FAO Treaty)⁶⁹ was adopted at the FAO conference in Rome in November 2001 and entered into force on 29 June 2004, replacing the 1983 International Undertaking on Plant Genetic Resources for Food and Agriculture (IU). Unlike the IU, the FAO Treaty contains binding regulations relating to access and the sharing of benefits in respect of plant genetic resources in the sphere of food and agriculture. 21

With regard to the TRIPS Agreement,⁷⁰ there is no direct relationship between the two agreements because the FAO Treaty, unlike the TRIPS Agreement, **does not guarantee intellectual property rights**. Part IV of the FAO Treaty regulates the multilateral system of access to plant genetic resources and the associated sharing of benefits. The aspect of intellectual property is addressed in Art. 12.3 lits d and f FAO Treaty. 22

(d) Recipients shall not claim any intellectual property or other rights that limit the facilitated access to the plant genetic resources for food and agriculture, or their genetic parts or components, in the form received from the Multilateral System;

[...]

(f) Access to plant genetic resources for food and agriculture protected by intellectual and other property rights shall be consistent with relevant international agreements, and with relevant national laws; [...]

According to these provisions, recipients of plant genetic resources are not prevented from acquiring intellectual property rights over their inventions which may be based on the plant genetic resources received. In addition, Art. 12.3 lit. f FAO Treaty confirms that **existing property rights** (patents or other) are **not impaired** by the multilateral system of the FAO Treaty. 23

⁶⁹ Cf. regarding the FAO Treaty *Demangue*, 57 *et seq.*

⁷⁰ See in detail on the relationship of Art. 27.3 lit. b TRIPS and International Treaty for Plant Genetic Resources for Food and Agriculture (FAO Treaty), *UNCTAD/ICTSD*, 406 *et seq.*

Article 28 Rights Conferred

1. A patent shall confer on its owner the following exclusive rights:
 - (a) where the subject matter of a patent is a product, to prevent third parties not having the owner's consent from the acts of: making, using, offering for sale, selling, or importing^[6] for these purposes that product;
 - (b) where the subject matter of a patent is a process, to prevent third parties not having the owner's consent from the act of using the process, and from the acts of: using, offering for sale, selling, or importing for these purposes at least the product obtained directly by that process.
2. Patent owners shall also have the right to assign, or transfer by succession, the patent and to conclude licensing contracts.

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A. General

- 1 Art. 28 specifies what exclusive rights and acts of use accrue to the patent owner as a result of the patent for the protection period of at least 20 years from the date of application. The **negative formulation** of the provision is intended to emphasize the absolute effect of the patent as regards everyone and the right of the patent owner to exclude third parties from performing certain acts in relation to the invention. This emphasis on the excluding function of the patent, formulated as a negative right, underlines the character of the TRIPS Agreement as protecting intellectual property rights in order to counter distortions or hindrances in international trade.

^[6] This right, like all other rights conferred under this Agreement in respect of the use, sale, importation or other distribution of goods, is subject to the provisions of Article 6.

B. Regulatory Content

Art. 28.1 concerns the **exclusive¹ rights of the patent owner** resulting from the patent; a distinction is made between product patents and process patents. Art. 28 does not define the abovementioned exclusive rights of the patent owner as such. The definitions and scope of these rights have to be taken from the legal systems and precedents of the WTO Members themselves, in consideration of Art. 1.1.² Moreover, the enumeration in Art. 28, which refers to the activities that the patent owner can prevent, is **exhaustive**. Therefore it should be **interpreted narrowly**.³ Furthermore, Art. 28.1 does not lay down any rule on remedies for patent infringements or indirect patent infringements. The settlement of such cases remains within the jurisdiction of national legislation. It is, moreover, suggested that an explicit reference to the right to exclude others from stockpiling during the protection period of the patent would be useful.⁴ This fact, however, did not prevent the Panel in the *Canada—Pharmaceutical Patents* case from finding the stockpiling provision of the Canadian Patent Act⁵ (Sec. 55.2 (2)) incompatible with Art. 28.1 and not justified by Art. 30.⁶

The acts that the owner of a patented product or of a process patent can prevent are the following: using, offering for sale, selling or importing.⁷ The exclusive right to use⁸ evidently involves neither uses of the product marketed by the patent owner nor such uses that were made with his or her consent domestically or internationally, subject to the exhaustion of rights.⁹ According to *Correa*, uses that the patent owner may prevent include for example activities of commercialization but not entailing sale, like renting,

¹ Art. 28 explicitly states that the rights to be conferred are exclusive. This is further confirmed by the wording indicating that these rights confer the ability to “prevent third parties not having the owner’s consent from the acts of”. The term “exclusive” means “shutting out, not admitting of”, *Concise Oxford Dictionary*, (1982), 336.

² *Cf. de Carvalho*, 212.

³ See hereunto also *Correa*, 296.

⁴ *Cf. de Carvalho*, 215; *Gervais*, para. 2.282.

⁵ Canadian Patent Act, R.S., 1985, c. P-4.

⁶ *Ibid.*

⁷ The act of making is listed only in the context of a product patent. See hereto para. 4 below.

⁸ Most laws provide an exception for special kind of uses like, for example, an exception in accordance with Article 5ter PC: “In any country of the Union the following shall not be considered as infringements of the rights of a patentee: (i) the use on board vessels of other countries of the Union of devices forming the subject of his patent in the body of the vessel, in the machinery, tackle, gear and other accessories, when such vessels temporarily or accidentally enter the waters of the said country, provided that such devices are used there exclusively for the needs of the vessel; (ii) the use of devices forming the subject of the patent in the construction or operation of aircraft or land vehicles of other countries of the Union, or of accessories of such aircraft or land vehicles, when those aircraft or land vehicles temporarily or accidentally enter the said country.”

⁹ *Cf. Correa*, 296.

leasing or sales demonstrations.¹⁰ The act of **offering for sale** comprises activities pursued with the aim of selling patented products. That means that offers to license or lease would not be included in this right. The exclusive **right to sell** has to be understood in a narrower way than a right to commercialize. This right can be exercised to hinder the sale or resale of infringing products, but, according to *Correa*, this right does not extend to the resale of products first put on the market by the owner of the patent, or for example by a voluntary or compulsory licence.¹¹ Before its adoption, the exclusive right to import was for example not deemed an infringement in developing countries. According to footnote 6 the right to import is subject to Art. 6 on the principle of exhaustions of rights.

I. Product (Art. 28.1 lit. a)

- 4 In accordance with Art. 28.1 lit a, the owner of a product patent has the exclusive rights to make, use, offer for sale, sell or import such products for these purposes. A footnote referring to Art. 6 makes it clear that questions of the exhaustion of intellectual property rights should not be affected by this regulation. Regarding the act of making, the use of a process different from that applied by the patent owner does not avoid infringement. In this context, neither which kind of process of making was used nor the number of products made is significant. Regarding the interpretation of the concept of making, special consideration may also be required in the case of the repair or modification of a patented product. The same applies in cases when a product is manufactured for export as this activity is not included in the enumeration of exclusive rights conferred by a patent. For example, in the US some case law has applied a differentiated approach referring to the treatment of the acts of making and exportation. However, the prevailing view seems to vindicate that making an entire patented product for export infringes the patent.¹² This approach seems to be confirmed by the adoption of the WTO Decision of 30 August 2003 pursuant to para. 6 of the Doha Declaration on the TRIPS Agreement and Public Health, since a compulsory licence is required to export a patented medicine.¹³

¹⁰ *Ibid.*, 257.

¹¹ *Ibid.*

¹² See General Council, Implementation of Paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health, Decision of 30 August 2003, WT/L/540, 2 September 2003, and *Correa*, 296.

¹³ This decision was incorporated on 6 December 2005 into the TRIPS Agreement as Art. 31*bis*. It has to be noted that the amendment is subject to ratification by Members in line with WTO rules.

II. Process (Art. 28.1 lit. b)

In accordance with Art. 28.1 lit. b TRIPS, the owner of a process patent has the exclusive rights to certain acts, namely using, offering for sale, selling or importing for these purposes “at least the product obtained directly by that process.”¹⁴ Prior to the TRIPS Agreement, the **extension of patent protection to products** (direct process products) that can be **obtained directly**¹⁵ **through the patentable process** did not enjoy any general recognition in developing countries, unlike in industrialized States.¹⁶ Under the Paris Convention, a product that is imported into a country of the Union in which a patent protecting a process for the manufacture of the product exists enjoys the same patent protection as a product made in that country on the basis of a process patent.¹⁷ This extension has also been adopted in the United States through an amendment to US patent legislation.¹⁸ This extension of protection to the product obtained directly by the patented process confers an extraterritorial effect on the use of the process in a foreign jurisdiction, and as a result it strengthens the type of protection conferred by process patents.¹⁹ The inclusion of this regulation in the TRIPS Agreement is the end result of longwinded negotiations.²⁰

Art. 34 TRIPS contains a supplementary **burden of proof rule** for civil proceedings initiated as the result of an infringement of process patents. It states that the alleged infringers must demonstrate that they made the product in a manner other than through the patented process.

¹⁴ See, in particular, to the question of what can be considered as a “direct” product *von Pechmann*, GRUR 79 (1977) 6, 377 *et seq.*; *Bruchhausen*, GRUR 81 (1979) 11, 743 *et seq.*; *Russell & Hurdle*, EIPR 17 (1995) 5, 249 *et seq.*

¹⁵ The comprehensive protection is of relevance only if it can be proved that the product was manufactured by means of the patent procedure. See on the question of the (converse) burden of proof by the procedures patents Art. 34 TRIPS.

¹⁶ Before its adoption this extension of right had for example already been introduced by German law (1981).

¹⁷ Art. 5 *quater* PC reads “When a product is imported into a country of the Union where there exists a patent protecting a process of manufacture of the said product, the patentee shall have all the rights, with regard to the imported product, that are accorded to him by the legislation of the country of importation, on the basis of the process patent, with respect to products manufactured in that country.”

¹⁸ The Process Patent Amendment Act (PPPA)—Title 9 of the Omnibus Trade and Competitiveness Act 1988 codified at 35 USC § 271 lit. g.

¹⁹ For more details see *Correa*, 297 *et seq.*

²⁰ See *Gervais*, para. 2.282 and Draft Final Act Embodying the Results of Uruguay Round of Multilateral Trade Negotiations (Brussels Draft), MTN.TNC/W/35-1/Rev.1, 3 December 1990, to the Art. 31 TRIPS of that time (currently Art. 28 TRIPS). The disputed extension of the rights to the product in para. 2 of this regulation was particularly characterized by the square brackets. See also on the negotiation history of the regulation *UNCTAD/ICTSD*, 415 *et seq.*

III. Transfer of Patents (Art. 28.2)

- 7 Art. 28.2 makes it clear that the patent owners may **assign or license their patents in a legal transaction**.²¹ Some WTO Members consider Art. 28.2 to be a restriction or prohibition on State control over the patent owner's practice of issuing licences.²² In particular, they hold that the requirement of official registration or official publication of the licensing agreement as a prerequisite for its validity is incompatible with Art. 28.2. In accordance with Arts 8.2 and 40.2, however, the prior State control of licensing agreements with the objective of examining them for abuse of rights to intellectual property or an adverse effect on competition in the relevant market is admissible.²³ Furthermore, Art. 8.1 also gives Members the ability to determine a maximum limit for licence fees and contract fees in licensing agreements if this is considered necessary in order to promote development in certain key sectors. The United States holds the view that the requirement officially to register the licensing agreement would constitute an inadmissible restriction of the rights of the patent owner under Art. 28.2.²⁴ This understanding may lead to the assumption that Members, under this rule, lose their power to make the registration of licensing agreements a condition of the validity of the agreement.²⁵ The counter-argument is that public registration is essential in order to give the public the opportunity to find out about the agreement with third parties. It is argued that the registration required by law is only a formal condition that aims to protect third parties acting in good faith from being exposed to unjustified legal action.²⁶

²¹ A similar provision can be found in most patent laws: *e.g.* § 15 of the German Patent Act, *PatentG* (BGBl. I 1981, 1, as amended 5 September 2007 by BGBl. I 2007, 2166 *et seq.*; the amendment is in force since 13 December 2007).

²² *Cf. de Carvalho*, 213.

²³ Examples of the content of such clauses are given in Art. 40.2, sentence 2.

²⁴ See inquiries of the USA on this problem in Council for Trade-Related Aspects of Intellectual Property Rights—Review of Legislation in the Fields of Patents, Layout-Designs (Topographies) of Integrated Circuits, Protection of Undisclosed Information and Control of Anti-Competitive Practices in Contractual Licences, Netherlands, IP/Q3/NLD/1 dated 22 October 1997 and Council for Trade-Related Aspects of Intellectual Property Rights—Review of Legislation in the Fields of Patents, Layout-Designs (Topographies) of Integrated Circuits, Protection of Undisclosed Information and Control of Anti-Competitive Practices in Contractual Licences, Greece, IP/Q3/GRC/1, 25 June 1998.

²⁵ In particular, this was the position supported by the US in 1997 before the Council for TRIPS regarding the review of provisions addressing developing countries.

²⁶ See the answers of Netherlands and Greece to the US' questions regarding their national regulation to the public registration of license agreements in IP/Q3/NLD/1 and IP/Q3/GRC/1.

IV. Comments on the Footnote to Art. 28

This footnote was inserted at the suggestion of some developing countries with the aim of making it clear that Members have the right to provide for a **system of international exhaustion**.²⁷ The text of the footnote arose before negotiations on the wording of Art. 6 had been concluded.²⁸ The original draft of Art. 6 stated that exhaustion was to be assessed under national law, whereas the wording adopted in the final version of Art. 6 specifies that *for the purposes of settling disputes*²⁹ the TRIPS Agreement may not be used to address the issue of exhaustion.³⁰ Thus the only effect of the reference to Art. 6 is that, in the event of a dispute, the issue of exhaustion cannot be the subject of TRIPS dispute settlement proceedings.³¹ 8

The footnote expressly relates to the exclusive **right of importation of the patent owner**, since this right can be restricted through parallel imports on the basis of national exhaustion regulations. The footnote's intent is to make it clear that Art. 6 TRIPS applies to the rights in Art. 28 TRIPS and hence can limit these rights. The national rules governing exhaustion can accordingly have an influence on the exclusive rights of the patent owner in conformity with the general principles of the TRIPS Agreement. In particular, the patent owner cannot prevent the export or import of patent-protected products when her rights within the meaning of Art. 6 TRIPS are exhausted. 9

The footnote also makes it clear that the exclusive rights of the patent owner are not restricted solely to the rights referred to in Art. 28 TRIPS. The exclusive rights also include the *other distribution of goods*, i.e. including exporting and stockpiling. It is further evident that the only exclusive right under Art. 28 TRIPS that is not exhausted by the first sale of the invention by the right owner or with its consent is the right to exclude others from the **right to make**.³² 10

C. WTO Jurisprudence

In its report on *Canada—Pharmaceutical Patents*³³ which was adopted by the Dispute Settlement Body (DSB) on 7 April 2000, the Panel addressed in particular the provisions of Art. 28 and Art. 30 TRIPS. The Panel had been 11

²⁷ Cf. Staehelin, 148 *et seq.*; Rott, 248.

²⁸ *de Carvalho*, 215.

²⁹ Emphasis added.

³⁰ See particularly to this formulation the comment to Art. 6 TRIPS.

³¹ See *Straus*, in: *Beier & Schriker* (eds), 160, 193 *et seq.*

³² According to one opinion, the footnote should have covered all rights mentioned in Art. 28, see *de Carvalho*, 215.

³³ *Canada—Pharmaceutical Patents*, WT/DS114/R.

established at the request of the EC to examine whether two provisions of Canadian patent law, which gave third parties exclusive rights within the patent protection period without the consent of the patent owner, violated TRIPS provisions. In respect of Art. 28, the Panel **rejected a hierarchy of the listed exclusive rights** of the patent owner within the provision; instead the rights concerned were to have equal value.³⁴

D. Relationship with Other International Regulations

- 12 By implementing the TRIPS Agreement, several States and confederations have adopted the list of exclusive rights under Art. 28 almost word for word. In contrast, Art. 1709.5 NAFTA³⁵ contains neither the right to exclude third parties from offering for sale nor the right to prevent third parties from importing. In contrast, owners of a process patent may prohibit the importation of a product manufactured directly from a process patent.

³⁴ *Ibid.*, para. 7.33.

³⁵ Art. 1709.5 lit a NAFTA reads “Each Party shall provide that (a) where a subject matter of a patent is a product, that the patent shall confer on the patent owner the right to prevent other persons from making, using or selling the subject matter of the patent, without the patent owner’s consent; and (b) where the subject matter of a patent is a process, the patent shall confer on the patent owner the right to prevent other persons from using that process and from using, selling, or importing at least the product obtained directly by that process, without the patent owner’s consent.”

Article 29 Conditions on Patent Applicants

1. Members shall require that an applicant for a patent shall disclose the invention in a manner sufficiently clear and complete for the invention to be carried out by a person skilled in the art and may require the applicant to indicate the best mode for carrying out the invention known to the inventor at the filing date or, where priority is claimed, at the priority date of the application.
2. Members may require an applicant for a patent to provide information concerning the applicant's corresponding foreign applications and grants.

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A. General

- 1 Art. 29 addresses the **application procedure** for a patent. This provision must be seen in conjunction with Art. 62, which concerns the acquisition and maintenance of rights to intellectual property. The section on the duties of the patent owner was one of the most controversial parts of the TRIPS Agreement.¹ As the Brussels Draft² and the Anell Draft³ indicate, there were a number of different proposals regarding the terminology to be used in Art. 29. The Brussels Draft contains similar conditions to those of the current Art. 29 TRIPS, but complements these with the right of Members to impose the following requirements on the patent owner:
 - (a) To ensure the [working] [exploitation] of the patented invention in order to satisfy the reasonable requirement of the public. [For the purposes of this Agreement the term “working” may be deemed by PARTIES normally to mean manufacture of a patented product or industrial application of a patented process and to exclude importation].
 - (b) [(b) In respect of licensing contracts and contracts assigning patents, to refrain from engaging in abusive or anti-competitive practices adversely affecting the transfer of technology.]
- 2 According to the Anell Draft the patent owner should have the following obligations:
 - 1.1. to disclose prior to grant the invention in a clear and complete manner to permit a person versed in the technical field to put the invention into practice [and in particular to indicate the best mode for carrying out the invention];
 - 1.2. to give information concerning corresponding foreign applications and grants;
 - 1.3. B to work the patented invention in the territory of the Party granting it within the time limits fixed by national legislation;
 - 1.4. B in respect of licence contracts and contracts assigning patents, to refrain from engaging in abusive or anticompetitive practices adversely affecting the transfer of technology, subject to the sanction provided for in Section 8 and 9 below.
- 3 A group of **developing countries** proposed the use of the term “person versed in the technical field,”⁴ although the formulation “person skilled in the art” was adopted in the end because it is more commonly used in international practice. Many developing countries also tried to introduce an “obligation to work the patented invention,” but ultimately the **industrialized countries** successfully rejected this attempt.

¹ See in detail on the negotiating history of this regulation *UNCTAD/ICTSD*, 449 *et seq.*

² MTN.TNC/W/35-1/Rev.1.

³ MTN.GNG/NG11/W/76.

⁴ See *Gervais*, para. 2.288.

It is evident that the TRIPS Agreement inserts the **requirement to disclose the invention in the patent application process**, already known in some legal systems, as a mandatory condition. The requirement to indicate the best method for carrying out the invention was included only as a non-mandatory condition. By the implementation of the TRIPS Agreement such condition has been adopted by most Members, including Europe and Japan, into their patent legislation.⁵ 4

The **scope** of Art. 29 relates specifically to issues of the disclosure of the invention with the aim of permitting the examination and carrying out of the invention after the patent's protection period has expired. 5

B. Disclosure and Specification (Art. 29.1)

A key part of a complete patent application—alongside the other minimum requirements in accordance with the relevant patent law—is the patent specification. The specification contains the claims, the description and the drawings on the basis of which the patent is granted.⁶ The **claims** state the object of the invention and thereby determine the extent of the protection accorded by the patent.⁷ The **description** essentially serves to present the invention as such. It is essential to the objective evaluation and assessment of the state of the art.⁸ The description and the claims are closely related to each other, as there ought to be correlation between both parts of the application. The description helps to establish that the exclusivity granted to the applicant is justified on the basis of the claimed state of the art. 6

In comparison with the Paris Convention, the TRIPS Agreement in its Art. 29.1 introduces a further requirement into the patent application process. It requires the applicant to **disclose the invention**. However, it leaves it to the discretion of the Members to determine the relationship and significance of the description and the claims, and the **interpretation of the claims**.⁹ For instance, the extent of patent protection under the EPC and its application is, in accordance with Art. 69.1, sentence 1 EPC, determined by the content of the claims. Art. 69.1, sentence 2 EPC states 7

⁵ Differently in the United States, which already was acquainted with such regulation. Cf. *Chisum.*, 162 *et seq.* See on the history, meaning and legal doctrine of this requirement in American Patent Law *Hauff*, in: *Lechter* (ed.), 219.

⁶ See e.g. § 32.3 German Patent Act, *PatentG* (BGBl. I 1981, 1, as amended 5 September 2007 by BGBl. I 2007, 2166 *et seq.*; the amendment is in force since 13 December 2007).

⁷ See Art. 84 EPC.

⁸ On the content of the description according to the European Patent Convention, cf. Art. 83 EPC and the regulations of 27 und 27a.

⁹ See *Duffy*, Wash. U. J.L. & Pol'y, 2 (2000), 109–166.

that the description and the drawings are to be used to interpret the claims. The latter therefore support the claims (support requirement function).

I. Disclosure of the Invention

- 8 In accordance with the first sub-clause of Art. 29.1, Members shall require that applicants for a patent disclose¹⁰ the invention in a manner **sufficiently clear and complete** for a person skilled in the art to carry it out. The disclosure of an invention is thereby a mandatory **requirement** for a **proper patent application** and constitutes a generally recognized provision that can be found in all Western national patent laws and in all Western international contractual instruments that address the issue of patents for inventions.¹¹
- 9 **Disclosure** presupposes the existence of an invention within the meaning of Art. 27 TRIPS. It is therefore a **formal condition of the patent application**, but does not constitute a new patent requirement within the meaning of Art. 27.1 TRIPS. Disclosure is of central importance for patents. It requires that the invention be disclosed in such a manner that a person skilled in the art can reproduce it and it simultaneously determines the scope of the exclusivity protection of the patent.¹² It is at the same time critical for the examination, determination and evaluation of the state of the art of the invention concerned and for the examination of its practicability.¹³ The requirement of clear and complete disclosure is in addition the counterpart and **contribution of the inventor for the granting of a monopoly right limited in time**. It is therefore the *quid pro quo*¹⁴ for the grant of patent protection, and hence the legal policy-motivated reward¹⁵ for inventors or applicants for making their inventions available to the public¹⁶ instead of keeping them secret.¹⁷

¹⁰ See also the identical regulations in Art. 83 EPC, Art. 5 PCT.

¹¹ Cf. *Schäfers*, in: *Benkard* (ed.), Art. 83 EPC, para. 1.

¹² See also *Chisum*, 161.

¹³ See also *de Carvalho*, 217.

¹⁴ See *Chisum*, 162; *Schäfers*, in: *Benkard* (ed.), Art. 83 EPC, para. 4; *WIPO*, Background Reading Material on Intellectual Property, Geneva, 1988, 19, on the economic reason for the grant of the “patent” known as “Chothworkers of Ipswich” from the year 1615; *Grubb*, 14.

¹⁵ See also *Phillips & Firth*, 109; for the term “consideration” see *Treitel*, Chapter 3. For the implementation of the legal term “consideration” in England see also *Grubb*, 8 and *Darcy v. Allein* (1602) 1 WPC 1 Court of Queen’s Bench; *Penrose*, 32.

¹⁶ See also the identical regulations in Art. 83 EPC, Art. 5 PCT.

¹⁷ See also on the importance of granting patents *Žekos*, JWIP 9 (2006) 4, 426, 427; *Correa*, 300 noting that the disclosure requirement “has been considered as one of the basic trade-offs of patent grants, an even the very reason why patents are issued.” On the nature and function of the patent system see *Kitch*, J.L. & Econ. 20 (1977) 2, 265–290.

The TRIPS Agreement does not regulate the details of **how** the invention is to be **disclosed** in the application. It is left to the discretion of the Members to determine the details in their respective legal systems. Under the EPC, for instance, the invention does not need to be completely disclosed in the description; it may derive from other parts of the patent application such as the claims (Art. 84 EPC) or the drawings (Art. 78.1 EPC).¹⁸ By contrast, Art. 5 PCT (Patent Cooperation Treaty) requires that the disclosure shall be in the description.¹⁹ 10

An applicant's **failure to meet** this requirement²⁰ can result in the rejection of the patent application,²¹ the invalidation of the patent²² and, if a patent had been obtained or maintained despite insufficient disclosure, its revocation²³ in accordance with the relevant available proceedings brought before the competent national courts.²⁴ 11

The TRIPS Agreement leaves open the issue of the disclosure of the invention if it concerns **micro-organisms or other biological material**. In these cases a written description will not suffice. Access to the relevant prevailing knowledge in such fields is guaranteed only by access to the biological material itself. Under the EPC for instance, third-party access to deposited material for research purposes is in principle allowed on request from the date on which the patent application is published;²⁵ under US laws, this access is not allowed until the patent has been granted. The Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (1977), amended in 1980, has to be considered in this context. It regulates the deposit of such micro-organisms for the purposes of patent applications.²⁶ 12

A further matter of controversy regarding this provision and the problems associated with the disclosure of the invention is whether the applicant 13

¹⁸ See *Singer & Stauder*, Art. 83 EPC, paras 10, 11.

¹⁹ Art 5 PCT: The description is to disclose the invention in a manner sufficiently clear and complete for the invention to be carried out by a person skilled in the art.

²⁰ See *de Carvalho*, 217.

²¹ So *e.g.* the rejection of the patent application in accordance with Art. 97 EPC, if the disclosure is burdened with a non-remediable defect.

²² See *e.g.* Art. 102 EPC in the context of the opposition procedure pursuant to Art. 99 EPC.

²³ *E.g.* according to Art. 138.1 lit. b EPC.

²⁴ See thereto *Schifers*, in: *Benkard* (ed.), Art. 83 EPC, para 4.

²⁵ *Singer & Stauder*, Art. 83 EPC, para. 94 and according to Rule 28: "The deposited biological material shall be available upon request to any person from the date of publication of the European patent application and to any person having the right to inspect the files pursuant to Article 128, paragraph 2, prior to that date. Subject to paragraph 4 of Rule 28 such availability shall be effected by the issue of a sample of the biological material to the person making the request."

²⁶ The contract creates a system for the international acknowledgement of the deposit of micro-organisms which will alleviate the pressure on the work of the patent offices and grant certain securities to the applicant or owner of the patent.

for a patent must **indicate** the **origin** of the biological material and/or demonstrate that she has complied with the access regulations of the relevant country of origin. This is intended, firstly, in order to make it easier to identify an invention that is not new or does not have an inventive step because it merely reproduces traditionally known effects of certain plant or animal substances. Secondly, such a provision would help to support compliance with the benefit-sharing provision of the CBD and facilitate action against the unlawful acquisition of biological material, genetic resources and the associated traditional knowledge (known as **bio-piracy**). There is considerable debate about the compatibility of such a provision with the TRIPS Agreement with respect to the question whether non-compliance with such a condition could lead to the rejection of a patent application or the revocation of a patent already issued. One of the main objections to the introduction of such a regulation in the TRIPS Agreement is that this path would result in a very sharp rise in the cost of a patent application, which would in turn impose an excessive burden on private inventors and small and medium-sized enterprises, particularly in developing countries.²⁷ Since Art. 29.1 does not make such indication a condition,²⁸ some developing countries have proposed an amendment to the provision.²⁹

II. Clarity and Completeness for a Person Skilled in the Art

- 14 The invention must be disclosed in a manner that enables a person skilled in the art to carry it out. This indicates that the assessment of the issue of sufficient disclosure must be performed from the point of view of a person skilled in the art, not a layperson. A person skilled in the art within the meaning of this provision has to be understood as an **average person skilled in the art**. This places the same requirements on such person in respect of the usual state of knowledge in the relevant field and access to the state of the art. The person must also have the normal means and capabilities for routine operations and tests. It is expected that the person skilled in the art will employ his general expertise in assessing and carrying out the invention.

III. Indication of the Best Method of Carrying out the Invention

- 15 The second half-sentence of Art. 29.1 entitles Members to require that the patent applicant indicate the method that appears best to her for car-

²⁷ See the opinion of the United States, Review of the Provisions of Article 27.3.(b)—Communication from the United States, IP/C/W/162, 29 October 1999.

²⁸ See in detail *de Carvalho*, Re-engineering Patent Law 2 (2000), 371, 372.

²⁹ See for a detailed discussion of this complex of problems paras 30–32 below.

rying out the invention. If a Member makes use of its authority, inventors must disclose not merely any way of making or imitating and using their invention, but the best way of doing so. The crucial point in time for the state of knowledge is either the filing date or, if priority is to be claimed, the priority date of the application. The requirement to indicate the best method for carrying out the invention has been formulated as a **facultative condition**. It is left to the discretion of the Members to include this requirement for patent applications as a mandatory provision in their national laws.³⁰ The objective of this requirement is to prevent inventors or applicants being granted patent protection if they conceal the preferred representation of the invention from the public.³¹ This is a **subjective criterion**, as it assumes a subjective estimation by the inventor of the best mode³² for carrying out the invention at the time the application was filed or at the priority date. It must be emphasized that Art. 29 addresses the applicant, and not explicitly the inventor of a patent. The reason behind this is that the TRIPS Agreement is directed not to inventors themselves as a target group but rather to investors, who are normally the employers of the inventors.³³

C. Foreign Applications (Art. 29.2)

In accordance with Art. 29.2 TRIPS, Members may require an applicant 16
for a patent to provide information concerning his corresponding foreign applications and grants. This **procedural provision**³⁴ goes further than Art. 4D.3 PC, the scope of which is limited to those “person desiring to take advantage of the priority of a previous filing”. Patent offices in developing countries could gain from this provision: the knowledge of foreign applications could facilitate³⁵ their examination of the patent application insofar as it would give them the opportunity to find out about foreign decisions or get in contact with the foreign patent office in order to co-ordinate decisions.³⁶ The TRIPS Agreement does not provide for any rule on the **consequences of failure to fulfil** this (optional procedural) provision. It can, however,

³⁰ See *de Carvalho*, 218.

³¹ See *Chisum*, 193.

³² A similar provision exists in PCT rules, see r.5 (a)(v).

³³ See also *de Carvalho*, 218; WIPO, Document prepared by the Secretariat, Survey on Existing Forms of Intellectual Property Protection for Traditional Knowledge— Preliminary Analysis and Conclusions, WIPO/GRTKF/IC/2/9, 3 December 2001 reads “patent law is not necessarily about protection *inventors*, but about appropriating *inventions*. Likewise, copyright, especially in a TRIPS-context, is not about *authors*, but rather about appropriating *works*.” (Emphasis in original).

³⁴ Cf. *Morzé & Van Zant*, Intellectual Property Quarterly (2001) 3, 230.

³⁵ Cf. *Straus*, in: *Beier & Schriker* (eds), 160, 196 *et seq.*

³⁶ *Correa*, EIPR 16 (1994) 8, 327, 330.

be assumed that the national patent office will reject the patent application on the ground that this information is not provided. It can also be stated that the inclusion of such a provision has positive effects, especially as it does not impose any further burden on the applicant for a patent.

D. WTO Jurisprudence

- 17 No cases relating to this provision have yet been brought before the WTO.

E. Relationship with Other Legal Systems

- 18 Rules on the disclosure of inventions can be found in many national and international sets of rules, but their content and requirements differ widely. The extremely **controversial discussion** about issues of the disclosure of the invention is closely related to the similarly problematic review process of Art. 27.3 lit. b and to the disputed relationship between the TRIPS Agreement and the CBD.³⁷

I. Art. 3 Draft Substantive Patent Law Treaty

- 19 Art. 3 of the Draft Substantive Patent Law Treaty of 19 December 2000 contains rules concerning the disclosure and description of the invention.

The disclosure of the invention in the application as a whole shall be adequate, if, as of the date of filing of the application, it sets forth the invention in a manner sufficiently clear and complete for the invention to be carried out by a person skilled in the art, as prescribed in the Regulation.³⁸

- 20 Art. 3.2 of the Draft Substantive Patent Law Treaty determines that

[i]n respect of the disclosure, no requirement additional to or different from those provided for in paragraph (1) may be imposed.³⁹

- 21 This draft was aimed at **harmonizing international patent law** and explicitly declared that further requirements for the patent application, such as indication of the origin of genetic resources or traditional knowledge used within the meaning of this provision, were not permitted. This draft did not come into force and must be distinguished from the prevailing **WIPO**

³⁷ See *Reyes-Knoche*, Article 27.3 lit. b, paras 19 *et seq.*

³⁸ Art. 3.1 of the Draft Substantive Patent Law Treaty, 19 December 2000, available at http://www.wipo.int/scp/en/meetings/session_5/pdf/splt_5.pdf (last accessed 18 March 2008).

³⁹ *Ibid.*

Patent Law Treaty, which was adopted on 1 June 2000. The latter is restricted to procedural regulations.

II. National Regulations

Of national regulations, the **Indian Patent Act**⁴⁰ deserves particular attention. It (in the amendment of 2002) determines that a complete description must contain the indication of the geographical origin of biological material where this was used for the invention.⁴¹ It also addresses the subject of traditional knowledge and introduces a new provision,⁴² which determines that “an invention which, in effect, is traditional knowledge or which is an aggregation of duplication of known properties of traditionally known component or components” cannot be classed as an invention within the meaning of the Patent Act. The 2002 amendment of the Indian law added two new grounds for rejection of patent application, as well as for revocation of the patent: (1) “that the complete specification does not disclose or wrongly mention the source or geographical origin of biological material used in the invention” and (2), “that the invention so far as claimed in any claim of the complete specification is anticipated having regard to the knowledge, oral or otherwise, available within any local or indigenous community in India or elsewhere.” The 2002 amendment of the Indian law highlights a possible way of implementing the objectives of Art. 15 CBD in conformity with national legislation. Despite the existence of national laws, it should not be forgotten that—as India’s submission⁴³ to the Council for TRIPS indicated—this problem demands a solution that is recognized at an international level if it is to be implemented effectively.

III. Regional Provisions

1. Biopatent Directive

Rec. 27 of the Biopatent Directive⁴⁴ concerns a regulation in respect of the disclosure of the origin of biological material used. It states that the

⁴⁰ Last amended 2005. Indian Patent Act (Amendment), 2005, text available at http://www.patentoffice.nic.in/ipr/patent/patent_2005.pdf (last accessed 18 March 2008).

⁴¹ Indian Patent Act (Amendment), 2002, Chapter III, Sec. 10. (4), (d), (ii), (D). Text of the Indian Patent Act (Amendment), 2002, available at <http://www.patentoffice.nic.in/ipr/patent/patentg.pdf> (last accessed 18 March 2008).

⁴² Indian Patent Act (Amendment), 2002, Chapter III, Sec. 3. (p).

⁴³ See Submission by Bolivia, Brazil, Cuba, Dominican Republic, Ecuador, India, Peru, Thailand, Venezuela, The Relationship Between the TRIPS Agreement and the Convention on Biological Diversity and the Protection on Traditional Knowledge, IP/C/W/403, 24 June 2003.

⁴⁴ Directive 1998/44/EC of the European Parliament and of the Council of 6 July 1998 on the Legal Protection of Biotechnological Inventions (Biopatent Directive), OJ 1998 L 213/13.

patent application should, where appropriate, include information on the geographical origin of biological material if the invention is based on biological material and the origin is known to the applicant. The **indication of geographical origin** shall be **on a voluntary basis** and shall not have any influence on the grant of the patent. Therefore the question arises how such a requirement can be enforced. Non-compliance with this condition has no legal consequences. Furthermore, Member States are not under an obligation to implement Rec. 27 in their national legislation. This rule does not conflict with the TRIPS Agreement, because it has been formulated as a voluntary provision and does not constitute any additional requirement for the grant of a patent. Its character, as a voluntary rule, calls into question how it can effectively be enforced.

- 24 **Belgium** was initially the only Member State of the European Union that attempted to adopt Rec. 27 of the Biopatent Directive in its national law. The Belgian draft is founded on the notion that the exploitation of an invention that had been developed through an infringement of the objectives of the CBD, particularly of Art. 15 CBD, infringes *ordre public* and morality. For that reason the second draft of Art. 4 § 4 of the Belgian Patent Act (BPA), submitted in 2000, provides that the exploitation of an invention infringes *ordre public* and morality if the invention had been developed on the basis of biological material the acquisition or export of which breaches Arts 3, 8 lit. j, 15 and 16 CBD.⁴⁵ The legal consequence was that it should be possible to revoke the patent pursuant to Art. 49 § 1 (1) of the BPA in the event of a breach of this provision.
- 25 In 2000, the Danish Patent Act was amended in the course of the adoption of Rec. 27 of the Biopatent Directive. The new **Art. 3 of the Danish Patent Act**⁴⁶ states:

If an invention concerns or makes use of biological material of vegetable or animal origin, the patent application shall include information on the geographical origin of the material, if known. If the applicant does not know the geographical origin of the material, this shall be indicated in the application. Lack of information on the geographical origin of the material or on the ignorance hereon does not affect the assessment of the patent application or the validity of the rights resulting from the granted patent.

Breach of this provision could imply a violation of the obligation in the Danish Penal Code (par. 163) to provide correct information to a public authority.

⁴⁵ *Van Overwalle*, EIPR 24 (2002) 5, 233–236. The original draft discussed here (Belgium Patent Act proposal of 2000) was published on the web side of the Belgian ministry of economics on 8 August 2000 (www.mineco.fgov.be). Later this draft was subject to numerous changes.

⁴⁶ See: http://www.wipo.int/tk/en//laws/pdf/denmark_412.pdf (last accessed 15 May 2008).

The **German Patent Act** also underwent numerous revisions during the process of adoption of the Biopatent Directive. Art. 1 No. 10 of the Law Implementing the Directive on the Protection of Biological Inventions of 21 January 2005, for instance, was introduced as § 34 lit. a of the German Patent Act. This provision states that where an invention is based on biological material of plant or animal origin or if it uses such material, the patent application should, where appropriate, include information on the geographical origin of such material. In accordance with § 34 lit. a, sentence 2 of the German Patent Act, this does not affect the examination of the application and the validity of the rights based on the granted patent. The objective/intent of the very vague formulation of this provision is to make the use of biological material more transparent without getting ahead of the current process of international discussion.⁴⁷ 26

2. Andean Community

According to the Common Intellectual Property System of the Andean Community, which was adopted by Decision 486,⁴⁸ a **patent application** must be accompanied by: (1) a copy “of the contract of access, if the products or processes for which a patent application is being filed were obtained or developed from genetic resources or by-products originating in one of the Member Countries”, and (2) “if applicable, a copy of the document that certifies the licence or authorization to use the traditional knowledge of the indigenous African American, or local communities in the Member Countries where the products or process whose protection is being requested was obtained or developed on the basis of the knowledge originating in any one of the Member Countries, pursuant to the provision of Decision 391 and its effective amendments and regulations.”⁴⁹ 27

Like the Indian Patent Act, amended in 2002, Decision 486 of the Andean Community explicitly recognizes the **rights of indigenous population** to their traditional know-how, their innovations and practices with regard to genetic resources and their by-products.⁵⁰ 28

Patent applications unaccompanied by a copy of the necessary contract for access to the genetic resources used for the invention or without evidence of prior informed consent pursuant to Decision 391 are in the first instance returned to the applicant for completion. If these conditions are finally **unfulfilled**,⁵¹ the competent patent authority has the right at any time to 29

⁴⁷ Compare Rec. 27 Biopatent Directive.

⁴⁸ Decisión 486 sobre el Régimen Común Andino sobre Propiedad Industrial, 14 September 2000, available at: www.comunidadandina.org/normative/dec/D486.htm (last accessed 18 March 2008).

⁴⁹ See decision 486, chapter III, Art. 26 i).

⁵⁰ See *inter alia* Art. 3 Decisión 486 Andean Community.

⁵¹ Art. 75 lits g and h Decision 486 Andean Community.

declare the application null and void either *ex officio* or at the request of a third party.⁵²

IV. Previous Review Proposals

- 30 A common feature of the aforementioned provisions is that they are aimed at implementing the CBD and the TRIPS Agreement in a mutually supportive manner, at adopting the objectives of Art. 15 CBD and at combating bio-piracy more effectively. Discussions are still in progress on introducing a provision into the TRIPS Agreement whereby the applicant for a patent must indicate the origin of the genetic resources used for the invention or the associated traditional knowledge and must also submit evidence of prior informed consent and compliance with the national benefit-sharing conditions. Regarding this issue, the most important **proposals to the Council for TRIPS** are (1) the amendment of Art. 27.1, (2) the amendment of Art. 27.3 lit. b,⁵³ and (3) the amendment of Art. 29.⁵⁴
- 31 An **amendment** of Art. 27.1 **has little prospect of success** because it would mean introducing a new patent requirement to sit alongside the classic patent requirements of the novelty, inventive step and commercial applicability of an invention. The proposal to include such a condition in Art. 27.3 lit. b is notable from a tactical point of view, on the one hand because of the review clause of Art. 27.3 lit. b, sub clause 2, and on the other because it lifts the debate about this subject onto an international level. Art. 27.3 lit. b, however, concerns in particular the obligations and powers of the Members in the biotechnological sphere, including the power of the Members to exclude plants and animals from patentability. Even though the revision of Art. 27.3 lit. b has been taken as a reason for achieving the adoption of such regulations in this provision, the wording and the scope of Art. 27.3 lit. b do not offer a normative basis for this. Art. 27.3 lit. b regulates a completely different area.
- 32 By contrast, **Art. 29** offers, from a normative point of view, a **better foundation** for **such proposed amendments**. Art. 29 addresses issues of the patent application and in particular issues of the disclosure of the invention. The TRIPS Agreement does not contain any express prohibition in respect of disclosure of the invention and of the demand of indications as to origin, and CBD-compliant acquisition, of the genetic resources used.

⁵² Art. 75 Decision 486 Andean Community: “qualquier persona” which means at the request of any person.”

⁵³ See Communication from Brazil, Review of Art. 27.3 lit. b TRIPS, IP/C/W/228, 24 November 2000; IP/C/W/403.

⁵⁴ So *e.g.* India, Proposals on Intellectual Property Rights Issues, IP/C/W/195, 12 July 2000, and IP/C/W/403; in this meaning see also *de Carvalho*, 218.

Nor would any such interpretation infringe Art. 62.4 read in conjunction with Art. 42.2, since disclosure of origin cannot be considered unnecessarily complicated or costly. An existing study of more than 500 patent applications based on biological material reveals that the country of origin of the corresponding plants was named in the majority of cases.⁵⁵

⁵⁵ Cf. *Downes*, Colum. J. Envtl. L. 25 (2000), 253, 274.

Article 30 Exceptions to Rights Conferred

Members may provide limited exceptions to the exclusive rights conferred by a patent, provided that such exceptions do not unreasonably conflict with a normal exploitation of the patent and do not unreasonably prejudice the legitimate interests of the patent owner, taking account of the legitimate interests of third parties.

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CASE LAW

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A. General

Arts 28, 29 and 30 to 34 relate to rights derived from the patent and thereby regulate the **extent, limits and procedural requirements** in respect of the patent already granted. 1

The effects of a patent extend in principle to all acts of use referred to in Art. 28. Such **acts of use** and exclusivity rights regulated in Art. 28 do not apply absolutely, however. Patents serve as instruments for commerce and are therefore granted for inventions that can be used for commercial purposes. In particular, patents are intended to promote technical development and not to lame or even to hinder the progress of new technologies or techniques. On the other hand, restrictions of the rights under the patent may serve to promote competition¹ and thereby accelerate the rate of progress. As an expression of this function, Art. 30 gives Members the option to provide for limited exceptions to the exclusive rights under a patent. This provision thus forms an exception regulation to Art. 28. 2

Even before the TRIPS Agreement came into force, national patent laws contained numerous, differently worded **exception regulations** concerning the exclusivity conferred. The majority of patent laws list acts that are not to be considered infringements of a patent and relate to the following situations, among others:² The use of the invention for teaching and research; commercial experiments on the basis of the invention in order to test or improve it; the performance of tests with the aim of acquiring approval 3

¹ See also regarding the promotion of competition *Correa*, 304.

² *E.g.* § 11 of the German Patent Act, *PatentG* (BGBl. I 1981, 1, as amended 5 September 2007 by BGBl. I 2007, 2166 *et seq.*; the amendment is in force since 13 December 2007).

to market a product after the patent protection has expired (known as the “Bolar exception”);³ the manufacture of drugs or pharmaceuticals to individual medical prescriptions; the use of the invention by a third party who used it *bona fide* before the application was filed (prior use); private, non-commercial exploitation,⁴ and the import of the invention that has been lawfully marketed in another country (“parallel imports”). Negotiations on Art. 30 concentrated on the extent and scope of such exception regulations.

- 4 As can be seen from the Anell Draft of 23 July 1990⁵ some parties to the negotiations proposed⁶ the inclusion in the Agreement of a non-exhaustive catalogue of exceptions.⁷ The Anell Draft contains as examples of exclusions from the rights conferred the right of the prior user, exceptions for private purposes and for scientific purposes, the direct individual preparation of medicines by dispensing chemists on the basis of a medical prescription, use of the invention by a third party who started or undertook *bona fide* preparatory acts before the application for the patent (or of its publication) government acts for the government’s own use. Opponents, including the United States, held the view that the Members should have the power to stipulate that the rights of the patent owner could be restricted only by compulsory licences.⁸ The TRIPS Agreement did not adopt any catalogue of exceptions but opted instead for a general formulation.⁹ The reason the formulation that ultimately came into force was adopted is not evident from the **negotiation documents**. However, this very general wording clearly shows how difficult it was for the negotiating parties to agree on the nature and scope of the exemptions from the patent rights. The solution found is held to be a compromise between the views of the United States, which

³ The so-called “Bolar exception” was first introduced by the US Drug Price Competition and Patent Term Restoration Act of 1984 (Pub. L. No. 98–417, 98 Stat. 1585; codified at 15 U.S.C. §§ 68b–68c, 70b (1994); 21 U.S.C. §§ 301 note, 355, 360cc (1994); 28 U.S.C. § 2201 (1994); 35 U.S.C. §§ 156, 271, 282 (1994)). This exemption deals with the use of an invention relating to a pharmaceutical product in order to conduct tests to obtain [the] approval from the health authority and this before the expiry of a patent, and for commercialization of a generic version, just after such expiry. See for more details IV 6. lit. b.

⁴ Patent laws of industrialized and developing countries list as an exemption private and non-commercial use, e.g. private purchasing of drugs in other countries or border regions, because drugs there are cheaper.

⁵ MTN.GNG/NG11/W/76.

⁶ *Inter alia*, MTN.GNG/NG11/W/26, Sec. D.a.(i); Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Communication from Brazil, MTN.GNG/NG11/W/57, 11 December 1989 and Canada, Standards for Trade-Related Intellectual Property Rights, Submission from Canada, MTN.GNG/NG11/W/47, 25 October 1989. In addition, see Annex 6 to *Canada—Pharmaceutical Patents*, WT/DS114/R for the various drafts of what became Art. 30 discussed in the Uruguay Round Negotiating Group on TRIPS.

⁷ See also *de Carvalho*, 226; *Canada—Pharmaceutical Patents*, WT/DS114/R, para. 7.70.

⁸ See Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Draft Agreement on the Trade-Related Aspects of Intellectual Property Rights, Communication from the United States, MTN.GNG/NG11/W/70, 11 May 1990.

⁹ *Canada—Pharmaceutical Patents*, WT/DS114/R, Annex 6.

opposed the inclusion of exceptions and would have accepted only a few exceptions, and the EU, whose Member States already provided for such exceptions.¹⁰ The formulation is heavily based on Art. 9.2 of the Berne Convention.¹¹ Art. 9.2 also served as a model for the formulation of three other exception regulations in the TRIPS Agreement, namely for Arts 13, 17 and 26.2 TRIPS, which contain similar exception regulations for the areas of copyright, trademarks and industrial designs.

The Members have some latitude¹² in the adoption of exceptions within the meaning of Art. 30 into their national patent legislation, in particular with regard to the determination of the permitted act, its nature and extent. The three cumulative requirements set out in Art. 30, which may not be derogated from, must be noted. 5

As is evident from the footnote¹³ to Art. 31¹⁴ that Arts 30 and 31 TRIPS are mutually exclusive. Thus a national regulation that allows the use of a patent without the consent of the patent owner may **either** be permitted as a **limited exception** pursuant to Art. 30 **or** represent a **compulsory licence** in accordance with the stricter requirements of Art. 31.¹⁵ A common element of both provisions is that they restrict the rights of the patent owner without his consent. They differ because the scope of the patent is normally restricted from the beginning by the exceptions under Art. 30, whereas a compulsory licence cannot take effect until the patent has been granted. A further difference is that individual impairment of the legal position of the patent owner under Art. 31 will normally lead to compensation even after the grant of a patent. This is not the case with Art. 30. Furthermore, limited exceptions under Art. 30 may be permitted directly by a law or ordinance. In the case of a regulation pursuant to Art. 31, only the power of an authority to grant a compulsory licence can be derived from the law. 6

¹⁰ See *Straus*, in: *Beier & Schricker* (eds), 160, 213.

¹¹ Art. 9.2 Berne Convention reads "It shall be a matter for legislation in the countries of the Union to permit the reproduction of such works in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author."

¹² See *Rott*, 260 with further references to the question of the degree of discretion remaining to the Members.

¹³ The footnote to Art. 31 reads "Other uses refers to other than that allowed in Art. 30."

¹⁴ Art. 31 regulates the cases of the grant of a compulsory licence. A compulsory licence in accordance with this regulation represents an instrument of the states with the assistance of which the use of a patent may be permitted to the government or a third party within specified limitations. Thus, the owner of the patent is not excluded from its further use. He cannot hinder the owner of a compulsory licence his patent.

¹⁵ See *Eikermann*, Article 31.

B. Exceptions to the Rights Conferred

- 7 In its Art. 30, the TRIPS Agreement paves the way for providing limited exceptions to the exclusive rights conferred without the consent of the right holder. At the same time, it lays down the **conditions of admissibility** for such an exception. In the *Canada—Pharmaceutical Patents* case,¹⁶ the ruling Panel addressed the structure of Art. 30. The Panel found that it lays down three conditions for an admissible exception to the exclusive rights conferred, stating that an exception within the meaning of Art. 30 exists if it is (1) limited, (2) does not unreasonably conflict with the normal exploitation of the patent, and (3) does not unreasonably prejudice the legitimate interests of the holder of the patent, while the interests of third parties must also be considered.¹⁷ These conditions are cumulative. Only if all three conditions are met independently¹⁸ is an exception permitted within the meaning of Art. 30.¹⁹ Failure to comply with one of these conditions leads to the disallowance of the exception to the rights conferred.²⁰ Hence, it is possible to come to the conclusion that a provision is to be considered limited in the sense of Art. 30 but not consistent with one of the other two conditions.²¹
- 8 The Art. 30 exceptions apply automatically in the sense that the desired act, unlike in the case of compulsory licences, does not need to be approved by an authority or court. Art. 30 serve in particular as a defence against the assertion of infringements during the protection period of a patent.
- 9 As regards the **interpretation** and determination of the three conditions that have to be met by an admissible exception under Art. 30, the *Canada—Pharmaceutical Patents* Panel found that, in addition to the text of the Agreement, its Preamble, annexes and the history of the development of the Agreement as well as the international regulations, treaties and instruments in the field of intellectual property should also be used. In the case of Art. 30, Art. 9.2 must be considered a particularly important instrument of interpretation.²²

¹⁶ *Canada—Pharmaceutical Patents*, WT/DS114/R.

¹⁷ *Ibid.*, para. 7.20.

¹⁸ Each condition is autonomous and has to be differentiated from the other two. See *ibid.*, para. 7.21 and the reference made in footnote 383 to *US—Gasoline*, WT/DS2/AB/R, 23.

¹⁹ *Canada—Pharmaceutical Patents*, WT/DS114/R, paras 7.91. and 7.93.

²⁰ *Ibid.*, para. 7.20. Following this approach, the Panel limited its analysis of the stockpiling exemption to the first condition (“limited”) of Art. 30. Having determined that the stockpiling provision was not limited in the sense of Art. 30 TRIPS, the Panel did not have to continue with its consistency analysis and examine the provision under the other two conditions of Art. 30 TRIPS. See *ibid.*, para. 7.38. See also *US—Gasoline*, WT/DS2/AB/R, paras 6.74 and 6.97.

²¹ *Canada—Pharmaceutical Patents*, WT/DS114/R, para. 7.21.

²² *Ibid.*, para. 7.14.

I. Limited Exceptions to the Rights Conferred

An admissible exception within the meaning of Art. 30 must first be restricted or limited in its scope and extent. According to the *Canada—Pharmaceutical Patents* Panel, only the scope of the curtailment of the rights under Art. 28 is important for the purposes of the examination of this condition;²³ economic effects should or must not play any role in this examination.²⁴ The Panel defines exceptions as a limited derogation that does not, by its effect, undercut the body of rules from which it is made.²⁵ According to the object and purpose of Art. 30, the area of application and the intention of the exception regulation must be precisely defined. The exception regulation under Art. 30 should clearly indicate the degree of curtailment of the exclusive right under Art. 28.²⁶ In its decision the Panel adopted a narrow interpretation of this first prong of Art. 30. Therefore the term “limited exceptions” is to be regarded as the only condition under which the extent of the curtailment of rights as such²⁷ is dealt with.²⁸ The Panel restricted the first condition regarding its scope and extent and determined that it is not concerned with any economic impact.²⁹ As an example of the definition of a narrow connotation of the term “limited”, the Panel cited the situation of “a mail train taking only a limited number of passengers.”³⁰ According to the Panel, Art. 30 permits only exceptions that make a small diminution of the rights of the patent owner under Art. 28.³¹ Each right of the patent owner under Art. 28 may be curtailed to a minor extent; resulting in a small diminution of the right in question³² It is thus a matter of whether the exception regulation concerns only a limited part of the otherwise excluded exploitation of the patent.³³ The curtailing or limited effect of the exception regulation must be assessed on a case-by-case basis.³⁴ In addition, all of the three conditions are to be applied “taking account of the legitimate interests of third parties.”

²³ *Ibid.*, para. 7.31.

²⁴ *Ibid.*, para. 7.31 and para. 7.44; *de Carvalho*, 222.

²⁵ *Canada—Pharmaceutical Patents*, WT/DS114/R, para. 7.30.

²⁶ See in general *ibid.*, para. 7.36.

²⁷ Emphasis added.

²⁸ *Canada—Pharmaceutical Patents*, WT/DS114/R, para. 7.31.

²⁹ *Ibid.*, para. 7.44.

³⁰ *Ibid.*, para. 7.30.

³¹ *Ibid.*, para. 7.32; see also *US—Section 110 (5) Copyright Act*, WT/DS160/R, para. 6.97.

³² *Canada—Pharmaceutical Patents*, WT/DS114/R, para. 7.30.

³³ The Panel in *US—Section 110 (5) Copyright Act*, WT/DS160/R, para. 6.131 argued along similar lines, as it failed to see “how a law that exempts a major part of the users that were specifically intended to be covered by the provisions of Article 11bis(1)(iii) could be considered as a special case in the sense of the first condition of Article 13 of the TRIPS Agreement.”

³⁴ *Canada in Canada—Pharmaceutical Patents*, WT/DS114/R, para. 7.92. The Panel determined that the effect of each exception must be found to be “limited” when measured with each affected patent.

II. No Unreasonable Conflict With the Normal Exploitation

11 According to the second condition of Art. 30, an exception should not unreasonably conflict with the normal exploitation of the patent.

1. Normal Exploitation

12 The *Canada—Pharmaceutical Patents* Panel interpreted the term “exploitation” as the **commercial activity** by means of which the patent owners employ their exclusive rights under Art. 28 to extract economic value from their patents.³⁵

13 The term “**normal**” defines the kind of economic activity that Art. 30 seeks to protect.³⁶ Normally this word is defined by use of the words “typical”, “regular”, “ordinary”, “usual” or “conventional”.³⁷ For the Panel, however, the word “normal” conveys two meanings: first, what is empirically **socially and economically common** within a particular community, and, secondly, that it contains a normative value. As a corrective, the Panel said, consideration should be given to whether usual use is actually intended by the patent law, because random effects of the patent law are not protected by it and hence are not to be regarded as “normal” within the meaning of Art. 30.³⁸

14 According to the Panel, the term **normal practice of exploitation** by the patent owner comprises the exclusion of any form of competition, which could detract significantly from the economic returns anticipated from the market exclusivity granted by the patent.³⁹ However, this condition is not intended to protect only the exclusive rights under Art. 28 as an expression of a normal exploitation of a patent *per se*.⁴⁰ In interpreting the term “normal exploitation” the Panel laid the emphasis on competition.⁴¹ According to *de Carvalho*, this emphasis in the definition is not correct because, as a form

³⁵ *Ibid.*, para. 7.54. See with the same result *US—Section 110 (5) Copyright Act*, WT/DS160/R, para. 6.165.

³⁶ *Canada—Pharmaceutical Patents*, WT/DS114/R, para. 7.54 reads “The term ‘normal’ defines the kind of commercial activity Article 30 seeks to protect.”

³⁷ The New Shorter Oxford English Dictionary, 1993, 1940: “regular, usual, typical, ordinary, conventional”, *cf.* *Canada—Pharmaceutical Patents*, WT/DS114/R, fn. 411.

³⁸ *Ibid.*, para. 7.54 reads “As so defined, the term can be understood to refer either to an empirical conclusion about what is common within a relevant community, or to a normative standard of entitlement.”

³⁹ *Ibid.*, para. 7.55.

⁴⁰ See *ibid.*, para. 7.58: In contrast to the position of the EC, the Panel determined that the mere existence of the patent owner’s right to exclude is not *per se* a reason “for treating all gains derived from such rights as flowing from ‘normal exploitation’.”

⁴¹ Furthermore, the Panel in *US—Section 110 (5) Copyright Act*, WT/DS160/R, para. 6.167 ascertained that “normal exploitation” clearly means something less than full use of an exclusive right.

of competition, a patent excludes only the sale of a patented product or a product manufactured on the basis of a patented process, and hence a patent does not exclude any further forms of competition. For him, “normal exploitation” signifies exploitation that is **in conformity with the statutory norms**. Thus, exploitation is, he maintains, no longer to be classified as *normal* within the meaning of Art. 30 if it constitutes abusive exploitation because it does not conform to the law, in particular, competition law.⁴²

2. No Unreasonable Conflict

There must be **no unreasonable conflict between the exception and the normal exploitation of the patent**. The formulation of this provision is heavily reliant on Art. 9.2 of the **Berne Convention**. 15

The *Canada—Pharmaceutical Patents* Panel does not define what it means by “unreasonable conflict”. It did not consider this necessary because it came to the conclusion that there was no conflict within the meaning of Art. 30 TRIPS between the disputed provision of the Canadian patent law and normal exploitation. This made it unnecessary to address the issue of whether the Canadian provision was unreasonable.⁴³ Since the relevant panel reports do not provide any binding interpretations and a decision of the Appellate Body in this case has not been handed down, Members continue to enjoy considerable latitude in interpreting and defining the content of what is meant by “unreasonable” conflict. It can be assumed from the decision of the Panel, however, that the interpretation of the term “unreasonable conflict” and its assessment in the individual case should be governed by the **object and purpose of the patent system concerned**.⁴⁴ In this particular case, in its analysis of the object and purpose of the patent system the Panel emphasized the function of promoting innovation. 16

The Doha Declaration on the TRIPS Agreement and Public Health can also be applied for the purposes of interpreting this term in this context. It makes it clear that, in applying the customary rules of **interpretation** of public international law, each TRIPS provision should be read in the **light of the objectives and principles of the Agreement**. Many developing countries argue that each and every provision of the TRIPS 17

⁴² *Cf. de Carvalho*, 223 *et seq.*

⁴³ *Canada—Pharmaceutical Patents*, WT/DS114/R, para. 7.59.

⁴⁴ *Ibid.*, para. 7.55 reads “Patent laws establish a carefully defined period of market exclusivity as an inducement to innovation, and the policy of those laws cannot be achieved unless patent owners are permitted to take effective advantage of that inducement once it has been defined.” See for an overview of the different theories and comments regarding the purpose of the patent system *Gutterman*, *Innovations and Competition Policy: a Comparative Study of Regulation of Patent Licensing and Collaborative Research & Development in the United States and the European Community*.

Agreement must therefore be interpreted in the light of the objectives and principles of Arts 7 and 8.⁴⁵ These provisions clearly state that the protection of intellectual property rights should serve the public interest and society and not just pursue the goal of protecting individual rights *per se*.⁴⁶

- 18 According to *Gervais*, for an assessment of whether an exception unreasonably conflicts with the normal exploitation of the patent it is not only the exception regulation that should be examined, but also its application.⁴⁷

III. No Unreasonable Prejudice of the Legitimate Interests of the Patent Owner and the Interests of Third Parties

- 19 In accordance with the last condition of Art. 30, an exception regulation must not unreasonably prejudice the legitimate interests of the owner of the patent, while the interests of third parties must also be taken into account. Even though this **requirement is formulated negatively**, the burden of proof is not changed.⁴⁸ The country asserting the violation of Art. 29 must formulate or define the legitimate interests that could be infringed.⁴⁹
- 20 The *Canada—Pharmaceutical Patents* Panel found first that the term “legitimate interests” should not be defined just **from a legal perspective**.⁵⁰ To that extent legitimate interests within the meaning of Art. 30 must not be defined exclusively as legal interests, and hence in particular not just as the exclusive rights under Art. 28.⁵¹ As the initial premise for its definition the Panel refers to the general description of the word “legitimate” as set out in the usual dictionaries. “Legitimate” is accordingly defined as “lawful”, “justifiable”, “proper” or “conformable to a recognized standard type.”⁵² The Panel then defines the term “legitimate interests” within the mean-

⁴⁵ See the comments of Bolivia, the African Group, Brazil, Cuba, the Dominican Republic, Ecuador, Honduras, India, Indonesia, Pakistan, Paraguay, the Philippines, Peru, Sri Lanka, Thailand and Venezuela, Communication of Brazil on behalf of the African Group, Barbados, Bolivia, Brazil, Cuba, Dominican Republic, Ecuador, Honduras, India, Indonesia, Jamaica, Pakistan, Paraguay, Philippines, Peru, Sri Lanka, Thailand and Venezuela, TRIPS and Public Health, IP/C/W/296, 29 June 2001, para. 17.

⁴⁶ IP/C/W/296, para 18.

⁴⁷ *Gervais*, paras 2.295 and 2.266 *et seq.*

⁴⁸ See on the burden of proof in the context of Art. 30 para. 24 below.

⁴⁹ *Canada—Pharmaceutical Patents*, WT/DS114/R, para. 7.60.

⁵⁰ See the position of the panel in *ibid.*, paras 7.68 and 7.69; *Gervais*, paras 2.295 *et seq.*; *de Carvalho*, 225.

⁵¹ See in this context the differing position of the EC in *Canada—Pharmaceutical Patents*, WT/DS114/R, para. 7.73.

⁵² *Ibid.*, para. 7.68. The Panel took the definition from the New Shorter Oxford Dictionary, 1993, 1563: “The word ‘legitimate’ is commonly defined as follows: (a) conformable to, sanctioned of authorized by, law or principle: lawful; justifiable; proper; (b) Normal, regular, conformable to a recognized standard type.”

ing of Art. 30 as a normative claim calling for the protection of interests that can be justified by relevant public policies or other social norms.⁵³ It establishes its definition by referring to an exception regulation pursuant to Art. 30 adopted by many Members in their patent legislation whereby the use of an invention for the purposes of scientific research during the protection period of a patent and without the consent of the patent owner does not constitute a patent infringement. This exception regulation was justified by the general public interest in the promotion of technological progress, which was ultimately the object and purpose of the patent system. This was in the interests of both society and science.⁵⁴

To support its arguments in relation to the interpretation of the term “legitimate interests”, the Panel refers to the **drafting history** of Art. 9.2 BC, which served as a basis for the final formulation of Art. 30.⁵⁵ The wording of Art. 30 goes further than that of Art. 9.BC as it takes the interests of third parties into account as well as the legitimate interests of the right holder.⁵⁶ The Panel gathers from this fact that the inclusion of the interests of third parties was justified only if the term “legitimate interests” is construed **more broadly** than the term “legal interests”.⁵⁷ 21

Third parties within the meaning of Art. 30 are parties who have no (legal) claim to the exercise of the acts that are excluded by the patent rights in accordance with Art. 28.⁵⁸ 22

It can be concluded that for the interpretation of the third condition of Art. 30 the drafting history and the statements of the Drafting Committee Report on **Art. 9.2 BC** can be used as an **aid to interpretation**,⁵⁹ 23

⁵³ *Ibid.*, para. 7.69 reads “To make the sense of the term ‘legitimate interests’ in this context, that term must be defined in the way that it is often used in legal discourse—as a normative claim calling for protection of interests that are ‘justifiable’ in the sense that they are supported by relevant public policies or other social norms. This is the sense of the word that often appears in statements such as ‘X has no legitimate interests in being able to do Y.’”

⁵⁴ *Cf. Ibid.*

⁵⁵ See MTN.GNG/NG11/W/76, Part III, Section 5, para. 2.2.

⁵⁶ In Art. 9.2 BC this means the rights of the author and in Art. 30 TRIPS the rights of the owner of a patent.

⁵⁷ *Canada—Pharmaceutical Patents*, WT/DS114/R, para. 7.71.

⁵⁸ See *ibid.*, para. 7.68.

⁵⁹ The Drafting Committee Report on Art. 9.2 BC states regarding the reasoning of this provision: “If it is considered that reproduction conflicts with the normal exploitation of the work, reproduction is not permitted at all. If it is considered that reproduction does not conflict with the normal exploitation of the work, the next step would be to consider whether it does not unreasonably prejudice the legitimate interests of the author. Only if such is not the case would it be possible in certain special cases to introduce a compulsory licence, or to provide for use without payment.” In this context, photocopying for various purposes was mentioned as an example: “A practical example may be photocopying for various purposes. If it consists of producing a very large number of copies, it may not be

although these should be restricted to clarifying the terminology, given the different nature of the commercial legal protection.⁶⁰

- 24 It must also be pointed out that the country invoking or issuing the exception regulation of Art. 30 bears the **burden of proof** of the existence of the Art. 30 requirements. The country concerned must therefore prove that there is no violation of the conditions of Art. 30 and that the exception regulation being asserted does not affect the legitimate interests of the patent owner or third parties.⁶¹

C. Relationship with Art. 27.1

- 25 The *Canada—Pharmaceutical Patents* Panel raised the issue of the conformity of a limited exception regulation pursuant to Art. 30 with the non-discrimination clause of Art. 27.1, without proposing any concrete solution. Art. 27.1 prohibits **discrimination** on the grounds of the place of the invention, the field of technology or because the product has been imported or made in the country itself. In the Panel's view, Art. 27.1 does not prohibit *bona fide* exception provisions for the settlement of cases in particular product areas.⁶² It can be concluded that Art. 27.1 must be taken into consideration when interpreting Art. 30.⁶³ According to this provision, an exception regulation should not breach the non-discrimination clause of Art. 27.1.

D. Art. 30 and the Doha Declaration on Public Health

- 26 The abovementioned argument that every TRIPS provision should be interpreted in the light of the principles and objectives set out in Arts 7

permitted, as it conflicts with a normal exploitation of the work. If it implies a rather larger number of copies for use in industrial undertakings, it may not unreasonably prejudice the legitimate interests of the author, provided that, according to national legislation, an equitable remuneration is paid. If a small number of copies is made, photocopying may be permitted without payment, particularly for individual or scientific use." Report on the Work of Main Committee I (Substantive Provisions of the Berne Convention: Arts 1 to 20), para. 85, in: Records of Intellectual Property Conference in Stockholm, 11 June–14 July 1967, World Intellectual Property Organization (WIPO), Geneva 1971, Vol. II, 1145 *et seq.*; *Canada—Pharmaceutical Patents*, WT/DS114/R, para. 7.72.

⁶⁰ *Gervais*, para. 2.293.

⁶¹ *Cf.* on the question of the burden of proof *Canada—Pharmaceutical Patents*, WT/DS114/R, paras 7.19, 7.60.

⁶² *Ibid.*, para. 7.92.

⁶³ *Ibid.*, paras 7.91 and 7.92. See also *de Carvalho*, 226; *Stoll & Raible*, in: *Prieß & Berrisch* (eds), 593; see also the statement of a group of developing countries, among others the African Group, India, Venezuela, Peru IP/C/W/296, 29 Juni 2001.

and 8 can be supported by para. 5 lit. a of the Doha Declaration on the TRIPS Agreement and Public Health.⁶⁴

The problem of **supplying developing countries with medicines** for the purposes of fighting epidemics is particularly controversial, especially if the State in question lacks the economic, technical or legal means to produce these medicines itself.⁶⁵ The discussions on the implementation of para. 6⁶⁶ of the Doha Declaration dealt in particular with the relationship between this provision and Arts 30 and 31 lit. f.⁶⁷ The European Community proposed that limited exceptions pursuant to Art. 30 should be interpreted as if they permitted the export of pharmaceutical products to certain WTO Members who lacked the means or had only limited means to guarantee their healthcare supplies by means of their own production capabilities.⁶⁸ A group of developing countries⁶⁹ proposed that Art. 30 should be subject to an authentic interpretation to the effect that it would recognize the right

⁶⁴ Doha Declaration on the TRIPS Agreement and Public Health, WT/MN(01)/DEC/2, See also *Reyes-Knoche*, Article 27.3 lit. b, para. 15.

⁶⁵ See on the discussion regarding access to medicines: *Macroeconomics and Health: Investing in Health and Economic Development*, Report of the Commission on Macroeconomics and Health, 20 December 2001, chaired by *Jeffrey D. Sachs*: “The poor lack access to essential medicines for many reasons, all of which must be addressed in a comprehensive manner. The most important reason, by far, is poverty itself—in the absence of large-scale donor support, poor countries in sub-Saharan Africa with high HIV/AIDS prevalence have been unable to avail themselves, at any significant scale, of these lower prices. The same problems are observed in the access to TB drugs, even those that are off patent, as well as many vaccines that are off patent yet still too expensive for use in the low-income countries in the absence of adequate donor financing.” Available at: <http://whqlibdoc.who.int/publications/2001/924154550X.pdf> (last accessed 18 March 2008).

⁶⁶ Doha Declaration on the TRIPS Agreement and Public Health, WT/MN(01)/DEC/2, para. 6 reads “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.”

⁶⁷ See *Quirin*, Article 31 lit. f, paras 40–42.

⁶⁸ See Communication from the European Communities and their Member States, concept Paper Relating to Paragraph 6 of the doha Declaration on the TRIPS Agreement and Public Health, IP/C/W/339, 4 March 2002.

⁶⁹ See Communication of Brazil, Cuba, China, Dominican Republic, Ecuador, India, Indonesia, Pakistan, Peru, Sri Lanka, Thailand and Venezuela, Paragraph 6 of the Ministerial Declaration on the TRIPS Agreement and Public Health, IP/C/W/355, 24 June 2002, para. 8 reads “As an expeditious solution envisaged in Paragraph 6 of the Ministerial Declaration on TRIPS and Public Health, Article 30 of TRIPS should be interpreted so as to recognize the right of WTO Members to authorize third parties to make, sell and export patented public health-related products without the consent of the patent holder to address public health needs in another country. Therefore, the acts of making, selling and exporting public health-related products under this circumstance could be recognized as limited exceptions to the exclusive rights conferred by a patent. An authoritative interpretation would confirm that Members may authorize local producers to manufacture, sell and export public health-related products for other countries in need of access to such products. Additionally, in line with the spirit of the “limited” exceptions in Article 30, Members may consider the possibility of establishing appropriate safeguards that would ensure legal predictability in this particular use of the provision, if such safeguards do not have the effect

of the WTO Members to permit third parties to manufacture, sell and in particular export patented pharmaceutical products without the consent of the patent owner in order to support basic medical care in other countries lacking their own production capabilities. They did not, however, favour an amendment to Art. 31 lit. f because the requirement of several compulsory licences would mean a cumbersome and expensive administration process and would not resolve the problem of possible multiple compensation.⁷⁰ These proposals were rejected by the United States in particular on the ground that a solution based on Art. 30 would seriously prejudice the rights of the patent owner⁷¹ granted by the TRIPS Agreement, and hence that a solution based on Art. 31 lit. f was to be preferred.⁷² Art. 31 regulates the issue of compulsory licences, which can take place only after the patent has been granted.⁷³ In accordance with Art. 31 lit. f, such regulations should be allowed predominantly for the domestic market of the State concerned. This provision has become particularly significant with regard to the problem of guaranteeing the efficient provision of developing countries with medicines to combat epidemics. Following long and intensive negotiations, the Council for TRIPS took up this provision in its efforts to find a solution for implementing para. 6 of the Doha Declaration on the TRIPS Agreement and Public Health and came to a decision on 30 August 2003.⁷⁴ The solution to the problem was to introduce a new system whereby certain Members,⁷⁵ under certain very particular conditions, are exempt from the export restriction of Art. 31 lit. f. The **exemption** must be necessary in order to enable deliveries of pharmaceutical products to be sent to Members entitled to import. These are Members who do not have sufficient production capacity themselves. The issue of two compulsory licences may be necessary if the invention concerned is subject to a valid patent in both the importing

of undermining its practical use, or to prejudice the existing right of countries to use Article 30 of TRIPS in other circumstances.”

⁷⁰ *Ibid.*, para. 18 reads “Article 31-based proposals, however, raise a number of issues that might eventually impose restrictions on a solution under Paragraph 6. Those issues include, as the case may be, the need to issue compulsory licences both in the importing and the exporting countries, which is administratively burdensome. The issue of determination of remuneration is another point of concern, as the patent holder should not in any case be entitled to double remuneration, as both compulsory licences would be issued to address essentially the same problem.”

⁷¹ See the opinion of the United States in Paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health, IP/C/W/340, 14 March 2002, p. 4: “We believe that an interpretation of Article 30 to allow exceptions to patent rights to permit otherwise infringing acts to supply a patented pharmaceutical for purposes of export would seriously prejudice the rights and obligations of Members under the TRIPS Agreement.”

⁷² *Ibid.*

⁷³ See paras 19–24 above and *Eikermann*, Article 31, paras 1 *et seq.*

⁷⁴ WT/L/540.

⁷⁵ See WT/L/540, according to which eligible exporting Members are “a Member using the system set out in this Decision to produce pharmaceutical products for, and export them to, an eligible importing Member.”

and the exporting State⁷⁶ and the patent owner is not willing to permit the manufacture and/or export, import and sale of the invention. If the issue of two compulsory licences is thus necessary under this system, only the exporting State must pay reasonable compensation.

E. Possible Permitted Exceptions

As already explained above, the initial drafts of Art. 30 contained a catalogue of permitted exceptions,⁷⁷ particularly on account of prior use, for activities in the private sphere and without commercial intent and for activities in the field of research. Such permitted exceptions have already been adopted in the **legislation of many Members.** 28

I. Research

Many States have recognized research as a major exception,⁷⁸ as this type of exception may promote innovation, permitting innovation based on inventing around, or on improving protected inventions. Without delivering a final verdict on its conformity with Art. 30, the *Canada—Pharmaceutical Patents* Panel referred to this exception as one of the most important cases of Art. 30.⁷⁹ It is to cover in particular research activities which are conducted 29

⁷⁶ *Ibid.*, according to which eligible importing Members are “any least-developed country Member, and any other Member that has made a notification to the Council for TRIPS of its intention to use the system as an importer, it being understood that a Member may notify at any time that it will use the system in whole or in a limited way, for example only in the case of a national emergency or other circumstances of extreme urgency or in cases of public non-commercial use. It is noted that some Members will not use the system set out in this Decision as importing Members and that some other Members have stated that, if they use the system, it would be in no more than situations of national emergency or other circumstances of extreme urgency.”

⁷⁷ See *Canada—Pharmaceutical Patents*, WT/DS114/R, Annex 6 (Exceptions to rights conferred by a Patent: Successive Uruguay Round Negotiations Drafts) which contains a list of the different proposals for a non-exhaustive catalogue of exemptions.

⁷⁸ See in respect to US law *Barash*, Nw. U. L. Rev. 91 (1997), 667, 690. Patent legislation in EPC countries contains limitations of the rights of patentees to permit both private, non-commercial use and experimental use (often taken together as the “research exemption”). In accordance with Art. 27 lit. b TRIPS, there is no infringement in the case of acts done for experimental purposes relating to the subject-matter of the patented invention.”

⁷⁹ *Canada—Pharmaceutical Patents*, WT/DS114/R, para. 7.69 reads “We may take as an illustration one of the most widely adopted Article 30-type exceptions in national patent laws—the exception under which use of the patented product for scientific experimentation, during the term of the patent and without consent, is not an infringement. It is often argued that this exception is based on the notion that a key public policy purpose underlying patent laws is to facilitate the dissemination and advancement of technical knowledge and that allowing the patent owner to prevent experimental use during the term of the patent would frustrate part of the purpose of the requirement that the nature of the invention be disclosed to the public. To the contrary, the argument concludes, under the policy of the patent laws, both society and the scientist have a “legitimate interest” in using the patent

without commercial intent and with the aim only of deepening knowledge. In some legal systems, use of the patent during its protection period without the consent of the patent owner for the purpose of experiment is permitted even for economic purposes.⁸⁰ In such cases, the authorization concerns *e.g.* cases of testing the viability and functionality of the invention, enhancing and improving the invention or preparing for the application process for pharmaceutical licences.⁸¹

II. Early Working or Bolar Exception

- 30 Seeking approval for the marketing of a product before the expiry of the patent may be deemed legitimate within the scope of Art. 30. This could be the case of the so-called “early working” or “Bolar exception”.⁸² The purpose of this exception is to allow manufacturers of **generic drugs** to bring their products to the market immediately after the patent on a pharmaceutical product has expired. It is intended to enable them to use and test the invention before the patent expires, even without the consent of the patent owner, so that certain **licensing procedures** can be run through more quickly⁸³ with the ultimate aim in particular of consumers

disclosure to support the advance of science and technology. While the Panel draws no conclusion about the correctness of any such national exceptions in terms of Article 30 of the TRIPS Agreement, it does adopt the general meaning of the term ‘legitimate interests’ contained in legal analysis of this type.”

⁸⁰ In the case of the US, research without the authorization of the patent owner is admitted only for scientific purposes. See the findings of the Federal Circuit Court of Appeals regarding *Madey v. Duke*, 64 USPQ 2d 1737 (Fed Cir 2002). In contrast to that, in European countries for example, experimentation on an invention is permitted even for commercial purposes. According to case law relating particularly to pharmaceutical and agrochemical products in European countries, research done to find out more information about a product—provided that such research is not done just to persuade licensing authorities to grant approval to an alternative product has been accepted. See *Cornish*, IIC 29 (1998) 7, 736.

⁸¹ *Cf.* Art. 11 No. 2 German Patent Act which provides that there is no infringement in the case of acts done for experimental purposes relating to the subject-matter of the patented invention. See for more details of the meaning and importance of this provision *Schulte*, § 11 German Patent Act, paras 11 *et seq.* with further references. Regarding a similar provision in Belgium, see Review of Legislation in the field of Patents, Lay-out Designs (Topographies) of Integrated Circuits, Protection of Undisclosed Information and Control of Ant-Competitive Practices in Contractual Licences, IP/Q3/BEL/1, 16 March 1998 and for a similar wording in Ireland, see Review of Legislation in the field of Patents, Lay-out Designs (Topographies) of Integrated Circuits, Protection of Undisclosed Information and Control of Ant-Competitive Practices in Contractual Licences, IP/Q3/IRL/1/Add.1, 1 May 1998. See also Sec. 69.1 of the Japanese Patent Act (<http://www.cas.go.jp/jp/seisaku/hourei/data/PA.pdf>) regarding “the working of the patented invention for experiment and research;” and in the case of the Netherlands, see Art. 53 No. 3 ROW 1993 (<http://www.ivir.nl/legislation/nl/patentact1995.html>); See also *Busse*, § 11 German Patent Act, para. 29.

⁸² See on the Bolar exemption *Correa*, 304 *et seq.*

⁸³ Some States have introduced into their national laws a provision allowing the use of a patented invention only for the purpose of getting official governmental approval, *Cf.* the list in *Canada—Pharmaceutical Patents*, WT/DS114/R, para. 4.15 and the overview in *Correa*, Developing Countries, 78 *et seq.*

being able to receive medicines for a lower price. This exception regulation was named “Bolar” after the *Roche Products Inc. v. Bolar Pharmaceutical Co.* case,⁸⁴ brought before US courts. The subject matter referred to the courts was the content of this exception regulation. The court denied Bolar Pharmaceuticals⁸⁵ the right to begin the FDA approvals process⁸⁶ before the patent protection had expired. The court did it on the ground that the “experimental-use doctrine” previously prevailing did not apply to the restricted use of the patented medicine for the performance of a series of experiments and research work directly related to the FDA approvals process.⁸⁷ This verdict led to an amendment to the US Patent Act, with the Bolar or early working exception being inserted in the law of the United States by the US Drug Price Competition and Patent Term Restoration Act of 1984.⁸⁸ Many patent law provisions were amended by this law, including Sec. 217 lit. e (1) of the US Patent Act,⁸⁹ which was then worded as follows: “It shall not be an act of infringement to make, use, offer to sell, or sell within the United States or import into the United States a patented invention (other than a new animal drug or veterinary biological product (as those terms are used in the Federal Food, Drug, and Cosmetic Act and the Act of March 4, 1913) which is primarily manufactured using recombinant DNA, recombinant RNA, hybridoma technology, or other processes involving site specific genetic manipulation techniques) solely for uses reasonably related to the development and submission of information under a Federal law which regulates the manufacture, use, or sale of drugs or veterinary biological products.”⁹⁰ This exception was then also inserted into the relevant legislation in Canada, England,⁹¹ Australia, Argentina, France,⁹² Israel⁹³ and Thailand, among others. In the European Union, it has also been recognized by many national courts via the **use of the invention for experimental purposes** exception. When introducing this exception into their national laws, some Members such as the United States and Israel took the opportunity to extend the term of patent protection.

⁸⁴ *Roche Products Inc. v. Bolar Pharmaceutical Co.*, 733 F. 2d 858 (Fed. Cir. 04/23/1984).

⁸⁵ See for more details about the proceedings *Chisum*, 1204 *et seq.*

⁸⁶ Food and Drug Administration. See *ibid.*

⁸⁷ *Ibid.*

⁸⁸ Also known as the Hatch-Waxman Act.

⁸⁹ Originally 35 USC § 271 (2006), lit. e (1) was worded as follows: “It shall not be an act of infringement to make, use, or sell a patented invention (other than a new animal drug or veterinary biological product (as those terms are used in the Federal Food, Drug, and Cosmetic Act and the Act of March 4, 1913)) solely for uses reasonably related to the development and submission of information under a Federal law which regulates the manufacture, use, or sale of drugs.” 35 USC § 271 (2006), lit. e (1) (1982 ed., Supp.II).”

⁹⁰ 35 USC § 271 (2006), lit. e (1).

⁹¹ See *Galloux*, *Revue Internationale de Droit Economique* 2000, 147, 150.

⁹² See *Larrieu & Houin*, *Revue Internationale de Droit Economique* 2000, 173, 184.

⁹³ See *Correa*, *Revue Internationale de Droit Economique* 2000, 23, 28.

- 31 Bolar-like exemptions allow consumers to access medicine at a lower price as soon as the patent expires. At the same time, this type of exception allows the development of a generic pharmaceutical industry to be supported.
- 32 The *Canada—Pharmaceutical Patents* Panel found that such an exception regulation is compatible with Art. 30.⁹⁴ Since the **marketing** of generic medicines can begin only **after the protection period of the patent has expired**, this exception can be considered compatible with Art. 30.

III. Individual Preparation of Medicines

- 33 Many Members have added to their legislation an exception with regard to the manual preparation of medical products or drugs according to an individual medical prescription by pharmacists or doctors.⁹⁵ The manufacture of large quantities of medicines for stock⁹⁶ or for several patients is thereby not permitted, because this regulation is to apply **only to the particular case**. The *Canada—Pharmaceutical Patents* Panel⁹⁷ questions whether these regulations do in fact constitute a limited exception within the meaning of Art. 30, because they give third parties the unlimited right to manufacture and sell the patented medicine. Manual manufacture should not have any relevance here if the patent concerns a product and not a process.⁹⁸

IV. Prior Use

- 34 A further exception that has been recognized in many Members is prior use.⁹⁹ This exception concerns the *bona fide* use of the invention by a third party before the date on which the application for the patent is filed. The right of prior use does not create any direct legal relationship between the patent owner and the third party (meaning the prior user); from the outset, this right does not extend the patent protection any further than the extent

⁹⁴ *Canada—Pharmaceutical Patents*, WT/DS114/R, paras 7.47, 7.50, 7.59, 7.73, 7.83 and 7.84.

⁹⁵ That makes it clear that the manufacture of these drugs has to be done by a skilled person. See *Correa*, EIPR 16 (1994) 8, 327, 330; See *e.g.* § 11 No. 3 German Patent Act: “The effects of a patent shall not extend to the extemporaneous preparation for individual cases in a pharmacy of a medicine in accordance with a medical prescription or acts concerning the medicine so prescribed.”; with similar wording *cf.* Art. 27 lit. c GPU; regarding France *cf.* Art. L 613–5 CPI.; *cf.* the listing in *Canada—Pharmaceutical Patents*, WT/DS114/R, para. 4.17, fn. 76.

⁹⁶ *Cf. Schulte*, § 11 German Patent Act, para. 16.

⁹⁷ See *de Carvalho*, 227.

⁹⁸ *Ibid.*

⁹⁹ See the statement of the US in Paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health, Second communication from the United States, IP/C/W/358, 9 July 2002; *de Carvalho*, 228; see in the case of Germany § 12 German Patent Act.

of the legally protected and asserted rights of the prior user.¹⁰⁰ Thus, the patent is not also encumbered by such right. Rights of prior use can be asserted as a **defence against patent infringement actions**. However, the territorial limitation of the patent protection must be taken into account, which means that these rights can in principle be established only by acts of use that have been performed in the relevant State.

All attempts to harmonize the regulation of the right of prior use in European patent law have so far been unsuccessful.¹⁰¹ 35

V. Parallel Imports

A parallel import takes place when a product protected by intellectual property rights is imported into another State in which the product is also subject to such right, whether a patent, trademark, copyright or other form of property right under the TRIPS Agreement.¹⁰² Parallel trade is particularly **interesting in economic terms**. This is the case when a certain product can be sold at a much better price in country X than in country Y and the importer can anticipate a considerable profit despite the costs of selling and transport.¹⁰³ 36

In principle, Art. 30 may also allow derogations with regard to the exclusive rights to import, where a patented product has been lawfully marketed in a foreign country (so called parallel imports). In accordance with Art. 28, a patent shall confer on its owner the exclusive right to prevent unauthorized third parties from “importing” the protected product for the purposes of making, using, offering for sale, or selling. In this context, the footnote to Art. 28.1 lit. a in respect of the right of importation, which refers to Art. 6, has to be taken into account. The footnote makes it clear that the right to import is also subject to the provisions of Art. 6.¹⁰⁴ A **conflict** may arise **between the parallel importer and the owner of the intangible property right**, whereby the former will refer to the freedom of trade and the latter will see this import as a threat to market presence and expectations of exploitation. It may be noted that the right of importation pursuant to Art. 28.1 only States that, for as long as exhaustion has not occurred, the patent owner must also be granted a right to import.¹⁰⁵ 37

¹⁰⁰ See *Schulte*, § 12 German Patent Act, para. 7; *Busse*, § 12 German Patent Act, para. 3; *Benkard*, § 12 German Patent Act, para. 11a.

¹⁰¹ See *Jestaedt*, in: *Benkard* (ed.) Art. 64, para. 14.

¹⁰² See on parallel imports see *Kießler*, Article 6, paras 3 *et seq.*

¹⁰³ See for the economic relevance and assessment of parallel imports *Freitag*, 27–29.

¹⁰⁴ Art. 6 reads “For the purposes of dispute settlement under this Agreement, subject to the provision of Articles 3 and 4 in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights.”

¹⁰⁵ *Freitag*, 221.

The admissibility of parallel imports is determined by the **scope of the exhaustion**¹⁰⁶ of intangible property rights, which is laid down in the relevant national law.

F. WTO Jurisprudence

- 38 To date only one set of **proceedings** in respect of Art. 30 has been brought before the DSB, namely the *Canada—Pharmaceutical Patents* case. The key issue in this case was whether certain regulations of the Canadian Patent Act could still be regarded as limited exceptions within the meaning of Art. 30.¹⁰⁷
- 39 In addition to the aforementioned importance of the *Canada—Pharmaceutical Patents* Panel for the definition of the three conditions of Art. 30, the decision is also relevant in particular for the method of **interpreting** Art. 30 and all other provisions of the TRIPS Agreement. The proceedings discussed in particular the differing interpretations of Arts 27.1, 30 and 33. The Panel found, for instance, that the history of the negotiations on the TRIPS Agreement, the objectives and principles under Arts 7 and 8 and other provisions of the TRIPS Agreement that allow its object and purpose to be identified must be taken into account when interpreting Art. 30.¹⁰⁸ The Panel, recognizing that Art. 31.1 VCLT applied,¹⁰⁹ additionally found that the goals and principles of the TRIPS Agreement must also be taken into account when interpreting any other TRIPS provision.¹¹⁰ The Panel further made it clear that the drafting and negotiating history of the TRIPS Agreement must be classified as a supplementary means of interpretation pursuant to Art. 32 VCLT,¹¹¹ and must therefore be taken into account

¹⁰⁶ Exhaustion is given if the protected subject has been placed into circulation for the first time. See *Kefler*, Article 6, para. 2; *Freytag*, 215 *et seq.* with further references.

¹⁰⁷ *Canada—Pharmaceutical Patents*, WT/DS114/R.

¹⁰⁸ *Ibid.*, para. 7.26 reads “Obviously, the exact scope of Article 30’s authority will depend on the specific meaning given to its limiting conditions. The words of those conditions must be examined with particular care on this point. Both the goals and the limitations stated in Articles 7 and 8.1 must obviously be borne in mind when doing so as well as those of other provisions of the TRIPS Agreement which indicate its object and purposes.”

¹⁰⁹ Art. 31.1 VCLT reads “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 rules that govern the interpretation of WTO Agreements are the rules of treaty interpretation set out in Arts 31 and 32 VCLT. See *Stoll*, Article 3 DSU, in: *Wolfrum & Stoll & Kaiser* (eds), *Max Planck CWITL*, Vol. 2, paras 14 *et seq.*

¹¹⁰ *Canada—Pharmaceutical Patents*, WT/DS114/R, para. 7.13.

¹¹¹ Art. 32 VCLT states “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.” See *Canada—Pharmaceutical Patents*, WT/DS114/R, para. 7.13.

when interpreting any the TRIPS provisions. The Panel finally declared that the interpretation of the TRIPS provisions should consider not only the history of the negotiations, its goals and principles but also the treaties concerning the protection of intellectual property incorporated into the TRIPS Agreement.¹¹²

The Panel Report in the *US—Section 110 (5) Copyright Act*¹¹³ case can also 40
be considered when interpreting Art. 30 because it dealt with the parallel
standard of Art. 13 on limited exceptions from copyright.¹¹⁴

¹¹² *Ibid.*, para. 7.15 reads “As a consequence of the extended context that has to be taken into account when interpreting provisions of the TRIPS Agreement, the Panel, in considering the negotiating history of the TRIPS Agreement, concluded that interpretation may go beyond the negotiating history of the TRIPS Agreement proper and also inquire into that of the incorporated international instruments on intellectual property.”

¹¹³ *US—Section 110 (5) Copyright Act*, WT/DS160/R.

¹¹⁴ See on this procedure the comments of *Helfer*, B. U. L. Rev. 80 (2000), 93 *et seq.*; *Goldmann*, IIC 32 (2001), 412 *et seq.*

Article 31 **Other Use Without Authorization of the Right Holder**

Where the law of a Member allows for other use^[7] of the subject matter of a patent without the authorization of the right holder, including use by the government or third parties authorized by the government, the following provisions shall be respected:

- (a) authorization of such use shall be considered on its individual merits;
- (b) such use may only be permitted if, prior to such use, the proposed user has made efforts to obtain authorization from the right holder on reasonable commercial terms and conditions and that such efforts have not been successful within a reasonable period of time. This requirement may be waived by a Member in the case of a national emergency or other circumstances of extreme urgency or in cases of public non-commercial use. In situations of national emergency or other circumstances of extreme urgency, the right holder shall, nevertheless, be notified as soon as reasonably practicable. In the case of public non-commercial use, where the government or contractor, without making a patent search, knows or has demonstrable grounds to know that a valid patent is or will be used by or for the government, the right holder shall be informed promptly;
- (c) the scope and duration of such use shall be limited to the purpose for which it was authorized, and in the case of semi-conductor technology shall only be for public non-commercial use or to remedy a practice determined after judicial or administrative process to be anti-competitive;
- (d) such use shall be non-exclusive;
- (e) such use shall be non-assignable, except with that part of the enterprise or goodwill which enjoys such use;
- (f) any such use shall be authorized predominantly for the supply of the domestic market of the Member authorizing such use;
- (g) authorization for such use shall be liable, subject to adequate protection of the legitimate interests of the persons so authorized, to be terminated if and when the circumstances which led to it cease to exist and are unlikely to recur. The competent authority shall have the authority to review, upon motivated request, the continued existence of these circumstances;
- (h) the right holder shall be paid adequate remuneration in the circumstances of each case, taking into account the economic value of the authorization;
- (i) the legal validity of any decision relating to the authorization of such use shall be subject to judicial review or other independent review by a distinct higher authority in that Member;
- (j) any decision relating to the remuneration provided in respect of such use shall be subject to judicial review or other independent review by a distinct higher authority in that Member;
- (k) Members are not obliged to apply the conditions set forth in subparagraphs (b) and (f) where such use is permitted to remedy a practice determined after judicial or administrative process to be anti-competitive. The need to correct anti-competitive practices may be taken into account in determining the amount of remuneration in such cases. Competent authorities shall have the authority to refuse termination of authorization if and when the conditions which led to such authorization are likely to recur;
- (l) where such use is authorized to permit the exploitation of a patent (“the second patent”) which cannot be exploited without infringing another patent (“the first patent”), the following additional conditions shall apply:
 - (i) the invention claimed in the second patent shall involve an important technical advance of considerable economic significance in relation to the invention claimed in the first patent;
 - (ii) the owner of the first patent shall be entitled to a cross-licence on reasonable terms to use the invention claimed in the second patent; and
 - (iii) the use authorized in respect of the first patent shall be non-assignable except with the assignment of the second patent.

^[7] “Other use” refers to use other than that allowed under Article 30.

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Art. 5A PC.

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A. General

I. The Term “Compulsory Licences”

- l* Art. 31 of the TRIPS Agreement contains a difficult set of entwined provisions concerning the grant of so-called compulsory licences. The TRIPS Agreement itself does not use the term “compulsory licences” or any other synonym (*i.e.* “non-voluntary licences”, “licences of right” or “obligatory licences”), but rather the wording “other use without authorization of the right holder”. Therefore, a compulsory licence, in the meaning of Art. 31, is an authorization for a third party, against or regardless of the patent owner’s will, to perform acts that would legally require authorization from the patentee.¹ In other words, the patentee is forced to tolerate, against his

¹ *de Carvalho*, 230.

or her will, the exploitation of the invention by a third person or by the government itself.² Even though all WTO Members provide for the possibility of granting compulsory licences through their national laws³ the grant of compulsory licences remains a rare exception.⁴

II. The Divergent Interests

The system of compulsory licences has to be considered in the light of the objectives and principles of the TRIPS Agreement as a whole, as well as in the context of the exclusive rights conferred upon the patent holder. Art. 7 TRIPS provides for the objective that “protection and enforcement of intellectual property rights [to] contribute [...] to mutual advantage of producers and users [...] and to a balance of rights and obligations”.⁵ On the other hand, Art. 28.1 TRIPS confers upon the patent owner the “exclusive right” to “prevent third parties [...] from [...] making, using, offering for sale, selling, or importing” the patented invention. Thus, the patent holder has a *ius prohibendi* which provides the basis for the patent holder to obtain a monopolistic rent while the patent is in force.⁶ Patents are metering devices. They serve as the basis for assessing the value of an invention. The exclusive rights provided for by a patent allow patentees to exploit their inventions without interference from third parties and thereby to obtain a rent for their creative activity. This fact in turn is capable of encouraging the inventive process and of promoting technology.⁷ By granting compulsory licences governments interfere with this “private power” that resides in the grant of patents,⁸ and thereby discourage investment in further research and development and may threaten inventive activity.⁹

However, the interest of the public in the dissemination of knowledge and especially “access to, and the affordability of the outcomes of, innovation and creativity”¹⁰ has to be considered. Developing countries in particular have an interest in closing the technology gap between them and the developed countries. In particular the issue of access to affordable medicines in

² Reichmann & Hasenzahl, 4.

³ Cf. Watal, 318.

⁴ Beier, IIC 30 (1999) 3, 251, 259; But note: that Canada in particular had a long tradition of granting compulsory licenses for pharmaceutical patents. However, this system was revoked in 1993; for detailed remarks on this Canadian approach cf. Torremans, IIC 27 (1996) 3, 316–331.

⁵ Cf. Keßler, Article 7.

⁶ Correa, Compulsory Licences, 7.

⁷ See for detailed comments and further reference on the issue of patent functions de Carvalho, 1 et seq.

⁸ Cf. UNCTAD/ICTSD, 461.

⁹ Concisely worded by de Carvalho, 231: “Where technology is easily copied, compulsory licenses will kill any initiative to use creation in the development of new products”.

¹⁰ Correa, Compulsory Licences, 24.

developing countries deserves closer attention.¹¹ Compulsory licences are an important economic instrument for developing countries attempting to address the technology gap.¹² They facilitate the availability of patented inventions at more competitive prices.¹³ Therefore, the system of compulsory licences may be a useful instrument “in order to mitigate the restrictive effect of exclusive rights and strike a balance between the title-holders’ interests and those of the public”.¹⁴

B. Historical Development

I. The Pre-TRIPS Situation

- 4 The concept of compulsory licences goes back to the so-called “local working requirement”.¹⁵ Patentees were obliged to exploit their inventions in the country granting the patent, otherwise they risked forfeiture of their patent rights. These early provisions aimed at the protection of national industries as well as the promotion of domestic development, as foreign patentees in particular were not in a position to fall back upon importation of the products protected by the patent in question.¹⁶ The granting of compulsory licences appeared to be a means of mitigating the drastic effects of direct forfeiture.¹⁷ Thus, while Art. 5A PC in its 1883 and 1911 texts still provided for forfeiture of patents in cases of non-working, Art. 5A PC as revised in The Hague declared that forfeiture should not be provided for “unless the grant of compulsory licenses is insufficient to prevent [an] abuse [for example, failure to work]”. Forfeiture became a subsidiary means only applicable if a compulsory licence had failed to remedy non-exploitation.¹⁸
- 5 Another issue in the history of Art. 5A PC was the granting of compulsory licences to promote public interest.¹⁹ However, due to a variety of possible interpretations of the term “public interest”, this issue was one of vivid

¹¹ For details see *Quirin*, Article 31*bis*.

¹² *UNCTAD/ICTSD*, 487.

¹³ *Cf. Watal*, 317.

¹⁴ *Correa*, Compulsory Licences, 24.

¹⁵ *Cf. Correa*, Compulsory Licences, 3; This obligation was introduced by the UK Statute of Monopolies in 1623.

¹⁶ *Cf. Beier*, IIC 30 (1999) 3, 251, 262; *cf. also Reichmann & Hasenzahl*, 4.

¹⁷ *Correa*, Compulsory Licences, 3; *cf. also Reichmann & Hasenzahl*, 4.

¹⁸ *Correa*, Compulsory Licences, 3. *Reichmann & Hasenzahl* summarize accurately: “If one effect of the 1925 reforms was clearly to discredit the use of forfeiture as a remedy for abuse, another equally clear if unintended consequence was to legitimate the use of compulsory licenses to remedy a wide variety of abuses, including a failure to work the patent locally.” See *Reichmann & Hasenzahl*, 6.

¹⁹ *Cf. on this issue more comprehensive and with further references Reichmann & Hasenzahl*, 6 *et seq.*

controversy as well.²⁰ Disagreement on the scope of compulsory licences and consequently on the standard of patent protection was a significant factor in the failure of the 1982 revision of the Paris Convention and triggered the inclusion of IP protection under the WTO umbrella.²¹

II. The Drafting History of Art. 31 TRIPS²²

During the Uruguay Round the issues of “local working”²³ and “public interest” remained critical. Every attempt to narrow the grounds for the grant of compulsory licences, particularly the broad and generic ground of promoting the “public interest”, was in vain.²⁴ At the beginning of the TRIPS negotiations, the participants noted that procedures concerning the grant of compulsory licences often lacked transparency²⁵ and compulsory licences were issued too rapidly.²⁶ While the US addressed the difficulty regarding the interpretation of Art. 5A PC,²⁷ the EC in particular turned its attention to the difficulties concerning compulsory licences of pharmaceutical patents.²⁸ A further issue in this early stage of negotiations was the fact that compulsory licensing involved a conflict between the principle of free and fair trade and attempts to promote the public interest which merited attention.²⁹

6

²⁰ Commentators provide for different “public interests”, *i.e.* national defense, environmental concerns, increase of energy supplies, enhance of workers’ safety, or combat of new diseases; *cf.* in this connection *Reichmann & Hasenzahl*, 7; *Beier*, IIC 30 (1999) 3, 251, 261; *Correa*, Compulsory Licences, 10–21.

²¹ *Cf.* UNCTAD/ICTSD, 463; *Reichmann & Hasenzahl*, 8; *cf.* also the introducing remarks of the participants of the TRIPS negotiations, *i.e.* Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Note by the Secretariat, MTN.GNG/NG11/1, 10 April 1987, para. 2 *et seq.*

²² For a short summary of the TRIPS negotiation history in terms of patents, see Committee on Trade and Environment, Environment and TRIPS, WT/CTE/W/8, 8 June 1995, paras 59 *et seq.*

²³ *Cf.* in detail Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Compilations of Written Submissions and Oral Statements, MTN.GNG/NG11/W/12, 11 August 1987; Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Compilations of Written Submissions and Oral Statements, MTN.GNG/NG11/W/12/Rev.1, 11 February 1988.

²⁴ *Reichmann & Hasenzahl*, 10; *Watal*, 319 *et seq.*

²⁵ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Note by the Secretariat, MTN.GNG/NG11/W/12/Add.1, 21 October 1987.

²⁶ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Note by the Secretariat, MTN.GNG/NG11/5, 14 December 1987, para. 9.

²⁷ MTN.GNG/NG11/W/7; see also Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Submissions from Participants on Trade Problems encountered in Connection with Intellectual Property Rights, MTN.GNG/NG11/W/7/Add.1, 9 June 1987, para. 7.

²⁸ MTN.GNG/NG11/W/7, para. 7.

²⁹ MTN.GNG/NG11/10.

- 7 The first US proposal was for a GATT-based intellectual property agreement aimed at a general prohibition of compulsory licences,³⁰ whereas the second approach provided for compulsory licences solely to address a declared national emergency or to remedy an adjudicated violation of antitrust laws and included the EC proposal for judicial review.³¹ Whereas the first proposal required “full compensation”, if a compulsory licence is granted by way of exception, the second proposal provides for “compensation commensurate with the market value”³² and includes government use of patents.³³ Both US proposals claimed the non-exclusivity of compulsory licences.³⁴
- 8 By contrast, India held the view that each country must be free to specify the grounds on which compulsory licences can be granted under its law as well as the conditions for such grant, and provided for an extensive concept

³⁰ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Suggestion by United States for achieving the Negotiating Objective, MTN.GNG/NG11/W/14, 20 October 1987.

³¹ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, by United States for achieving the Negotiating Objective, MTN.GNG/NG11/W/14/Rev.1, 17 October 1988; Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Guidelines and Objectives Proposed by the European Community for the Negotiations on Trade-Related Aspects of Substantive Standards of Intellectual Property Rights, MTN.GNG/NG11/W/26, 7 July 1988; likewise Norway, Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Proposal by the Nordic Countries for the Negotiations on Standards and Principles for Trade-Related Aspects of Intellectual Property Rights, MTN.GNG/NG11/W/36, 10 July 1989.

³² Likewise, Switzerland, Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Communication from Switzerland, MTN.GNG/NG11/W/38, 11 July 1989; Hong Kong, Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Submission from Hong Kong, MTN.GNG/NG11/W/51, 29 November 1989 (however, referring to the “fair” market value); diverse Australia, referring to “proper compensation”, Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Communication from Australia, MTN.GNG/NG11/W/35, 10 July 1989; New Zealand, Canada and Austria, referring to “adequat compensation”, Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Communication from New Zealand, MTN.GNG/NG11/W/46, 24 October 1989; Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Submission from Canada, MTN.GNG/NG11/W/47, 25 October 1989; Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Submission by Austria, MTN.GNG/NG11/W/55, 8 December 1989; Republic of Korea, providing for “reasonable compensation”, Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Communication from the Republic of Korea, MTN.GNG/NG11/W/48, 26 October 1989; Peru, claiming “suitable compensation”, Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Communication from Peru, MTN.GNG/NG11/W/45, 27 October 1989.

³³ Similar Australia, MTN.GNG/NG11/W/35, Switzerland, MTN.GNG/NG11/W/38, and New Zealand, MTN.GNG/NG11/W/46.

³⁴ MTN.GNG/NG11/W/14; MTN.GNG/NG11/W/14/Rev.1; the non-exclusivity of compulsory licenses is not a matter of controversy, as it is provided for in almost all proposals; *cf.* Australia, MTN.GNG/NG11/W/35, Switzerland, MTN.GNG/NG11/W/38, New Zealand, MTN.GNG/NG11/W/46, Canada, MTN.GNG/NG11/W/47, Republic of Korea, MTN.GNG/NG11/W/48, Hong Kong, MTN.GNG/NG11/W/51 and Austria, MTN.GNG/NG11/W/55.

of compulsory licences.³⁵ Moreover, India proposed a so-called “licence of rights”, which is the automatic grant of non-voluntary licences in sectors of critical importance.³⁶ Similarly, Japan intended that compulsory licences “shall be conducted in accordance with the present Paris Convention and in a way that the interests of all the parties concerned are taken into account in a balanced manner”.³⁷

During the meetings of the TRIPS Negotiation Group that followed in September and December 1989 and January 1990, the subject of compulsory licensing was discussed extensively, particularly in relation to the issue of non-working of patents and further grounds upon which to grant compulsory licences (in particular the public interest), without a conclusion being reached.³⁸ This disagreement is accurately reflected in the subsequent Draft Agreements by the EC, the US and a group of developing countries.³⁹

Eventually, an Indian proposal that combined both categories—“government use” and “compulsory licences”—under a single set of conditions was accepted.⁴⁰ The Anell Draft,⁴¹ however, indicated that the endeavour to restrict the concept of compulsory licences remained unsuccessful, as there was no formal definition of the terms, including “public interest”.⁴² The Brussels Draft revealed a more liberal approach to the circumstances justifying the grant of compulsory licences and contained wording very similar to that of the current provisions. Still, the grounds for granting compulsory licences were left to the individual Members to determine. However, the term “public interest” was no longer applied, but a provision

³⁵ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Communication from India, MTN.GNG/NG11/W/37, 10 July 1989, paras 11–13.

³⁶ *Ibid.*, paras 14 and 15.

³⁷ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Suggestion by Japan for achieving the Negotiating Objective, MTN.GNG/NG11/W/17, 23 November 1987.

³⁸ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Note by the Secretariat, MTN.GNG/NG11/14, 12 September 1989, paras 67 *et seq.*, especially paras 83.1 *et seq.*; Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Note by the Secretariat, MTN.GNG/11/16, 4 December 1989, paras 33 *et seq.*; Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Note by the Secretariat, MTN.GNG/NG11/17, 23 January 1990, paras 39, 48.

³⁹ MTN.GNG/NG11/W/68, Art. 26; Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Communication from the United States, MTN.GNG/NG11/W/70, 11 May 1990, Art. 27; Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Communication from Argentina, Brazil, Chile, China, Colombia, Cuba, Egypt, India, Nigeria, Peru, Tanzania and Uruguay, MTN.GNG/NG11/W/71, 14 May 1990, Art. 6.

⁴⁰ *Cf. Reichmann & Hasenzahl*, 11; The US was arguing for broader government use provisions but strict grounds for compulsory licenses. See *Watal*, 320 and see Council for TRIPS, Review of Legislation in the Fields of Patents, Layout-Designs (Topographies) of Integrated Circuits, Protection of Undisclosed Information and Control of Anti-Competitive Practices in Contractual Licenses, IP/Q3/USA/1, 1 May 1998, 9 *et seq.*; *cf.* MTN.GNG/NG11/W/76, Part. II, para. 5.

⁴¹ MTN.GNG/NG11/W/76.

⁴² *Cf.* also *Gold & Lam*, *JWIP* 6 (2003) 1, 5, 16.

on “public [non-commercial] use” was included instead. Additionally, the draft contained specific reference to the “working issue”.⁴³

- 11 The final draft (Dunkel Draft) did not include a specific regulation on the “working issue” but incorporated the notion of “public non-commercial use”.⁴⁴

C. The Legal Framework

I. Relation to Art. 27 TRIPS and the Local Working Requirement

- 12 After the conclusion of the TRIPS Agreement, the controversy about the “local working requirement” shifted from Art. 5A of the Paris Convention to Art. 27.1 TRIPS, which provides in its sentence 2 that “patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced”.⁴⁵ As previously mentioned, Art. 5A PC provides for compulsory licences upon failure to work a patent. As Art. 5A PC is incorporated into the TRIPS Agreement by reference in Art. 2.1 TRIPS, it is disputed whether and to what extent Art. 27.1 repeals the pre-existing right of Members to continue to treat non-working as an abuse in terms of Art. 5A.2 PC. Commentators disagree on this aspect. On the one hand, it is alleged that the sub-clause of Art. 27.1 is intended to exclude the working obligation from the realm of TRIPS.⁴⁶ In an age of increasing globalization of manufacturing and distribution processes, a national obligation to work a patent would be worse than nonsensical.⁴⁷ However, on the other hand, it is contended that the TRIPS Agreement does not prevent the granting of compulsory licences in cases of lack of or insufficient working.⁴⁸ Thereby, Article 27.1 would effectively supersede the Paris Convention rule.⁴⁹

⁴³ MTN.TNC/W/35–2, Art. 34; for a detailed comparison with regard to the provisions on compulsory licensing in the Brussel Draft and the final text of the TRIPS, see *UNCTAD/ICTSD*, 465 *et seq.*

⁴⁴ MTN.TNC/W/FA, Section Y, Annex III, Art. 31.

⁴⁵ *Cf. Reyes-Knoche*, Article 27.

⁴⁶ *Straus*, in: *Beier & Schriker* (eds), 191 *et seq.*; *Watal*, 318; *cf. Reichmann & Hasenzahl*, 10.

⁴⁷ *Beier*, IIC 30 (1999) 3, 251, 263.

⁴⁸ *Correa*, Compulsory Licences, 9. He contends that the Preamble of the Agreement, as well as Articles 7 and 8, make it clear that one of the objectives of the Agreement is to promote technology transfer, which may be ensured in some circumstances by means of compulsory licences on grounds of non-working. However, it is questioned if this forces the pace of transfer of technology. See *Watal*, 318.

⁴⁹ *Cf. UNCTAD/ICTSD*, 482.

Clarification of this issue was attempted in *Brazil—Patent Protection*.⁵⁰ On May 30, 2000, the US requested consultations with Brazil “concerning th[e] provisions of Brazil’s 1996 industrial property law (Law No. 9, 279 of 14 May 1996; effective May 1997) and other related measures, which establish a ‘local working’ requirement for the enjoyability of exclusive patent rights that can only be satisfied by the local production—and not the importation—of the patented subject matter”.⁵¹ The US considered Brazil’s provision as inconsistent with its obligations under Articles 27 and 28 of the TRIPS Agreement. However, the US withdrew its complaint before either party submitted written pleadings, and so the claim was never adjudicated upon. Nevertheless, the case clearly illustrates that Members may find their compulsory licence regimes challenged before a panel if they apply the “working requirement”.⁵² 13

In *Canada—Pharmaceutical Patents*, the Panel accepted the argument that Art. 31 is “subject to the non-discrimination rule of Article 27.1, without the need for any textual provision so providing”.⁵³ However, the Panel noted that Art. 27 does not prohibit *bona fide* exceptions to deal with problems that may exist only in certain product areas.⁵⁴ Following the reasoning of the Panel, Art. 27 leaves room for local working requirements adopted for *bona fide* (i.e. non-discriminatory) purposes.⁵⁵ 14

II. Relationship with Art. 5A Paris Convention

Because Art. 5A PC, unlike TRIPS, provides for compulsory licences in cases of non-working of patents, its relationship with Art. 31 is crucial to the standard of patent protection under TRIPS. Likewise, the concept of “abuse” is provided for in Art. 5A.2 PC only, and is thus equally relevant in relation to TRIPS. The granting of compulsory licences is linked to cases of “abuse” (which may result from the exercise of the exclusive rights conferred by the patent, for example, failure to work). It is not clear whether the provision is intended to limit compulsory licensing to cases of abusive action or whether it merely lists abuse as one of the grounds for granting a compulsory licence.⁵⁶ It has been contended that Art. 31 TRIPS is 15

⁵⁰ Notification of Mutually Agreed Solution, *Brazil—Patent Protection*, WT/DS199/4; cf. also in this connection *Bjornberg*, Nw. J. Int’l L. & Bus., 27 (2006), 199 *et seq.*

⁵¹ Request for Consultations by the United States, *Brazil—Patent Protection*, WT/DS199/1, G/L/385, IP/D/23.

⁵² Cf. also *UNCTAD/ICTSD*, 482.

⁵³ *Canada—Pharmaceutical Patents*, WT/DS114/R, para. 7.91.

⁵⁴ *Ibid.*, para. 7.92.

⁵⁵ Cf. *UNCTAD/ICTSD*, 482; But it may be questionable, if the conclusions drawn by the Panel in *Canada—Pharmaceutical Patents* as regards Art. 31 are definite jurisprudence, as the statements on Art. 31 rather seem to be passing comments.

⁵⁶ Cf. *Gold & Lam*, JWIP 6 (2003) 1, 5, 14; for a detailed overview as regards the different possible positions, see page 19 *et seq.*

dependent upon Art. 5A.2 PC and that the “prevention of abuse constitutes a fundamental requirement for the grant of compulsory licences of any kind”.⁵⁷ As a consequence, “abuse” constituted an additional requirement for the grant of compulsory licences, even for licences granted in the public interest. The German Federal Supreme Court decision in the so-called *Polyferon Case* refutes this contention.⁵⁸ Art. 31 places no restrictions on the list of grounds upon which compulsory licences may be granted.⁵⁹ This seems to support the view that these unwritten grounds are to be separate from the category of abuse.⁶⁰

III. Relationship with Art. 30 TRIPS

- 16 Arts 30 and 31 are linked by the introductory clause of Art. 31. Accordingly, Art. 31 contains all those exceptions to the use of patented subject matter that are not already covered by Art. 30.⁶¹ In other words, Art. 31 has to be considered if the conduct of a prospective user would not constitute a limited exception to the exclusive rights of the patentee, or where it would unreasonably conflict with the normal exploitation of a patent, or where it would unreasonably prejudice the legitimate interests of the patent owner.⁶² Unlike Art. 31, the use of an invention under Art. 30 neither requires the user to request authorization from the patentee or from the government nor to pay compensation.⁶³ Exceptions apply to an indefinite circle of parties, while a compulsory licence is limited to a specific party so authorized.⁶⁴ In *Canada—Pharmaceutical Patents*, the Panel ruled out a distinction between Arts 30 and 31 upon their alleged permissive—respectively mandatory—character.⁶⁵ Both provisions, according to the Panel, permit exceptions to patent rights subject to certain mandatory conditions.⁶⁶

IV. Relationship with Arts 7 and 8 TRIPS

- 17 Arts 7 and 8 TRIPS entitle Members to pursue the development of specific public interest goals within their national borders in accordance with the

⁵⁷ Straus, in: *Beier & Schriker* (eds), 204 *et seq.*

⁵⁸ See *Bundesgerichtshof, Polyferon*, decision of 5 December 1995 X ZR 26/92, IIC 28 (1997) 2, 245.

⁵⁹ See paras 18 *et seq.* below.

⁶⁰ Cf. *Watal*, 320 *et seq.*; *Reichmann & Hasenzahl*, 11.

⁶¹ *Canada—Pharmaceutical Patents*, WT/DS114/R, para. 7.91; see in detail *Reyes-Knoche*, Article 30.

⁶² Cf. *de Carvalho*, 251.

⁶³ *Correa*, Compulsory Licences, 7, who states that “exceptions to exclusive rights operate automatically”.

⁶⁴ Cf. *UNCTAD/ICTSD*, 462.

⁶⁵ *Canada—Pharmaceutical Patents*, WT/DS114/R, para. 7.90, 7.91.

⁶⁶ *Ibid.*, para. 7.91.

TRIPS Agreement.⁶⁷ The *Canada—Pharmaceutical Patents* shows that the general principles of TRIPS Arts 7 and 8 may serve as interpretative means, creating additional or broader exceptions to patent protection by reason of public policy considerations.⁶⁸ In the light of the Doha Declaration on TRIPS and Public Health it can be expected that Arts 7 and 8 will become increasingly important with regard to the balance between public policy considerations and intellectual property rights.⁶⁹

D. The Grounds for Granting Compulsory Licences

During the negotiations on the TRIPS Agreement it was stated that “a distinction has to be drawn between the purposes for which compulsory licences could be granted and the conditions under which they could be granted”.⁷⁰ Therefore, Art. 31 sets out specific conditions for the grant of a compulsory licence. With regard to the grounds for compulsory licensing, the list in Art. 31 is not exhaustive (with the exception of semi-conductor technology).⁷¹ As explicitly recognized by the **Doha Declaration on the TRIPS Agreement and Public Health**, “each member has the right to grant compulsory licences and the freedom to determine the grounds upon which such licences are granted”.⁷² This view seems to be supported by reading Art. 31 in conjunction with Art. 8.⁷³ 18

The statutory framework that the Members opted for has various advantages. The fixed set of conditions laid down by Art. 31 provides for legal security and serves the interests of patentees in their exclusive rights.⁷⁴ At the same time, Members remain flexible and can respond to urgent national needs and emergency situations because the provision is open with regard to the purposes of or grounds upon which to grant a licence. However, as 19

⁶⁷ Cf. *Gold & Lam*, JWIP 6 (2003) 1, 5, 19.

⁶⁸ *Bartelt*, JWIP 6 (2003) 2, 283, 286 *et seq.*; cf. also *Keßler*, Article 7; *Brand*, Article 8.

⁶⁹ Cf. *Bartelt*, JWIP 6 (2003) 2, 283, 287; *Quirin*, Article 31*bis*, para. 13.

⁷⁰ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Note by the Secretariat, MTN.GNG/11/16, 4 December 1989, para. 19.

⁷¹ Cf. *Gervais*, para. 2.305; *Gold & Lam*, JWIP 6 (2003) 1, 5, 11; These commentators assume that “the open-ended listing of grounds [...] was deliberate”. Others seem to take the position that an agreement on an exclusive or at least restrictive list of grounds was simple not possible. See *Reichmann & Hasenzahl*, 10; *Watal*, 319 *et seq.*; see MTN.GNG/NG11/W/70, “Article 27 Compulsory licenses: Contracting parties may limit the patent owner’s exclusive rights solely through compulsory licenses and only to remedy an adjudicated violation of competition laws or to address, only during its existence, a declared national emergency.” or “Article 26 Compulsory Licenses: Where the law of a contracting party allows for the grant of compulsory licenses, such licenses shall not be granted in a manner which distorts trade [...]” MTN.GNG/NG11/W/68.

⁷² WT/MIN(01)/DEC/2; see especially *Quirin*, Article 31*bis*, para. 13.

⁷³ *Bartelt*, JWIP 6 (2003) 2, 283, 295.

⁷⁴ Note: *Gervais* refers to these conditions as “strict safeguards”. See *Gervais*, para. 2.305.

de Carvalho correctly comments, “the fact that Article 31 does not define the grounds on which compulsory licences may be granted does not mean that governments may grant those licences on frivolous grounds or on no grounds”.⁷⁵ It has to be kept in mind that compulsory licences interfere with the exclusive rights of the patentee and therefore clearly may be granted only in exceptional circumstances.⁷⁶ Art. 31 itself refers to “emergency and extreme urgency”, “anti-competitive practices”, “public non-commercial use” and “dependent patents” as grounds upon which compulsory licences may be granted.⁷⁷ As already pointed out, these stipulated categories of compulsory licences, however, are inherently undetermined.⁷⁸ Thus, it is difficult to determine what constitute other grounds for the grant of compulsory licences⁷⁹.

- 20 The notion of “public interest” as a possible ground in terms of Art. 31 deserves further attention. “Public interest” is established in many laws as a ground for compulsory licences. This may be national defence purposes, environmental purposes, interests in obtaining energy, in workers’ safety or in the combat of new diseases.⁸⁰ As already reflected in the negotiation of the TRIPS Agreement, the concept of “public interest” is a critical issue and almost impossible to determine. Thus, the Federal Supreme Court of Germany in the *Polyferon Case* concluded that “there can be no universally valid definition of public interest. On the contrary this term, like any general term, is subject to change”.⁸¹ Therefore, it would be a suitable option to leave the determination of cases of “public interest” with regard to the granting of a compulsory licence to the courts and administrative authorities,⁸² while taking into account the circumstances of the specific case and the collective interest of society.⁸³
- 21 Thus, as was rightly stated, “Art. 31 leaves considerable leeway to policymakers and administrators in both developed and developing countries to impose non-voluntary licensing of patented inventions for any legitimate purpose and without undue constraints”.⁸⁴

⁷⁵ *de Carvalho*, 232.

⁷⁶ *Ibid.*

⁷⁷ Cf. also *Correa*, Compulsory Licences, 8.

⁷⁸ Cf. *Gold & Lam*, JWIP 6 (2003) 1, 5, 12.

⁷⁹ For detailed lists of different kinds of possible grounds see *Correa*, Compulsory Licences, 8; *de Carvalho*, 232 *et seq.*

⁸⁰ *Beier*, IIC 30 (1999) 3, 251, 261.

⁸¹ *Bundesgerichtshof, Polyferon*, decision of 5 December 1995 X ZR 26/92, IIC 28 (1997) 2, 245; It may have to be admitted that a different court under different legislation might have decided the case differently. However, the evaluation of the term “public interest” remains appropriate even independently of the specific facts of the case in question.

⁸² Cf. *Correa*, 13 contains reference to the US and German patent law.

⁸³ Cf. *Reichmann & Hasenzahl*, 12; *Beier*, IIC 30 (1999) 3, 251, 261; BGH 5 December 1995 X ZR 26/92 “Compulsory license”, IIC 28 (1997) 2, 242 *et seq.*; *de Carvalho*, 232.

⁸⁴ *Reichmann & Hasenzahl*, 12; *Watal*, 321.

E. The Conditions of Art. 31 lits a–l

I. Introductory Note

As mentioned above, while Art. 31 does not restrict the grounds upon which compulsory licences may be granted, it lays down conditions that have to be followed in the event of a grant. Even if these conditions may establish “strict safeguards”⁸⁵ the purpose for which the licence is granted has to be taken into account.⁸⁶ 22

II. Individual Merits (Art. 31 lit. a)

Art. 31 lit. a states that “authorization of such use shall be considered on its individual merits”. The provision aims at preventing WTO Members from establishing “blanket licensing clauses”.⁸⁷ In other words, the grant of automatic licences is prohibited. This would usually be the case if a particular field of technology were concerned. Compulsory licences have to be exceptional, and as such each application for a compulsory licence has to be considered duly.⁸⁸ Nevertheless, this does not encompass the option to impose presumptions in favour of granting licences in particular contexts.⁸⁹ In these cases the burden of proof for overcoming the presumptions would incumbent on the patent holder.⁹⁰ However, these provisions on possible presumptions must not preclude an assessment of the individual merits. 23

III. Prior Negotiations Condition (Art. 31 lit. b)

1. The Terms (Art. 31 lit. b, Sentence 1)

a) In General

Art. 31 lit. b, sentence 1 provides that compulsory licences may be permitted only if the prospective licensee “prior to such use [...] has made efforts to obtain authorization from the right holder on reasonable commercial terms and conditions and that such efforts have not been successful within a reasonable period of time”. In other words, Art. 31 lit. b, sentence 1 favours voluntary licences. This requirement is inherently flexible, since 24

⁸⁵ *Gervais*, para. 2.305.

⁸⁶ *Cf. UNCTAD/ICTSD*, 462; *Watal*, 321.

⁸⁷ *de Carvalho*, 233.

⁸⁸ *Cf. UNCTAD/ICTSD*, 468; Nevertheless, the practice of the United States in authorizing government use of patents, well known at the time of adoption of Article 31, indicates that the requirement of review of individual merits may be interpreted flexibly.

⁸⁹ *UNCTAD/ICTSD*, 468.

⁹⁰ *Ibid.*

the concept of reasonable terms and period of time will depend on the circumstances in the particular case.⁹¹

b) “Reasonable commercial terms and conditions” and “reasonable period of time”

- 25 “Reasonableness” is open to interpretation. In accordance with Art. 31 lit. a, the requirement has to be considered upon its “individual merits”. Elements for the evaluation of the “reasonable commercial term” may be: the duration of the licence term, the additional technology required effectively to exploit the patent, possible “grant-backs” imposed on the patent licensee, tying arrangement between the patent licensor and the licensee or export restrictions imposed on the licensee.⁹² Authorities can take several factors into account, including the ability of the licensee and eventually, that of the consumer to pay.⁹³
- 26 Art. 31 lit. b, sentence 1 does not provide for a fixed period of time, and thus indicates that a balance has to be achieved between the purpose for which the licence is requested and the right of the patentee to reflect the offer.⁹⁴ Furthermore, market practices and the parties’ real intention may be considered.⁹⁵
- 27 The “reasonable commercial terms” and the “reasonable period of time” are conditions for the prospective licensee to comply with.⁹⁶

c) In Particular: Refusal to Deal

- 28 The patent grants patent holders the right to exclude third parties from the use of their invention. Thus, the patentee, in principle, has the right to give or not give a licence to a third party.⁹⁷ Therefore, it may be questioned whether a compulsory licence can be granted in the event that the patent holder refuses to grant a licence on reasonable terms (so-called refusal to deal).⁹⁸ In particular, it has to be considered whether a refusal to deal constitutes an anti-competitive practice. The view that Art. 31 lit. b, sentence 1 implicitly acknowledges that an unjustified refusal to licence can be a ground for a compulsory licence—whether or not it can be treated as

⁹¹ *Ibid.*, 469.

⁹² *Cf.* in detail *ibid.*, 470.

⁹³ *Watal*, 251, who assumes a determination of “reasonableness” by comparison on a global scale.

⁹⁴ Some WTO Members have quantified the “reasonable period of time” by assigning a fixed period for the patent owner to respond to the prospect licensee. That period varies from 90 days to 6 month. See *de Carvalho*, 234.

⁹⁵ *Ibid.*

⁹⁶ *Ibid.*

⁹⁷ *Correa*, Compulsory Licences, 10.

⁹⁸ For a detailed overview over national laws which provide for compulsory licenses due to “refusal to deal”, see *Correa*, Compulsory Licences, 10 *et seq.*

a *per se* violation of competition law—⁹⁹ seems rather inadequate. In fact, such a view seems to contradict the provisions of the TRIPS Agreement. Firstly, to regard the refusal to license as a ground upon which to grant compulsory licences would lead to an automatic licence that is prohibited by Art. 31 lit. a. Secondly, if a refusal to license resulted in the automatic grant of a compulsory licence, Art. 28.2 TRIPS—the patent owner’s right to conclude licensing contracts—would be rendered redundant. Thirdly, it would be a violation of Art. 28.1 TRIPS if patent owners were to lose their right to say “no”.¹⁰⁰ The better compromise may be not to treat refusal to deal in itself as a ground for compulsory licences, but, if accompanied by a certain public interest in the licence¹⁰¹ or otherwise unlawful conduct on the part of the patent holder,¹⁰² to license the patented subject matter also without authorization of the patent holder.

2. Waiver of Prior Negotiations (Art. 31 lit. b, Sentence 2)

Art. 31 lit. b, sentence 2 refers to the three exceptions that excuse the licensee from the prior negotiations condition. These exceptions are “national emergency”, “other circumstances of extreme urgency” and “cases of public non-commercial use”. Thus, Art. 31 lit. b, sentence 2 establishes a waiver of the prior negotiations condition. 29

Due to their general wording, these exceptions are subject to a variety of interpretations. The Doha Declaration expressly recognizes the right of each Member “to determine what constitutes national emergency or other circumstances of extreme urgency”. It is specified that a public health crisis, including those relating to HIV/AIDS, tuberculosis, malaria and other epidemics, can represent a national emergency or other circumstances of extreme urgency.¹⁰³ Moreover, the terms “other circumstances of extreme urgency” makes it clear that waiver of the prior negotiations requirement does not depend upon a formal declaration of national emergency.¹⁰⁴ A further hint about the scope of these terms is given by Art. 31 lit. b, sentence 2 itself. It refers to “emergency and other circumstances of extreme urgency”. Therefore, it regards a “national emergency” as one example of “extreme urgency”.¹⁰⁵ Furthermore, the term “extreme” determines that the urgency is at the “far end of the spectrum of urgency”.¹⁰⁶ However, the Members are left with substantial leeway in the determination of the terms.¹⁰⁷ 30

⁹⁹ Holding this view: *Watal*, 323.

¹⁰⁰ On this last point see *de Carvalho*, 235.

¹⁰¹ *Ibid.*

¹⁰² For further references see *ibid.*, 235 *et seq.*

¹⁰³ WT/MIN(01)/DEC/2; see especially *Quirín*, Article 31*bis*, para. 13.

¹⁰⁴ UNCTAD/ICTSD, 471.

¹⁰⁵ *Cf. de Carvalho*, 236 *et seq.*

¹⁰⁶ UNCTAD/ICTSD, 471; *cf. de Carvalho*, 237.

¹⁰⁷ *Cf. UNCTAD/ICTSD*, 471.

31 The alternative of “public non-commercial use” has so far been rather neglected, albeit that it deserves particular attention, especially with regard to Art. 31 lit. b, sentence 4.¹⁰⁸ Regarding its nature, “non-commercial” may be understood as “not-for-profit”. As to the purpose perspective of “non-commercial use”, it has been suggested that it refers to the supply of public institutions that are not functioning as commercial enterprises.¹⁰⁹ A compulsory licence granted under the category of public non-commercial use does not require prior negotiation with or notice to the patent holder under the waiver of Art. 31 lit. b, sentence 2. Therefore, it may enable governments to avoid costly patents in the provision of public services, particularly those under a public health care system.¹¹⁰

3. Parallel Obligation to Notify (Art. 31 lit. b, Sentence 3)

32 In cases of “emergency or other circumstances of extreme urgency,” Art. 31 lit. b, sentence 2 does not rule out the requirement of notification “as soon as reasonably practicable”. Therefore, the prospective licensee still bears the parallel obligation to notify the right holder of the use.¹¹¹

4. Public Non-Commercial Use and Patent Search (Art. 31 lit. b, Sentence 4)

33 Art. 31 lit. b, sentence 4 exclusively regulates compulsory licences in the category of public non-commercial use. Where the government or contractor, without making a patent search, knows or has demonstrable grounds for knowing that a valid patent is or will be used by or for the government, the right holder is to be informed promptly.¹¹² This means, firstly, that there is no general obligation to notify the patent holder in cases of public non-commercial use. The obligation to notify exists only where the government or the contractor knows or has demonstrable grounds for knowing that the patent in question exists. Therefore, secondly, the government or the contractor is not required to make patent searches before engaging in the exploitation of patented inventions.¹¹³ Thirdly, a presumption of public knowledge does not apply in this case. The patent owner bears the burden of proving that the government or the contractor knew of the existence of the patent.¹¹⁴

34 Government or contractors may benefit from compliance with national provisions allowing for the use of privately owned inventions, as Art. 44.2

¹⁰⁸ See also *Gold & Lam*, JWIP 6 (2003) 1, 8.

¹⁰⁹ *UNCTAD/ICTSD*, 471.

¹¹⁰ *Gold & Lam*, JWIP 6 (2003) 1, 8 *et seq.*

¹¹¹ Clearly the waiver does not encompass the payment of an adequate remuneration, Art. 31 lit. g.

¹¹² Art. 31 lit. b, sentence 4.

¹¹³ *de Carvalho*, 237; *Gervais*, para. 2.306.

¹¹⁴ *de Carvalho*, 237.

TRIPS states: notwithstanding the other provisions of this Part and provided that the provisions of Part II specifically addressing use by governments, or by third parties authorized by a government, without the authorization of the right holder are complied with, Members may limit the remedies available against such use to payment of remuneration in accordance with subparagraph (h) of Article 31.¹¹⁵

IV. Scope and Duration of Compulsory Licences (Art. 31 lit. c)

Art. 31 lit. c provides that “the scope and duration of such use shall be limited to the purpose for which it was authorized, and in the case of semi-conductor technology shall only be for public non-commercial use or to remedy a practice determined after judicial or administrative process to be anti-competitive”. Art. 31 lit. c thus constitutes a restriction on the compulsory licence in relation to the ground upon which it was granted. The term “scope [...] of such use” has to be considered more closely. It has to be read in conjunction with Art. 27 and taking into account the subject matter protected by a specific patent. The new and inventive use of products or processes can constitute an invention *per se*, and may thus be claimed to be independent subject matter.¹¹⁶ Hence, there may be restrictions with regard to the field of application, the territory or the amount of production. At the same time, the provision makes it clear that these restrictions do not amount to an anti-competitive practice.¹¹⁷ The duration of compulsory licences must be tailored to the specific needs that the authorization was intended to fulfil.¹¹⁸ Therefore, a compulsory licence should be granted for at least long enough to provide adequate incentive for production, as otherwise the purposes of Art. 31 would be frustrated.¹¹⁹

Furthermore, Art. 31 lit. c makes it clear that TRIPS restricts the freedom to determine the grounds for compulsory licences only with regard to “semi-conductor technology”, which can be subject to compulsory licences exclusively for public non-commercial use and to remedy anti-competitive practices.¹²⁰

V. Non-Exclusivity (Art. 31 lit. d)

In accordance with Art. 31 lit. d, compulsory licences are to be non-exclusive. This provision entails that the patent owner may not be stopped

¹¹⁵ See also *ibid.*

¹¹⁶ *Ibid.*, 238.

¹¹⁷ *Cf. ibid.*

¹¹⁸ *Ibid.*

¹¹⁹ UNCTAD/ICTSD, 473.

¹²⁰ *Correa*, Compulsory Licences, 9.

from using its own invention or licensing the patent to third parties.¹²¹ Therefore, Art. 31 lit. d is of particular importance with regard to the competitive relationship between the patentee and the licensee. As early as during the negotiations to revise the Paris Convention, some participants considered exclusivity of compulsory licences as essential to prevent the right holder from interfering with the successful operation of the licensees' production of the patented invention.¹²² Art. 5A.4 PC provides for a condition of non-exclusivity. However, the wording of subparagraph 4 of Art. 5A PC ("Such a compulsory license [...]” Art. 5A.4, sentence 1) indicates that the requirement of non-exclusivity under the Paris Convention applies only to compulsory licences granted upon “failure to work or insufficient working.”¹²³ As a consequence, compulsory licences which were granted on grounds other than lack of or insufficient work could be granted exclusively.¹²⁴ Art. 31 lit. d, now prohibits exclusive licences irrespective of the grounds on which they are granted.¹²⁵

- 38 The requirement of non-exclusivity entails a certain amount of commercial risk for the licensee. The patent owner is not obliged to keep the compulsory licensee informed about the own commercial strategy.¹²⁶ Therefore, the patent holder as such or other licensees could compete directly with the licensee. This might result in a decrease in the value of the compulsory licence and, thus, a decrease in further investment.¹²⁷ Of course, these circumstances are likely to prevent applications for compulsory licences, especially because patent exploitation traditionally requires considerable investment.¹²⁸ However, Art. 31 as a whole is not intended “to facilitate compulsory licences, but rather to submit them to conditions of predictability and legal security”.¹²⁹

VI. Non-Assignment (Art. 31 lit. e)

- 39 Art. 31 lit. e establishes that compulsory licences are non-assignable, “except with that part of the enterprise or goodwill which enjoys such use”. Art. 5A.4 PC also envisages such a provision as it provides that “a compulsory license [...] shall not be transferable, even in the form of the grant of a sub-license, except with that part of the enterprise or goodwill which exploits such license”. This approach seems appropriate to prevent the licensee

¹²¹ *de Carvalho*, 238; *Correa*, Compulsory Licences, 8.

¹²² *Watal*, 324 *et seq.*

¹²³ *See de Carvalho*, 239.

¹²⁴ *Ibid.*

¹²⁵ *Ibid.*

¹²⁶ *Ibid.*, 238.

¹²⁷ *Cf. UNCTAD/ICTSD*, 473; *de Carvalho*, 238.

¹²⁸ *de Carvalho*, 239.

¹²⁹ *Ibid.*

“from obtaining a stronger position than is warranted by the purpose of the license [...]”.¹³⁰ Furthermore, it excludes the creation of a trading system for compulsory licences. As has been correctly mentioned, “a compulsory licence cannot be a tradeable commodity by itself”.¹³¹ Art. 31 lit. e does not contain criteria on sub-licensing like Art. 5A.4 PC. Just as in the context of non-exclusivity, the provision in the Paris Convention on “non-transferability” applies only in relation to compulsory licences granted for lack of or insufficient working. Nevertheless, the “non-assignability” of compulsory licences as provided for in Art. 31 lit. e encompasses not only the title in the right as a whole, but also specific single rights. Thus, “non-assignability” includes further licensing.¹³² Sub-licensing is therefore implicitly included in Art. 31 lit. e.

VII. Restriction on the Supply of the Domestic Market (Art. 31 lit. f)

When granting compulsory licences under national laws, Art. 31 lit. f obliges 40
Members to ensure that those licences are predominantly used for the supply of their domestic market. This does not apply where a compulsory licence is issued in order to remedy an anti-competitive practice (Art. 31 lit. k). Members are also exempt from their obligation under Art. 31 lit. f if the conditions of either Art. 31*bis*.1 or Art. 31*bis*.3 are met.¹³³

Art. 31 lit. f is meant to strike a **balance between two needs**. On 41
the one hand it frustrates the possible ambitions of Members to establish an export industry by granting compulsory licences which would allow for imitation of the subject matter of a patent, and thus prevents unfair competition on the world market.¹³⁴ On the other hand, Art. 31 lit. f does not fully prohibit the export of production under a compulsory licence. It allows for the export of the non-predominant part of production and thus accommodates the needs of smaller Members in which production solely for the domestic market would be uneconomical.¹³⁵

Opinions are divided on what constitutes a “**predominant**” use of the 42
compulsory licence for the domestic market.¹³⁶ A possible interpretation is that “predominant” use requires the domestic market of the Member

¹³⁰ See *ibid.* with further reference.

¹³¹ *Watal*, 325; *UNCTAD/ICTSD*, 473.

¹³² *Cf. de Carvalho*, 240.

¹³³ Art. 31*bis*.5 makes it clear that outside the scope of the exceptions provided for in Art. 31*bis*.1 and Art. 31*bis*.3 the obligation of Members under Art. 31 lit. f remains unaffected; see General Council—Decision of 30 August 2003, WT/L/540, para. 9.

¹³⁴ *Kramer*, 138.

¹³⁵ *Cottier*, JWIP 6 (2003) 2, 385, 387 *et seq.*

¹³⁶ *Hestermeyer*, 251.

granting the compulsory licence to take the greatest share of supply among all Members receiving products produced under the licence.¹³⁷ Some authors are in favour of an understanding based on sales value or volume,¹³⁸ *e.g.* that up to 49.9% of the production under a compulsory licence could be exported.¹³⁹ Finally, others are of the opinion that the intentions of Members should be decisive in determining what constitutes a “predominant” use of the compulsory licence.¹⁴⁰ According to this understanding, Members do not violate their obligation under Art. 31 lit. f if the granting of a compulsory licence is primarily *aimed* at the supply of the domestic market. While the former two suggestions provide for objective criteria in the distinction between predominant and non-predominant use, only the latter demarcation according to a subjective criterion is fully in line with the object and purpose of the provision: If “predominant” meant a quantitative restriction, Members with a small market would possibly be obliged either to allow for only uneconomical production or not to issue compulsory licences at all.¹⁴¹ In the continually led discussion about developing and LDC Members’ **access to medicines** for epidemics like HIV/AIDS, tuberculosis and Malaria it has been argued that Art. 31 lit. f restricts the access of Members without sufficient or any manufacturing capacities in the pharmaceutical sector to such medicines. The exceptions provided for in Art. 31 *bis* in conjunction with the Annex—provisions that come/came into the TRIPS Agreement through an amendment—are meant to solve this problem.

VIII. Termination (Art. 31 lit. g)

- 43 Art. 31 lit. g relates to the termination of compulsory licences. They shall be liable to be terminated if and when the circumstances which led to it cease to exist and are unlikely to recur. Thus, Art. 31 lit. g is the corollary to Art. 31 lit. c.¹⁴² The duration of compulsory licences shall be limited to the purpose for which they were authorized. If this purpose is fulfilled, the compulsory licence shall be terminated. Accordingly, Art. 31 lit. g takes particular account of the exceptional character of compulsory licences. They may only be granted to deal with specific circumstances but not to

¹³⁷ *Abbott*, 26.

¹³⁸ *Correa*, 321.

¹³⁹ *Kampff*, AVR 40 (2002) 1, 90, 108; *Reichman & Hasenzahl*, 16, see also Council for TRIPS, Proposal on Paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health, Joint Communication from the African Group in the WTO, IP/C/W/351, 24 June 2002, para. 6 lit. d.

¹⁴⁰ *Gervais*, para. 1.68 *et seq.*; *de Carvalho*, 241; *Rott*, GRUR Int. 52 (2003) 2, 103, 114; *Stahelin*, 152; *Hestermeyer*, 251.

¹⁴¹ *Rott*, Intellectual Property Quarterly 7 (2003) 3, 284, 298; *Hestermeyer*, 251; *Weissman*, U. Pa. J. Int’l Econ. L. 17 (1996) 4, 1069, 1114.

¹⁴² *de Carvalho*, 243.

replace the original patent right, and as such have to be terminated as soon as those specific circumstances cease to exist.¹⁴³

In accordance with Art. 31 lit. g, termination is “subject to adequate protection of the legitimate interests of the persons so authorized”.⁴⁴ The provision accounts for the—predominantly commercial—interests of the licensee. The licensee makes a substantial investment in the use and exploitation of the patented invention under the compulsory licence and has a considerable interest in being able to recover these investments.¹⁴⁴ If these interests were disregarded and a licence could be terminated abruptly, a significant amount of legal and economic uncertainty would be involved in the concept of compulsory licences. Furthermore, if the attainment of the purpose for which a compulsory licence was granted alone sufficed to terminate it, this would prevent licensees from efficiently working towards the fulfilment of this purpose.¹⁴⁵

Nonetheless, it has to be kept in mind that a compulsory licence has an exceptional character and is granted to serve the interests of society and not just the commercial interests of the licensee. Therefore, “a balance between the legitimate interests of the patent owner to have the compulsory licence cancelled as soon as possible, and those of the compulsory licensees, who need to keep the licence in force at least until they are able to recoup the investments made” is required.¹⁴⁶⁴⁵

IX. Adequate Remuneration (Art. 31 lit. h)

Art. 31 lit. h provides for adequate remuneration to be paid to the right holder “in the circumstances of each case, taking into account the economic value of the authorization”. Rec. 4 of the Preamble identifies intellectual property rights as private rights.¹⁴⁷ This makes it clear that the TRIPS Agreement considers intellectual property rights the subject of private property, which means that those rights may not be taken by governments without due compensation.¹⁴⁸ However, Art. 31 lit. h does not provide for further reference on the term of “adequate remuneration”. A possible hint could be found in Arts 44 and 45 TRIPS. According to Art. 44.2 the only remedy available against such use (use by governments, or third parties authorized by a government) is the payment of remuneration in accordance with Art. 31 lit. h. Thus, the payment of damages subject to Art. 45 is replaced in these cases. As a consequence, the same criteria for assessing⁴⁶

¹⁴³ See also *ibid.*

¹⁴⁴ Cf. *Gervais*, para. 2.306; *Watal*, 324.

¹⁴⁵ See also *Correa*, 8; *Reichmann & Hasenzahl*, 11.

¹⁴⁶ *de Carvalho*, 246.

¹⁴⁷ Cf. *Kefler*, Preamble, para. 19.

¹⁴⁸ *de Carvalho*, 33, 246.

adequate damages can be applied to determine adequate compensation for a compulsory licence.¹⁴⁹ Further references—albeit equally undefined—are provided for by the provision itself. Adequate remuneration is subject to the circumstances of each case and thus has to be unstandardized. Fees to be paid by the compulsory licensee must not be calculated upon the basis of an average or uniform fee that is paid in the same sector of industry.¹⁵⁰ Furthermore, the economic value of the authorization must be taken into account. This provision is somewhat ambiguous. It does not clarify whether the economic value of the authorization to the patentee or to the licensee has to be considered.¹⁵¹ The consequence of the former approach is that the “economic value” of a compulsory licence corresponds to the fee the patentee would seek in the event of a voluntary licence. The latter approach equates the economic value of compulsory licences with the potential profit of the licensee.

X. Judicial Review (Art. 31 lit. i and j)

- 47 The review of grant (lit. i) and remuneration (lit. j) decisions may be undertaken by a court (“judicial review”) or as an “independent review by a distinct higher authority”. These requirements for review are set out in very general terms, allowing for some discretion in the implementation of these provisions. This seems appropriate with regard to the (sometimes substantially) differing legal systems.¹⁵² The use of a court as an independent (judicial) review body is self-explanatory.¹⁵³ Art. 31 lits i and j also allow for “independent review by a distinct higher authority”. The criterion was brought into the TRIPS negotiations by Australia. During a meeting of the Negotiating Group, the representative of Australia clarified the criterion in so far as “this would mean for example that, where a patent office granted compulsory licences, independent review would have to be conducted externally of that office, by some higher administrative body or by a judicial body.”¹⁵⁴ Independence requires that “the reviewing person or body may not be subject to control by the person or body that initially grants the licence or determines the payment. It implies that the reviewer should be able to modify or reverse the initial decision without threat of political or economic reprisal”.¹⁵⁵ The term “higher authority” refers to a government

¹⁴⁹ In detail see *de Carvalho*, 246; However, Art. 44.2 specifically refers to “use by governments or third parties authorized by a government” and does not refer to “use [...] without the authorization of the right holder”.

¹⁵⁰ *de Carvalho*, 247; cf. *UNCTAD/ICTSD*, 475.

¹⁵¹ Rather supporting the former approach: *Gervais*, para. 2.306; arguing for the latter approach: *Watal*, 326; *de Carvalho*, 33, 247.

¹⁵² Cf. *UNCTAD/ICTSD*, 477.

¹⁵³ *Ibid.*, 478; *Vander*, Article 44, paras 6 *et seq.*

¹⁵⁴ MTN.GNG/NG11/W/35; MTN.GNG/NG11/14, para. 83.7.

¹⁵⁵ *UNCTAD/ICTSD*, 478.

person or body at a more senior level than the granting person or body.¹⁵⁶ The term “distinct” refers to the adequate separation of personnel and function among the persons or bodies granting the licence or determining the remuneration and the reviewer.¹⁵⁷

XI. Remedies for Anti-Competitive Practices (Art. 31 lit. k)

Art. 31 lit. k concerns the differing system of compulsory licences in cases of anti-competitive practices by the patent holder. The provision strikes a balance between the proprietary interest of the patentee and the need to remedy anti-competitive practices. On the one hand, governments shall not nullify the metering function of patents.¹⁵⁸ On the other hand, anti-competitive practices have the consequence of breaking the meter.¹⁵⁹ 48

In the case of adjudicated anti-competitive practices carried out by the patent holder, national provisions may provide for a waiver of Art. 31 lits b–f (Art. 31 lit. k, sentence 1). Nevertheless, to prevent governments from depriving patentees of their private property rights—like an expropriation—the licensees’ obligation to pay adequate remuneration under Art. 31 lit. h may not be waived. However, “the need to correct anti-competitive practices may be taken into account in determining the amount of remuneration”. Art. 31 lit. k may be interpreted by national authorities as allowing for reduced remuneration or even a “royalty-free” licence.¹⁶⁰ Furthermore, termination of the compulsory licence may be refused “if and when the conditions which led to such authorization are likely to recur”. 49

XII. Dependency Licences (Art. 31 lit. l)

Art. 31 lit. l addresses the situation in which a compulsory licence is granted “to permit the exploitation of a patent (‘the second patent’) which cannot be exploited without infringing another patent (‘the first patent’)”. The wording of Art. 31 lit. l (“the following additional conditions”) makes it clear that in the event of a dependency licence the conditions of Art. 31 lits a–k and those of subparagraphs (i)–(iii) apply cumulatively.¹⁶¹ Special requirements for the grant of this type of compulsory licence were not incorporated into the Paris Convention or any other international treaty or convention.¹⁶² 50

¹⁵⁶ *Ibid.*

¹⁵⁷ *Cf. ibid.*

¹⁵⁸ *de Carvalho*, 249; for a detailed list of compulsory licences granted under the antitrust legislation of certain countries see *Correa*, *Compulsory Licences*, 14 *et seq.*

¹⁵⁹ *de Carvalho*, 249.

¹⁶⁰ *Correa*, *Compulsory Licences*, 9.

¹⁶¹ *Cf. de Carvalho*, 250.

¹⁶² *Beier*, *IIC* 30 (1999) 3, 251, 266.

1. “Important technical advance of considerable economic significance” (Art. 31 lit. 1 (i))

51 According to subparagraph (i) of Art. 31 lit. 1, “the invention claimed in the second patent shall involve an important technical advance of considerable economic significance in relation to the invention claimed in the first patent”. As in the case of “economic value”, the term “economic significance” involves some ambiguity; however, as the wording makes clear, the two categories do not mean the same.¹⁶³ Read in conjunction with Art. 27.1 TRIPS “economic significance” requires at least that the conditions for gaining patent protection are met by the dependent product or process in question.¹⁶⁴ Nevertheless, there is considerable scope for interpretation.¹⁶⁵ Likewise, the question whether an invention is an important technical advance involves a subjective judgement that necessarily involves a range of discretion.¹⁶⁶

2. “Cross-licence” (Art. 31 lit. 1 (ii))

52 According to Art. 31 lit. 1 (ii), “the owner of the first patent shall be entitled to a cross-licence on reasonable terms to use the invention claimed in the second patent”. This provides for a balanced relationship between patentee and licensee because both may benefit from their inventive activity. The fact that the first inventor is entitled to a cross-licence does not mean that no compensation will be involved.¹⁶⁷ On the other hand, “on reasonable terms” confers upon the first patent’s holder an obligation to compensate the second patent’s holder.¹⁶⁸

3. Non-Assignment (Art. 31 lit. 1 (iii))

53 Finally, Art. 31 lit. 1 (iii) states that the compulsory licence granted in relation to the first patent “shall be non-assignable except with the assignment of the second patent”. Thus, this provision replaces the non-assignment condition under Art. 31 lit. e.¹⁶⁹ Therefore, Art. 31 lit. 1 (iii) should read “the compulsory licence granted under subparagraph (l) shall be assigned only with the patent that enjoys such use”.¹⁷⁰

¹⁶³ *Cf. de Carvalho*, 250.

¹⁶⁴ *Cf. UNCTAD/ICTAD*, 480.

¹⁶⁵ *Correa*, Compulsory Licences, 18.

¹⁶⁶ *UNCTAD/ICTSD*, 480.

¹⁶⁷ *de Carvalho*, 250.

¹⁶⁸ Eventually, “the owner of the more valuable invention must be paid an adequate compensation—which, naturally, will be partly offset by the economic value of the less valuable invention”. *de Carvalho*, 250.

¹⁶⁹ *Cf. de Carvalho*, 250.

¹⁷⁰ *Ibid.*, 251.

Article 31bis¹

1. The obligations of an exporting Member under Article 31(f) shall not apply with respect to the grant by it of a compulsory licence to the extent necessary for the purposes of production of a pharmaceutical product(s) and its export to an eligible importing Member(s) in accordance with the terms set out in paragraph 2 of the Annex to this Agreement.
2. Where a compulsory licence is granted by an exporting Member under the system set out in this Article and the Annex to this Agreement, adequate remuneration pursuant to Article 31(h) shall be paid in that Member taking into account the economic value to the importing Member of the use that has been authorized in the exporting Member. Where a compulsory licence is granted for the same products in the eligible importing Member, the obligation of that Member under Article 31(h) shall not apply in respect of those products for which remuneration in accordance with the first sentence of this paragraph is paid in the exporting Member.
3. With a view to harnessing economies of scale for the purposes of enhancing purchasing power for, and facilitating the local production of, pharmaceutical products: where a developing or least developed country WTO Member is a party to a regional trade agreement within the meaning of Article XXIV of the GATT 1994 and the Decision of 28 November 1979 on Differential and More Favourable Treatment Reciprocity and Fuller Participation of Developing Countries (L/4903), at least half of the current membership of which is made up of countries presently on the United Nations list of least developed countries, the obligation of that Member under Article 31(f) shall not apply to the extent necessary to enable a pharmaceutical product produced or imported under a compulsory licence in that Member to be exported to the markets of those other developing or least developed country parties to the regional trade agreement that share the health problem in question. It is understood that this will not prejudice the territorial nature of the patent rights in question.
4. Members shall not challenge any measures taken in conformity with the provisions of this Article and the Annex to this Agreement under subparagraphs 1(b) and 1(c) of Article XXIII of GATT 1994.
5. This Article and the Annex to this Agreement are without prejudice to the rights, obligations and flexibilities that Members have under the provisions of this Agreement other than paragraphs (f) and (h) of Article 31, including those reaffirmed by the Declaration on the TRIPS Agreement and Public Health (WT/MIN(01)/DEC/2), and to their interpretation. They are also without prejudice to the extent to which pharmaceutical products produced under a compulsory licence can be exported under the provisions of Article 31(f).

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¹ The commentary on Art. 31bis includes a commentary on the Annex that is to become a part of the TRIPS Agreement through an amendment (see below para. 2). The Annex and the Doha Declaration on the TRIPS Agreement and Public Health are printed in the Appendix.

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A. General

Art. 31bis and the Annex are meant to solve the difficulties that Members “with insufficient or no manufacturing capacity in the pharmaceutical sector could face [...] in making effective use of compulsory licensing under the TRIPS Agreement”.² The TRIPS Agreement does not prohibit Members with insufficient or no manufacturing capacity in the pharmaceutical sector from making use of compulsory import licences in order to gain access to medicines for diseases such as HIV/AIDS, tuberculosis and malaria.³ However, now that the transitional periods for implementation of the TRIPS Agreement have ended also for developing country Members such as India,⁴ Members with insufficient or no manufacturing capacity in the pharmaceutical sector may factually not be able to import under a compulsory licence because of the obligation imposed on exporting Members by Art. 31 lit. f. This is the situation for which the exceptions set out in Art. 31bis and the Annex were designed. It follows from what has been said hitherto that there is no need to make use of the exceptions provided for in Art. 31bis in conjunction with the Annex if the product(s) in question is/are off patent in the exporting Member, if the demand by a Member wishing to import can be covered by exporting a non-predominant part of production in the sense of Art. 31 lit. f or if the exception provided for in Art. 31 lit. k

² WT/MIN(01)/DEC/2, para 6; see also WT/L/641, introductory clause 3; this problem is often referred to as the “para-6-problem”.

³ *Correa*, 318; *de Carvalho*, 244.

⁴ LDC Members do not have to implement the patent provisions of the TRIPS Agreement until 1 July 2013 and do neither have to implement and/or apply patent protection or exclusive marketing rights for pharmaceutical products until 1 January 2016, see *Anzellotti*, Article 66 and *Elfring*, Article 70.

applies.⁵ The **rights and obligations** of Members under Art. 31*bis* arise out of a comprehensive survey of **Art. 31*bis* and the new Annex to the TRIPS Agreement, including its Appendix**. A statement read out by the chairperson of the General Council prior to the decision by the General Council to propose the TRIPS amendment to Members must also be taken into account.⁶ Art. 31*bis* in conjunction with the Annex provides for **three exceptions** to certain obligations of Members under Art. 31.⁷ All of these exceptions require the fulfilment of detailed conditions by the Member(s) invoking the exception. Provided that they fulfil those conditions, Art. 31*bis*.1 and Art. 31*bis*.3 exempt Members from their obligation under Art. 31 lit. f., whereas Art. 31*bis*.2 exempts Members from their obligation under Art. 31 lit. h. In addition to the exceptions provided for in Art. 31*bis* in conjunction with the Annex, Art. 31*bis* and the Annex contain a number of other provisions that deal with “non-violation” and “situation” complaints (Art. 31*bis*.4), existing rights, obligations and flexibilities (Art. 31*bis*.5), safeguards against diversion (paras 3 and 4 Annex), regional patent systems (para. 5 Annex), technology transfer (para. 6 Annex) and review (para. 7 Annex).

B. Historical Development

- 2 Art. 31*bis* and the Annex become a part of the TRIPS Agreement through an amendment and will succeed the **Decision of the General Council of 30 August 2003**⁸ which waives the obligations of Members under Art. 31 to the same extent as Art. 31*bis* in conjunction with the Annex will do. The Decision of 30 August 2003 loses its validity for those Members for whom the amendment to the TRIPS Agreement enters into force in accordance with Art. X:3 WTO Agreement.⁹ As regards wording, the Decision of 2003 is almost identical to what will be Art. 31*bis* and its Annex. Some of the provisions contained in the Decision become Art. 31*bis*, some

⁵ See *Correa*, 325; see also the overview in *Baker*, *Indiana Int'l & Comp. L. Rev.* 14 (2004) 3, 613, 657; regarding public health and Art. 31 lit. k see *Cottier*, *JWIP* 6 (2003) 2, 385, 387.

⁶ See below para. 18 *et seq.*; The text of this statement can be found in WT/GC/M/100, para 29.

⁷ *Vandoren & Van Eeckhoutte*, *JWIP* 6 (2003) 6, 779, 782; see also the WTO Fact Sheet on TRIPS and pharmaceutical patents, 2006, www.wto.org/english/tratop_e/trips_e/tripsfact-sheet_pharma_2006_c.pdf (last accessed 1 April 2008).

⁸ WT/L/540.

⁹ *Ibid.*, para 11; pursuant to Art. X:3 WTO Agreement, amendments take effect for the Members that have accepted them upon acceptance by two thirds of the Members and thereafter for each other Member upon acceptance by it. To date (January 2008) the amendment has been accepted by 41 out of 151 Members. Pursuant to General Council—Decision of 18 December 2007, WT/L/711, the extendable “deadline” for ratification is 31 December 2009.

of them become the new Annex to the TRIPS Agreement.¹⁰ The Annex to the Decision of 2003 becomes the Appendix to the new Annex to the TRIPS Agreement.

The Decision of 30 August 2003 was a significant step in a process initiated at the **Doha Ministerial Conference in 2001**.¹¹ In the main Doha Ministerial Declaration, Members stressed that they attach importance to the “implementation and interpretation of the TRIPS Agreement in a manner supportive of public health, by promoting both access to existing medicines and research and development into new medicines”.¹² At Doha, Members also adopted a separate **Ministerial Declaration on the TRIPS Agreement and Public Health**,¹³ para. 6 of which instructed the Council for TRIPS to find an “expeditious solution” to the problem that 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”. During the **negotiations on this so-called “para-6-problem”** different views were put forward in the Council for TRIPS on how best to solve the issue.¹⁴ Contentious points¹⁵ were the proper legal basis for a solution,¹⁶ the details of a solution such as the diseases and products covered by it,¹⁷ and the legal mechanisms to put the found solution into practice.¹⁸ By the end of 2002 all Members, with the exception of the United States, were ready to agree on a text circulated by the chairperson of the Council for TRIPS.¹⁹ On **30 August 2003**, briefly

¹⁰ *Hestermeyer*, 274 *et seq.* outlines which passages of the Decision of 30 August 2003 correlate to the paragraphs of Art. 31bis and the Annex.

¹¹ On developments regarding the TRIPS Agreement and public health in the run-up to Doha see *Kämpf*, AVR 40 (2002) 1, 90, 95–127; *Sun*, EJIL 15 (2004) 1, 123, 125–134.

¹² WT/MIN(01)/DEC/1, para. 17.

¹³ WT/MIN(01)/DEC/2; the legal nature of this Declaration is disputed, see footnote 67; regarding the specific drafting history of this Declaration see *Kämpf*, AVR 40 (2002) 1, 90, 95 *et seq.*; *Abbott*, JIEL 5 (2002) 2, 469, 470 *et seq.*; general legal and economic background information on the Doha Declaration gives *Sykes*, Chicago Journal of International Law 3 (2002) 1, 47, 47 *et seq.*

¹⁴ *Vandoren & Van Eeckhoutte*, JWIP 6 (2003) 6, 779, 780 *et seq.*; extensively *Gamharter*, 165 *et seq.*

¹⁵ Classification partly according to *Gamharter*, 171, 180, 194.

¹⁶ Considered were both Art. 30 and Art. 31; see *Sun*, JWT 37 (2003) 1, 163, 170 *et seq.*; *Gamharter*, 171 *et seq.*; *Bourgeois & Burns*, JWIP 5 (2002) 6, 835, 835.

¹⁷ *Gamharter*, 180 *et seq.*

¹⁸ Discussed were an authoritative interpretation based on Art. IX para 2 WTO Agreement, a waiver pursuant to Art. IX para 3 WTO Agreement, an amendment pursuant Art. X WTO Agreement and a moratorium on dispute settlement; see *Matthees*, JIEL 7 (2004) 1, 73, 83 *et seq.*; for a defense of the moratorium solution see *Attaran*, Emory Int'l L. Rev. 17 (2003) 2, 743, 743 *et seq.*; a note from the Secretariat sets out the different options on the table at that time, IP/C/W/363/Add.1.

¹⁹ The chairperson of the Council for TRIPS at that point of time was Ambassador Pérez Motta. In literature, the text of the Decision of 30 August 2003 is therefore often referred to as the “Pérez Motta text” or the “Motta text”.

before the Cancún Ministerial Conference,²⁰ the General Council adopted the Decision on Implementation of Paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health.²¹ The Decision was adopted “in the light” of a statement which had been read out by the chairperson of the General Council prior to the adoption and which enabled the United States to join the consensus.²²

- 4 The Decision of 30 August 2003 gave the Council for TRIPS a mandate to prepare an amendment to the TRIPS Agreement replacing the provisions of the Decision.²³ This **amendment** was proposed to Members for adoption on 6 December 2005.²⁴ During the negotiations on the decision to propose Art. 31*bis* and the Annex as an amendment to Members, the discussions led before 30 August 2003 were *not* reopened.²⁵ However, there was some discussion on how formally to make the Decision of 30 August 2003 a permanent part of the TRIPS Agreement,²⁶ and some Members proposed to eliminate passages from the text of the Decision before making it permanent.²⁷ Also, Members could not agree on the future role of the statement which had been read out by the chairperson of the General Council prior to the adoption of the Decision of 30 August 2003.²⁸ The text of Art. 31*bis* and the Annex which was finally adopted by Members shortly before the Ministerial Conference in Hong Kong in December 2005 is—as pointed out above—*quasi* identical to the wording of the Decision of 30 August 2003. Prior to the adoption of the General Council Decision to propose the amendment to Members, the chairperson of the General Council first read out a statement on non-violation complaints and then a statement identical to the one which had been read out on 30 August 2003.²⁹ However, the Decision was adopted “in the light” of this second statement only.³⁰

²⁰ On the importance of the “Cancún dynamic” for the eventual adoption of the Perez Motta text see *Gamharter*, 245 *et seq.*

²¹ WT/L/540; on the disputed legal nature of this decision see *Hestermeyer*, 282 *et seq.*

²² The text of this statement can be found in WT/GC/M/82, para. 29; on its legal relevance see below para. 18 *et seq.*; see also *Vandoren & Van Eeckhoutte*, JWIP 6 (2003) 6, 779, 781.

²³ WT/L/540, para. 11.

²⁴ WT/L/641.

²⁵ A precise account of the drafting history of the decision to propose Art. 31*bis* and the Annex as an amendment to Members gives *Hestermeyer*, 272 *et seq.*

²⁶ Council for TRIPS, Minutes of Meeting, IP/C/M/43, para. 86.

²⁷ Communication from Nigeria on behalf of the African Group, IP/C/W/437.

²⁸ See para. 18 below.

²⁹ See General Council, Minutes of Meeting, WT/GC/M/100, paras 28 *et seq.*; on the relevance of those statements for the interpretation of Art. 31*bis* and the Annex see paras 18 *et seq.* below.

³⁰ See paras 18 *et seq.* below.

C. Art. 31bis.1

Art. 31bis.1 exempts Members from their obligation under Art. 31 lit. f if a number of requirements are fulfilled. Those requirements concern both the Member which intends to invoke the exception under Art. 31bis.1 (“exporting Member”) and the target Member of an export exceptionally in line with Art. 31 lit. f (“eligible importing Member”).

5

I. “Exporting Member” and “Eligible Importing Member”

According to **para. 1 lit. c Annex**, all Members are potential “exporting Members”.³¹ “Eligible importing Members” are determined by **para. 1 lit. b Annex**. LDC Members automatically fall into this category. Other Members become eligible importing Members automatically—see footnote 2—after they have made a notification to the Council for TRIPS, distinct from the notification under para. 2 lit. a Annex,³² stating their *intention* to use the system set out in Art. 31bis and the Annex. The second half of the first sentence and the second sentence of para. 1 lit. b Annex do not put further legal constraints on Members.

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II. Obligations on the Eligible Importing Member

Para. 2 lit. a Annex obliges eligible importing Members to make a **notification** to the Council for TRIPS.³³ In accordance with the terms set out in footnote 4 Annex, the notification can also be made by regional trade organizations. Footnote 2 Annex makes it clear that eligible importing Members have exhaustively fulfilled their obligation under para. 2 lit. a Annex after they have notified the Council for TRIPS. Firstly, the notification has to specify the names and expected quantities of the product(s) needed, **para. 2 lit. a (i) Annex**. The range of “product(s)” is determined by **para. 1 lit. a Annex**.³⁴ Vaccines were expressly not included in the wording of para. 1 lit. a Annex. One may however safely assume that they are products “from the pharmaceutical sector” in the sense of para. 1 lit. a Annex.³⁵ As becomes clear from the wording of para. 1 Doha Ministerial Declaration on the TRIPS Agreement and Public Health,³⁶ HIV/AIDS, tuberculosis and malaria are a non-exhaustive list of examples of public

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³¹ *Vandoren & van Eeckhoutte*, JWIP 6 (2003) 6, 779, 786; *Gamharter*, 213.

³² *Correa*, 329.

³³ At the time of writing (January 2008), Rwanda was the only Member which had made a notification under para 2(a) Annex, IP/N/9/RWA/1.

³⁴ See *Correa*, 326 *et seq.*

³⁵ *Vandoren & van Eeckhoutte*, JWIP 6 (2003) 6, 779, 784; see also *Correa*, 327, who wants to include methods of treatment (“therapeutic use”).

³⁶ See also para. 13 below.

health problems in developing and LDC Members.³⁷ The notification must, secondly, contain a confirmation in the sense of **para. 2 lit. a (ii) Annex**. Eligible importing Members have to establish that they have insufficient or no manufacturing capacities in the pharmaceutical sector for the product(s) in question in one of the two ways set out in the **Appendix to the Annex**. This does not apply to LDC Members; they qualify automatically. Lacking objective criteria for the assessment of manufacturing capacity, it is within the Members' discretion to decide whether it falls within one of the categories set out in the Appendix to the Annex.³⁸ The decision must however be taken with regard to a specific product, as the phrase "[...] for the product(s) in question" makes clear.³⁹ Para. 2 lit. a (ii) Annex in conjunction with the third "understanding" in the **Chairperson's Statement** obliges the eligible importing Member to provide information on *how* it has assessed its manufacturing capacity.⁴⁰ Thirdly, the notification must confirm that the eligible importing Member has granted or intends to grant a compulsory licence for the pharmaceutical product in question in accordance with Arts 31, 31*bis* and the Annex, **para. 2 lit. a (iii) Annex**. Thus, the compulsory licence in the eligible importing Member must not yet have been issued in order for Art. 31*bis*.1 to apply.⁴¹ Naturally, para. 2 lit. a (iii) does not apply to those Members in which the product in question is not under patent, for instance, because they do not yet have to implement and/or apply the patent provisions of the TRIPS Agreement.⁴²

III. Obligations on the Exporting Member (para. 2 lits b–c Annex)

1. Conditions on the Compulsory Licence (para. 2 lit. b Annex)

- 8 In order to be exempt from its obligation under Art. 31 lit. f, an exporting Member must ensure that the compulsory licence granted fulfils the conditions set out in para. 2 lit. b Annex. Art. 31*bis*.5 makes it clear that these conditions are additional to the standard conditions on granting a compulsory licence set out in the TRIPS Agreement. **Para. 2 lit. b (i) Annex** contains two safeguards against misuse, especially against trade diver-

³⁷ *Gopakumar*, JWIP 7 (2004) 1, 99, 107; *Gamharter*, 134; *Kampf*, AVR 40 (2002) 1, 90, 113.

³⁸ *Vandoren & van Eeckhoutte*, JWIP 6 (2003) 6, 779, 785; *Gamharter*, 216.

³⁹ *Vandoren & van Eeckhoutte*, JWIP 6 (2003) 6, 779, 785.

⁴⁰ *Gamharter*, 235; see also *Correa*, 332, fn. 218 for examples of notifications that indicate how the assessment was made; generally on the Chairperson's Statement see below paras 18 *et seq.*

⁴¹ *Correa*, 332.

⁴² See also para. 1.

sion:⁴³ only the amount necessary to meet the needs of eligible importing Member(s) may be produced by compulsory licensee(s) and the entirety of the production must be exported to the Member(s) which has/have made a notification under para. 2 lit. a Annex. According to **para. 2 lit. b (ii) Annex**, the products produced under the compulsory licence in the exporting Member must always be clearly identified through specific labelling or marking. In contrast, the products must be distinguishable by special packaging and/or special colouring/shaping only if this is feasible and does not have a significant impact on price.⁴⁴ At the very end of the **Chairperson's Statement** read out prior to the adoption of the proposal to amend the TRIPS Agreement in the General Council, examples of measures of distinction used by companies can be found.⁴⁵ The second understanding of the Chairperson's Statement makes it clear that para. 2 lit. b (ii) applies to active ingredients and to products produced using such active ingredients.⁴⁶ According to **para. 2 lit. b (iii) Annex**, a compulsory licence may be granted by the exporting Member only on the condition that the licensee posts certain information on a website.

2. Notification (para. 2 lit. c Annex)

In order to be exempt from their obligation under Art. 31 lit. f, exporting Members must inform the Council for TRIPS about the granting of a compulsory licence under the specific conditions set out in para. 2 lit. b Annex.⁴⁷ Like footnote 2 Annex, footnote 8 Annex makes it clear that exporting Members have exhaustively fulfilled their obligation under para. 2 lit. c Annex after they have supplied the Council for TRIPS with the information specified in para. 2 lit. c Annex.

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D. Art. 31bis.2

Art. 31bis.2, **sentence 1** stipulates that exporting Members⁴⁸ are bound by Art. 31 lit. h when granting a compulsory licence under the system established by Art. 31bis and the Annex, *i.e.* a compulsory licence that must in particular be in accordance with para. 2 lit. b Annex. According to Art. 31bis.2, sentence 1, the determination of what constitutes an "adequate" remuneration must not only be determined by the "circumstances of each

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⁴³ *Vandoren & Van Eeckhoutte*, JWIP 6 (2003) 6, 779, 787; see also below para. 14.

⁴⁴ *Gamharter*, 218 *et seq.*

⁴⁵ On the doubtful practicability of these examples see *Gamharter*, 233.

⁴⁶ Correa points out that the only reasonable option for differentiation between active ingredients is packaging, *Correa*, 335.

⁴⁷ Canada recently became the first Member to make such a notification, IP/N/10/CAN/1, 8 October 2007.

⁴⁸ See para. 6 above.

case”, as set out in Art. 31 lit. h, but must in particular take into account the economic value of the production under the compulsory licence from the perspective of the eligible importing Member^{49, 50} This value may be lower than the economic value of the production within the exporting Member.⁵¹ Art. 31*bis*.2, **sentence 2** exempts eligible importing Members⁵² from their obligation under Art. 31 lit. h to remunerate the patent holder for the grant of a compulsory licence, provided that certain conditions are fulfilled. The first prerequisite to be fulfilled is that an eligible importing Member⁵³ has granted a compulsory import licence which corresponds to an identical licence in terms of scope in the exporting Member.⁵⁴ Secondly, remuneration in accordance with Art. 31*bis*.2, sentence 1 must have been paid. Under these circumstances, the eligible importing Member in question is freed from its obligation under Art. 31 lit. h.

E. Art. 31*bis*.3

- 11 Art. 31*bis*.3 and para. 5 Annex formed one single provision in the Decision of 30 August 2003 that precedes/preceded Art. 31*bis* and the Annex. This is apparent in the introductory phrasing of both provisions. The purpose of both provisions is legally to simplify the use of economies of scale, a concern especially among developing countries during the negotiations on the Decision of 30 August 2003.⁵⁵ Art. 31*bis*.3, **sentence 1** partially exempts Members from their obligation under Art. 31 lit. f if a number of prerequisites are fulfilled. First, the Member must be a developing or LDC Member. Second, this Member must be party to an RTA within the meaning of Art. XXIV GATT 1994 and the so-called “Enabling Clause”.⁵⁶ Third, half the current membership of this RTA must be made up of countries presently on the UN list of LDCs.⁵⁷ Given that these prerequisites are fulfilled, the Member may export a “predominant” quantity of pharmaceutical products⁵⁸ produced in or imported into that Member under a compulsory licence to another Member. This target Member of the export

⁴⁹ See *ibid.*

⁵⁰ *von Kraack*, 170; See also *Eikermann*, Article 31, para. 46.

⁵¹ *Scherer & Watal*, JIEL 5 (2002) 4, 913, 922 *et seq.*, 929; *Gamharter*, 101, 221.

⁵² See para. 6 above.

⁵³ See *ibid.*

⁵⁴ See *ibid.*

⁵⁵ *Gamharter*, 194; See also the Communication from the African Group, IP/C/W/351, para 6(d).

⁵⁶ Decision of 28 November 1979 on Differential and More Favourable Treatment Reciprocity and Fuller Participation of Developing Countries, L/4903.

⁵⁷ The list is available at: www.un.org/special-rep/ohrrls/ldc/list.htm (last accessed 1 April 2008).

⁵⁸ See para. 7 above.

must also be a developing country or LDC Member, must be party to the same RTA as the exporting Member and must share “the health problems in question”.⁵⁹ Art. 31bis.3, **sentence 2** makes it clear that the exception provided for in the previous sentence does not touch upon the territorial nature of the patent rights in question: if the product exported under Art. 31bis.3, sentence 1 is under patent in the target Member of the export, this Member has to grant a compulsory licence for import.⁶⁰ The industrial and commercial policy objective inherent in the use of economies of scale on the basis of Art. 31bis.3 must not be questioned, as is made clear by the first “understanding” in the **Chairperson’s Statement**.⁶¹

F. “Non-Violation” and “Situation” Complaints (Art. 31bis.4)

Art. 64.2 provides for a dispute settlement moratorium for “non-violation” and “situation” complaints under the TRIPS Agreement, which was confirmed and extended in 2001, 2004 and 2005.⁶² While this moratorium may be terminated by the Ministerial Conference in the future, Art. 31bis.4 imposes a **permanent moratorium** on “non-violation” and “situation” complaints regarding Art. 31bis and the Annex.⁶³ That Art. 31bis.4 is without prejudice to the applicability of subparagraphs 1 lit b and c of Art. XXIII GATT 1994 in other areas of TRIPS is also evinced by a statement read out by the chairperson of the General Council prior to the adoption of the decision to propose Art. 31bis and the Annex as an amendment to the Members.⁶⁴ 12

G. Existing Rights and Obligations, Art. 31bis.5

Apart from the exceptions to Art. 31 lit. f and h provided for in Art. 31bis in conjunction with the Annex, Art. 31bis and the Annex do not touch 13

⁵⁹ See *ibid.*, fn. 37.

⁶⁰ *Vandoren & van Eeckhoutte*, JWIP 6 (2003) 6, 779, 790 *et seq.*

⁶¹ Generally on the Chairperson’s Statement see below para. 18 *et seq.*

⁶² See Doha Ministerial Decision on Implementation-Related Issues and Concerns, WT/MIN(01)/17, para. 11.1; General Council, Decision on the Doha Work Programme, WT/L/579, para 1(h); Hong Kong Ministerial Declaration, WT/MIN(05)/DEC, para 45; see also *Kaiser*, Article 64, para. 4.

⁶³ On the work undertaken in the Council for TRIPS on situation and non-violation complaints see Revised Summary Note by the Secretariat, IP/C/W/349/Rev.1; specifically regarding non-violation complaints and public health see *Sun*, JWT 37 (2003) 1, 163, 182 *et seq.*

⁶⁴ The text of this statement can be found in General Council, Minutes of Meeting, WT/GC/M/100, para. 28; see also paras 18 *et seq.* below.

upon the rights and obligations of Members under the TRIPS Agreement, Art. 31*bis*.5, sentence 1. Outside the scope of the exceptions provided for in Art. 31*bis*.1 and Art. 31*bis*.3, this includes Art. 31 lit. f according to Art. 31*bis*.5, sentence 2.⁶⁵ Among the rights of Members left untouched by Art. 31*bis* and the Annex, those clarified by the **Doha Ministerial Declaration on the TRIPS Agreement and Public Health**,⁶⁶ which constitutes a subsequent agreement/subsequent practice pursuant to Art. 31.3 VCLT,⁶⁷ deserve special mention.⁶⁸ **Para. 5 lit. a Doha Declaration** confirms that the TRIPS Agreement, like other international treaties, should be interpreted in accordance with the customary rules of interpretation of public international law, apparent in Arts 31 and 32 VCLT.⁶⁹ Para. 5 lit. a makes it clear that in the determination of the object and purpose of the TRIPS Agreement, see Art. 31.1 VCLT, the “objectives and principles” of the TRIPS Agreement are of particular importance. The “objectives and principles” mentioned in para. 5 lit. a Doha Declaration comprise more than the “Objectives” in Art. 7 and the “Principles” in Art. 8.⁷⁰ The wording also refers to other “Basic Principles” laid down in Part I of the TRIPS Agreement. Para. 5 lit. a Doha Declaration can arguably also be interpreted as a reference to the Preamble.⁷¹ It is however not necessary to stretch the meaning of “objectives and principles” to this extent since Art. 31.2 VCLT makes it clear that the “context” pursuant to Art. 31.1 VCLT comprises the preamble to an international treaty. The explicit reference to the “objectives and principles” of the TRIPS Agreement in a Ministerial Declaration *enhances* the relevance of the “objectives and principles” of the TRIPS Agreement in the interpretation of the Agreement: Panels and the Appellate Body will have to take them into greater account in interpreting the TRIPS Agreement than in previous disputes that were referred to them.⁷² **Para. 5 lit. b**

⁶⁵ See *Quirin*, Article 31 lit. f, para. 40.

⁶⁶ WT/MIN(01)/DEC/2.

⁶⁷ *Bartelt*, JWIP 6 (2003) 2, 283, 303 *et seq.*; *Abbott*, JIEL 5 (2002) 2, 469, 491; *Gamharter*, 157; regarding this opinion see also *Charnovitz*, JIEL 5 (2002) 1, 207, 211; generally on the legal value of the Doha Declaration see *Gathü*, Harv. J.L. & Tech. 15 (2002) 2, 291, 291 *et seq.* with further references. For an opinion which qualifies the Doha Declaration as an interpretation of the TRIPS Agreement according to Art. IX.2 WTO Agreement see *Rott*, Intellectual Property Quarterly 7 (2003) 3, 284, 287; *Hestermeyer*, Human Rights and the WTO, 281 *et seq.*; for an opinion which sees the Doha Declaration as a mere political statement, see *Noehrenberg*, JWIP 6 (2003) 2, 379, 379 *et seq.*; see also *Brand*, Article 8, para. 20.

⁶⁸ for an extensive analysis of the provisions of the Doha Declaration on TRIPS and Public Health see, e.g., *Gamharter*, 42, 140 *et seq.*, 160 *et seq.*; *Abbott*, JIEL 5 (2002) 2, 469, 491; *García-Castrillon*, JIEL 5 (2002) 1, 212, 212 *et seq.*

⁶⁹ See *Kefler*, Preamble, fn. 11.

⁷⁰ *Gamharter*, 142.

⁷¹ *Ibid.*

⁷² *Bartelt*, JWIP 6 (2003) 2, 283, 303; *Vandoren*, JWIP 5 (2002) 1, 5, 8; *Rott*, Intellectual Property Quarterly 7 (2003) 3, 284, 288 *et seq.*; for a very critical evaluation of the dispute settlement practice regarding the object and purpose of the TRIPS Agreement see *Shanker*, JWT 36 (2002) 4, 721, 721 *et seq.*; see also *Bloche*, JIEL 5 (2002) 4, 825, 825 *et seq.* who argues that “protection for health has become a *de facto* interpretive principle when disputes

Doha Declaration unambiguously decides that Members are free to determine the grounds upon which compulsory licences are granted, *e.g.* public health, and thus ends a dispute on this matter.⁷³ **Para. 5 lit. c Doha Declaration** determines that it is within the Members' discretion to decide what constitutes a national emergency or other circumstance of extreme urgency in the sense of Art. 31 lit. b. HIV/AIDS, tuberculosis, malaria are examples of epidemics that may constitute a national emergency or other circumstance of extreme urgency.⁷⁴ **Para. 5 lit. d Doha Declaration** determines that the TRIPS Agreement does not restrict a Members' choice between exhaustion regimes.⁷⁵ Para. 5 lit. d however does not precisely answer the question whether this choice is "without challenge" under all WTO Agreements or only under the TRIPS Agreement.⁷⁶ Also, para. 5 lit. d does not make it clear whether the choice of Members regarding the exhaustion regime is unlimited only in the public health sector or in others as well.⁷⁷ Among the obligations left untouched by Art. 31bis and the Annex, Art. 31 lit. b must be mentioned.⁷⁸ However, according to para. 5 lit. c Doha Declaration on the TRIPS Agreement and Public Health, it is within the Members' discretion to decide what constitutes a national emergency or other circumstance of extreme urgency. This arguably comprises the invocation of a "national emergency or other circumstance of extreme urgency" by an exporting Member with a view to situations in (the) eligible importing Member(s).⁷⁹

arise" over a Member's obligations; see also generally *Brand*, Article 8, para. 19; *Reyes-Knoche*, Article 30, paras 16, 25 *et seq.*; *Eikermann*, Article 31, para. 17.

⁷³ *Abbott*, JIEL 5 (2002) 2, 469, 494; *Gamharter*, 160 *et seq.*; *Hestermeyer*, 259; with respect to the obligations of Members under Art. 5A(4) PC see *Correa*, 315; see also *Eikermann*, Art. 31, para. 18.

⁷⁴ *Rott*, Intellectual Property Quarterly 7 (2003) 3, 284, 292; *Hestermeyer*, Human Rights and the WTO, 246 *et seq.*; regarding "public non-commercial use" and access to essential medicines see *Correa*, 333; *Hestermeyer*, 248; *Eikermann*, Article 31, para. 30.

⁷⁵ *Rott*, Intellectual Property Quarterly 7 (2003) 3, 284, 289 *et seq.*, 303 *et seq.*; *Abbott*, JIEL 5 (2002) 2, 469, 494 *et seq.*; see also *Kéßler*, Article 6, paras 14 *et seq.*

⁷⁶ See *Kéßler*, Article 6, paras 16 *et seq.*

⁷⁷ For the first opinion see *de Carvalho*, 95 *et seq.*; for the second opinion see *Gamharter*, 42; *Kéßler*, Article 6, para. 14.

⁷⁸ See already above footnote 69; on Art. 31 lit. b specifically: *Kéhl*, TRIPS Article 31(b) and the HIV/AIDS Epidemic, J. Intell. Prop. L. 10 (2002), 143 *et seq.*

⁷⁹ *Correa*, 333; *Gamharter*, 228.

H. Other Provisions of the Annex

I. Safeguards Against Diversion (paras 3 and 4 Annex)

- 14 **Para. 3, sentence 1** Annex obliges eligible importing Members⁸⁰ to take measures to prevent the re-export of products that have been imported into their territories in accordance with the system established by Art. 31*bis* and the Annex. This obligation is moderated by the rest of sentence 1 according to which eligible importing Members must take only measures which are “reasonable [...], within their means, proportionate to their administrative capacities and to the risk of trade diversion”.⁸¹ Thus, the measures called for in sentence 1 may differ between eligible importing Members.⁸² **Para. 3, sentence 2** Annex obliges developed country Members to provide technical and financial cooperation to developing and LDC Members on mutually agreed conditions if those Members find it difficult to implement para. 3, sentence 1 Annex and have asked for help in this respect.⁸³ **Para. 4, sentence 1** Annex is meant to prevent the import and sale of products produced under the system established by Art. 31*bis* and the Annex which were diverted to a Member inconsistently with the provisions of Art. 31*bis* and the Annex. Para. 4, sentence 1 Annex obliges all Members to ensure the availability of effective legal means to counter this threat. This obligation does not extend the already existing obligations of Members under Part III TRIPS Agreement, as is made clear by the last part of para. 4, sentence 1 Annex. **Para. 4, sentence 2** gives Members the right to ask for a review in the Council for TRIPS of another Member’s fulfilment of the obligation under para. 4, sentence 1.

II. Regional Patent Systems (para. 5 Annex)

- 15 Para. 5, **sentence 1** Annex implicitly acknowledges that national patents may hamper the use of economies of scale, and therefore recognizes that the introduction of regional patent systems among developing and LDC Members belonging to an RTA in the sense of Art. 31*bis*.3, sentence 1 should be promoted.⁸⁴ Such regional patents are fully in line with the principle of territoriality of patents recognized in Art. 31*bis*.3, sentence 2 since the legal effects of the regional patent would be limited to the territory of the members of the RTA. The use of the word “undertake” in para. 5, **sentence 2** Annex instead of the “shall” that is used in paras 3 and 4 Annex

⁸⁰ See para. 6 above.

⁸¹ *Vandoren & van Eeckhoutte*, JWIP 6 (2003) 6, 779, 787.

⁸² *Ibid.*

⁸³ For details see *Gamharter*, 223.

⁸⁴ For details see *Vandoren & van Eeckhoutte*, JWIP 6 (2003) 6, 779, 790.

should not lead to the conclusion that the obligation of developed country Members to help developing and LDC Members with the introduction of regional patent systems that are in accordance with para. 5, sentence 1 Annex is of some lesser degree.⁸⁵ If developed country Members take part in the work of “other relevant intergovernmental organizations” such as WIPO, they have to support initiatives which aim at the introduction of regional patent systems that are in accordance with sentence 1.

III. Technology Transfer and Capacity Building (para. 6 Annex)⁸⁶

Para. 6 Annex is meant to complement the system of exceptions established by Art. 31bis and the Annex.⁸⁷ Para. 6, **sentence 1** Annex takes up a part of the wording of para. 6 of the Doha Declaration on the TRIPS Agreement and Public Health which can also be found in para. 2 lit. a (ii) Annex and recognizes the desirability of promoting the transfer of technology and capacity building to solve the so called “para-6-problem”.⁸⁸ Para. 6, **sentence 2** Annex calls on eligible importing Members⁸⁹ and exporting Members⁹⁰ to use the system of exceptions set up by Art. 31bis and the Annex in a way which promotes the transfer of technology and capacity building. Pursuant to para. 6, **sentence 3**, Members are obliged to have particular regard to the transfer of technology and capacity building in the pharmaceutical sector when implementing their general obligation under Art. 66.2.⁹¹ Para. 7 of the Doha Declaration merely “reaffirms” this obligation. “Other relevant work in the Council for TRIPS” refers in particular to the work of the Council for TRIPS pursuant to its decision on the implementation of Art. 66.2 of 19 February 2003.⁹² Both the introduction of regional patent systems pursuant to para. 5 Annex and technology transfer/capacity building pursuant to para. 6 Annex could be categorized as industrial and commercial policy objectives of Members.⁹³ According to the first understanding of the **Chairperson’s Statement**, the system of exceptions set up by Art. 31bis and the Annex should not be used to

⁸⁵ According to *Black’s Law Dictionary*, 8th edition 2004, “undertake” means “to take on an obligation or task, to give a formal promise; guarantee”.

⁸⁶ Generally on technology transfer and the Doha Round: *Das*, JWIP 8 (2005) 1, 33, 41 *et seq.*

⁸⁷ *Gamharter*, 226; on the negotiation process see *Gamharter*, 193.

⁸⁸ WT/MIN(01)/DEC/2, para 6; for a description of the so called para-6-problem, see above para. 1.

⁸⁹ See para. 6 above.

⁹⁰ *Ibid.*

⁹¹ *Gamharter*, 226; see also *Kefler*, Article 7, para. 5.

⁹² Council for TRIPS, Decision on Implementation of Art. 66.2 of the TRIPS Agreement, IP/C/28. This decision was taken pursuant to the Doha Ministerial Decision on Implementation-Related Issues and Concerns, WT/MIN(01)/17, para 11.2.

⁹³ *Gopakumar*, JWIP 7 (2004) 1, 99, 107.

pursue such objectives. This contradiction, in particular between para. 6, sentence 2 Annex and the understanding, should be resolved in favour of the “text”, and not of the “context”, of paras 5 and 6 Annex.⁹⁴

IV. Review (para. 7 Annex)

- 17 Para. 7 Annex obliges the Council for TRIPS annually to review the functioning of the “system” of exceptions established by Art. 31*bis* and the Annex and to report on its operation to the General Council. An identical obligation is/was contained in para. 8 of the Decision of 30 August 2003.⁹⁵ According to the fourth understanding in the **Chairperson’s Statement**, Members must provide the Council for TRIPS with all information gathered on the implementation of Art. 31*bis* and the Annex for the annual review.⁹⁶ This can be seen as a clarification of the obligation of Members under Art. 63.2, sentence 1. The same applies to the second paragraph of the third understanding in the Chairperson’s Statement (“In accordance with the normal...”). The third paragraph of the third understanding in the Chairperson’s Statement (“Any Member may bring...”) does not seem to give Members more rights than they already have under Rule 3, sentence 2 of the Rules of Procedure for Meetings of the General Council which apply *mutatis mutandis* to meetings of the Council for TRIPS.⁹⁷ The fourth paragraph of the third understanding in the Chairperson’s Statement (“If any Member has concerns...”) complies with Art. 5.1 DSU if it is interpreted to mean that the utilization of good offices by one Member requires the consent of the other Member. The wording of Art. 5 DSU does not exclude the settlement of disputes through the utilization of good offices of a person other than the Director-General (see Art. 5.6), *i.e.* the Chair of the Council for TRIPS. One may conclude that the Chairperson’s Statement underlines the position of the Council for TRIPS but does not extend its rights.⁹⁸

⁹⁴ Generally on the Chairperson’s Statement, see paras 18 *et seq.* See also *Correa*, 328; *Gamharter*, 232; *Gopakumar*, JWIP 7 (2004) 1, 99, 107.

⁹⁵ See IP/C/33, 8; IP/C/37, 3 November 2005; IP/C/42, 2 November 2006; IP/C/46, 1 November 2007.

⁹⁶ Generally on the Chairperson’s Statement, see paras 18 *et seq.* below.

⁹⁷ See Council for TRIPS, Rules of Procedure for Meetings of the Council for TRIPS, IP/C/1, introductory sentence; General Council, Rules of Procedure for Meetings of the General Council, WT/L/161, Rule 3 sentence 2.

⁹⁸ *Matthews*, JIEL 7 (2004) 1, 73, 97.

I. The Chairperson's Statement(s)

Prior to the adoption of the General Council Decision to propose Art. 31bis and the Annex as an amendment to Members in December 2005, the chairperson of the General Council read out two statements. The first of those statements dealt with “non-violation” and “situation” complaints;⁹⁹ the second had also been read out by the chairperson of the General Council prior to the adoption of the Decision of 30 August 2003.¹⁰⁰ Both in 2005 and in 2003 the decision of the General Council was adopted “in the light” of this second statement.¹⁰¹ The legal value of the second statement read out by the chairperson of the General Council is unclear.¹⁰² The general opinion in the Council for TRIPS at the time of the adoption of the decision to propose Art. 31bis and the Annex as an amendment to Members seems to have been that the status of the Chairperson's Statement should not differ from the status it had received when the Decision of 30 August 2003 was adopted.¹⁰³ Three views can then be distinguished regarding the legal value/status of the Chairperson's Statement. First, it has been argued that it must be considered as context for the purpose of the interpretation of the TRIPS Agreement in accordance with Art. 31.2 lit. a VCLT.¹⁰⁴ Second, the view has been put forward that the Chairperson's Statement should be taken into account together with the context pursuant to Art. 31.3 lit. b VCLT.¹⁰⁵ Under a third view, it must be seen as a supplementary means of interpretation pursuant to Art. 32 VCLT.¹⁰⁶

The first of those views must be endorsed since the classification of the Statement under Art. 31.3 lit. b VCLT or Art. 32 VCLT does not do justice to the fundamental importance which the Chairperson's Statement has for

⁹⁹ See WT/GC/M/100, para. 28.

¹⁰⁰ See para. 3 above; The text of this statement can be found in WT/GC/M/100, para 29.

¹⁰¹ The statement on non-violation complaints is not referred to in the relevant sentence of WT/GC/M/100, para. 31; for a more articulate account see General Council, Annual Report, WT/GC/101, 7; the respective passage regarding the Decision of 30 August 2003 can be found in General Council, Minutes of Meeting, WT/GC/M/82, para. 30; see also *Grosse Ruse-Khan*, JWT 41 (2007) 3, 475, fn 149.

¹⁰² See, e.g., *Correa*, 335: “Whatever the legal value of the statement is” and *Gopakumar*, JWIP 7 (2004) 1, 99, 105.

¹⁰³ See, e.g., the statements made by Argentina, Brazil, Canada, the European Communities, India, Korea and the United States, Council for TRIPS, Minutes of Meeting, IP/C/M/49, paras 176 *et seq.*

¹⁰⁴ *Hestermeyer*, 285 *et seq.*; this corresponds to the view put forward by the EC and New Zealand in the Council for TRIPS before the adoption of the proposal of an amendment to the IP/C/M/49, paras 199 *et seq.*; on the relevance of the VCLT for the interpretation of the TRIPS Agreement, see fn. 69.

¹⁰⁵ *Herrmann*, EuZW 14 (2003) 22, 673.

¹⁰⁶ *Grosse Ruse-Khan*, JWT 41 (2007) 3, 475, 517 *et seq.*, 524; this was also the view taken by India in the Council for TRIPS, see IP/C/M/49, paras 192, 202.

the existence of Art. 31*bis* and the Annex.¹⁰⁷ The adoption of the General Council Decision to propose Art. 31*bis* and the Annex as an amendment “in the light” of only the second Statement shows that only this Statement is an expression of the intention of the Members.¹⁰⁸ Statements read out by the chairperson of an international conference without the objection of its participants—a similar situation—are also cited as an example from the field of application of Art. 31.2 lit. a.¹⁰⁹ The Chairperson’s Statement thus influences the precise scope of rights and obligations of Members, in particular, under Art. 31*bis* and the Annex. In case of conflict, the text of Art. 31*bis* and the Annex should arguably prevail over its context—the Chairperson’s Statement.¹¹⁰

J. Outlook

20 More than four years after the adoption of the Decision of 30 August 2003 by the General Council, it is still questionable whether the solution found to the “para-6-problem” will serve its purpose. First and foremost, this is evidenced by the fact that hitherto only two Members have made notifications under the Decision of 30 August 2003 to the Council for TRIPS.¹¹¹ The non-use of the system of exceptions becoming permanent through Art. 31*bis* and the Annex can firstly be explained by the fact that in developing country Members such as India—which has a significant generics industry—the patent provisions of the TRIPS Agreement have been in force only since 1 January 2005.¹¹² Secondly, potential exporting Members have only recently implemented the Decision of 30 August 2003.¹¹³ Thirdly, it has been argued that the richness in detail and the complicated interplay of the provisions becoming permanent through Art. 31*bis* and the Annex make it economically unattractive for producers to engage in exporting pharmaceuticals.¹¹⁴ Finally, the view has been put forward that the newly established rights of Members under Art. 31*bis* and the Annex are threatened by the recent trend towards bilateral and regional free trade agree-

¹⁰⁷ See, e.g., IP/C/M/46, para 117; Council for TRIPS—Communication from the United States, IP/C/W/444, para 8.

¹⁰⁸ In the same vein see *Hestermeyer*, 285.

¹⁰⁹ *Aust*, Modern Treaty Law and Practice, 2000, 189 *et seq.*

¹¹⁰ *Gamharter*, 245.

¹¹¹ See footnotes 33, 47 above.

¹¹² *Hestermeyer*, 271.

¹¹³ The EC, for instance, did not implement the Decision of 30 August 2003 into their internal laws until May 2006; generally on TRIPS and the EC *Vaver & Basheer*, EIPR 28 (2006) 5, 282 *et seq.*

¹¹⁴ *Correa*, 340 *et seq.*; *Islam*, JWIP 7 (2004) 5, 675, 690; *Cann*, U. Pa. J. Int’l Econ. L. 25 (2004) 3, 755, 819 *et seq.*; see also *Maskus*, Wis. Int’l L. J. 20 (2002) 3, 563, 563 *et seq.*

ments as well as bilateral investment treaties.¹¹⁵ In order to make improved access of eligible importing Members a reality, it has been suggested that the conduct of the WTO Secretariat when advising developing and LDC Members on how to implement their obligations under the TRIPS Agreement should be reviewed.¹¹⁶ While the Decision of 30 August 2003 and the establishment of Art. 31*bis* and the Annex steal the thunder from those who wanted to tackle the para-6-problem by means other than exempting Members from their obligations under Art. 31, some of the suggestions put forward in the debate have not lost their legal value. These include a combined invocation of Arts 30 and 31 by the producing and by the importing Member,¹¹⁷ and the use of Art. 31 lit. k or the doctrine of “abuse of right” in order to enable generics producers to export a “predominant” quantity of pharmaceuticals if the patent holder does not consent to export by the licensee.¹¹⁸ Some have gone so far as to suggest the amendment of other treaties concluded under the auspices of the WTO in order to simplify the access of Members without sufficient or any manufacturing capacity in the pharmaceutical sector to essential medicines.¹¹⁹

¹¹⁵ See, e.g., *Hestermeyer*, Human Rights and the WTO, 289 *et seq.*; *Baker*, *Ind. Int'l & Comp. L. Rev.* 14 (2004) 3, 613, 706 *et seq.*; for a number of case studies see *Ghanotakis*, *JWIP* 7 (2004) 4, 563, 569 *et seq.*

¹¹⁶ *Trebilcock & Howse*, The Regulation of International Trade, 431; see also *Nordström*, The World Trade Organization Secretariat in a Changing World, *JWT* 39 (2005) 5, 819, 831, 835, 837 *et seq.*

¹¹⁷ See *Trebilcock & Howse*, The Regulation of International Trade, 430 *et seq.*

¹¹⁸ *Cottier*, *JWIP* 6 (2003) 2, 385, 387.

¹¹⁹ *Matsushita & Schoenbaum & Mavroidis*, 722; see also *Hestermeyer*, Human Rights and the WTO, 287 *et seq.*; in an even broader perspective, efforts to introduce human rights into the debate on access to affordable medicines could be mentioned, see, e.g., *Hestermeyer*, Access to Medication as a Human Right, *MPYUNL* 8 (2004), 101 *et seq.* with further references; on “policy based alternatives to a Doha-based solution” (for instance “tiered pricing”) see *Matthews*, *JIEL* 7 (2004) 1, 73, 98.

Article 32 Revocation/Forfeiture

An opportunity for judicial review of any decision to revoke or forfeit a patent shall be available.

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Arts 5A, 5*bis* PC; Arts 99–105 and 106 EPC.

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A. General

- 1 Art. 32 TRIPS provides for judicial review of decisions to revoke or forfeit a patent. During the negotiations on the TRIPS Agreement, this provision was highly disputed. Despite the many proposals handed in, the parties could agree only on the requirement of judicial review (B.). Art. 32 TRIPS does not provide for grounds causing revocation and forfeiture. Which facts may permissibly lead to determination of patents is therefore controversial (C.).

B. Judicial Review of Decisions

Art. 32 contains the procedural guarantee of judicial review of any decision to revoke or forfeit a patent. The plain wording has to be interpreted to determine the qualification of certain bodies as judicial organs and the extent to which judicial review must be provided for. These requirements will then be applied to see whether the patenting system under the European Patent Convention complies with Art. 32. 2

I. Judicial Review of any Decision

In order to fulfil the criteria for judicial review¹ a case must be brought before a court of law or a body following the formal legal procedure of a court. The body can be qualified as a court or equivalent entity if the judges are independent and appointed for a fixed term, written and reasoned decisions are issued, it is clear which law is applied and there are specified rules of procedure.² Since decisions relating to patents are regularly made by administrative authorities³ it is questionable whether judicial review can be carried out by a higher administrative authority or other body within a national or international patent office. It is indisputably not enough to have a decision to revoke or forfeit a patent simply reviewed by an authority higher in the administrative hierarchy.⁴ This is based on the argument that this higher position does not say anything about the qualification of the people forming the body, their independence or the procedure applied. Nevertheless, certain bodies within the patent offices—despite their affiliation to the administration—could meet these criteria if they are independent. The ones most likely to meet the requirements of Art. 32 are also the most controversial, namely the Boards of Appeal of the European Patent Office.⁵ 3

In accordance with Art. 32, the patent holder must be provided with the opportunity of a review of any decision. Read literally this would mean that there could never be a final decision, regardless of the level at which it was made.⁶ Such an “*ad infinitum*” review was never the intention of the drafters. Instead, they aimed at providing for a review of the decision to revoke or forfeit, which is in some countries administrative but in most WTO Members reserved to a court, in a judicial process. The term “any 4

¹ A court’s review of a lower court’s or an administrative body’s factual or legal findings. *Black’s Law Dictionary*.

² *Leith*, *Intellectual Property Quarterly* (2001) 1, 50, 55, 85 *et seq.*

³ National law can provide for revocation in administrative proceedings in accordance with Art. 62.4 TRIPS.

⁴ *Correa* 342; *de Carvalho*, 256; compare to the rule of Art. 31 (i).

⁵ See paras 7 *et seq.*

⁶ *Gervais*, para. 2.312.

decision” therefore has to be read as meaning “any final administrative decision to revoke or forfeit” or “judicial decisions of the first instance”.⁷ Once a judicial body has examined the initial decision general procedural rules apply, like the opportunity for an appeal.⁸

- 5 The procedural rules applied to the judicial review of decisions to revoke or forfeit a patent are those of Parts III and IV of the TRIPS Agreement. Art. 62.4 provides that revocation proceedings⁹ shall be governed by the general principles set out in Art. 41.2 and 3, including the requirements of fair and not unnecessarily complicated procedures.¹⁰
- 6 A problem lies in the unclear relationship between Arts 32 and 62.5 TRIPS. The latter, like Art. 32, requires that final administrative decisions in procedures falling under Art. 62.4, including revocation and forfeiture, are subject to review by a judicial or quasi-judicial organ. As discussed above, a body, which is merely higher in the administrative hierarchy, will not qualify as at least “quasi-judicial”. The body has to satisfy the procedural requirements set out in Art. 41. A review can be omitted pursuant to Art. 62.5, sentence 2 where the grounds for unsuccessful opposition or administrative revocation procedures can be invoked in invalidation procedures. The difference between Arts 32 and 62.5, apart from the exception to judicial review in Art. 62.5, sentence 2, is that a quasi-judicial body will suffice to satisfy the requirements of Art. 62 but not those of Art. 32. It is suggested that Art. 62.5 represents *lex specialis* in relation to Art. 32 and that it prevails as the more specific rule.¹¹ Art. 32 applies only to patents and provides a patent holder with a minimum of protection against revocation and forfeiture, which still has to be higher than the standard for other intellectual property rights, given the importance of patents for the economy and the rule of Art. 5A.3 PC. On the other hand, Art. 62.5 applies to all intellectual property rights, and in this connection is more general than Art. 32. An argument for the specificity of Art. 62.5 is that it also includes review of administrative decisions, whereas Art. 32 applies to judicial decisions at first instance as well. Where a patent is concerned it is perfectly reasonable to grant a higher level of protection by way of requiring a truly judicial body

⁷ *van Zant & von Morzé*, Intellectual Property Quarterly (1998) 2, 117, 122 *et seq.*; *van Zant & von Morzé*, Intellectual Property Quarterly (2001) 3, 225, 232 *et seq.*, with tables on the authorities for patent revocation and judicial review instances in EPC Contracting States (Tables I, II in Appendix A).

⁸ *Gervais*, para. 2.312.

⁹ Revocation proceedings are included as well, given that Art. 62.4 contains only a list of examples of proceedings covered.

¹⁰ See *Vander*, Article 62, para. 8; and Article 41, para. 4.

¹¹ Enlarged Board of Appeal of the European Patent Office in the decision G 1/97 of 10 December 1999, OJ. EPO 2000, 322.

to examine a decision to revoke or forfeit in accordance with Art. 32.¹² In the case of other intellectual property rights Art. 62.5 alone applies and provides a sufficient standard of review if the procedural requirements of Art. 41 are fulfilled.

II. European Patent Office (EPO)

The European Patent Office (EPO) is established as an international organization and governed by the European Patent Convention. The Office itself is not a Member of the TRIPS Agreement.¹³ Notwithstanding, the EPO was invited to address the question whether it has to comply with the procedural standards required by it.¹⁴ This was necessary in particular because the Member States of the EPC are also Members of TRIPS, and as such have to honour their international obligations under the EPC as well as under TRIPS.

Proceedings before the EPO can relate only to a European Patent.¹⁵ It can be challenged in an administrative procedure, called Opposition, pursuant to Arts 99 to 105 EPC. The Opposition Divisions of the EPO can decide to revoke a patent if the grounds for opposition are fulfilled. Where a patent is revoked in opposition Art 32 TRIPS would require the decision to be accepted for judicial review. Art. 106 EPC provides that an appeal against decisions of the Opposition Divisions shall lie with the Boards of Appeal of the EPO. At first sight, an appeal against the revocation might well comply with the judicial review criterion.

A closer look requires consideration of whether the Boards of Appeal represent a judicial organ within the meaning of Art. 32 TRIPS. Looking at Arts 23 and 24 EPC this question can be answered in the affirmative. The members of the Boards are independent and bound only by the EPC itself, and the grounds of exclusion in Art. 24 are comparable to those applicable to judges in most codes of civil procedure.¹⁶

¹² *van Zant & von Morzé*, Intellectual Property Quarterly (2001) 3, 225, 227 *et seq.* with the same conclusion.

¹³ Letter of the President of the EPO, 27 November 1996 to the Comptroller General of the British Patent Office regarding the Lenzing Case, 7.

¹⁴ Enlarged Board of Appeal of the European Patent Office in decision G 1/97 of 10 December 1999, O.J. EPO 2000, 322.

¹⁵ European Patents are patents granted by virtue of the EPC and are treated like national patents in the Contracting States (Art. 2 EPC). They can be requested for one or more Contracting States (Art. 3 EPC). The conditions and procedure for grant are governed by Parts II, III and IV of the EPC.

¹⁶ *Straus*, in: *Beier & Schricker* (eds), 209; *Leith*, Judicial or Administrative Roles: The Patent Appellate System in the European Context, Intellectual Property Quarterly 2001 (1) 50, 55.

- 10 The more difficult question is whether the appellate system of the EPO provides sufficient review in the sense of Art. 32 TRIPS. It is suggested that there has to be a review in any case where a patent is revoked, even if it was revoked for the first time at the highest judicial level. The interpretation of Art. 32 showed that an “*ad infinitum*” review was not the intention. It was rather to provide for a review of administrative decisions or judicial decisions at first instance. This leads to a peculiarity of the EPO system. The Boards of Appeal constitute the first and final judicial level of review.¹⁷ They are the only judicial body examining the decision of the Opposition Division and the final court deciding upon the revocation of a European Patent pursuant to Art. 106 EPC. Thus the requirement of a review of judicial decisions at first instance is not met by the EPC system. In most contracting States of the EPC patent revocations at first judicial instance are subject to review by a superior judicial body.¹⁸ The same should apply to decisions of the Boards of Appeal of the EPO.
- 11 An additional level of judicial review of decisions at first instance could be provided by an extension of the competences of the Enlarged Board of Appeal or the creation of a new full Court of Appeal within the EPO. Such a measure would also go some way towards curing the lack of symmetry between cases where the Boards revoked a European Patent and those where it was upheld. If the Boards do not revoke a patent it may still be contested in national proceedings. The person opposing the patent can initiate court proceedings in the country in which he or she wants to contest it. It can be revoked with effect for that country alone while the European Patent remains valid. On the other hand, if the Opposition results in the revocation of the patent by the Boards of Appeal, there is no legal remedy against that revocation.
- 12 In 1999, the Enlarged Board of Appeal held that the EPO legal system is not in conformity with Art. 32 TRIPS,¹⁹ a statement that can be agreed upon with regard to the foregoing remarks. The decision is diametrically opposed to the previous position of the EPO. However, the Enlarged Board was of the view that the EPC system need not comply with the TRIPS Agreement, because the EPO is not a Member of TRIPS. The Boards of Appeal can be qualified as judicial bodies pursuant to Art. 32 TRIPS. But, as seen before, the Boards sitting as first judicial instance have to be subject to a further level of review. A revision of the EPC might bring the EPO in conformity with Art. 32 if a further level of appeal was established.

¹⁷ UK High Court in *R. v. the Comptroller of Patents, Designs and Trade Marks, ex parte Lenzing* AG of 20 December 1996, R.P.C. 1997, 245.

¹⁸ *van Zant & von Morzé*, Intellectual Property Quarterly (2001) 3, 225, 232 *et seq.*

¹⁹ Enlarged Board of Appeal in G 1/97 of 10 December 1999, O.J. EPO 2000, 322, 349 *et seq.*

C. Permissible Grounds for Revocation and Forfeiture

Art. 32 TRIPS remains silent on the grounds that justify revocation and forfeiture of patents. Nevertheless some admissible grounds have been considered in the light of the textual understanding of the terms and their application in the Paris Convention. The most controversial issue is the permissibility of revocation in the public interest. 13

Forfeiture means the loss of a patent on predetermined grounds. 14
Revocation on the other hand is partly synonymous with annulment and is caused by the patent not meeting the requirements for its grant. In some developing countries revocation has a broader meaning. These countries' national laws provide for revocation in the public interest.²⁰

I. Paris Convention

Art. 2.1 TRIPS incorporates Arts 1–12 and 19 PC into the TRIPS Agreement. Art. 5A.1 PC prohibits forfeiture by reason of the patentees importing their products into the country where the patent has been granted. Within this provision the terms “revocation” and “forfeiture” are used synonymously. Not all Members' legislation refers to “forfeiture”. Therefore Art. 5A.1 PC must be read as prohibiting the determination of the patent protection caused by importation in general.²¹ Other interpretations would render this provision nugatory. 15

Art 5A.2 to 4 deals with abuses of patents. In accordance with Art. 5A.3 PC, forfeiture is not permissible in cases in which the grant of compulsory licences would suffice to prevent abuses of the patent. From this provision it follows that the Members of the Paris Convention regarded forfeiture of a patent as the *ultima ratio* solution and provided for a two-tier remedy in situations of abuse. 16

The definition of the criteria for abuse is in the public domain. It can be derived from Art. 5A.2 PC that the failure to work or the insufficient working of a patent may be defined as abuse. In that case, compulsory licences may be granted only by following the procedure laid down in Art. 5A.4. Once a compulsory licence is granted, proceedings for its forfeiture or revocation may not be brought until two years have elapsed since the grant of the first compulsory licence, Art. 5A.3, sentence 2. This period is designed to facilitate the examination by competent authorities of whether the granted licence or further licences would be sufficient to prevent the abuse.²² 17

²⁰ *Watal*, JWIP 1 (1998) 2, 281, 301.

²¹ *Bodenhausen*, 71 para. e.

²² *Ibid.*, 74 para. k.

- 18 Members may also provide for forfeiture in cases where the patentee does not pay the maintenance fees after expiry of the period of grace subject to Art. 5*bis*.1 PC.
- 19 The most controversial point in the TRIPS negotiations—the ground of public interest—is not mentioned, and therefore not ruled out by the Paris Convention.²³ Furthermore the special procedure prescribed by Art. 5A.3 and 4 applies only to revocation and forfeiture caused by abuse of a patent. It is not a requirement for revocation in the public interest.²⁴

II. Interpretation of Art. 32

- 20 As regards Art. 32 TRIPS itself, its **drafting history** does not help to clarify whether revocation in the public interest is admissible. Different proposals were submitted by the EC, the US and India. The EC's proposal contained a provision prohibiting revocation on grounds of non-working,²⁵ whereas the US proposed that revocation should be permissible only when the requirements for patentability were not met²⁶ and India proposed revocation in the public interest.²⁷ None of these submissions can be found in the final agreement. The EC's proposal was presumably dropped, because the Paris Convention already dealt with revocation on non-working. With regard to India's proposal, it is assumed that revocation in the public interest remains possible, since it was not ruled out.²⁸ Another possible interpretation would be that the other Members avoided the issue of public interest because they feared that the negotiations would be interrupted.
- 21 When the issue was raised in the Council for TRIPS in 1996, the US delegation took the view that the grounds for revocation of a patent were defined through Arts 27, 29 and 33 TRIPS and that patents could not be revoked except where the requirements for patentability had not been met.²⁹ India on the other hand continued to hold the view that Art. 32 TRIPS dealt directly with the issue of revocation, and that the Members were free to determine the grounds for revocation in accordance with Art. 5 PC.³⁰ According to India's opinion, revocation in the public interest is

²³ See for an authentic interpretation of the Paris Convention *ibid.*, 72 para. g

²⁴ *Ibid.*

²⁵ MTN.GNG/NG11/W/68, Art. 24.3.

²⁶ MTN.GNG/NG11/W/70, Art. 24.2.

²⁷ MTN.GNG/NG11/W/37, para. 29.

²⁸ *Gervais*, para. 2.312.

²⁹ IP/W/C/32, "The Agreement on Trade-Related Aspects of Intellectual Property (TRIPS) addresses the issue of revocation of patents through Articles 27, 29 and 33: [...] The effect of these three provisions is clear; the only basis upon which a WTO Member can revoke a patent are those grounds that the Member would have been justified in relying upon to deny the original grant of a patent on the application."

³⁰ IP/C/M/9, F.

not prohibited by the TRIPS. Switzerland, Norway, Canada, the European Community, New Zealand and Australia supported the US's view. They stated that India's interpretation would "provide a *carte blanche* to Members with respect to revocation and was contrary to the principal goal and the spirit of the TRIPS Agreement as a whole and of Article 31 thereof in particular".³¹ The Japanese delegation added that revocation should be only the last remedy, after preventing the abuse by granting compulsory licences.³² The TRIPS Council just took note of the differing views.³³ It did not express its own view.

Interpreting the relevant provisions only in view of their **wording**, it is problematic to infer that the TRIPS Agreement allows for revocation only when the criteria for patentability are not met, in particular, in light of the *in dubio mitius* rule. Since Arts 27 and 29 deal only with the substantive requirements for the grant but not with the determination of patents, these provisions cannot be interpreted as prohibiting revocation on other grounds. Art. 33 causes the automatic lapse of a patent after a certain period of time. This is independent of revocation and forfeiture—the latter being administrative acts undertaken by the government.³⁴ Thus Arts 27, 29 and 33 have to remain out of consideration for the question of revocation in the public interest. Since Art. 32 TRIPS and Art. 5 PC also do not rule out revocation in the public interest, it is—in the absence of a permitting provision—permissible under the TRIPS Agreement. 22

Taking into account the **spirit and the purpose** of TRIPS, it is questionable whether revocation in the public interest without adequate compensation is permissible. It is argued that such revocation is tantamount to confiscation, and to expropriation of the patentee, thus contradicting the goals of the TRIPS Agreement set out in the Preamble.³⁵ Therefore, Members must follow the procedure laid down in the Paris Convention when revoking a patent in the public interest. Although Art. 5.3 PC just deals with abusive action, it has to be applied in the same way to revocation in the public interest and compulsory licences have to be granted as a first remedy. 23

³¹ *Ibid.*, F.

³² *Ibid.*, F: "As provided in the Paris Convention, revocation should be the last resort and should be preceded by the grant of a compulsory licence; and compulsory licensing should take place in accordance with Article 31 of the TRIPS Agreement. One of the principal elements behind the TRIPS Agreement was that it laid down minimum standards for the protection of intellectual property without allowing Members to avail themselves broadly of exceptions thereto."

³³ IP/C/8.

³⁴ *de Carvalho*, 255.

³⁵ *Ibid.*

- 24 In consequence, grounds for revocation and forfeiture can be those defined in the Paris Convention and non-compliance with the requirements for patentability provided for in Arts 27 and 29 TRIPS. Revocation in the public interest is not ruled out by the wording, but is permissible only as a last resort after the grant of compulsory licences.

Article 33 Term of Protection

The term of protection available shall not end before the expiration of a period of twenty years counted from the filing date.^[8]

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A. General

Since the term of protection determines the **effectiveness of a patent**, Art. 33 is of considerable significance to the strength of patent protection under TRIPS. This is particularly true for such fields of technology where long-term research precedes the production of a marketable invention. In contrast to the Anell Draft, the current provision outlaws any distinction made on the basis of the field of technology or extent of exploitation of the patented invention.¹ /

^[8] It is understood that those Members which do not have a system of original grant may provide that the term of protection shall be computed from the filing date in the system of original grant.

¹ Negotiation Group on TRIPS, including Trade in Counterfeit Goods, The Chairman's Report to the GNG Status of Work in the Negotiation Group, MTN.GNG/NG11/W/76, 23 July 1990, paras 4A.1 and 2 contained the developed country proposal: "The term of protection shall be [at least] [15 years from the date of filing of the application, except for inventions in the field of pharmaceuticals for which the term shall be 20 years] [20 years from the date of filing of the application] [or where other applications are invoked in the said application, 20 years from the filing date of the earliest filed of the invoked applications which is not the priority date of the said application]. PARTIES are encouraged to extend the term of patent protection in appropriate cases, to compensate for delays regarding the exploitation of the patented invention caused by regulatory approval processes." In the corresponding B text by the developing countries, the individual Members were the principal authority to determine the term of protection. For an historical outline of the length of patent protection, see also *Ross & Wasserman*, in: *Stewart* (ed.), 2241, 2293 *et seq.*

B. Term of Patent Protection

- 2 Art. 33 stipulates that “the term of protection shall **not end before the expiration of a period of twenty years counted from the filing date.**”² It is thus concerned with the term of patent *protection* that is to be distinguished from the actual term of a *patent*. The **term of a patent** may be shorter than 20 years, since the effects of the actual patent do not occur until after its grant. Accordingly, Art. 33 identifies the **earliest possible date for the end of patent protection**, but not the date of grant of a patent.³ Because the provision ties in with the date of filing and does not contain specific regulations relating to the **calculation of time limits**, Members are not bound to compensate for delays, for instance, in the examination process of the application or in the marketing approval of the products. In this respect, the national regulations of the Members remain constitutive: they comprise national patent provisions and subordinately general provision of civil law. In *Canada—Patent Term*, however, Art. 33 was found to establish a **minimum term of protection** for patents.⁴ Relying on the availability requirement in Art. 33, the Appellate Body considered the provision “straightforward” in defining filing date plus 20 years as the earliest date on which the term of protection of a patent may end, and that this 20-year term must be “a readily discernible and specific right, and it must be clearly seen as such by the patent applicant when a patent application is filed.”⁵ On the that basis, the Appellate Body upholding the Panel’s decision considered Section 45 of the Canadian Patent Act⁶ to be in violation with Art. 33. It rejected Canada’s defensive argument according to which other statutory and regulatory provisions would allow patent applicants to delay the procedure so as to extend the patent term to a protection *de facto* equivalent to the term laid down in Art. 33.⁷ In view of the Appellate Body’s understanding, Art. 33 does not support an “equivalence test”; but the grant of the patent must be sufficient *in itself* to obtain the minimum term of 20 years.
- 3 Art. 33 does however not regulate **further terms of protection existing independently of the patent**, such as the supplementary protection

² A similar wording is used in Art. 63.1 EPC. In contrast, Art. 1709.12 NAFTA allows its Members to choose a term of protection for patents either of at least 20 years from the date of filing or 17 years from the date of grant. The United States and Canada had to amend their existing patent regulations in view of their membership in the WTO.

³ *E.g.* under 35 USC § 154 (2006), (c)(I), the US established that the term of the patent shall run for 17 years from the patent grant or for 20 years from the filing date, depending upon which is longer. See also *Straus*, in: *Beier & Schriker* (eds), 160, 200 *et seq.*

⁴ *Canada—Patent Term*, WT/DS170/R, paras 6.57–6.121.

⁵ *Canada—Patent Term*, WT/DS170/AB/R, paras 84 *et seq.*

⁶ Canadian Patent Act, R.S., 1985, c. P-4.

⁷ *Canada—Patent Term*, WT/DS170/AB/R, paras 94 *et seq.*

certificate (SPC). The legitimacy of SPCs can be derived from Art. 33, which only determines the earliest possible date for the end of patent protection. If the patent itself may remain in force longer, this must hold true also for supplementary protection mechanisms after the expiry of the patent term. Art. 1.2 also supports this interpretation. However, Art. 33 only relates to the patent protection itself. Accordingly, supplementary protection **may not be deducted from the lifetime of the patent**. The protection by the patent itself shall not end before the expiry of the time limit specified in Art. 33. This is also applicable if the gradual interaction of the patent and supplementary protection generates the invention to be protected like a patent at least until the expiry of such time. Art. 33 thus outlaws situations where the protection of the patent itself were to end before the expiry of the 20 years and then be substituted by supplementary protection.

The notion of “**filing date**” is to be interpreted restrictively. It refers to the actual filing date, but not the date of priority which is relevant to the application in any other respect. This follows from Art. 2.1 TRIPS and Art. 4*bis*.5 PC, according to which the claim of priority shall not impact on the term of protection.

4

Article 34 Process Patents: Burden of Proof

1. For the purposes of civil proceedings in respect of the infringement of the rights of the owner referred to in paragraph 1(b) of Article 28, if the subject matter of a patent is a process for obtaining a product, the judicial authorities shall have the authority to order the defendant to prove that the process to obtain an identical product is different from the patented process. Therefore, Members shall provide, in at least one of the following circumstances, that any identical product when produced without the consent of the patent owner shall, in the absence of proof to the contrary, be deemed to have been obtained by the patented process:
 - (a) if the product obtained by the patented process is new;
 - (b) if there is a substantial likelihood that the identical product was made by the process and the owner of the patent has been unable through reasonable efforts to determine the process actually used.
2. Any Member shall be free to provide that the burden of proof indicated in paragraph 1 shall be on the alleged infringer only if the condition referred to in subparagraph (a) is fulfilled or only if the condition referred to in subparagraph (b) is fulfilled.
3. In the adduction of proof to the contrary, the legitimate interests of defendants in protecting their manufacturing and business secrets shall be taken into account.

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A. General

- 1 Art. 34 is a **procedural provision serving the harmonization** of the Members' national legislation. The provision generally rules in favour of holders of a patent protecting the process for the manufacture of a product during infringement proceedings. This privilege in terms of the burden of proof results from the difficulties the patent holder owning a process patent often faces when demonstrating that the process was used by another person and thus infringes the patent, unless he or she gains access to the process of the alleged infringer. At the same time, Art. 34.3 provides for the protection of the defendant's legitimate interests.

B. Historical Development

The provision largely corresponds to German law.¹ However, it goes back to a proposal submitted by the United States and has in comparison to the corresponding German provision a second alternative that does not rely on novelty and which is often found in bilateral agreements concluded between the US and a number of former socialist countries.² In accordance with that proposal, the “contracting parties shall provide that the burden of establishing [...] shall be on the alleged infringer.”³ The Brussels Draft that adopted the US proposal was slightly altered by the Dunkel Draft now addressing the judicial authorities instead of the Members.⁴

C. Judicial Authority to Reverse the Burden of Proof (Art. 34.1, Sentence 1)

In accordance with Art. 34.1, sentence 1, “judicial authorities shall have the authority to order the defendant to prove that the process to obtain an identical product is different from the patented process.” The provision thus reverses the general rule of burden of proof under which the person asserting a fact must demonstrate it.⁵ Since the provision does not—like in Art. 34.1, sentence 2—bind the Members, but addresses the judicial authorities, the question **of the direct application of the TRIPS Agreement** arises. Given the clear **wording together with the high degree of precision** of the rules of evidence within the entire provision, Art. 34.1, sentence 1 should be regarded as directly applicable.⁶ From this it follows that, even if no criterion set out in Art. 34.1, sentence 2 *litis a-b* is met, the court is still competent to impose on the defendant the burden of proof. However, it does not follow from this right to reverse the burden of proof that there is a duty on the judicial authorities to do so.⁷

¹ *UNCTAD/ICTSD*, Art. 34, 497; *Correa*, 344.

² With further detail on the significance of the second alternative *Straus*, in: *Beier & Schriker* (eds), 160, 209 *et seq.*; See also *Ross & Wasserman*, in: *Stewart* (ed.), 2241, 2297 *et seq.*

³ Draft Agreement on the Trade-Related Aspects of Intellectual Property Rights, Communication from the United States, MTN.GNG/NG11/W/70, 11 May 1990, Art. 24.3.

⁴ Draft Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods (Annex III), MTN.TNC/W/FA, 20 December 1991, Art. 34.

⁵ *Gervais*, para. 2.326; *UNCTAD/ICTSD*, Art. 34, 496.

⁶ Generally on the direct effect of the TRIPS Agreement, see the *Elfring & Arend*, Article 1, paras 5 *et seq.* and *Kaiser*, Introduction III, paras 33 *et seq.*

⁷ Also *Correa*, 345.

D. Obligation of the Members (Art. 34.1, Sentence 2 & Art. 34.2)

- 4 In order to achieve a certain **minimum degree of harmonization**, Art. 34.1, sentence 2 provides for **two situations**, which are outlined below and in which not only are civil courts competent to allocate the burden of proof to the defendant, but the Members are obliged to apply the presumption that any identical product when produced by the defendant without the consent of the patent holder shall be deemed to have been obtained from the patented process. In view of para. 1, sentence 2 read together with para. 2, it is sufficient for a Member to provide for only one of the two alternatives. Nevertheless, this obligation does not affect the courts' authority pursuant to para. 1, sentence 1, provided there is no explicit national regulation to the contrary.

I. Burden of Proof Pursuant to Art. 34.1, Sentence 2 lit. a

- 5 Art. 34.1, sentence 2 lit. a provides that the burden of proof falls on the defendant when he has produced the **product obtained by the patented process** and such product is new. Because in this case it is not the product itself that is protected, the patent holder is not able to take action against its utilization, but merely against the process of manufacture. Thus, the TRIPS Agreement does **not privilege** the patent holder in demonstrating that the defendant has manufactured a product which is identical to that obtained by the patented process.⁸ Not until it is definite that the defendant has manufactured an identical product does Art. 34.1, sentence 2 lit. a shift the burden of proof onto the defendant.
- 6 The provision furthermore requires that the product obtained by the patented process be **new**. In this context, new as a **matter of fact** has the same meaning as in Art. 27.1, which is that a person skilled in the art does not already know the product from a single source of information. Notwithstanding that the product itself need not be capable of patent protection; it may *e.g.* lack an inventive step or industrial applicability. In **terms of time**, the term “new” in Art. 34 must be distinguished from that in Art. 27.⁹ While Art. 27 requires the Members to accept as patentable *at least* such inventions as are new at the time relevant for the application, but

⁸ Cf. also *Vidal-Quadras Trias des Bes*, EIPR 24 (2002) 5, 237, 240 *et seq.* with further reference to the judgment of the *Bundesgerichtshof, Alkylendiamine II*, GRUR 79 (1977) 2, 103 *et seq.*

⁹ *Ibid.*, 242. *Correa*, 345 *et seq.* draws attention to the Argentine concept of “new” based on the “new in the market.” This concept was called for by the United States when requesting consultations in *Argentina—Patent Protection for Pharmaceuticals and Test Data Protection for Agricultural Chemicals* (WT/DS171) and *Argentina—Certain Measures on the Protection of Patents and Test Data* (WT/DS196) and agreed to in the mutually agreed solution notified to the DSB. See WT/DS171/3, WT/DS196/4, IP/D/18/Add.1, IP/D/22/Add.1, para. 5.

does not preclude a period of grace,¹⁰ Art. 34.1, sentence 2 lit. a solely refers to the point in time relevant for the application of the process patent. Any time before this date is to be irrelevant; or otherwise it would be possible for the claimant to obtain knowledge of the unknown product from the defendant first, and thereupon develop the protected process. In such a case the underlying presumption of Art. 34 no longer regulates the defendant's use of the protected process, since he or she herself has presented another mode of manufacture before.

II. Burden of Proof Pursuant to Art. 34.1, Sentence 2 lit. b

The presumption of Art. 34.1, sentence 2 lit. b applies when there is a **substantial likelihood** that the defendant has used the protected process for the manufacture of the product, and the patent holder has been unable in spite of reasonable efforts to determine the process actually used. In this context, a **licensee** entitled to claim out of the patent should be deemed equal to the holder of the patent. In which case one must assume a substantial likelihood is not defined by TRIPS. The determination is therefore left to the Members, whereas both the adoption of this indeterminate concept of law into the national legislation and a specification *e.g.* through giving examples are sufficient instruments for implementation. The same holds true for the question when the efforts of the patent holder are to be deemed sufficient. In this respect, the complexity of the product or the degree of usual secrecy may become relevant.

7

E. Legitimate Interests of the Defendant (Art. 34.3)

Art. 34.3 clarifies that the **defendant's interests in confidentiality** are to be adequately taken into account, when he or she has to adduce evidence pursuant to Art 34.1 of the provision. This can be done *e.g.* by disclosing the process to an **expert**, who is bound to treat the information as confidential and may, in course of the proceedings, merely comment on whether the disclosed process is the protected one or not.

8

¹⁰ See *Neef & Reyes-Knoche*, Article 27.1, para. 32.

SECTION 6: LAYOUT-DESIGNS (TOPOGRAPHIES) OF INTEGRATED CIRCUITS

Article 35*

Relation to the IPIC Treaty

Members agree to provide protection to the layout-designs (topographies) of integrated circuits (referred to in this Agreement as “layout-designs”) in accordance with Articles 2 through 7 (other than paragraph 3 of Article 6), Article 12 and paragraph 3 of Article 16 of the Treaty on Intellectual Property in Respect of Integrated Circuits and, in addition, to comply with the following provisions.

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* The commentary is translated by Susanne Kruse, professional graduate translator.

** Printed in the Appendix.

A. General

The motive for the introduction of the protection of layout-designs consisted in the **growing economic importance of chips** and their structures. Given the fact that the production costs for the copy of a chip are only roughly 1% of the costs for developing the actual original chip,¹ the chip industry demanded effective protection. However, at first, the implementation was problematic. **Choosing the “right” property right** was difficult because of the fact that layout-designs were complicated to incorporate into the then existing network of intellectual property rights.² 1

While the chip, as the final product, represents an industrial product, an important element thereof, namely the layout-design, is rather comparable to a drawing. Due to the lack of creativity involved, the attempt to classify layout-designs as **copyright law** had to fail. Patent law, on the other hand, requires a certain “inventiveness” as well as “inventive activity”. These are characteristics that simple designs usually lack.³ The form of protection to be implemented was therefore left open in the International Treaty on Intellectual Property in Respect of Integrated Circuits (IPIC Treaty). Nevertheless, one requirement for protection—a certain degree of originality pursuant to Art. 3.2 lit. a IPIC Treaty—is a typical requirement of work protection in copyright law,⁴ while the possibility to demand registration in accordance with Art. 7.2 IPIC Treaty is rather known from **patent law**. The IPIC Treaty therefore contains characteristics of both protection systems. 2

B. Structure

The protection of layout-designs follows the Berne Plus Approach known from copyright law and can also be called the **Washington Plus Approach**.⁵ Art. 35 refers to the IPIC Treaty created under the auspices of the WIPO, which contains the fundamental protection norms for layout-designs at international level. The IPIC Treaty itself, however, never entered into force.⁶ Given the fact that its essential regulations have been incorporated in the TRIPS Agreement, the IPIC Treaty is not expected to gain self-dependent importance anymore. The changes defined in the TRIPS primarily refer 3

¹ *Fromm-Russenschuk & Duggal*, 86; *Dreier*, GRUR Int. 36 (1987) 10, 645.

² *Stoll & Raible*, in: *Priß & Berrisch* (eds), 598.

³ *UNCTAD/ICTSD*, 507.

⁴ See *Brand*, Article 9, para. 30.

⁵ *Gervais*, para. 2.334.

⁶ *Stoll & Raible*, in: *Priß & Berrisch* (eds), 599. At the time when the TRIPS Agreement was signed only China, Egypt, Ghana, Guatemala, India, Liberia, Yugoslavia and Zambia had ratified the IPIC Treaty. See *Blakeney*, 97.

to the scope of protection, infringement in good faith, compulsory licences and the term of protection. The TRIPS cross reference especially excludes the compulsory licence regulated in Art. 6.3 IPIC Treaty. The following paragraphs shall provide a brief outline of the norms taken over from the IPIC Treaty, which form the basis of the TRIPS protection.

C. Technical Background and Definitions⁷

I. The Layout-Design as a Connecting Factor Regarding Protection

- 4 Arts 35–38 establish the basis for the protection of layout-designs in the respective Members. TRIPS provides, however, no explanation of the nature of layout-designs. A definition can be found in Art. 2 (ii) IPIC Treaty, according to which a layout-design is essentially a three-dimensional arrangement of the elements and connections in an integrated circuit.

II. “Integrated Circuits” and “Semiconductor”

- 5 A limitation of the protection to semiconductors was consciously avoided. Substantial **differences** exist with regard to the used material. Nowadays, semiconductor products normally consist of silicon, whereas the protection of topographies extends to all materials permitting the production of integrated circuits. In contrast to the TRIPS provisions, the US regulations reserve the protection of topographies to semiconductor materials such as silicon. Thanks to Art. 3.1 lit. c IPIC, this limitation does not infringe the TRIPS Agreement.

D. Introduction to the IPIC Treaty Provisions

I. Nature of Protection

- 6 In accordance with Art. 3.1 lit. a IPIC Treaty, signatories are obliged to protect layout-designs in the sense of Art. 2 (ii) IPIC Treaty within their territories. They are primarily expected to provide “adequate measures” to prevent an infringement of the actions of Art. 6 IPIC Treaty reserved for the right holder. However, there is no indication as to the potential nature of respective **preventive measures**. Art. 3.1 lit. a IPIC Treaty only determines that the signatories must, in the case of a failure of those preventive

⁷ For details, see *Christie*, 10.

measures, arrange for “appropriate legal remedies”. The structure of the norm focuses on safeguarding the rights from any future infringement. The legal remedies used after the occurrence of an infringement are therefore clearly not intended to fulfil any preventive functions.

The IPIC Treaty, more specifically its Art. 4, provides the signatories with flexibility in the **implementation of the legal protection**. The respective list of suggestions in Art. 4 IPIC Treaty is by no means exhaustive. Any implementation is sufficient as long as the material requirements of the IPIC Treaty are met. 7

Art. 3.1 lit. c IPIC Treaty establishes an exception to Art. 2 (i) IPIC Treaty. Accordingly, signatory States whose national legislations already contain a **limitation of the protection** of topographies of integrated circuits to those manufactured from semiconductor materials may actually retain it. However, such limitation may be applied only as long as the respective national norms still contain it. 8

At first sight, Art. 3.1 lit. c IPIC Treaty does not seem to make any changes to the existing legal situation and might be considered redundant. Taking a closer look, however, it becomes noticeable that Art. 3.1 lit. c IPIC Treaty determines that an **introduction of a limitation to semiconducting materials** is impermissible for those signatories who have not yet introduced such a restriction. Moreover, signatories whose national legislations have so far envisaged a limitation of the protection to semiconducting materials are prevented from reintroducing it into their legislations after a potential abolishment of this limitation. The objective of Art. 3.1 lit. c IPIC Treaty therefore results in the future phase-out of this limitation of materials. 9

II. Substantive and Formal Prerequisites for Protection

The substantive prerequisites for the protection of layout-designs under Art. 3.1 IPIC Treaty are codified in Art. 3.2 IPIC Treaty. First of all, Art. 3.2 lit. a IPIC Treaty requires that layout-designs must possess **originality** in order to enjoy protection under Art. 3.1 IPIC Treaty. The simplest definition of originality comprises everything that is not a copy.⁸ This view is typical of the Anglo-American copyright system.⁹ By contrast, the Continental European approach rather requires an intellectual relation to the author. Accordingly, original is everything that may be considered the author’s personal intellectual creation. The latter definition was established as a basis of the IPIC Treaty in Art. 3.2 lit. a. In addition, the layout-design must not be “commonplace among creators”. This criterion points out the

⁸ *Flint & Thorne & Williams*, 10; *Christie*, 49.

⁹ *Dreier*, GRUR Int. 36 (1987) 10, 645, 657.

position of the protection between copyright and patent law. The choice of definition is not just of rhetorical importance, since layout-designs are based upon the—lawful¹⁰—analysis of other layout-designs and therefore copy parts of the latter. Basing these cases on the Anglo-American copyright system, an infringing act would have to be assumed substantially sooner.

- 11 The prerequisite of a **non-commonplace design** shows parallels with the terms of “novelty”¹¹ and “inventive step/non-obviousness”¹² in patent law but is less strict and merely offers a weak criterion for assessing originality. As it is the case in patent law, this evaluation should also take into account previous designs. A conclusion regarding the assessment of the originality of the design is to be reached by way of comparison with other layout-designs. No protection can be granted to trivial designs. The examination of the prerequisites for the protection of topographies is also based on a kind of comparison with the prior art.¹³ However, a design is certainly sooner considered to be a variation of a commonplace design than an invention in the sense of patent law. The only decisive factor is the overcoming of triviality. Accordingly, simple versions of existing topographies may also be entitled to protection.
- 12 Interestingly, Art. 3.2 lit. a IPIC Treaty deals with the creators of layout-designs and the manufacturers of integrated circuits as **two different reference groups**. However, this would only be logical if a concrete piece of work is no prerequisite for protection, since the wording of Art. 3.2 lit. a IPIC Treaty indicates that there may be protection-relevant unimplemented layout-designs. Therefore, in cases of doubt during the assessment of the originality of a layout-design, the standard applicable among the creators is decisive, because this should by nature be ahead of the already implemented standard.
- 13 A layout-design entitled to protection is not required to be a radical reconstruction. In fact, a new topography may be created by combining already existing designs, also using commonplace layout-designs. However, in order to ensure its qualification for protection, pursuant to Art. 3.2 lit. b IPIC Treaty, such a **combination**, taken as a whole, must not be a commonplace design.
- 14 The **formal prerequisites** are determined, codified or prescribed in Art. 7 IPIC Treaty. According to Art. 7.1 IPIC Treaty, the signatory States are free to limit the protection to layout-designs that have already “been ordinarily **commercially exploited**”. At the latest, exploitation may be

¹⁰ See Art. 6.2 lit. b IPIC Treaty.

¹¹ See *Neef & Reyes-Knoche*, Article 27.1, paras 36 *et seq.*

¹² See *ibid.*, paras 42 *et seq.*

¹³ See *ibid.*, paras 39 *et seq.*

regarded as ordinary when the distribution of integrated circuits, manufactured in serial production, has been commenced. The sale of individual prototypes, or early series models, is not sufficient for the assumption of an ordinary commercial exploitation. Nevertheless, it is irrelevant whether the respective layout-design is merchandised self-dependently or as component of another integrated circuit. The place of exploitation is not limited to the territories of the signatory States. Pursuant to Art. 7.1 IPIC Treaty, protection may be denied only if the exploitation has not yet commenced in any part of the world.

According to Art. 7.2 lit. a IPIC Treaty, a previous **registration** may also 15
be used as precondition for the protection of a design. Each signatory is free to make its own arrangements regarding prerequisites and competent authorities.

In accordance with Art. 7.1 IPIC Treaty, it “may be required that the 16
application be accompanied by the filing of a copy or drawing of the layout-design”. In case of a commercial exploitation, it is even possible to ask for the filing of a sample. Another prerequisite for protection may be “information defining the electronic function which the integrated circuit is intended to perform”. However, the applicant is not obliged to provide information concerning “the manner of manufacture of the integrated circuit”. Such information is already regarded as sufficient if it allows the **identification** of the layout-design. Unlike patent law,¹⁴ the filed information within the context of the protection of layout-designs cannot be termed “disclosure”. The sole purpose of the submission of the additional documents is the identification of the layout-design, and not the disclosure of the design to the public.

If the registration of the layout-design is a prerequisite for protection, the 17
State may require registration to take place in a certain **period of time**. This period of time shall start on the date on which the layout-design is first exploited “ordinarily commercially anywhere in the world”. According to Art. 7.2 lit. b IPIC Treaty, “such period shall not be less than two years counted from the said date”.

According to Art. 7.2 lit. c IPIC Treaty, the registration “may be subject 18
to the payment of a **fee**”.

III. Scope of Protection

The right holder may use its right irrespectively of “whether or not the 19
integrated circuit is incorporated in an article”. This **abandonment of**

¹⁴ See *Reyes-Knoche*, Article 29, paras 8 *et seq.*

a concrete piece of work pursuant to Art. 3.1 lit. b IPIC Treaty is a particularity among the copyright-related property rights. The reason is that it is not necessary that the manifestation of the underlying idea has yet been made. The protectable subject matter comprises all forms of appearance, including design drawings, photographs or actual integrated circuits. The production of the integrated circuit may still be under way; it is sufficient if it is intended.

- 20 Art. 6 IPIC Treaty defines the scope of protection in the narrower sense. First of all, the right holder reserves the right to authorize reproductions of their layout-designs. This includes both partial and entire copies. Art. 6.1 lit. a (i) IPIC Treaty additionally mentions the incorporation of the layout-design into an integrated circuit. An exception is made for **partial copies** in which the reproduced respective part itself “does not comply with the requirement of originality referred to in Article 3(2)” IPIC Treaty. The logical explanation for this is that a protected layout-design may consist of the original arrangement of known and/or commonplace layout-designs.
- 21 Beyond this, according to Art. 6.1 lit. a (ii) IPIC Treaty, the right holder also reserves the right regarding “the act of importing, selling or otherwise distributing [*e.g.* by licensing] a protected layout-design (topography) or an integrated circuit in which a protected layout-design (topography) is incorporated.” However, this applies only if such acts are carried out for commercial purposes. Within this context, a **commercial act** may not already be assumed if the act in question is intended to secure a commercial profit. In fact, the ultimate objective of the transaction must be the commercial use of the layout-design.
- 22 Finally, pursuant to Art. 6.1 lit. b IPIC Treaty, the signatories are also free to place **further acts** under an authorization reservation.
- 23 There is no explicit regulation regarding the **relation to other types of protection**. The question arises as to whether a protected layout-design may contain elements that are themselves subject to patent or copyright protection. However, this is more of a theoretical problem. At least in the *droit d’auteur* jurisdictions, layout-designs will normally lack the level of creativity required for a copyrighted work. The less demanding and regularly fulfilled prerequisites for protection in the copyright system do not lead to any different result, because in this context, the citation of protected elements in a new layout-design should remain within the scope of fair use and will therefore also be permissible. As a general rule, patent protection will fail on grounds of the prerequisite of the level of inventive step. However, should protection through different industrial property rights once become an option, there is no apparent reason why it should not be possible for all property rights to coexist alongside.

IV. Limitations on Protection

A first limitation is to be found in Art. 6.2 lit. a IPIC Treaty, which states that a reproduction as it is specified in Art. 6.1 lit. a (i) IPIC Treaty is justified if it “is performed by a third party [...] for the sole purpose of **evaluation, analysis, research or teaching**”. Moreover, Art. 6.2 lit. a IPIC Treaty privileges private reproduction by third parties, and permits **reverse engineering**.¹⁵ 24

However, the right to reverse engineering might have to be limited if its objective goes beyond the mere analysis the layout-design and has a commercial purpose;¹⁶ *i.e.* if purely scientific motivation is lacking. In contrast to this opinion, it can be stated that it cannot make a difference whether reverse engineering is applied merely for the purpose of understanding the layout-design and these findings result in a new product, or whether the further development of the examined layout-design already formed the motive of the examination. Ultimately, both acts represent an economic competition for the right holder and therefore require equal treatment. Therefore, there is no limitation to the right to reverse engineering. 25

In case that third parties develop their **own layout-design** as a result of the assessment or analysis of a prior layout-design, and incorporates the new layout-design in an integrated circuit, or uses it in any of the other ways listed in Art. 6.1 IPIC Treaty, it is not considered as an infringement of the rights of the creator of the prior layout-design as long as such further development itself fulfils the prerequisite of originality (Art. 3.2 IPIC Treaty; Art. 6.2 lit. b IPIC Treaty). 26

According to Art. 6.2 lit. c IPIC Treaty, with regard to **parallel creations**, “the holder of the right may not exercise his right in respect of an identical layout-design (topography)”, provided that both creations occurred independently of one another and are original each for itself. 27

V. Fault

Pursuant to Art. 6.4 IPIC Treaty, the signatories may provide that the person who causes an infringement of a right derived from Art. 6.1 lit. a (ii) IPIC Treaty shall be liable only if said person is responsible for the infringement as such.¹⁷ No **responsibility** applies if the infringer, when performing the act in question, “did not know and had no reasonable ground to know” that 28

¹⁵ *Dreier*, GRUR Int. 36 (1987) 10, 645, 658.

¹⁶ *Ibid.*

¹⁷ For further information on the interrelation between Art. 37 and Art. 6.4 IPIC, see *Klopmeier*, Article 37, paras 2 *et seq.*

the imported, purchased or otherwise marketed integrated circuit contains a protected layout-design.

VI. Exhaustion

- 29 Art. 6.5 IPIC Treaty envisages that the signatories **may** consider lawful the performance of any acts listed in Art. 6.1 lit. a (ii) IPIC Treaty if the protected layout-design or an integrated circuit containing this layout-design “has been put on the market by, or with the consent of, the holder of the right”. The use of the term “may”, however, does not seem coherent. If the IPIC Treaty is meant to remain within the limits of the other property rights, one must assume the **implementation of this exhaustion rule** to be **mandatory**.

VII. National Treatment

- 30 National treatment within the framework of the IPIC Treaty remains within the framework of the other normal phrasings. Art. 5 IPIC Treaty contains the basic principle that the signatories must treat the nationals of the other signatory States in the same way as they treat their own. In this context, the notion of “**nationals**” comprises both natural and legal persons and is not limited to national citizens but also includes persons who are domiciled in the State.
- 31 From the ranks of the ALAI, *Jehoram* expressed **criticism** stating that the implementation of national treatment in Art. 5 IPIC Treaty contradicted the principles of commercial legal protection. Since these were laid down in the Paris Convention, this meant that the principle of national treatment also had to take effect for the benefit of all Union countries. This was a case of Paris Convention disregard.¹⁸
- 32 *Jehoram*’s criticism failed. Nearly every international treaty in the field of commercial legal protection has its own phrasing on national treatment. This guarantees that the **differentiation of the scopes of protection** from general to specific favours only those Members which themselves take part in the further development of the property rights (such as the *sui generis* protection for layout-designs). Any other procedure would be inadequate, since States merely granting basic protection under the Paris Convention might otherwise benefit from the advantages of the IPIC Treaty without granting any corresponding protection themselves. It is irrelevant in this respect that this protection might still be enforced through a WTO pro-

¹⁸ *Jehoram*, GRUR Int. 40 (1991) 10, 687, 694.

cedure retroactively, since, for now, the focus is on the establishment of uniform property rights.

The relationship of **Art. 5 IPIC Treaty and Art. 3 TRIPS** appears unclear. The issue stems from the seemingly identical content of both norms. The inclusion of Art. 5 IPIC Treaty in the scope of application of the TRIPS through Art. 35 therefore appears superfluous. However, in view of the above-described controversy, it becomes quickly clear that Art. 5 IPIC Treaty is left with its own regulatory content: Art. 5 IPIC Treaty becomes significant whenever a TRIPS Member has failed to implement a protection of layout-designs. In this case, the affected TRIPS Member may also deny protection to nationals of a State that does not implement the IPIC Treaty. This would not be possible if Art. 3 were the only decisive norm with regard to national treatment. That this result was also intended by Art. 3 becomes obvious through the explicit incorporation of the IPIC Treaty provisions into Art. 3.1.¹⁹ 33

¹⁹ See *Elfring*, Article 3, para. 19.

Article 36* Scope of the Protection

Subject to the provisions of paragraph 1 of Article 37, Members shall consider unlawful the following acts if performed without the authorization of the right holder:^[9] importing, selling, or otherwise distributing for commercial purposes a protected layout-design, an integrated circuit in which a protected layout-design is incorporated, or an article incorporating such an integrated circuit only in so far as it continues to contain an unlawfully reproduced layout-design.

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Art. 6 IPIC Treaty.

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A. General

- 1 Art. 36 constitutes a **reservation on the granting of permission** in favour of the right holder. None of the acts listed therein may be performed without the authorization of the right holder. Exceptions to this principle are specified in Art. 37. Consequently, Arts 36 and 37 form a rule-exception relationship.

B. Scope of Protection

- 2 The scope of protection largely corresponds to that established in the IPIC Treaty.¹ Art. 36, however, takes it further insofar as it states that the right holder's right to withhold authorization shall also include **products** merely incorporating a protected layout-design as part of an integrated circuit.
- 3 Art. 6.1 lit. a (ii) IPIC Treaty was still limited to integrated circuits containing a protected layout-design and did not address any products which incorporated these integrated circuits. This created the risk that the particularly **wide protection granted** by Art. 36 would provide right holders with a means not only to institute legal proceedings concerning the infringing integrated circuits but also to control the whole manufactured product.²

* The commentary is translated by Susanne Kruse, professional graduate translator.

^[9] The term “right holder” in this Section shall be understood as having the same meaning as the term “holder of the right” in the IPIC Treaty.

¹ See *Klopmeier*, Article 35, paras 19 *et seq.*

² *Gervais*, para. 2.340.

Therefore, the final part of Art. 36 clarifies that right holders may institute legal proceedings in respect of the **product as such** “only insofar as it continues to contain an unlawfully reproduced layout-design”.

An **unlawful reproduction** of a layout-design is any reproduction originating from one of the acts reserved to the right holder in accordance with Art. 36. It is irrelevant in this respect whether the infringer was aware of committing an unlawful act with regard to a protected layout-design. Good faith on the part of the infringer has no influence on the assessment of the illegality of the acts in question. 4

Article 37* **Acts Not Requiring the Authorization of the Right Holder**

1. Notwithstanding Article 36, no Member shall consider unlawful the performance of any of the acts referred to in that Article in respect of an integrated circuit incorporating an unlawfully reproduced layout-design or any article incorporating such an integrated circuit where the person performing or ordering such acts did not know and had no reasonable ground to know, when acquiring the integrated circuit or article incorporating such an integrated circuit, that it incorporated an unlawfully reproduced layout-design. Members shall provide that, after the time that such person has received sufficient notice that the layout-design was unlawfully reproduced, that person may perform any of the acts with respect to the stock on hand or ordered before such time, but shall be liable to pay to the right holder a sum equivalent to a reasonable royalty such as would be payable under a freely negotiated licence in respect of such a layout-design.
2. The conditions set out in subparagraphs (a) through (k) of Article 31 shall apply *mutatis mutandis* in the event of any non-voluntary licensing of a layout-design or of its use by or for the government without the authorization of the right holder.

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A. General

- I* Art. 37.1 enumerates the cases excluded from the reservation on the granting of permission of Art. 36. Art. 36 defines the principle to which Art. 37 provides the exception. The provision contains two **rules**: On the one hand, it safeguards the performance in good faith of the acts described in Art. 36, and on the other hand, it standardizes the legal consequences once notice of the infringement of property rights has been received.

* The commentary is translated by Susanne Kruse, professional graduate translator.

B. Interpretation of the Provision

I. Protection of Good Faith

There is a fundamental difference between Art. 37.1 and Art. 6.4 IPIC Treaty. Art. 6.4 IPIC Treaty uses the wording “no Contracting Party shall be obliged to consider unlawful” while Art. 37 says “no Member shall consider lawful.”¹ Accordingly, the Contracting Parties to the IPIC Treaty are not obliged to consider certain acts unlawful, which leaves them free in fact, to consider all acts unlawful. By contrast, the Members of the TRIPS Agreement must not consider unlawful any protected acts.² Unlike the IPIC Treaty provision, the **TRIPS rule is mandatory**. A different conclusion could arise only from Art. 1.1, according to which the TRIPS lays down no more than minimum standards for the relevant protection systems.³ One might conclude from this that Art. 37.1, too, defines only a minimum standard, which might be exceeded by relinquishing the protection of good faith. 2

However, this possibility has to be disputed in light of the Brussels Draft of the TRIPS Agreement. Its wording was still identical to the wording of the IPIC Treaty. This allows for the conclusion that the Members to the TRIPS have made a conscious decision to safeguard **acts performed in good faith**. It would run counter to the intention of the Members to assume that Art. 37.1 provides just an option affording merely a minimum standard of layout-design protection. Art. 37.1 therefore deprives the Members of the ability to consider acts unlawful if they are performed in good faith. Instead, the provision makes the protection of persons acting in good faith a mandatory requirement. 3

II. Knowledge and Reasonable Ground for Knowing

Art. 37.1 **refers to the acts mentioned in Art. 36**. These may be performed without sanction as long as the person performing an act does not know or has no reasonable ground for knowing that the integrated circuit in question incorporates a protected layout-design. “Knowledge” and “reasonable ground” are therefore the key terms of the provision. 4

“**Knowledge**” requires positive notice and is consequently present only if the person performing an act is aware of the fact that the integrated circuit in question incorporates a protected layout-design. 5

¹ See also *Gervais*, para. 2.344.

² *UNCTAD/ICTSD*, 514.

³ See *Elfring & Arend*, Article 1, paras 3 *et seq.*

- 6 It is more difficult to define “**reasonable ground**” for knowing. Surely, it is less than “knowledge” in the sense of positive notice. Negligent ignorance could be a potential limitation in the other direction. “Reasonable ground” for knowing would then already exist if the person performing an act could have been aware of the use of a protected layout-design if the act had been performed in a conscientious manner. However, the appropriate term for this would have been “negligent ignorance”. The use of the words “reasonable ground” seems to suggest a **degree of accountability somewhere between positive notice and negligent ignorance**.
- 7 One argument in favour of this view consists in the lack of an obligation to register layout-designs. In Members where the grant of protection depends on registration, it would still be possible to impose an obligation on people performing an act to keep themselves informed about existing property rights. There would be no **simple negligence** on the part of affected people who fulfil their duty to keep themselves informed. Where such duty is infringed, it would be appropriate to annul the protection of good faith. In this case, simple negligence would be an appropriate standard.
- 8 However, if there is an obligation to register, defining a duty that may be fulfilled by all persons affected is difficult. The duty to obtain information would then have to be applied differently in each individual case. This would lead to the situation in which States with an obligation to register would have to make different demands with regard to good faith than States without such an obligation to register. This, however, could not be commensurate with an Agreement geared towards creating the highest possible degree of international **uniformity of regulation**.
- 9 Therefore “reasonable ground” in the sense of Art. 37.1 needs to be interpreted more in terms of gross negligence. Consequently, there is no **duty to obtain information**. If, however, people performing an act refuse, in respect of a protected layout-design, to take account of a body of knowledge conclusively arising from accessible information, they thus ignore a “reasonable ground” for knowing. Exemptions on grounds of good faith must then be dropped.

III. Sufficient Notice

- 10 Once the person performing an act receives “sufficient notice,” this has a number of legal consequences.⁴ This **term** is thus of **vital significance** for the interpretation of Art. 37.1.
- 11 A definition is required of what “sufficient notice” to the person performing an act implies. Sufficient notice could be assumed from the moment in

⁴ See para. 14 below.

which the person gets to know about the fact that the integrated circuits used incorporate protected layout-designs the use of which has not been authorized by the right holder. This, however, would make no allowance for the notice-related addition “sufficient”. The “**sufficient knowledge**” threshold thus seems to be lower than positive knowledge.

It may, however, not be considered sufficient if the person performing an act has **access to information** which reveals that use has been made of a protected layout-design. As long as such information has not yet been exploited, “notice” cannot be assumed. 12

A reasonable balance may be achieved by not requiring positive knowledge as a prerequisite for “sufficient notice” and by **statutorily supposing for** a certain period after which available information is taken notice of. This would prevent people performing an act from maintaining good faith by deliberately failing to keep themselves informed. Consequently, “sufficient notice” is to be assumed if a person performing an act possesses **information that there is no permission** for the use of a protected layout-design and if such person could objectively be expected to be aware of that fact. 13

C. Legal Consequence

If a person performing an act has received sufficient notice that such act incorporates a protected layout-design, the legal consequence is to be found in Art. 37.1, sentence 2. Initially, generally infringing acts may still be performed “with respect to **the stock on hand or ordered before such time.**” Relevant is the moment at which the person performing the act received sufficient notice.⁵ 14

The terms “stock on hand or ordered” must be **interpreted narrowly.** 15 This follows from the status of Art. 37 as an exception to Art. 36. Consequently, this covers only stock already in the possession of the person performing an act or orders for which have already been fulfilled and are on their way to the supplier. If a mistake occurs during the delivery of an order, it cannot be repeated since by this time the customer is no longer in need of protection.

In accordance with Art. 37.1, sentence 2, for any acts performed in respect of stock on hand or ordered, the person performing such acts must pay the right holder a **licence fee** “equivalent to a reasonable royalty such as would be payable under a freely negotiated licence”. 16

⁵ See Art. 31 lits a–k as referred to in Art. 37.2.

Article 38*
Term of Protection

1. In Members requiring registration as a condition of protection, the term of protection of layout-designs shall not end before the expiration of a period of 10 years counted from the date of filing an application for registration or from the first exploitation wherever in the world it occurs.
 2. In Members not requiring registration as a condition of protection, layout-designs shall be protected for a term of no less than 10 years from the date of the first commercial exploitation wherever in the world it occurs.
 3. Notwithstanding paragraphs 1 and 2, a Member may provide that protection shall lapse 15 years after the creation of the layout-designs.
- 1 The TRIPS Agreement leaves the Members free to require the registration of layout-designs as a condition of protection. This option is reflected in Art. 38. Arts 38.1 and 38.2 respectively determine the end of the term of protection depending on the protection conditions in force in the Member in question.
- 2 In accordance with Art. 38.1, the term of protection starts with “the date of filing an application for registration” or with “the first commercial exploitation”. At first sight, this wording seems to offer a redundant alternative. However, its sense becomes clear immediately if one considers the possibility of a Member facilitating registration without making it a condition of protection. This may result in terms starting at different times.
- 3 The only concept in Art. 38 requiring interpretation is “first commercial exploitation”. While its concrete implementation is for the Members, the wording suggests at least a strictly economic perception. Therefore, the licensing of a layout-design must already be considered to be a potential commercial exploitation. A limitation on the start of production by the developer would over-extend the term of protection.
- 4 Art. 38.1 states that the term of protection lasts for at least 10 years. Beyond this, Art. 38.3 authorizes the Members to provide that “protection shall lapse 15 years after the creation of the layout-design”.

* The commentary is translated by Susanne Kruse, professional graduate translator.

SECTION 7: PROTECTION OF UNDISCLOSED INFORMATION

Article 39

1. In the course of ensuring effective protection against unfair competition as provided in Article 10bis of the Paris Convention (1967), Members shall protect undisclosed information in accordance with paragraph 2 and data submitted to governments or governmental agencies in accordance with paragraph 3.
2. Natural and legal persons shall have the possibility of preventing information lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices^[10] so long as such information:
 - (a) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;
 - (b) has commercial value because it is secret; and
 - (c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.
3. Members, when requiring, as a condition of approving the marketing of pharmaceutical or of agricultural chemical products which utilize new chemical entities, the submission of undisclosed test or other data, the origination of which involves a considerable effort, shall protect such data against unfair commercial use. In addition, Members shall protect such data 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.

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^[10] For the purpose of this provision, “a manner contrary to honest commercial practices” shall mean at least practices such as breach of contract, breach of confidence and inducement to breach, and includes the acquisition of undisclosed information by third parties who knew, or were grossly negligent in failing to know, that such practices were involved in the acquisition.

Art. 39.3, JWIP 6 (2003) 1, 139–154; *G. L. Skillington & E. M. Solovy*, The Protection of Test and Other Data Required by Article 39.3 of the TRIPS Agreement, *Nw. J. Int'l L. & Bus.* 24 (2003) 1, 1–52; *A. Sadi*, Innovationsschutz im TRIPS-Übereinkommen, 2004; *M. Bronckers & P. Ondrusek*, Protection of Regulatory Data in the EU and WTO Law,—The Example of REACH, JWIP 8 (2005) 5, 579–598; *R. Dinca*, The “Bermuda Triangle” of Pharmaceutical Law—Is Data Protection a Lost Ship?, JWIP 8 (2005) 4, 517–563; *I. Meitinger*, Implementation of Test Data Protection According to Article 39.3 TRIPS—The Search for a Fair Interpretation of the Term “Unfair Commercial Use”, JWIP 8 (2005) 2, 123–139; *K. Timmermans*, Intertwining Regimes: Trade, Intellectual Property and Regulatory Requirements for Pharmaceuticals, JWIP 8 (2005) 1, 67–74; *M. P. Pugatch*, Measuring the Strength of National Pharmaceutical Intellectual Property Regimes: Creating a New Pharmaceutical IP Index, JWIP 9 (2006) 4, 373–391.

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¹ Regulation (EC) No. 726/2004 of the European Parliament and of the Council of 31 March 2004 Laying down Community Procedures for the Authorization and Supervision of Medicinal Products for Human and Veterinary use and Establishing a European Medicines Agency, OJ 2004 L 136/1 *et seq.*

² Council Directive 91/414/EEC of 15 July 1991 Concerning the Placing of Plant Protection Products on the Market, OJ 1991 L 230/1 *et seq.*

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A. The Law of Unfair Competition with Regard to Undisclosed Information

I. Development of International Rules on Unfair Competition

The revision of the Paris Convention done in Brussels on 14 December 1900 marks the birth of the Arts 10*bis* and 10*ter* PC and thus has to be considered as the beginning of the international rules on **unfair competition**.³ By the end of the Uruguay Round (1986–1994) this approach found its way into WTO law. In a few passages, among others in Part VII, certain concepts of protection were incorporated into the TRIPS Agreement. The need to enact legal rules on unfair competition in the WTO framework was mainly centred on the drafting of the TRIPS Agreement.⁴ However, the TRIPS Agreement does not contain a comprehensive set of rules on unfair competition.⁵

The protection of **undisclosed information** in particular is based on the understanding that there is a growing demand for the transfer of technology. This issue was emphasized primarily by developing countries during the

³ See *Peter*, Article 7, para. 2.

⁴ *Fikentscher*, in: *Beier & Schriker* (eds), 226, 230 *et seq.*; *Heinemann*, in: *Beier & Schriker* (eds), 239 *et seq.*

⁵ *Cf. v. Gamm*, in: *Niederleithinger* (ed.), 197, 203.

Uruguay Round.⁶ A basic prerequisite for the transfer of technology is the efficient protection not only of industrial property, but also of undisclosed (and not to be disclosed) information.

II. Purpose of the Provision

- 3 Comprehensive regulations on trade-related aspects of intellectual property require the protection of knowledge which is not subject to a traditional legal monopoly. Apart from parent provisions of the Paris Convention, Art. 39 constitutes the first multinational instrument for the protection of valuable information that has not been part of the concepts of either industrial property or copyright.
- 4 The purpose of the provision is to facilitate trade by tackling the trade barrier which consists of an excessive requirement that company secrets not be disclosed. The underlying assumption is that a lack of protection of trade secrets impedes research and development, the engine of economic progress.⁷ The risk of disclosure of information to competitors in the course of a long-lasting admission procedure for pharmaceuticals may illustrate the economic value of certain information.⁸

III. Historical Development

- 5 Since the Uruguay Round negotiating mandate and the scope of the TRIPS Agreement are limited, undisclosed information by definition had to be qualified as intellectual property in order to comply with these prerequisites.⁹ The issue was strongly debated during the Uruguay Round. Developing countries and countries in transition, among others India,¹⁰ Brazil¹¹ and

⁶ See *e.g.* Negotiation Group on TRIPS, including Trade in Counterfeit Goods, Guidelines for Negotiations that Strike a Balance between Intellectual Property Rights and Development Objectives, Communication from Peru, MTN.GNG/NG11/W/45, 27 October 1989, 2.

⁷ See *Reger*, 237.

⁸ *Blakeney*, 107.

⁹ See Ministerial Declaration on the Uruguay Round, MIN.DEC, 20 September 1986: "In order to reduce the distortions and impediments to international trade, and 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 barriers to legitimate trade, the negotiations shall aim to clarify GATT provisions and elaborate as appropriate new rules and disciplines."

¹⁰ Negotiation Group on TRIPS, including Trade in Counterfeit Goods, Meeting of 12–14 July 1989, Note by the Secretariat, MTN.GNG/NG11/14, 12 September 1989, 43; Negotiation Group on TRIPS, including Trade in Counterfeit Goods, Meeting of 30 October–2 November 1989, Note by the Secretariat, MTN.GNG/NG11/16, 4 December 1989, 32 *et seq.*; Negotiation Group on TRIPS, including Trade in Counterfeit Goods, Meeting of 11, 12 and 14 December 1989, Note by the Secretariat, MTN.GNG/NG11/17, 23 January 1990, 26.

¹¹ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Communication from Brazil, MTN.GNG/NG11/W/57, 11 December 1989, 8.

Peru,¹² argued that disclosure is a basic feature of all intellectual property and—once the disclosure has been performed—undisclosed information as such no longer exists. However, industrialized countries, above all Switzerland¹³ and the United States,¹⁴ prevailed by stressing the intellectual endeavours and investments that are needed to obtain this information.

While Switzerland¹⁵ and the US¹⁶ had originally been in favour of an absolute prohibition of any transfer or use of such information by government agencies without the consent of the beneficiary, the European Community was initially hesitant to regulate the matter.¹⁷ **Absolute protection** means that even *bona fide* disclosure of protected information inevitably results in an infringement. Thus, absolute protection does not allow the exclusion of liability. Paradoxically, this proposal exceeded even the demands of industry pressure groups and was rejected in the course of the negotiations. Rather, the concept of **relative protection** based on a draft of the European Community prevailed. Relative protection does not just require the factual disclosure of information, but is subject to the condition that disclosure was carried out in a manner contrary to honest commercial practices.

Art. 39.3 TRIPS in particular accords with the demands of the private sector and is based upon drafts submitted by Switzerland and the US. The provision acknowledges that the notification of data to government agencies generally involves a risk that this information may *de facto* be disclosed to or used by third parties. Eventually, the final outcome is a compromise which leaves Members considerable discretion in terms of legal implementation, particularly with regard to potential exclusions from the scope of protection.

¹² MTN.GNG/NG11/W/45, 5.

¹³ Negotiation Group on TRIPS, including Trade in Counterfeit Goods, Standards and Principles concerning the Availability, Scope and Use of Trade-Related Intellectual Property Rights, Communication from Switzerland, Addendum on Proprietary Information, MTN.GNG/NG11/W/38/Add. 1, 11 November 1989, 1 *et seq.* and MTN.GNG/NG11/17, 23 *et seq.*

¹⁴ Negotiation Group on TRIPS, including Trade in Counterfeit Goods, Meeting of 12–14 September 1988, Note by the Secretariat, MTN.GNG/NG11/9, 13 October 1988, 6 *et seq.*

¹⁵ MTN.GNG/NG11/W/38.

¹⁶ Negotiation Group on TRIPS, including Trade in Counterfeit Goods, Suggestion by the United States for Achieving the Negotiating Objective, MTN.GNG/NG11/W/14, 20 October 1987.

¹⁷ Negotiation Group on TRIPS, including Trade in Counterfeit Goods, Guidelines proposed by the European Community for the Negotiations on Trade Related Aspects of Substantive Standards of Intellectual Property Rights, MTN.GNG/NG11/W/26, 7 July 1988, 10.

IV. Concept of Unfair Competition

- 8 The controversy concerning absolute versus relative protection of undisclosed information ultimately arises out of different national legal traditions and a continuing debate on the nature of the subject of protection and of the rights assigned to the holder of such information. In common law systems advocates of the concept of “breach of confidence” frequently assume that protection requires that the legitimate holder of information have an exclusive right to it. This right is based on property, equity or tort law.¹⁸ In contrast, the continental European tradition favours an indirect approach which prohibits certain acts deemed dishonest or unfair in terms of competition, tort or criminal law, but does not regard the information as such to be subject to an exclusive right. This discrepancy mainly originates from the different concepts of property shaped within these legal traditions.¹⁹
- 9 Although Art. 1.2 *per se* defines undisclosed information as intellectual property, the reference to the Paris Convention and the wording of Art. 39 leave no doubt that the Members did not intend to add another element to the *numerus clausus* of intellectual property rights, nor did they adopt a property-based concept of protection. In referring to protection against “unfair competition”, but also in avoiding terms such as “owner” frequently used in patent or trademark provisions the TRIPS does not oblige Members to confer property-like exclusive rights on holders of undisclosed information.²⁰ Rather, the concept of unfair competition law prevailed.

V. Scope in Relation to the Paris Convention

- 10 The scope of Art. 39 cannot be defined by simply recalling the so-called Paris Plus approach. The basic premises of Paris Plus remain untouched. First, Art. 39 expressly incorporates Art. 10*bis* PC, thereby clarifying the general rule of Art. 2.1 TRIPS. Secondly, Art. 2.1 TRIPS extends the substantive law of unfair competition contained in Art. 10*bis* PC to those WTO Members which are not contracting parties of the Paris Convention. However, the footnote to Art. 39 adds an additional element of substantive law to the Paris Plus approach. This footnote contains a binding interpretive note which applies equally to the wordings of Art. 39 TRIPS and Art. 10*bis* PC.
- 11 The question remains whether or not Art. 39 increased the level of protection in comparison to Art. 10*bis* PC. A majority of Anglo-American commentators take the view that Art. 10*bis* PC as such does not include the

¹⁸ See *Maier*, 165 *et seq.*; *Reger*, 240 *et seq.*; *Sasdi*, 201 each with further references.

¹⁹ *Correa*, 366 *et seq.*

²⁰ *Ibid.*

protection of undisclosed information.²¹ Accordingly, these authors argue that Art. 39 has wider scope. The contrary opinion assumes a broader interpretation of Art. 10*bis* PC.²² Consequently, these commentators take the view that Art. 39 merely results in the additional protection of a (Paris) Union country's own nationals.

B. Interpretation of Art. 39.1

I. Notion of Undisclosed Information

Following the European Community's proposal the notion of "undisclosed information" was chosen, because it had neither been subject to national legal definitions nor been derived from traditional concepts of industrial property, and as such was regarded as unencumbered. Undisclosed information is **know-how**, *i.e.* the knowledge to utilize a patented invention and the proficiency to conduct a patented process.²³ In addition, the notion of undisclosed information encompasses autonomous **company secrets**, *i.e.* knowledge that is typically not associated with a traditional industrial property regime.²⁴ An initially broad interpretation is to be preferred, which includes general confidential business information and knowledge that is to be qualified as an asset in operating a business in a specific industry sector. Art. 39 likewise applies to commercial and technical information.²⁵ 12

However, the notion of undisclosed information is not unlimited. Its interpretation has to take into consideration "the ordinary meaning of the terms of the treaty in their context and in the light of its object and in the light of its objective and purpose" (Art. 3.2 DSU, Art. 31 VCLT). In terms of the context of the TRIPS Agreement it should be noted that undisclosed information has to be trade-related. Accordingly, purely **private information** is not protected by Art. 39. Moreover, the underlying purpose of Art. 39 is to ensure effective protection against unfair competition. Thus, information which does not affect a national's **competitive position** is to be excluded from the scope of Art. 39, even if it has been classified as confidential by the holder (*argumentum e contrario*). 13

Information is **undisclosed** if it meets the conditions set out in Art. 39.2 14
 lits a to c, which accord with the provisions of Art. 1711.1 lits a to c NAFTA.

²¹ *Blakeney*, 103.

²² See *Reger*, 254.

²³ Know-how is defined in Commission Regulation (EC) No. 240/96 of 31 January 1996 on the Application of Article 85(3) of the Treaty to Certain Categories of Technology Transfer Agreements, OJ 1996 L 031/2; see *Dinwoodie & Hennessey & Perlmutter* (cfs), 509 *et seq.*

²⁴ See *Blakeney*, 105 *et seq.*; *Reger*, 256 *et seq.*

²⁵ *Correa*, 373; *Meili*, 142.

The information has to be secret and its commercial value has to be causally determined by its secrecy. Furthermore, the information has to have been subject to reasonable steps taken by the person lawfully in control of the information to keep it secret.

II. Chapeau Structure of Art. 39.1

- 15 Apart from referring to Art. 10*bis* PC, Art. 39.1 constitutes a **basic regulation** protecting undisclosed information, but likewise emphasizes that protection is subject to the conditions specified in the following substantive legal norms of Arts 39.2 and 39.3. Therefore, Art. 39.1 has a **chapeau structure** which gives guidance on the interpretation of the provisions which follow, but does not contain an autonomous legal regulation. Moreover, Art. 39.1 expressly names the “Members” as the rule’s addressees.²⁶ Notwithstanding the more general debate on the legal nature of the TRIPS, the wording is unambiguous and rules out the direct effect of the provision.²⁷

C. Protection Under Art. 39.2

I. Personal Scope of Protection

- 16 The wording of Art. 39.2 TRIPS applies to **natural and legal persons**. This wide circle of beneficiaries leaves little scope for limitations. However, the unique notion of “natural and legal persons” does not override the general provision of Art. 1.3. There is no evidence that Art. 39.2 constitutes *lex specialis*. Therefore, the determination of the personal scope of Art. 39.2 initially applies to “nationals” as set out in Art. 1.3. The regulation does not explicitly exclude **legal persons under public law**. Whether or not public entities are protected largely depends on their jurisdiction and whether they act in the field of competition. Quite frequently, national jurisdictions do not grant (full) legal personality to certain **associations of persons**. The TRIPS Agreement does not contain specific rules for such associations. Consequently, according to the capacity to be the subject of legal rights remains in the Members’ domain. Nevertheless, natural persons forming or being members of such associations cannot be excluded from the scope of Art. 39.2.

²⁶ See *v. Gamm*, in: *Niederleithinger* (ed.), 197, 205; *Stoll & Raible*, in: *Priß & Berrisch* (eds), 599.

²⁷ *R. v. Comptroller General of Patents ex parte Lenzing*, *High Court* (Queen’s Bench Division), Patent Court, [1997] R.P.C. 245, 273: “conclude that the WTO and TRIPS is not capable of having direct effect.”

Protection can exclusively be claimed by persons who **lawfully control** 17 the information in question. The phrase “lawfully within their control” does not constitute a characteristic of the protected information, but rather a mandatory qualification of the beneficiary of Art. 39.2. **Control** of information is solely dependent on the factual situation. Control is the ability to use the information and to disclose it to any third person. Hence, a licensee controls information to the same extent as the licensor. In order to qualify as **lawfully** controlled the information does not have to be the result of a person’s (or its staff’s) own intellectual endeavours. Achievements of any other person are lawfully within control provided the originator has agreed to exchange the respective information. However, lawfulness as such remains an element to be defined by national legislators.

II. Subject Matter of Protection

The substantive prerequisites for information to qualify for the protection 18 of Art. 39.2 are contained in lits a to c. Although these rules do not define the term “information” as such,²⁸ they clearly set out the conditions under which information is to be regarded as “undisclosed”.

1. Secrecy

Pursuant to Art. 39.2 lit. a information is undisclosed if it is **secret**, *i.e.* 19 not generally known or readily accessible. These criteria establish a relative secrecy standard.²⁹ The natural or legal person seeking protection does not have to be the only one in control of the information. Nevertheless, the benchmark for general knowledge and the accessibility of the information is not the whole of the public domain, but rather the knowledge of people within the circles that normally deal with the kind of information in question. The provision suggests a sector-specific analysis, taking into account the nature of information, its specific use and commercial value in the industry in question as well as the extent to which the information constitutes a competitive advantage. Circles which normally deal with that kind of information are certainly, but not exclusively, existing competitors. In addition, other interested parties not yet competing with the holder of the information but willing to do so may be included in the circles, provided the commercial value of the information is the subject of their interest.

Under what circumstances information can be regarded as **generally** 20 **known** is still subject to debate. Under the relative concept of secrecy it is beyond doubt that the information may be known by a limited group

²⁸ See paras 12 *et seq.* above.

²⁹ *UNCTAD/ICTSD*, 529; *Correa*, 372 *et seq.*

of competitors.³⁰ It has been suggested that general knowledge of certain information demands that the majority of persons within the interested circles (net of the legitimate holder and licensees) have to be aware of the information.³¹ Other authors take the view that this suggestion overemphasizes protection and, accordingly, favour the idea that the group of persons knowing the information has to be smaller in number and to some degree definable.³²

- 21 Moreover, the information must not be **readily accessible**. National interpretations of this criterion differ considerably. In the US information is considered secret if disclosure is subject to considerable difficulties, whereas *e.g.* German case law stresses that information cannot be disclosed and imitated without some time and effort and by at least overcoming certain obstacles.
- 22 Art. 39.2 does not state whether information is readily accessible if it can be obtained by **reverse engineering**. Marketing a product provides competitors with the opportunity to obtain certain information, such as the manufacturing process or the product formulae, by analysing it. It should be noted that reverse engineering is not expressly prohibited by Art. 39.2, and in many jurisdictions is deemed a lawful means of obtaining product-embedded information.³³ Other legal systems permit reverse engineering under certain premises set by the laws of copyright. In this instance, the question is comparable to the disclosure of information to a licensee. In this similar situation it is not assumed that the particular information becomes generally known. Given the underlying *rationale* of the TRIPS as to set minimal standards of protection, the mere possibility of reverse engineering should not be equated with ready accessibility.
- 23 The subject of protection is not just information as a body. It is sufficient that the precise **configuration** and **assembly** of its content are secret. Hence, individual parts of information may already be known as long as a beneficial combination of them is not known or readily accessible.

2. Commercial Value

- 24 Information is exclusively covered by Art. 39.2 lit. b if it has **commercial value because it is secret**. In other words, the commercial value of the information has to be causally determined by its secrecy. Conversely, commercially completely valueless information is not protected by Art. 39.2 regardless of the individual motives for its disclosure, because secrecy

³⁰ *Correa*, 373.

³¹ *Portellano Díez*, in: *Iglesias Prada* (ed.), 335, 344.

³² *Reger*, 260 *et seq.* with further references.

³³ *UNCTAD/ICTSD*, 529 with further references.

cannot add any value to it. The value of the information has to be actual, not potential.³⁴ However, Art. 39.2 does not define to what extent the value needs to be the result of the secrecy of the information. The wording does not imply that secrecy has to be the exclusive reason for this value. Again, in determining the commercial value of the information one should take into consideration the extent to which it provides an opportunity to obtain an advantage over competitors who do not know or use it.³⁵ Given the context of the regulation³⁶, it follows that the competitive advantage has to constitute a considerable part of the commercial value.

3. Reasonable Steps to Maintain Secrecy

Finally, the information has to have been subject **to steps** which under the circumstances **are reasonable**, taken by the person lawfully in control of it, **to keep it secret** (Art. 39.2 lit. c). The term “steps” implies the beneficiary’s obligation to take action. Passive reliance upon random non-disclosure does not suffice. On the other hand, the provision does not expressly require specific measures. Such measures may comprise technical security precautions such as the encryption of data, keys giving access to computerized information, restricted access to laboratories.³⁷ Contractual relationships with customers should be carefully drafted with regard to non-disclosure clauses or agreements. With regard to human resources, measures should include the employment of qualified staff, directing employees not to disclose the information in question and, in the event that under national employment law a general contractual relationship is not sufficient, a separate non-disclosure agreement. The last arises, *inter alia*, when employees leave to work for a competitor.³⁸ Whether or not one, a combination, or all of these measures have to be implemented is subject to the normative criterion of **reasonableness**. 25

The **circumstances** to be taken into consideration by the holder include the actual value of the information, the interconnection of value and secrecy, factual difficulties in keeping the information secret (vulnerability of the information). Concrete exposures are to be taken into account. However, Art. 39.2 lit. c does not require excessive countermeasures to be taken against industrial espionage. First, the standard of protection granted by TRIPS cannot depend on the ruthlessness of potential violators. Secondly, pursuant to Art. 39.2 lit. c the steps are to be **reasonable**. The term “reasonable” should be interpreted by taking into account what is normally done in similar 26

³⁴ *Ibid.*, Correa, 373.

³⁵ UNCTAD/ICTSD, 529.

³⁶ See para. 19 above.

³⁷ Reger, 263; Correa, 373.

³⁸ Gervias, para. 2.356.

circumstance by competitors.³⁹ Therefore, national law which requires costly, extensive, or commercially unacceptable measures to prevent disclosure in order for a person to qualify for protection violates Art. 39.2.

- 27 The corresponding requirements in national jurisdictions differ considerably.⁴⁰ Since the TRIPS Agreement sets out the minimum standards of protection to be provided by the Members, national law may grant more extensive protection, provided that such protection does not contravene the provisions of the TRIPS (Art. 1.1), and as long as these regulations do not constitute barriers to trade inconsistent with other WTO law.⁴¹

III. Infringements

1. Basic Elements of an Infringement

- 28 Pursuant to Art. 39.2 an infringement initially requires certain **acts of** disclosure to, acquisition by, or use of protected information by others. **Disclosure** means providing access to the information to one or more third persons including complete disclosure by publishing the information. **Acquisition** characterises a passive act, which in principle can be committed by simply receiving the information. Both the acquisition and **use** of information require a previous disclosure. The inclusion of “use” as an act of infringement indicates that Art. 39.2 does not require a positive identification of the source of information, which may not always be easy to determine.⁴²
- 29 In order to qualify as infringements all the aforementioned acts have to be carried out **without the consent** of the legitimate holder of the information. Since Art. 39.2 does not prescribe a specific form of consent any approval may suffice.

2. In a Manner Contrary to Honest Commercial Practices

- 30 Any act of infringement must be committed **in a manner contrary to honest commercial practices**. Footnote 10 is an integral part of the TRIPS and an example of a Paris Plus element since there is no corresponding provision in the Paris Convention.⁴³ The footnote illustrates what this element “at least” shall mean and includes practices “such as” breach of contract, breach of confidence and inducement to breach. The word-

³⁹ *Correa*, 373.

⁴⁰ See for Germany *Bundesgerichtshof, Möbelwachspaste* GRUR 57 (1955) 8/9, 424–26; *Bundesgerichtshof, Wurfstaubenpresse*, GRUR 63 (1961) 1, 40, 43; See for the US *E.I. du Pont de Nemours & Co. Ltd. v. Christopher*, 431 F2d 1012 (5th Cir.); *Technicon Data Systems v. Curtis 1000 Inc.*, (1985) 224 USPQ 286, 290.

⁴¹ Disagreeing *Ullrich*, in: *Beier & Schricker* (eds), 357, 374 *et seq.*

⁴² *Gervais*, para. 2.180.

⁴³ Article 1721.2 NAFTA contains an identical provision.

ing implies that these practices are non-exhaustive examples which reduce possible differences in application of the provision.⁴⁴ Thus, other practices contrary to honest commercial practices may also be identified.

A **breach of contract** can be determined solely by legally interpreting the contract in question. The contract does not necessarily have to contain an explicit clause prohibiting non-disclosure. Violation of an unwritten accessory contractual obligation can suffice. In this context, there has been criticism that the footnote does not provide any criteria for the legitimacy of non-disclosure clauses and their contents.⁴⁵ Indeed, in referring to a breach of contract the footnote inherently incorporates prerequisites set by national law. However, it cannot be concluded that there are no constraints on Members' legislative discretion. On the one hand, Art. 39.2 and the corresponding footnote demand that Members' legal systems at least have to provide for any modality of effective contractual protection. On the other hand, Arts 7 and 8.2 of and the Preamble to TRIPS indicate that excessive legal protection restraining trade or the transfer of technology is undesirable, if not a violation of other WTO Agreements. This upper limit accords with the protection of trade secrets and also with Art. 39.2. The remaining scope is consistent with the concept of minimum standards of protection (Art. 1.1) and conforms to the underlying denial of absolute protection.⁴⁶ 31

The distinction between accessory contractual obligations and **breaches of confidence** is not definitive and largely depends on the characteristics of national legal systems. Disclosure performed by an employee could therefore fall into either of the categories, while any act of infringement carried out after the termination of employment would rather constitute a breach of confidence.⁴⁷ In any event, a breach of confidence requires a previous commercial relationship between the infringer and the beneficiary, although this relationship need be neither significant nor long-lasting. However, infringements by persons completely unrelated to the beneficiary do not constitute a breach of confidence. The most glaring examples of infringements such as commercial espionage or theft of information can be committed without there being any prior relationship with the beneficiary, be it contractual or based on confidence. Yet, it is beyond doubt that these practices are carried out in a manner contrary to honest commercial practices. Originally, a US draft of the footnote had expressly listed "theft, bribery (...), electronic and 32

⁴⁴ *Correa*, 370, 372; *UNCTAD/ICTSD*, 528.

⁴⁵ *Staehelin*, 168; *Ullrich*, in: *Beier & Schricker* (eds), 357, 375, fn. 63.

⁴⁶ See para. 6 above.

⁴⁷ See *Baumbach & Hefermehl*, § 17 German Act of Unfair Competition, para. 14, for German legislation.

other forms of commercial espionage”.⁴⁸ However, the delegates refrained from adopting this wording. There was consensus that these practices inherently constituted a manner contrary to honest commercial practices.⁴⁹

3. Infringements Committed by Third Parties

a) Types of Third-Party Infringements

- 33 Footnote 10 to Art. 39.2 distinguishes between two types of infringements committed by third parties, *i.e.* by persons who do not directly interact with the legitimate holder of the undisclosed information. First, the footnote prohibits “**inducement to breach**”. The wording implies that an inducement can apply to a breach of contract as well as to a breach of confidence. However, inducement is restricted to acts of incitement and persuasion and implies that the infringer does not have an own (contractual) relationship with the beneficiary. Secondly, the footnote refers to the **acquisition** of undisclosed information, which is explicitly mentioned in Art. 39.2 as one of the possible basic elements of an infringement.⁵⁰ Hence, the footnote makes it clear that an acquisition is conducted in a manner contrary to honest commercial practices if the acquirer knew, or was grossly negligent in failing to know, that “such practices” (*i.e.* breach of contract, breach of confidence) were involved. Thus, the footnote refers to the traditional concept of bad faith.

b) Concept of Bad Faith

- 34 The actual **knowledge** by a third party of previous infringements may be unambiguous in terms of interpretation (but in practice will be hard to ascertain). On the other hand, **gross negligence** poses fewer challenges on the evidence, but leaves considerable interpretative scope. Consequently, some commentators advocate that any degree of negligence suffices. It has been argued that excessive requirements would impede protection.⁵¹ Others reason that the term “gross negligence” is to be interpreted without applying criteria developed in national judicial systems, and point out that Art. 45.1 does not lay down any specific legal consequences for gross negligence.⁵²
- 35 While it is true that Arts 44.1 and 45.1 contain a uniform and less strict standard of negligence (“with reasonable grounds to know”), it is questionable whether it should also be applied to Art. 39.2. Apart from the

⁴⁸ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Draft Agreement on the Trade-Related Aspects of Intellectual Property Rights, Communication from the United States, MTN.GNG/NG11/W/70, 11 May 1990, 13, fn. 5.

⁴⁹ *Reger*, 268 *et seq.*

⁵⁰ See para. 28 above.

⁵¹ *Bikoff & Wilson*, Copyright World 1994, 27, 31.

⁵² *Stachelin*, 168.

unambiguous wording of the footnote, the provisions serve fundamentally different objectives. Art. 39 defines the terms of protection, whereas Arts 44 and 45 lay down standards for procedures and remedies. Hence, the latter apply only if an infringement pursuant to Art. 39 has previously been determined. The transfer of the degree of negligence from Arts 44.1 and 45.1 to Art. 39.2 does not conform to the *lex specialis* doctrine. Like the superordinate concept of “dishonest practices” itself, gross negligence is a relative concept and its contents are dependent on the assumptions under the national law and business culture of the Member in which protection is sought.⁵³

Gross negligence requires noticeable manifestations that would inevitably lead a prudent businessman to consider the source and nature of such information, such as the considerable commercial value of the information, the presumably immense cost of its creation, the lack of customary measures to protect its secrecy, dubious circumstances of communication.⁵⁴ 36

As long as acquirers act and remain in good faith, they are exempt from liability. Even the publication of the previously undisclosed information, ultimately destroying the subject of protection, would not qualify as being contrary to honest commercial practices. Likewise, Art. 39.2 does not grant protection against **accidentally disclosed** information.⁵⁵ Such oversights constitute contributory negligence attributable to the legitimate holder. 37

c) *Ex Post* Bad Faith

Even *ex post bad faith* rules out that the information was acquired in a manner contrary to honest commercial practices. Since Art. 39.2 proscribes certain acts, thereby establishing behavioural rules, the point in time at which these acts were actually committed is decisive. Otherwise, the protection of undisclosed information would approximate traditional concepts of intellectual property, which was obviously not intended by WTO Members.⁵⁶ 38

The question remains whether Art. 39.2 TRIPS lays down any future obligations after the *bona fide* acquirer became aware of the previously undisclosed nature of the information. Is the acquirer compelled to refrain from further disclosure or use of such information? Some authors hold the view that even in this case the previous good faith exempts the acquirer from any future obligations.⁵⁷ This approach is not compelling, because it ignores the fact that further disclosures carried out in *ex post* bad faith include the same degree of behavioural dishonesty as those committed with *ex ante* knowledge. 39

⁵³ *Gervais*, para. 2.357.

⁵⁴ *Reger*, 271.

⁵⁵ *Ibid.*, 275 *et seq*; *Krasser*, in: *Beier & Schricker* (eds), 216, 223.

⁵⁶ *Ibid.*

⁵⁷ *Ibid.*; *Heinemann*, in: *Beier & Schricker* (eds), 239, 240.

The contrary opinion, prohibiting any further use of the information, is likewise too inflexible. The previously *bona fide* acquirer may, while acting in good faith, have made investments which remain worthy of protection. A preferable approach would therefore have to differentiate between further disclosures and uses of the information.⁵⁸ As long as the information has not been made public, the beneficiary shall have the ability to prevent the *bona fide* acquirer from further disclosing the information (Art. 39.2). As of the moment at which the acquirer knows, or is grossly negligent in failing to know, the nature of such information, but nevertheless discloses it, the beneficiary shall be entitled to payment of compensation and expenses pursuant to Arts 39.2 and 45. Although the *bona fide* acquirer may use the information prospectively, it would be enough to make this further use subject to the payment of adequate compensation, which should approximate to the customary licence fee.

4. Chain Disseminations

- 40 The dishonest acquirer may pass on the previously undisclosed information to further third persons. This act qualifies as another disclosure pursuant to Art. 39.2. Accordingly, a chain of dishonest disclosures and acquisitions is covered by Art. 39.2 as long as all of these acts are committed in a manner contrary to honest commercial practices.⁵⁹ However, this chain may be interrupted by a *bona fide* acquisition, which exempts only the acquirer from liability.

IV. Possibility of Preventing

- 41 The clause “natural and legal persons shall have **the possibility of preventing**” describes the legal consequence following an infringement of Art. 39.2 TRIPS. At first sight, the wording seems directly to accord a legal claim to the nationals of WTO Members. However, the provision has to be interpreted in the context of Art. 39.1. Rather, this chapeau provision obliges WTO Members to provide legal instruments to their nationals to enable them to prevent infringements. Therefore, Art. 39.2 has no direct effect and does not establish exclusive rights.⁶⁰
- 42 The wording has been interpreted as giving the Members broad scope to determine the means to be applied to prevent the listed practices such as civil or commercial sanctions, or criminal sanctions.⁶¹ Nevertheless, the leg-

⁵⁸ *Reger*, 274 *et seq.*; Resolution of the International Association for the Protection of Intellectual Property (AIPPI) of 1995 as to Question 115, GRUR Int. 45 (1996) 10, 1037, 1042 *et seq.*

⁵⁹ *Reger*, 271; of a contrary opinion are *Bikoff & Wilson*, Copyright World 1994, 27, 31.

⁶⁰ *Correa*, 370; for a contrary opinion see *Reger*, 282 *et seq.*

⁶¹ *Correa*, 370.

islative and judicial discretion of Members is limited insofar as the minimal standards of Part III of the TRIPS Agreement have to be implemented. These include at least injunctions and claims to adequate damages (Arts 44 and 45) as well as provisional measures (Art. 50).

D. Protection of Undisclosed Data Submitted for Marketing Approvals of Pharmaceutical or Agricultural Chemical Products (Art. 39.3)

I. Regulatory Environment

1. National Regulation

a) *Rationale for Marketing Approvals*

Most countries regulate the marketing of pharmaceutical and agricultural chemical products in order to ensure that they are safe and effective.⁶² The *rationale* for such approvals is to obtain a proper risk assessment of drugs and agrochemicals in relation to human, animal and plant health, their impact on the environment and efficacy of use.⁶³ However, government agencies do not test these products in their own facilities, but rather require the applicant to submit substantive evidence of their safety and effectiveness. Thus, the approval is subject to the ability of the applicant to prove that the benefits of using the product outweigh possible side-effects. Testing of pharmaceutical products usually includes a pre-clinical phase (animal testing), followed by the clinical trials (testing in humans) and additional evidence of the safety and consistency of the manufacturing process.⁶⁴ Marketing authorizations are granted for a specific product and can further limit its utilization to a specific treatment. In the latter case, different uses or new treatments must also be approved by the regulatory authority.⁶⁵

In developed countries the procedure for obtaining a marketing approval for a drug takes seven years on average.⁶⁶ All in all, estimates of the average costs of developing a new, innovative drug vary from US \$ 100 to 800 million.⁶⁷ It has been calculated that clinical costs of the development

⁶² See *Arrivillaga*, JWIP 6 (2003) 1, 139, 145 and *Skillington & Solovy*, Nw. J. Int'l L. & Bus. 24 (2003) 1, 1, 6 *et seq.* for introductory illustrations of the approval procedure and *Dinea*, JWIP 8 (2005) 4, 517, 519 *et seq.* for a detailed description with regard to pharmaceuticals.

⁶³ *Correa*, 377; *UNCTAD/ICTSD*, 530.

⁶⁴ *Skillington & Solovy*, Nw. J. Int'l L. & Bus. 24 (2003) 1, 1, 7.

⁶⁵ *Arrivillaga*, JWIP 6 (2003) 1, 139, 142.

⁶⁶ *Ibid.*, 139.

⁶⁷ *WHO & WTO Secretariat* (eds), *WTO Agreements & Public Health*, 2002, 93, with further references.

of a new drug account for more than 50 per cent of the total development costs.⁶⁸ The amount of evidence to be submitted varies between national jurisdictions and may depend on whether or not the product utilizes a formerly unknown active ingredient or has already been approved by other (foreign) regulatory bodies.

b) Concept of Data Exclusivity

45 Traditionally, many industrialized countries require detailed and elaborate sets of data regardless of prior existing approvals. These countries frequently implement a data exclusivity system for protecting marketing approval data from unauthorized use by others.⁶⁹ After a certain exclusivity period has expired, generic manufacturers can market competing products without having to perform their own testing procedures in advance provided there is no patent protection. In contrast, many developing countries and countries in transition tend to acknowledge former domestic and foreign approvals and do not grant an exclusivity period. Thus, competitors applying for a marketing authorization of the same pharmaceutical or agrochemical product are allowed to rely on the test results of the first applicant from the moment the first approval is granted.

46 The issue of data exclusivity raised a fundamental and controversial debate, and it is no surprise that “the battle lines over data exclusivity are predictably drawn between net exporters and net importers of intellectual property”.⁷⁰ Undoubtedly, data exclusivity creates a market entry barrier to the benefit of the originator of the product. Advocates of data exclusivity argue that the resulting monopoly rewards and compensates the first applicant for the vast investments made in generating and compiling the data. Opponents plead that test results belong in the public domain and data exclusivity leads to needless repetition of testing procedures, an unethical burden for human test subjects and a waste of resources.⁷¹ Moreover, data exclusivity is regarded as adding costs to consumers and the public health systems as it impedes competition. In many ways, the reasoning resembles the debate on patents for pharmaceutical products.

2. Patent Law

47 The TRIPS contains detailed provisions on patents, which also apply for pharmaceutical and agricultural chemical products and processes. Since patent protection and data protection ultimately pertain to identical products, a proper interpretation of Art. 39.3 depends on the identification of the

⁶⁸ *Meitinger*, JWIP 8 (2005) 2, 123 with further references.

⁶⁹ *Fellmeth*, Harv. Int'l L.J. 45 (2004) 2, 443, 447.

⁷⁰ *Ibid.*, 448; *Correa*, Protection of Data, 5 *et seq.*

⁷¹ *Sasdi*, 206.

similarities in and differences between these legal regimes. First, the granting of a patent does not confer on the patentee the right to market the product or process.⁷² Secondly, test data for marketing approvals are usually not protected by patent law since these data are considered not to form a part of the invention of the product, but rather document existing medical cause-effect relationships.⁷³ Hence, market approvals must be requested even for non-patentable pharmaceutical or agrochemical products.

Ultimately, all of the above conclusions refer to the fundamental difference between the *rationales* for patent exclusivity and data exclusivity. “While the first rewards creation, whether involving investment or not, the latter rewards investment as such, the investment to comply with administrative requirements for first bringing on the market a certain product”.⁷⁴ In addition, it should be noted that the reward granted for this investment serves the purpose of reaching a good standard of public health.⁷⁵ 48

II. Subject Matter of Protection

The subjects of the protection under Art. 39.3 are undisclosed test or other **data** submitted for marketing approval of pharmaceutical or of agricultural chemical products. The term data as such does not reduce the scope of the provision in comparison to Arts 39.1 and 39.2, which refer to “information”. Rather, the purpose and the stipulated recipient (and addressee of the norm) of such data define their nature. The submission of such data has to be **a condition of approving the marketing** of pharmaceutical or of agricultural chemical products. Hence, the Member’s law governing marketing approval directly determines the subject matter of protection. Data not required for approval or exceeding the legal requirements are not protected by Art. 39.3, even if they were submitted during the marketing approval procedure.⁷⁶ Members may decide not to require any data for marketing approvals, but instead may acknowledge existing approvals of other Members.⁷⁷ The TRIPS does not oblige Members to deviate from this regulatory approach, which leaves Art. 39.3 TRIPS with no scope at all.⁷⁸ 49

TRIPS does not define what constitutes a **pharmaceutical or agricultural chemical product**, which leaves Members considerable regulatory 50

⁷² *Arrivillaga*, JWIP 6 (2003) 1, 139, 141.

⁷³ *Meitinger*, JWIP 8 (2005) 2, 123; *Sasdi*, 197.

⁷⁴ *Dunca*, JWIP 8 (2005) 4, 517, 538.

⁷⁵ *Arrivillaga*, JWIP 6 (2003) 1, 139, 141.

⁷⁶ *Ibid.*, 144; *Correa*, 377.

⁷⁷ *Correa*, 377.

⁷⁸ *Arrivillaga*, JWIP 6 (2003) 1, 139, 143 *et seq.*; *Meitinger*, JWIP 8 (2005) 2, 123, 125, fn 9.

discretion.⁷⁹ Given the ordinary meaning of these terms, a pharmaceutical product is a drug which is dispensed in pharmacies and used in medical treatment. The wording of Art. 39.3 does not suggest that the provision applies to human medicine alone. **Agricultural chemical products** (agrochemicals) can be defined as biologically active compounds such as herbicides, fungicides, pesticides or fertilizers. In contrast, animals and plants as such, regardless of whether developed by means of genetic engineering or conventional breeding, cannot be considered *chemical* products.

- 51 While the term **test** data addresses the actual clinical and pre-clinical tests run in advance of the approval, **other** data comprise, for instance, manufacturing, conservation and packaging methods and conditions.⁸⁰ In principle, the data may be submitted in any form: in writing, in computerized files, or in minutes of oral proceedings.⁸¹ In practice, the Members' laws display in detail the required formats of such data. Non-compliance with these formal requirements does not lead to a loss of protection as long as the data are substantially necessary for the marketing approval.
- 52 The chapeau provision of Art. 39.1 reveals that Art. 39.3 exclusively covers data submitted to **governments or governmental agencies**. Hence, data voluntarily made available to third persons by the legitimate holder of the information do not fall within the scope of Art. 39.3 (but may be subject to protection pursuant to Art. 39.2). However, in the light of the purpose of the provision the term governmental agency has to be interpreted broadly; otherwise Members could circumvent protection by simply assigning certain tasks of the approval procedure to private service providers. Therefore, a government agency is any entity to which the applicant has to submit the data to pursuant to the Member's legislation or an administrative directive.
- 53 Finally, the data submitted must be **undisclosed**. In this regard, Art. 39.3 repeats a prerequisite of the *chapeau* provision of Art. 39.1.⁸²

III. Conditions for Protection

1. New Chemical Entity

- 54 Members must at least protect data relating to pharmaceutical and agrochemical products which contain a **new chemical entity**. The clear wording implies that the entity itself has to be new, and not just its specific usage. Consequently, if a market approval for a second indication or a new

⁷⁹ *Skillington & Solovoy*, Nw. J. Int'l L. & Bus. 24 (2003) 1, 1, 25.

⁸⁰ *Correa*, 377.

⁸¹ *Sasdi*, 209; Disagreeing *Correa*, 377; *UNCTAD/ICTSD*, 530 who refers to written material.

⁸² See paras 12 *et seq.* above.

dosage form of a known entity is applied for, Art. 39.3 does not require Members to grant protection to any submitted data.⁸³ The question remains what constitutes novelty. New could either mean “novel” in the patent sense or simply not previously having been approved for marketing. Furthermore, Art. 39.3 does not clarify “whether newness should be absolute (universal) or relative (local)”.⁸⁴

Some Members and commentators take the view that the term “new” has not been defined in detail deliberately in order to preserve Members’ discretion.⁸⁵ In view of the ambiguous ordinary meaning of “new”, it is rather the context and the object and purpose of Art. 39.3 which determine its proper interpretation.⁸⁶ As for the context, it may be tempting to rely on the well-established interpretation of the notion of novelty within the patent system, since Arts 27.1 and 34.1 lit. a both refer to a “new” product as well. However, Art. 70.7 points in another direction. The provision refers to the introduction of “new matter” into applications which were pending on the date of application of the TRIPS. The regulation leads to two conclusions. First, there is no mandatory consistent interpretation of the term “new”. Secondly, novelty may also be determined with regard to the filing date and the information enclosed with an application at this point in time.⁸⁷ Ultimately, it cannot be ignored that Art. 39.3 and the patent provisions serve fundamentally different purposes.⁸⁸ A parallel to the patent regime would also lead to the unacceptable loopholes in protection concerning naturally occurring substances, even if the medical or agricultural use of these products was not known prior to the application.⁸⁹ Thus, the term “new” has to be interpreted as the absence of a prior application for marketing approval for such product. 55

2. Considerable Effort

Protection of data is subject to the condition that the origination of such data **involves considerable effort**. Again, the notion of considerable effort is not defined in the TRIPS Agreement. The provision neither illustrates whether these efforts need to be of technical, scientific, or financial nature, nor gives any explanation of what extent of effort would be regarded as considerable.⁹⁰ However, the resources devoted to complying with the 56

⁸³ *Fellmeth*, Harv. Int’l L.J. 45 (2004) 2, 443, 466 *et seq.*; *Sasdi*, 212.

⁸⁴ *Arrivillaga*, JWIP 6 (2003) 1, 139, 153.

⁸⁵ *Correa*, Protection of Data, 17.

⁸⁶ *Skillington & Solovoy*, Nw. J. Int’l L. & Bus. 24 (2003) 1, 1, 25 *et seq.*

⁸⁷ *Ibid.*, 26.

⁸⁸ See paras 47 *et seq.* above.

⁸⁹ *Skillington & Solovoy*, Nw. J. Int’l L. & Bus. 24 (2003) 1, 1 *et seq.*

⁹⁰ *Correa*, Protection of Data, 18.

average national obligations concerning pre-clinical and clinical tests as such would undoubtedly constitute a considerable effort.⁹¹

IV. Members' Obligations

1. Types of Obligations

57 Art. 39.3 covers two different facets of the protection of undisclosed test data.⁹² First, WTO Members must protect test data submitted to their regulatory bodies against **unfair commercial use**. The second sentence addresses regulatory authorities as such and **prohibits** them **from disclosing** submitted test data. Following the same legal consequence of non-disclosure, the second sentence complements the general provision of Art. 39.2. Consequently, protection against unfair commercial use means something more than mere non-disclosure; otherwise the provision would have no particular relevance.⁹³

2. Protection Against Disclosure (Art. 39.3, Sentence 2)

58 The non-disclosure obligation of Art. 39.3 is subject to reservations. Disclosure of data is not prohibited as long as it is necessary to protect the public or steps are taken to ensure that the data are protected against unfair commercial use. It is likely that the protection of the public refers to cases where the results of testing are doubted on scientific grounds. In such an event, Members may disclose the data to impartial third entities for verification. In any case, the term necessary suggests a parallel structure to other rules of WTO law which allow Members to deviate from obligations and commitments such as Art. 73, Art. XX GATT 1994 and XIV GATS. Consequently, the "necessity test" as applied by the panels and the Appellate Body may give methodical guidance in this regard.⁹⁴ However, necessity is not interpreted uniformly within WTO law. Rather, the meaning of "necessary" has to be determined within the light of the specific agreement of which it is part. Therefore, the Declaration on the TRIPS Agreement and Public Health⁹⁵ could be used as a guideline to ascertain measures necessary to protect the public.⁹⁶

⁹¹ *Sasdi*, 211; *Skillington & Solovoy*, Nw. J. Int'l L. & Bus. 24 (2003) 1, 1, 28.

⁹² *Meitinger*, JWIP 8 (2005) 2, 123, 126.

⁹³ *Ibid.*, 127; *de Carvalho*, 270.

⁹⁴ *Correa*, Protection of Data, 21.

⁹⁵ WT/MIN(01)/DEC/2.

⁹⁶ *Arrivillaga*, JWIP 6 (2003) 1, 139, 150.

3. Protection Against Unfair Commercial Use (Art. 39.3, Sentence 1)

Unlike the term “in a manner contrary to honest commercial practices”,⁵⁹ which is set out in footnote 10 to Art. 39.2, the agreement does not define “unfair commercial use”. Accordingly, the term has to be interpreted, in accordance with Arts 31 and 32 VCLT, on the basis of the ordinary meaning of the terms of the treaty in their context and the agreement’s object and purpose. Against the background of the current and predominant debate outlined above,⁹⁷ the question is whether or not allowing manufacturers of generic products to rely on test data submitted by the originator of a similar product constitutes an unfair commercial use.

To begin with, the term “**commercial use**” does not refer to acts of the regulatory authorities. Any act of such authorities, whether passing on such data or simply relying on them without giving second entrants access to it may be qualified as use of them.⁹⁸ However, this use is not a *commercial* use, since regulatory bodies do not have an economic interest in marketing pharmaceuticals or agrochemicals.⁹⁹ Their role is to ensure the safety and efficacy of such products. Furthermore, the context of Art. 39.3—explicitly addressing regulatory authorities in the second sentence and prohibiting them from disclosing information—indicates that a commercial use can be made only by competitors of the first entrant.⁶⁰

Therefore, the question is rather whether reliance on these data constitutes an unfair commercial use by second entrants. This has been denied simply on the ground that reliance on such data is indirect and cannot be considered as a **use**.¹⁰⁰ However, this interpretation is hardly in conformity with the ordinary meaning of the term *use*. Nothing in the provision denotes that this term solely refers to the active voice in the grammatical sense. Use is not restricted to obtaining and processing data. Rather, the second entrant makes use of the existing data by referring to them and profiting from their mere existence.¹⁰¹⁶¹

In interpreting the term **commercial use** it is the chapeau provision of Art. 39.1 which provides the decisive context and gives guidance. Art. 39.3 is to be applied in the context of unfair competition law. Therefore, the term **commercial** has to be interpreted by analysing the extent to⁶²

⁹⁷ See para. 45 above.

⁹⁸ *Correa*, Protection of Data, 32 disagrees in part and argues that relying on the data is no use.

⁹⁹ *Ibid.*, 28.

¹⁰⁰ *Ibid.*, 32.

¹⁰¹ *Dinca*, JWIP 8 (2005) 4, 517, 527.

which relying on the data provides an opportunity to obtain an advantage over competitors.¹⁰² Against this background second entrants benefit from a considerable advantage over prior applicants, since they can save time and money that would otherwise be necessary to the undertaking of the testing. On the other hand, non-commercial scientific use of such data by entities not competing with the first entrant remains beyond the scope of Art. 39.3.

- 63 Ultimately, Members are only to protect the data against commercial use which is deemed **unfair**. The ordinary meaning of unfair is “not equitable or honest or impartial or according to rules”.¹⁰³ However, the meanings of these terms are no clearer than that of “unfair”, although all of these terms seem to relate to the concept of receiving a benefit that one is not entitled to.¹⁰⁴ After all, the concept of unfair use implicates that not every commercial use of test data is prohibited.¹⁰⁵
- 64 As *Correa* pointed out, the term unfair is relative to the value of a particular society at a given point in time.¹⁰⁶ Given this interpretive scope, Members are free to implement different concepts of protection according to their specific competitive environments. Moreover, Members recognized in the Doha Declaration on the TRIPS Agreement and Public Health that TRIPS 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 and by taking into consideration public interests at stake.¹⁰⁷ Thus, the economic interests of drug manufacturers and public interests need to be balanced.
- 65 However, the concept of unfair is not limitless. Since “fairness” is intended in an economic sense, the commercial use of data is unfair only when the first entrant is not in any way compensated for the market value of the data submitted for marketing approval.¹⁰⁸ Against this background, Art. 39.3 does not encompass a data exclusivity obligation as a matter of positive law.¹⁰⁹ Instead Members may choose between a variety of measures protecting the economic interests of the originator. Despite the fact that the patent system serves a different function,¹¹⁰ it is not far-fetched to regard patent

¹⁰² *Meitinger*, JWIP 8 (2005) 2, 123, 131. See para. 24 above.

¹⁰³ *Correa*, Protection of Data, 25, citing The Concise Oxford Dictionary, 1989.

¹⁰⁴ *Fellmeth*, Harv. Int’l L.J. 45 (2004) 2, 443, 461.

¹⁰⁵ *Sasdi*, 206.

¹⁰⁶ *Correa*, 381.

¹⁰⁷ WT/MIN(01)/DEC/2, para. 4.

¹⁰⁸ *Fellmeth*, Harv. Int’l L.J. 45 (2004) 2, 443, 464.

¹⁰⁹ *Ibid.*, 460; *Meitinger*, JWIP 8 (2005) 2, 123, 134.

¹¹⁰ See paras 47 *et seq.* above.

protection—if available for the specific product—as adequate compensation also for costs incurred for the market approval. Compensation could also be based on a licensing model in which the costs of generating the data are shared among all registrants.¹¹¹

¹¹¹ *Fellmeth*, Harv. Int'l L.J. 45 (2004) 2, 443, 477 and 481 *et seq.*; *Meitinger*, JWIP 8 (2005) 2, 123, 135.

SECTION 8: CONTROL OF ANTI-COMPETITIVE PRACTICES IN CONTRACTUAL LICENCES

Article 40

1. Members agree that some licensing practices or conditions pertaining to intellectual property rights which restrain competition may have adverse effects on trade and may impede the transfer and dissemination of technology.
2. Nothing in this Agreement shall prevent Members from specifying in their legislation licensing practices or conditions that may in particular cases constitute an abuse of intellectual property rights having an adverse effect on competition in the relevant market. As provided above, a Member may adopt, consistently with the other provisions of this Agreement, appropriate measures to prevent or control such practices, which may include for example exclusive grantback conditions, conditions preventing challenges to validity and coercive package licensing, in the light of the relevant laws and regulations of that Member.
3. Each Member shall enter, upon request, into consultations with any other Member which has cause to believe that an intellectual property right owner that is a national or domiciliary of the Member to which the request for consultations has been addressed is undertaking practices in violation of the requesting Member's laws and regulations on the subject matter of this Section, and which wishes to secure compliance with such legislation, without prejudice to any action under the law and to the full freedom of an ultimate decision of either Member. The Member addressed shall accord full and sympathetic consideration to, and shall afford adequate opportunity for, consultations with the requesting Member, and shall cooperate through supply of publicly available non-confidential information of relevance to the matter in question and of other information available to the Member, subject to domestic law and to the conclusion of mutually satisfactory agreements concerning the safeguarding of its confidentiality by the requesting Member.
4. A Member whose nationals or domiciliaries are subject to proceedings in another Member concerning alleged violation of that other Member's laws and regulations on the subject matter of this Section shall, upon request, be granted an opportunity for consultations by the other Member under the same conditions as those foreseen in paragraph 3.

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CROSS REFERENCES

Art. 5A PC; Art. IX GATS.

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A. General

- 1 Neither the GATT 1994 nor the WTO Agreement contain systematic provisions on competition law. Therefore, it is not surprising that the TRIPS Agreement only contains basic rules. The relevant **provisions concerning competition law** are found in the Preamble, in Art. 8.2, Art. 22.2, Art. 31 *lits c* and *k* as well as in Art. 40 TRIPS. These provisions deal mainly with three problems regarding the intersection of intellectual property and competition law: misuse of intellectual property by extending its domain beyond its purpose, abuse of intellectual property rights in order to enhance a dominant position, as well as restrictive contracts or concerted practice through agreements on the exploitation of intellectual property restraining trade or adversely affecting transfer of technology.
- 2 Between intellectual property rights and competition laws there is a **conflict of objectives**. This conflict is not inherent to the systems of the intellectual property rights and competition rules. Problems arise where the holder of an intellectual property right intends or effects a restriction of competition that transgresses the legitimated limits of the respective intellectual property right. Contractual licences are particularly problematic. Such contracts of exploitation extend the concentrative effects of intellectual property rights and thus naturally influence competition.¹
- 3 For a long time, the focus point was the **restrictive effect of contractual licences**. Such licences can cause barriers to entry particular markets. Holders of intellectual property rights who enjoy a dominant position tend to provide licences only under conditions such as grant-back provisions which oblige the licensee to report know-how and improvements exclusively to the licensor. This leads to a situation in which licensors concentrate more and more of the knowledge in the field in their hand and strengthens thereby their position on the market.² Another reason for anti-competitive effects of licences is that the consideration for the grant of the licence is often not only money. It can as well include other obligations such as price-fixing, territorial restrictions on production, non-compete obligations or sales restrictions.³
- 4 Recently, more attention is given to the fact that contractual licensing of intellectual property rights may as well have **positive effects on competition**.⁴ Licences permit the licensor to utilize the full economic potential of his or her intellectual property right. Therefore licences strengthen the com-

¹ See *Monopolkommission*, 2nd Mainreport, Baden-Baden 1978, paras 636 *et seq.*; *Fikentscher*, 280; see also *UNCTAD/ICTSD*, 540 *et seq.*

² *Immenga & Mestmäcker-Emmerich*, §17, para. 5.

³ For an overview see *Jones & Sufrin*, 699 *et seq.*

⁴ OECD, Competition Policy and Intellectual Property Rights, OECD-Doc. DAF/CLP(98)18, 16 September 1998, 8; see also the statement from the German government,

petitiveness of undertakings. A major challenge for each economy—including the world economy as such—is to balance pro- and anti-competitive effects of contractual licences properly. Within the TRIPS Agreement Art. 40 deals with this challenge.

B. Purpose of the Provision

The background of the incorporation of Art. 40 into the TRIPS Agreement is political. The developing countries had asked for such a kind of provision during the negotiations seeking for means to prevent misuse of intellectual property rights. They were concerned that the extension of the intellectual property rights, provided by the TRIPS Agreement, would facilitate the abuse of monopolistic powers of technology transferring undertakings. However, the four paragraphs of Art. 40 cannot claim to be the nucleus of comprehensive “worldwide competition rules on the licensing of intellectual property”. The substantive law in **Art. 40.1 and 2** establishes only a broad framework for the national competition rules of the Members.⁵ Nevertheless, both paragraphs require Members to take competition into consideration when framing their competition rules, in particular with regard to technology transfer. 5

The procedural rules in **Art. 40.3 and 4** impose on the Members an obligation of consultation and cooperation in order to enforce competition law in cases involving more than one Member. The aim of these paragraphs is primarily to enable effective enforcement of competition rules in cross-border contexts. Moreover, Art. 40.3 and 4 establish a system of “checks and balances” between industrialized and developing countries.⁶ Art. 40.3 allows developing countries to receive information about undertakings in industrialized countries without which enforcing competition rules against these undertakings would be viable. Art. 40.4, on the other hand, helps industrialized countries in persuading developing countries to enter into consultations when the former regard the measures or regulations of the latter that exceed the mandate of Art. 40. 6

BT-Drs. 8/2835, paras 32 *et seq.*; *Conde Gallego*, 69 *et seq.*; *Howard & Reinbothe*, EIPR 13 (1991) 5, 157, 160.

⁵ See *Ullrich*, in: *Patel & Roffé & Yusuf* (eds), 363, 365.

⁶ See *Reichmann*, *Brook. J. Int'l L* 20 (1993), 75, 108.

C. Historical Development

I. Models

- 7 The TRIPS Agreement is the first international agreement that explicitly acknowledges the necessity to regulate on the intersection of competition law and the protection of intellectual property rights. Regarding **substantive law** there have been three important pre-TRIPS sets of rules that had a coining influence. **Art. 5A.2 PC** was limited in its scope to patents and was concerned—more generally—with the “abuse which might result from the exercise of the exclusive rights conferred by the patent”.⁷ Secondly, the **Havana Charter of 1948**⁸ intended in Art. 46.3 to make certain business practices subject to the planned dispute settlement procedure before the ITO. The objectionable practices included agreements which prevented the development or application of technology or inventions (lit. e) and abuse of granted intellectual property rights (lit. f).⁹ However, the Charter never entered into force.¹⁰ Another proposal that never became applicable law either was the “**Draft International Code on the Transfer of Technology**” of 1980, negotiated under the auspices of UNCTAD.¹¹ However, the chapter regarding “Restrictive Business Practices” as well as the UN Resolution 35/36 from the same year¹² continue to be an important source of inspiration for Art. 40.1 and 2. The **procedural rules** (Art. 40.3 and 4) hearken back to provisions concerning intergovernmental cooperation that stem from bi- and plurilateral agreements, in particular Art. V of the Agreement between the Commission of the European Communities and the Government of the United States regarding the application of competi-

⁷ Art. 5A.2 PC, see also *Brand*, Article 2, para. 101.

⁸ Havana Charter for an International Trade Organization, 24 March 1948, CTS No. 32, 3; UN Doc. E/CONF. 2/78 (1948).

⁹ Thereto UNCTAD/ICTSD, 543; *Abott*, in: *Abott & Gerber* (eds), 9; *Roffé*, in: *Correa & Yusuf* (eds), 261, 264 *et seq.*; *Günther*, *Betriebsberater* 1949, 713, 715.

¹⁰ For background information, see *Krenzler*, in: *Priß & Berrisch* (eds), 3 *et seq.*, paras 9–12.

¹¹ For the text, see UNCTAD-Doc. TD/CODETOT/14; regarding provisions concerned with licences in anti-trust law, see *Fikentscher & Kunz-Hallstein*, 80 *et seq.*; *Finnegan*, *Journal of the Patent and Trademark Office Society* 60 (1978) 2, 71, 84 *et seq.*; *Roffé*, in: *Correa & Yusuf* (eds), 261, 265 *et seq.* The Code failed because of the different views of developing and developed countries regarding its legal character and in respect of competition law policies; see: *Fox*, *Vand. J. Transnat'l L.* 29 (1996) 3, 481, 498 *et seq.*

¹² UNCTAD, United Nations Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices, U.N. Doc. TD/RBP/CONF/10 (1980), reprinted in 19 ILM, 813 (1980), available at: <http://books.google.de/books?id=Nx2T1o6dIZc&pg=PT1488&lpg=PT1488&dq=%2219+ILM+813%22+UN+Resolution&source=web&ots=Aj0H4DHHR8&sig=9B5y4xEMqQwL4bxbO3fYSkSbbXk&hl=de> (last accessed 29 May 2008); UN Resolution 35/36 of December 1980, available at: <http://www.unctad.org/TEMPLATES/meeting.asp?intItemID=3700&lang=1&m=10301&info=highlights> (last accessed 29 May 2008).

tion law of 1991.¹³ Also relevant was the report of the Group of Experts on “Arrangements for Consultation”.¹⁴

II. Drafting History

Industrialized countries were not interested in establishing rules for the control of anti-competitive practices relating to intellectual property in the context of TRIPS. They deemed their respective regimes of national law sufficient. Once it became clear that the minimum standards of the TRIPS Agreement would extend beyond the originally planned matters of counterfeiting and piracy, the developing countries insisted on including the issue of anti-competitive practices in the Agreement. In their view this was necessary in order to be able to penetrate the high standards of protection afforded by the Agreement at least in individual cases. In part they were of the opinion that restrictive trade practices in terms of anti-competitive practices were the only trade-related aspect of intellectual property protection. In part, they were concerned about pernicious effects of a number of contractual practices in licensing agreements,¹⁵ opposition to which they had pursued unsuccessfully in negotiations on the International Code on the Transfer of Technology.¹⁶

The latter position is reflected in the **Anell Draft of 23 July 1990**. This proposal only contains “B”-proposals originating from developing countries. In this draft the main ideas of later Art. 40 were already included.¹⁷ The first

¹³ Agreement between the Commission of the European Communities and the Government of the United States of America Regarding the Application of Competition Law, of 27 April 1995, OJ 1995 L 95/47–50; with the same notion para. I.A.3 and 4 of the OECD Recommendation of the Council concerning Co-operation between Member Countries on Anticompetitive Practices affecting International Trade, C(95)130/FINAL, 27 July 1995, available at: <http://www.oecd.org/dataoecd/60/42/21570317.pdf> (last accessed 29 May 2008).

¹⁴ Restrictive Business Practices, Arrangement for Consultations, Report of Experts, L/1015, BISD 9S/170, 2 June 1960; *Gervais*, para. 2.366.

¹⁵ See Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Communication from India, MTN.GNG./NG11/W/37, 10 July 1989, para. 2 and VI.

¹⁶ See Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Communication from Brazil, MTN.GNG./NG11/W/57, 11 December 1989, para. 29; Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Communication from Argentina, Brazil, Chile, China, Colombia, Cuba, Egypt, India, Nigeria, Peru Tanzania and Uruguay, MTN.GNG./NG11/W/71, 14 May 1990, para. 15; see thereto *Gervais*, paras 2.48 and 2.182; *Roffe*, in: *Correa & Yusuf* (eds), 261, 278 *et seq.*; *Cottier*, Common Mkt. L. Rev. 28 (1991), 383, 409 *et seq.*

¹⁷ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Chairman’s Report to the GNG (Anell Draft), MTN.GNG/NG11/W/76, 23 July 1990, of what later became Art. 40 TRIPS provided: “1B. PARTIES may specify in their legislation practices in licensing contracts deemed to constitute an abuse of intellectual property rights or to have an adverse effect on competition in the relevant market, and adopt appropriate measures to prevent or control such practices. [...] 2B. PARTIES agree that practices which restrain competition, limit access to the technology or to markets or foster monopolistic control,

paragraph is almost identical to Art. 40.2. It did, however, not include any examples for anti-competitive licence practices and the phrase regarding the consistency with the other provisions of the TRIPS Agreement was missing. Paragraph 2, sentence 1 of the Draft corresponds to Art. 40.1; paragraph 2, sentence 2 dealt with a cooperation and consultation procedure like the current Art. 40.3. In the Draft the obligation to cooperate had a much wider scope. Its purpose was to safeguard the compliance of nationals and domiciliaries with the domestic legislation of the Member requesting the consultation. Art. 40.3, in contrast, expressly provides that the obligation to cooperate and consult does not affect the freedom of either Member to treat the alleged violation according to its own discretion.

- 10 The Chairman's Draft of 23 November 1990 and the **Brussels Draft** came very close to the current version of Art. 40 containing, however, one important difference. Both drafts included in the second paragraph an **exhaustive list of contractual licensing** which could be considered unlawful *per se*.¹⁸ This was deemed unacceptable by the developed countries. The compromise embodied in Art. 40.2 determines an open-ended text listing only examples.¹⁹ The illegality of the listed behaviour needs to be decided on a case-by-case basis.

D. Direct Applicability

- 11 None of the rules in Art. 40 are capable of direct application. Even if, regarding the substantive law of the first two paragraphs, paragraph 1 contains minimum obligations of the Members, and paragraph 2 contains an authorization to prevent violations of competition law in individual cases, both regulations are too unspecific to be applied directly.²⁰ The obligations to cooperate pursuant to Art. 40.3 and 4 only determine rights and obligations of the Members against each other rather than establishing rights of individuals. Therefore they are not directly applicable either.²¹

and which are engaged in by licensors, may have harmful effects on trade and transfer of technology among their countries. Accordingly, each PARTY agrees upon the request of any other PARTY to consult with respect to any such practices and to co-operate with any other PARTIES with a view to ensuring that IPR owners, who are nationals or domiciliaries of its country, comply with the obligations prescribed in this respect by the national legislation of the PARTY granting them such rights."

¹⁸ See *Gervais*, para. 2.361 and para. 32 below.

¹⁹ See *UNCTAD/ICTSD*, 545; *Howard & Reinbothe*, *EIPR* 13 (1991) 5, 157, 160.

²⁰ For more information see Memorial from the German government regarding the WTO-Agreements, BT-Drs. 12/7655 (new), 346; *v. Gamm*, in: *Niederleithinger* (ed.), 197, 203.

²¹ *Celli*, 80.

E. Interrelation with Art. 8.2

Art. 40 is closely related to the principles laid down in Art. 8.2. The relationship between these two provisions is not self-evident. While some commentators argue that Art. 8.2 contains a mere policy statement, which is implemented by Art. 40,²² others hold the view that Art. 40 represents a *lex specialis* provision to Art. 8.2.²³ In favour of the latter, it is maintained that Art. 40 has a narrower scope of application than Art. 8.2 (contractual licences). Secondly, Art. 40 contains rules, which may establish obligations on Members that are not mandated by Art. 8.2. In particular, Art. 40.1 contains a basic obligation of Members to act on licensing practices or conditions if they “have adverse effects on trade and may impede the transfer and dissemination of technology”. In addition, Members are required to cooperate pursuant to Art. 40.3 and 4. Such an obligation cannot be found in Art. 8.2 either. Nevertheless, as far as Art. 40 and Art. 8.2 employ identical wording, the same interpretation of the respective words shall apply in both provisions equally. 12

F. Licensing Practices

Section 8 of the TRIPS Agreement is limited to contractual licences. This can be derived from the wording of its title. In contrast to Art. 8.2 therefore, unilateral conduct is not covered by Art. 40.²⁴ 13

The TRIPS Agreement does not define the notion of licence. But it seems obvious that “**licence**” in terms of Art. 40 has to be differentiated from **assignment** of intellectual property rights. This can be concluded from Art. 21, which distinguishes clearly between licensing and assignment of intellectual property rights. While a licensing agreement leaves the control over the licensed intellectual property right with the licensor, an assignment removes control at least partly.²⁵ A contractual bequest of an intellectual property right, for example, qualifies as a transfer under this definition, as does bringing intellectual property into a company or partnership or granting a partial entitlement over an intellectual property right to another. These agreements are not covered by Art. 40, even if they are contractual in nature. Art. 40 is also not concerned with other restrictive practices relating to other business transactions such as joint ventures, subcontracting 14

²² Gervais, para. 2.49; Weiß & Hermann, para. 950.

²³ UNCTAD/ICTSD, 554.

²⁴ Roffe, in: Correa & Yusuf (eds), 261, 283.

²⁵ See Hilty, 82 *et seq.*

and outsourcing, regardless of how related they are to either intellectual property or the transfer of technology.²⁶

- 15 Difficult is the assessment of **mixed agreements**, which include licensing provisions as well as other elements.²⁷ An example is a **franchising contract**. In such contracts the franchisee is often not only obliged to comply with specific guidelines of the franchisor regarding the equipment, the name, trademarks, marketing, and advertising. He or she is regularly entitled at the same time to use intellectual property rights, in particular know-how of the franchisor. That is the licensing part of the franchise contract. Whether Art. 40 is applicable to such contracts has to be **tested in two steps**. First, it has to be assessed whether the contract contains a component concerning licensing. Secondly, it has to be assessed whether the restraint of competition in question stems from practicing the respective licensing provisions. If it is not possible or not appropriate to distinguish different parts of the arrangement, a **centre of gravity** should be identified.²⁸ In case, the agreement under scrutiny is predominantly concerned with the licensing of intellectual property, Art. 40 should be applied.
- 16 **Contractual** is a licence when it is the result of the mutual **consent** of the licensee and licensor. The licensing agreement does not have to be intended from both parties. It is also possible that a contractual licence emerges from a **settlement** (e.g. as part of a consent decree resulting from antitrust proceedings). Some instances of **non-voluntary licensing** may also qualify as contractual in terms of Art. 40. There are two different types of non-voluntary licences. One is based on particular provisions, which determine that under particular circumstances licences are granted by a judicial or magisterial act of state. The second is based on legal duties to deal. The latter are of contractual nature even if they contain a compulsory element. The former are sometimes considered legal relationships based on public law principles and therefore non-contractual in nature.²⁹ Whether this is the case depends on the dogmatic of the contract law of a particular Member.³⁰

²⁶ *UNCTAD/ICTSD*, 556.

²⁷ See *Immenga & Mestmäcker-Emmerich*, § 17, paras 39 *et seq.*

²⁸ *UNCTAD/ICTSD*, 556.

²⁹ See *Preu*, Zur Zwangslizenz, FS 10 Jahre Bundespatentgericht, 1971, 239.

³⁰ In German law these compulsory licences belong to the so-called dictated contracts („diktierten Vertrag“). Such contracts come into existence and are terminated by an act of state but operate under private law in form of a licensing agreement. Therefore in German law such compulsory licences are covered by Art. 40 TRIPS. Examples are § 24 German Patent Act, *PatentG* (BGBl. I 1981; as last amended 13 December 2007 by BGBl. I 2007, 2166 *et seq.*) or § 12 German Plant Variety Act, *SortenschutzG* (BGBl. I 1985, 2170 *et seq.*, as enunciated in BGBl. I 1997, 3164 *et seq.*, as last amended in 2007 by BGBl. I 2007, 2897 *et seq.*) See also *J. Busche*, Privatautonomie und Kontrahierungszwang, 1999, 116, fn. 26.

Art. 40.1 applies to **contractual licensing of any kind of intellectual property rights as well as know-how**. This is the case even though most of the practices listed in Art. 40.2 seem to point predominantly to patents and trademarks.³¹ This, however, does not determine the scope of the provision because the listing is not exhaustive. 17

G. Substantive Law

I. Minimum Obligation to Act (Art. 40.1)

Art. 40.1 is **substantive law**. Its wording is not as strict as comparable provisions in other WTO agreements, such as Arts VIII or IX GATS. Art. 40.1 does not provide for any specific obligation of Members to actively enforce their rules on competition related to matters covered by Art. 40. Art. 40.1 is **not a classical legal norm** containing an example of conduct and a suitable legal remedy, but it constitutes a declaration of the Member's shared opinion on the detrimental consequences of certain licensing practices.³² The definition of these anti-competitive practices is left to the domestic law of the Members. 18

This, however, does not relegate Art. 40.1 to a mere declaratory statement that should have rather been placed in the Preamble.³³ For this purpose the content of the provision is too specific. The joint declaration of the Members in Art. 40.1 contains at least a **"minimum obligation"** for each Member.³⁴ This can be inferred from a comparison of Art. 40 with Art. 8.2. The latter only recognizes that there may be a need to prevent certain abuses of intellectual property rights and anti-competitive practices, thereby leaving it to the individual Member to act or not. Art. 40 goes beyond this. It ascertains the agreement of the Members that "some licensing practices or conditions... which restrain competition may have adverse effects on trade and may impede the transfer and dissemination of technology." If Members have indeed agreed that certain licensing practices should be addressed, it is difficult to see why TRIPS would allow Members to remain inactive with respect to such practices, since these run directly contrary to the **objectives of Art. 7**. In particular because Members have committed themselves in **Art. 1.1** "to give effect to the provisions of this Agreement." 19

³¹ Critically *Ulrich*, JIEL 7 (2004), 401, 405.

³² See also *Heinemann*, in: *Beier & Schriker* (eds), 239, 245; *Stahelin*, 172.

³³ *Stahelin*, 172; *Stahelin*, *Schweizerische Zeitschrift für Wirtschaftsrecht* 69 (1997) 3, 97, 99; similar *Reichman*, *Brook. J. Int'l L.* 20 (1993) 1, 75, 107.

³⁴ See also *UNCTAD/ICTSD*, 555 *et seq.*; *Ulrich*, JIEL 7 (2004), 401, 407; for different views, see *Conde Gallego*, 16; *Gervais*, para. 2.364; *Heinemann*, in: *Beier & Schriker* (eds), 239, 245; *Stahelin*, 172.

Therefore, the total absence of rules of competition—in order to prevent abusive licensing practices—may not be considered as consistent “with the other provisions of this Agreement” (Art. 40.2, sentence 2). Nevertheless, the implementation and definition of these rules is left to the Members. It is sufficient to provide remedy by the rules of general private law.

- 20 Furthermore, in interpreting Art. 40.1, Art. 40.2 needs to be taken into consideration. The former constitutes the consensual recognition of the likely existence of harmful licensing practices and conditions, which Members may be subject to control in accordance with Art. 40.2. This consensual recognition forces Members **to respect whatever measures other Members legitimately take** pursuant to Art. 40.2. This, however, only relates to “some” licensing practices or conditions, which “restrain competition” and may have “adverse effects on trade and may impede the transfer or dissemination of technology.” These qualifications do not mean that Members may not act on other anti-competitive licensing practices or on the transfer of technology, independently from the specification of Art. 40. However, in this context, Members cannot call on the procedural privileges in Arts 40.3 and 40.4.

1. Restrictive Licensing Practices and Conditions

- 21 Art. 40.1 refers to “licensing practices or conditions”. This clarifies that the provision **covers all conduct surrounding the grant and execution of licences** as well as particular conditions of licensing agreements. A refusal to licence, discriminatory grant of licences as well as discriminatory licensing terms, and restrictive clauses in general, all fall within the scope of the provision. Art. 40.1 also extends to **multilateral licensing** relations, such as cross-licensing or patent pools, as they may produce effects on trade and technology transfers at least as adverse as bilateral licensing agreements.³⁵

2. Effects on Trade or Technology Transfer

- 22 Art. 40.1 covers only such licensing practices or conditions which have an adverse effect on trade or which constitute an impediment to technology transfer. This wording needs to be **read restrictively** in respect of two criteria. First, the licensing practices or conditions do not have to have an **adverse effect on trade and technology transfer**. These negative criteria are meant to **apply alternatively**, not cumulatively.³⁶ The reason is that Art. 40.1 clearly relates to licensing of intellectual property which

³⁵ The manner how Members deal with multilateral licensing agreements varies: German law did not cover patent pools before it was amended in 2005 (see *Immenga & Mestmäcker-Emmerich*, § 17, para. 111); this was different in the US, see *Gilbert*, Stanford Technology Law Review 3 (2004), 3 *et seq.*

³⁶ *UNCTAD/ICTSD*, 557.

is not related to technology transfer, too. Secondly, Art. 40.1 applies, like Art. 8.2, only to the **international transfer of technology**.³⁷ This is the case although it refers to transfer or dissemination of technology in general. The reason is the international character of the TRIPS Agreement, and—from a systematic point of view—the procedural rules of Art. 40.3 and 4. These are only meaningful for licensing practices that have some international component. However, the requirement of an international element should not be interpreted too rigorously. A sufficient international context would, for example, be existent where either the licensee or the licensor is not domiciled in the jurisdiction in respect of which a licence is issued for.³⁸ Art. 40 is applicable as long as such international character is given. It is irrelevant that the harmful effects of the respective licensing practices may concern national markets only, because the TRIPS Agreement seeks to ensure adequate protection on national markets.³⁹

Art. 40.1 does not contain a *de minimis* provision. No particular degree of gravity or of harm caused by the negative effects of anti-competitive licensing practices is required. Any adverse effect on trade and any impediment on technology transfer authorizes Members to act. The way and the standards, by which Members decide which practices and conditions are harmful enough to require intervention and prevention, are left to their judgement. This is in particular the case for the question whether a Member takes efficiencies into account when evaluating the adverse effects of licensing practices. 23

II. Anti-Competitive Practices (Art. 40.2)

Art. 40.2, sentence 1 confirms the Members' sovereignty over the establishment and definition of rules of competition law regarding licensing practices and conditions. Sentence 2 is concerned with the legal consequences, and authorizes Members to take appropriate measures to prevent and control anti-competitive licensing practices. Both sentences must be read mutually complementary and specify the measures which Members may take according to Art. 40.1. Sentence 2 lists some examples of abusive licensing practices, namely exclusive grant-back conditions, conditions preventing challenges to validity and coercive package licensing. 24

There are two parallels to Art. 8.2. First, both provisions authorize Members to adopt necessary measures in order to prevent and control anti-competitive 25

³⁷ For a different view, see *Weiß & Herrmann*, para. 950.

³⁸ See *Stumpf & Groß*, paras 444–445; *UNCTAD/ICTSD*, 557.

³⁹ *Ulrich*, in: *Beier & Schriker* (eds), 357, 361–362.

licensing practices (“may adopt”) but do not compel them to do so.⁴⁰ Secondly, Art. 40.2, sentence 2 includes as Art. 8.2 the reservation that the measures taken needs to be consistent with the other provisions of the TRIPS Agreement.

1. Abuse of Intellectual Property Rights (Article 40.2, Sentence 1)

- 26 Art. 40.2, sentence 1 is more narrowly worded than Art. 40.1. It affirms only the sovereignty of the Members to specify “in their national legislation licensing practices and conditions” in respect of “particular cases” in which they “constitute an abuse of intellectual property rights having an adverse effect on competition in the relevant market.” This wording is deceptive. If one reads Art. 40.2 literally, it is tautological—the abuse of an intellectual property right is *per se* a particular case. On the other hand, Art. 40.2 does also not dictate that an abuse may be determined only on a case by case basis. Rather, paragraph 2 seeks to establish a “**rule-of-reason**” approach, as Art. 4.2 of the Transfer of Technology-Codex did, but does not make such an approach mandatory. In particular, **per se prohibitions** in archetypical competition law cases, such as price-fixing, quantitative restrictions, and absolute territorial protection for distributors, remain a regulatory option.⁴¹ The true meaning of the phrase “particular cases” is therefore presumably that Members may not determine a particular licensing practise anti-competitive, *a priori* and without any consideration of the particular case.⁴² A similar approach to the abuse of intellectual property rights was taken by the European Court of First Instance in respect of Arts 81, 82 of the ECT.⁴³
- 27 Members may take measures subject to two conditions. There must be an abuse of intellectual property rights and this abuse must have adverse effects on competition (“**2-step analysis**”). During the negotiations in the Uruguay Round, it was discussed at length whether these requirements need to be met cumulatively or alternatively. The fact that it was decided to use an “and” instead of an “or”—as it was still the case in the Brussels Draft—indicates that **both requirements** have to be met **simultaneously**.⁴⁴
- 28 Art. 40 leaves it mainly to the Members how to apply the “2-step analysis”. With regard to the first requirement—the existence of an abuse—the conditions for its fulfilment are defined by the national law of the Member.⁴⁵ In

⁴⁰ *Heinemann*, in: *Beier & Schriker* (eds), 239, 245; *Stahelin*, *Schweizerische Zeitschrift für Wirtschaftsrecht* 69 (1997) 3, 97, 99.

⁴¹ *Abbott*, *JIEL* 7 (2004), 687, 692; *Ulrich*, *JIEL* 7 (2004), 401, 406; see also in respect of the *rule of reason Blakeney*, para. 11.08 *et seq.*; *Roffe*, in: *Correa & Yusuf* (eds), 261, 284.

⁴² *UNCTAD/ICTSD*, 559; *Gervais*, paras 2.364 *et seq.*

⁴³ T-51/89, *Tetra Pak I*, [1990] E.C.R. II-357, Rec. 23.

⁴⁴ *Gervais*, para. 2.365.

⁴⁵ *Abbott*, *JIEL* 7 (2004), 687, 692.

respect of the definition of the term “**relevant market**”, which is part of the second requirement, the Members may establish their own guidelines. Art. 40.2 requires only that Members define relevant markets at all (“abuse [...] in the relevant market”).

In contrast to Art. 40.1, it seems that the **negative effects** in question have to be related to **competition** rather than to trade, and impediments to the transfer or dissemination of technology are not mentioned at all. However, regarding the close connection between Arts 40.1 and 40.2, the difference seems to be one of wording rather than of substance. Impediments of the transfer or dissemination of technology are therefore also covered by Art. 40.2, sentence 1. 29

2. Measures to Prevent or Control the Abuse (Art. 40.2, Sentence 2)

Art. 40.2, sentence 2 goes beyond the first sentence of the provision. Whereas the first sentence only empowers the Members to specify anti-competitive practices, the second sentence authorizes them to take appropriate measures in order to prevent or control such practices. The second sentence lists three licensing practices which give Members reason to adopt measures to prevent or control such abusive practices. These listed practices are **mere examples**.⁴⁶ This can be derived already from the vaguely phrased opening clause (“**As provided above, [...]**”). This opening clause is not just declaratory in nature.⁴⁷ It indicates that Art. 40.2, sentence 2 does not regulate anything new. It only substantiates what is already regulated above (“provided”). Problematic is the question to which provided rule the term “above” refers. It either refers to the first sentence of paragraph 2 or to Art. 40.1 or even to Art. 8.2. The latter is not really an option as the word “above” demonstrates, in contrast to the immediately following phrase “consistently with the other provisions of this Agreement”, that the second sentence is a reference within the same provision. Art. 40.2, sentence 2 gives therefore examples for potential rules caught by paragraph 1 and paragraph 2, sentence 1. 30

a) Examples

With the three examples in Art. 40.2, sentence 2, the TRIPS Agreement points at licensing conditions or practices, which are particularly likely to restrict competition. Exclusive **grantback conditions** cause the threat 31

⁴⁶ In favour of this interpretation that the examples are merely an open listing of examples can be said that an exhaustive list as it was presented by the developing countries in the Brussels Draft was not adopted as part of TRIPS.

⁴⁷ *Heinemann*, in: *Beier & Schriker* (eds), 239, 245.

of a monopolistic concentration of technical know-how with the licensor.⁴⁸ **Conditions preventing challenges to validity** are dangerous because they support intellectual property rights which are null and void. They impede the licensee, who is often the only person knowing the real value of the intellectual property right, to challenge it and therefore allow an anti-competitive exploitation of the intellectual property right by its owner. **Package licences** are problematic as far as they require the licensee to acquire from the licensor other technologies or inputs that he does not need or desire in order to get the desired or needed licence.

- 32 The regulatory **effect of the examples** is limited. Art. 40.2, sentence 2 has to be read in the light of the relevant laws and regulations of the particular Member. This means that the examples in line with the principles of paragraph 1 cannot *a priori* be considered anti-competitive.⁴⁹ Members are at will to clear licensing arrangements which resemble the examples under their respective competition rules. *Vice versa* they cannot consider licensing practices as anti-competitive just because they are similar to the examples in Art. 40.2, sentence 2. These examples only show that Art. 40 is based on the competition rules of the developed countries.⁵⁰ This does not imply that the developing countries have to follow similar policies. A **good guideline** is the list, which was put down in the Brussels Draft,⁵¹ of which most are included as well in section B of the chapter “Restrictive Business Practices” in the “Draft International Code on Transfer of Technology”.

b) Compatibility Clause

- 33 The **reservation** that the measures taken against abusive licensing practices have to be consistent with the other provisions of the TRIPS Agreement, is identical to the requirement of consistency in Art. 8.2.⁵² Both provisions have to be interpreted in the same way.

c) Legal Consequences

- 34 Art. 40.2, sentence 2 leaves it mainly to the Members to determine the legal consequences of anti-competitive licensing practices or conditions. The only requirement is that the measure taken has to be “**appropriate**”. This

⁴⁸ See above para. 3; in addition see (as well for non-exclusive grantback licences) *Blakeney*, Technology Transfer, para. 11.12.

⁴⁹ *Gervais*, para. 2.365; *UNCTAD/ICTSD*, 560; for a different view see *Heinemann*, in: *Beier & Schriker* (eds), 239, 246.

⁵⁰ *Reichman*, Brook. J. Int'l L. 20 (1993) 1, 75, 108.

⁵¹ Alongside the illustrative list of examples, this includes: restrictions on advertisement and independent research by the licensee, restrictions on the use of personnel, exclusive sales and price-fixing, tying arrangements, export restrictions as well as arrangements of payments after the expiration of industrial property rights; see *Blakeney*, Technology Transfer, para. 11.22 (with an own list); *Fikentscher & Kunz-Hallstein*, 80 *et seq.*

⁵² *Cf. Brand*, Article 8, paras 44 *et seq.*

requirement of proportionality must be applied similarly to the necessity requirement in Art. 8.2.⁵³ It means only that the measure must be suited to effectively address and deal with the risk and the harm for competition which a given licensing practice may entail. A measure, by no means, has to lead to the elimination of the risk in order to be appropriate pursuant to Art. 40.2, sentence 2. The appropriateness of the measures may only be assessed in the light of the relevant laws and regulations of that Member. That is what they consider fit in view of their legal traditions and under their socio-economic conditions.⁵⁴ For example, they are free to decide whether they establish an *ex ante* control or an *ex post* control of the licensing conditions, and whether this control should have administrative, civil, or criminal law as a basis, and whether control measures should be enforced by administrative agencies or by courts.

H. Procedural Rules

Art. 40.3 and 4 address the question of how to deal with licensing contracts that restrain competition in a manner that one Member needs the help of the public authorities of another Member in order to enforce its competition rules (Art. 40.3), and how a Member can support its nationals or domiciliaries in case they are subject to competition law proceedings in another Member (Art. 40.4). Paras 3 and 4 represent an attempt to solve these problems by imposing obligations of consultation and information. Both paras do not contain any substantive law. 35

I. Consultation and Cooperation in Enforcing Competition Rules (Art. 40.3)

The existence and wording of Art. 40.3 has to be interpreted against the background of similar bilateral agreements, which were made or which were considered to be needed when TRIPS was negotiated.⁵⁵ Art. 40.3, however, differs substantially from these bilateral agreements. It is only a **rudimentary provision on consultation and cooperation** in matters of international competition law enforcement, which invites Members to further bi- or plurilateral cooperation. It is incomplete in the sense that practical matters such as formalities, designation of competent authorities, and time limits, are not specified. At least, it is the **first procedural provision** in public international law that has established a duty of assistance in 36

⁵³ *Ibid.*, paras 43 and 24 *et seq.*

⁵⁴ *UNCTAD/ICTSD*, 560.

⁵⁵ *Fullerton & Mazard*, *World Competition* 24 (2001) 3, 405, 412 *et seq.*

competition law enforcement. A **similar clause** with regard to the service sector is provided in **Art. IX.2 GATS**.

- 37 Art. 40.3 has a **limited scope**. It regulates—limited to contractual licences—in its first sentence that Member A should enter, upon request, into consultation with Member B which has cause to believe that an intellectual property right owner that is national or domiciliary of Member A is undertaking practices in violation of laws and regulations of Member B. The restriction “**has cause to believe**” clarifies that the request concerning consultation may be denied by Member A, if Member B does not provide a minimum of information on the alleged violation. Thus, the basis of its request has to be substantiated. This should include the likelihood of such violation, a causal connection between the violation of competition rules, the contractual licence in question and the entitlement in that particular licence by a national or domiciliary of Member A.
- 38 The **nationality** of a holder of intellectual property is established in Art. 1.3, sentence 1.⁵⁶ The word “domiciliary” that only appears in Art. 40 is redundant as the footnote to Art. 1.3, sentence 1 states that the term “national” extends to persons who are domiciled in the respective territory. The fact that Art. 40.3 uses nationality or domicile as the **connecting factor for the obligation to co-operate**, is surprising. The impact of the particular licensing practice on a particular market, should have appeared a more natural and appropriate connecting factor. Choosing nationality or domicile instead, can lead to **public policy problems**, if the consulted Member has to supply information about one of its citizen and the relevant practice has only effects on the other Member’s market.
- 39 **Art. 40.3, sentence 2** concretizes the obligation of the consulted Member. It shall cooperate by supplying publicly available non-confidential information as well as other information available. The transfer of information is governed by the domestic law of the respective Member. Art. 40.3 is according to its wording not restricted to the cooperation of competition authorities—as it is the case in other agreements.⁵⁷ Therefore, the consulted Member must also provide information available to other administrative agencies. This obligation has a **threefold restriction**: The information must be relevant to the matter, it must be non-confidential and publicly available.
- 40 Information **relevant to the matter** is *inter alia* data which is necessary for determining the market power of the enterprise in question. This includes facts about the size of the domestic market and the share held by

⁵⁶ See for further detail *Elfring & Arend*, Article 1, paras 20 *et seq.*

⁵⁷ See for example Art. II No. 5 of the Positive Comity Agreement between the Commission of the European Communities and the Government of the United States, OJ 1998 L 173/28.

the undertaking, as well as its turnover. Moreover, data about the ownership of the registered intellectual property rights as well as information about the licensing practices in question and their effects on the market qualify as information relevant to the matter. Whether information is **confidential and publicly available** is subject to the domestic law of the consulted Member. This domestic law also determines whether it has to be differentiated between different types of confidentiality (confidential information of private persons—confidential information of public authorities)⁵⁸ and whether the undertaking in question waives its right to confidentiality.⁵⁹ A passage of the Brussels Draft providing expressly for such a possibility of waiving the right to confidentiality has not become part of TRIPS. The phrasing of Art. 40 (“and”) clearly indicates that information which is non-confidential but not publicly available should generally not be available.

Art. 40.3 contains an **exception** under two conditions. The consulted Member has to provide as well confidential information regardless whether it is publicly available or not, and also non-confidential information which is not publicly available, if the domestic law of the consulted Member allows such practice and if the consulting and the consulted Member have agreed upon a mutually satisfactory agreement concerning the safeguarding of the confidentiality by the requesting Member. An example for such a confidentiality agreement is found in the Positive Comity Agreement between the European Communities and the Government of the United States of 1998.⁶⁰ Such an arrangement can also be agreed upon in form of an **ad hoc agreement**.⁶¹ 41

Art. 40.3 explicitly says that neither the cooperation between the Members nor its results bind Members in their ultimate decision on the matter. This is the case because Art. 40.3 does not impose any **duty of positive comity** upon Members.⁶² This can be concluded by comparing its wording with Art. V of the Agreement between the Government of the United States and the Commission of the European Communities regarding the application of their competition laws of 1991 or with Art. III of the Positive Comity Agreement between European Communities and the Government of the US 42

⁵⁸ See *Buchmann*, 71 *et seq.*; *Parisi*, ECLR 20 (1999) 3, 133.

⁵⁹ For further information on the different interests involved see *Lampert*, EuZW 10 (1999) 4, 107, 110.

⁶⁰ Art. V of the Positive Comity Agreement between the Commission of the European Communities and the Government of the United States of America, OJ 1998 L 173/28.

⁶¹ *UNCTAD/ICTSD*, 562; in this respect ambiguous *Heinemann*, in: *Beier & Schricker* (eds), 239, 246; to ample, with regard to the obligation to enter into agreements on confidentiality *Stoll & Raible*, in: *Priß & Berrisch* (eds), 600.

⁶² See also *UNCTAD/ICTSD*, 563; *Buchmann*, 114, 119; *cf.* however without any further reasoning *Fox*, Vand. J. Transnat'l L. 29 (1996) 3, 481, 485; *Roffe*, in: *Correa & Yusuf* (eds), 261, 284 *et seq.*; concerning the term positive comity OECD, CLP Report on Positive Comity, DAFFE/CLP(99)19, 10 June 1999, paras 5 *et seq.*

of 1998.⁶³ The Member to which the request has been addressed is under no duty to act or decide even if, due to consultation procedure, it turns out that the licensing practice comes under its jurisdiction. Conversely, the consulting Member may within the scope of Art. 40.2 allow competition law proceedings to commence independently from the results of the consultation procedure with the other Member. Finally, paragraph 3 does not impose a duty on the administrative agencies of Members to coordinate enforcement activities and to inform other Members of anti-competitive licensing practices, which may also affect the territories of other Members.

II. Opportunity for Consultations (Art. 40.4)

- 43 Academic commentators rightfully maintain that Art. 40.4 is a counterpart to Art. 40.3.⁶⁴ Inversely to Art. 40.3, Art. 40.4 provides that Members, whose nationals or domiciliaries are subject to anti-trust law proceedings in another Member relating to restrictive licensing practices, may request an opportunity for consultations by the other Member. This opportunity for consultations is subject to the same conditions as foreseen in Art. 40.3. The passage “under the same conditions as those foreseen in paragraph 3” is to be construed broadly. Even if Art. 40.4 only mentions the opportunity for consultations, it includes also the obligations of information and cooperation of paragraph 3. This broad interpretation is necessary in order to be consistent with the overall purpose of Art. 40 and the system of the TRIPS Agreement in general.⁶⁵

I. WTO Jurisprudence

- 44 No proceedings relating to Art. 40 have yet been brought before the dispute settlement body of the WTO. The United States’ complaint in *Japan—Film* so far seems the only dispute at least indirectly related to matters of competition law.⁶⁶ However, this case was not based on a violation of the GATT which could have been the result from non-enforcement of domestic competition laws.

⁶³ OJ 1998 L 173/28.

⁶⁴ *Gervais*, para. 2.367; *Heinemann*, in: *Beier & Schricker* (eds), 239, 246.

⁶⁵ For further arguments for such interpretation, see *UNCTAD/ICTSD*, 564.

⁶⁶ *Japan—Film*, WT/DS44/R.

J. Practical Relevance and Outlook

The practical relevance of Art. 40 TRIPS is negligible. Paras 1 and 2 do not force Members, at least not the industrialized countries, to amend their substantive competition laws. Paras 3 and 4 facilitate the enforcement of competition law in particular for the developing countries. Nevertheless, it is likely that such judicial assistance would have been granted as well in the context of positive comity. Furthermore, Art. 40 appears to have a “backwards looking” character. You can still feel the spirit from the mid-1980s, when the developing countries were fighting for an international code of conduct on technology transfer. For this reason the provision is **substantively as well as procedurally unsatisfactory**. It only provides a minimum standard, and does not encompass any regulation for modern patent pools and cross-licensing practices.⁶⁷ In addition, it does not provide an approach for contemporary problems such as the dematerialisation of intellectual property rights.⁶⁸ In particular, when databases or software are licensed the doctrine of exhaustion does not work properly any longer. This gives rise to the anti-competitive use of intellectual property. With regard to procedural aspects paras 3 and 4 only facilitate the enforcement of the domestic competition law on the national markets. Problems with the extraterritorial application of competition law⁶⁹ and the often related over-regulation are not addressed in Art. 40. Paragraph 1, however, deals on an albeit very basic level with insufficient regulation of abusive licensing practices and provides a minimum obligation for the Members.⁷⁰ At least with regard to anti-competitive licensing practices, no Member can leave the enforcement of competition rules on its territory entirely to another Member.

Already during the TRIPS negotiations the idea of a “**World-Anti-Trust-Law**” under the auspice of the WTO dawned. The “Draft International Antitrust Code” (DIAC) of 1993⁷¹ developed by independent academics contains in its Arts 4, 5 and 14 a “World-Competition-Law of Licensing”.⁷² But until today experts disagree about the necessity of such a comprehensive body of legislation.⁷³ Moreover, there is no political will to transfer the enforcement of a competition regime to the WTO level. The solution of the most important problems with regard to international licensing

⁶⁷ *Ullrich*, JIEL 7 (2004), 401, 414 *et seq.*

⁶⁸ One reason might be the existence of Art. 6 TRIPS.

⁶⁹ For more details regarding this problem, see *Guzman*, Berkeley J. Int'l L. 22 (2004), 355.

⁷⁰ *Condon Gallego*, 192.

⁷¹ Printed in English in: *Wirtschaft and Wettbewerb* 1994, 128–134.

⁷² See *Fikentscher & Heinemann & Kunz-Hallstein*, GRUR Int. 44 (1995) 10, 757.

⁷³ See in particular *Stephan*, Univ. of Virginia, Law and Economics Working Papers, No. 03–3, 2003.

practices does not have to be the introduction of a global competition law at all. Ultimately, the core issues are twofold, the containment of the extensive scope of protection of intellectual property rights, and the successful management of problems arising from the extraterritorial application of competition law. Both can be dealt with on a national level using comity-rules as it was suggested by the US-American Court of Appeals in its case *Timberlane Co. v. Bank of America*,⁷⁴ and by the European Communities and US American cooperation agreements of 1991 and 1998.

⁷⁴ *Timberlane Co. v. Bank of America*, (U.S.), [1976] 549 F.2d 597; see as well in the same spirit *F. Hoffmann-LaRoche Ltd. v. Empagran S.A.*, (U.S.) [2004] 315 F.3d 338.

PART III

ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS

Before Articles 41–61*

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A. General

The provisions of Part III on the enforcement of intellectual property rights are regarded as one of the essential aspects of the TRIPS Agreement and were one of the main issues of the Uruguay Round.¹ The material significance of the procedural provisions is also made evident by the explicit reference in Rec. 2 lit. c of the Preamble to the Agreement.² From the beginning, the TRIPS Agreement negotiations were aimed at providing and granting the **highest possible degree of protection** of intellectual property. By merely imposing a high material standard it cannot be guaranteed that such protection is efficient enough. Rather, it is necessary to adopt corresponding procedural means to **facilitate the enforcement of the protection provided at material level**.³ This is especially important for one of the main causes of the negotiations that preceded the Agreement—the worldwide growth in product piracy.

The participants in the WTO conferences recognized the need for provisions on enforcement by procedural law already at an early stage. Major **deficits** were stated in five areas: (1) lack of police support and insufficient means of control by border seizure, (2) hindered access to the courts and authorities, (3) excessively strict rules of evidence, (4) lack of preliminary legal protection and (5) lack of criminal provisions as a deterrent.⁴ The significance of these procedural aspects is duly indicated by corresponding provisions in a certain part of the Agreement specially dedicated to this purpose. Part III of the TRIPS Agreement is, hitherto, the most detailed legal text on the enforcement of intellectual property rights at international level.⁵

Pursuant to Art. 41, the Members are obliged to adhere to the fundamental principles of the procedures on law enforcement. The stipulations of Arts 42–50 provide judicial and administrative procedures, legal remedies and provisional measures, which are further complemented by the criminal sanctions in Art. 61. The provisions of Arts 51–60 on the special

¹ MTN.GNG11/W/33/Rev. 1; For an outline of the historical background, see *Faupel*, GRUR Int. 46 (1997) 4, 255, 263 *et seq.*

² *Cf.* here *Keßler*, Preamble, para. 18.

³ *Dreier*, in: *Beier & Schricker* (eds), 248, 249.

⁴ MTN.GNG/NG11/W/2, 2 *et seq.*; *Cf.* also *Watal*, 335.

⁵ *Stachelin*, 189; *cf.* *Otten*, in: *Dimwoodie & Hennessey & Perlmutter* (eds), 1069.

requirements relating to border measures were introduced as a major innovation.

B. Concept

I. Structural Differences

- 4 The main problem of the world-wide applicable provisions on law enforcement results from the structural differences between the Members.⁶ These differences include the different **standards and principles in the individual legal orders** on the one hand, and the diverse **infrastructural and economic framework conditions** on the other. Against this background, the chapter in the TRIPS Agreement dealing with law enforcement represents a compromise between the different approaches with regard to law enforcement followed by the legal systems of *civil law* and *common law* as well as a compromise between the interests of the industrialized world in improving intellectual property rights at international level and enhancing the capability of the developing countries to provide sufficient means for the enforcement of intellectual property rights.⁷

II. TRIPS Flexibility

- 5 Due to the **heterogeneity** of the Members, the Members did not aim to bring about a harmonization of certain provisions but rather to define general standards, and it is largely up to Members to achieve this goal.⁸ In particular, the different infrastructural and economic framework conditions frequently required lowering the basic requirements and the achievement of a minimum consensus. Part III of the Agreement, therefore, establishes **minimum procedural obligations**.⁹ The Members are normally free in this regard to exceed the established minimum standards.¹⁰ The necessary flexibility of the provisions is guaranteed by the intensive use of general legal terms¹¹ requiring further definition. Moreover, the implementation of

⁶ For details of a different view, see *Drexl*, in: *Krieger* (ed.), 593 *et seq.*

⁷ *Grosheide*, GRUR Int. 49 (2000) 4, 310, 315.

⁸ This fundamental attitude is particularly brought forth in Art. 1.1, sentence 3.

⁹ See for these terms *Dreier*, in: *Beier & Schricker* (eds), 248, 249.

¹⁰ *Cf.* Art. 1.1, sentence 2.

¹¹ Reasonableness (period: Art. 41.2, sentence 2, Art. 43.2, Art. 50.4 and 6, Art. 52, sentence 2, Art. 53.2, sentence 2, Art. 55, sentence 2; compensation: Art. 44.2, sentence 2, Art. 45.1, Art. 45.2, sentence 1, Art. 48.1, sentence 1 and 2, Art. 48.2, Art. 50.7, Art. 56; proportionality: Art. 46, sentence 3), exceptional/in exceptional circumstances (Art. 59, sentence 2); sufficient (evidence: Art. 52, sentence 1; opportunity: Art. 57, sentence 1; security: Art. 53 Abs. 2, sentence 2; certainty: Art. 50, sentence 3), fair and equitable (Art. 41.2, sentence 1), appropriate cases (Art. 45.2, sentence 2, Art. 55, sentence 1, Art. 61, sentence

quite a number of provisions, *i.e.* explicitly those of a non-binding nature,¹² is left to the discretion of the Members.¹³ The Agreement thus follows a decentralized approach in this field, according to which the procedures of enforcement are generally provided in the national legislations of Members while differences arising from the various types of implementation are accepted by the Agreement.¹⁴

III. Existing Systems of Law Enforcement

1. Objects of Regulation

Even before the TRIPS Agreement entered into force, there have been several international agreements dealing with the protection of intellectual property. While those agreements normally contain relatively detailed material regulations and basic principles, they establish at best the rudiments of minimum requirements regarding the necessary procedures concerning law enforcement.¹⁵ In the important multilateral conventions on intellectual property, especially in the field of copyright and related rights, such regulations are almost left out completely.¹⁶ Apart from basic approaches, the provisions on law enforcement and their definitions were left to national legislation.¹⁷

6

2. General Overview

While pursuant to Art. 10*ter*.1 of the **Paris Convention (PC)** the Members are obliged to take measures against infringements of intellectual property rights or industrial property rights, their enforcement, as well as the selection and the definition of “appropriate legal remedies”, are left to the Members. Art. 36 of the **Berne Convention (BC)** provides that the parties to this Convention shall guarantee the application of the provisions in their domestic laws and to “give [them] effect”. Art. I of the **Universal**

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3), sufficient detail (Art. 42, sentence 2), sufficiently detailed description (Art. 52, sentence 1), principles equivalent (Art. 49, Art. 50.8), readily recognizable (Art. 52, sentence 1), minimize (Art. 46, sentence 2), out of proportion (Art. 47), necessary information (Art. 43.2), timely (Art. 42, sentence 2), overly burdensome requirements (Art. 42, sentence 3), promptly (Art. 54, Art. 58, sentence 1 lit. b), unreasonably deter (Art. 53.1, sentence 2), undue delay (Art. 41.3, sentence 2), unwarranted delays (Art. 41.2, sentence 2), unnecessarily complicated or costly (Art. 41.2, sentence 2), without delay (Art. 50.4), reasonably available (Art. 43.1, sentence 1, Art. 50. 3), preferably (Art. 41.3, sentence 1), effective action (Art. 41.1, sentence 1), deterrent (Art. 41.1, sentence 1, Art. 46, sentence 1, Art. 61, sentence 2).

¹² Art. 41.4, sentence 2 and Art. 44.2, sentence 1.

¹³ Art. 43.2, Art. 44. 1, sentence 2, Art. 44.2, sentence 1, Art. 45.2, sentence 1, Art. 45.2, sentence 2, Art. 47, Art. 48.2, Art. 51, sentence 2 and 3, Art. 57, sentence 3, Art. 58, sentence 1, Art. 60 and Art. 61, sentence 4.

¹⁴ Haas, 149.

¹⁵ Dreier, in: *Beier & Schricker* (eds), 248, 249.

¹⁶ *Reinbothe*, GRUR Int. 41 (1992) 10, 707, 714; *Stachelin*, 188.

¹⁷ *Gervais*, para. 2.375.

Copyright Convention (UCC) obliges the signatories to undertake all necessary steps to provide for and guarantee effective protection. A similar and equally abstract specification for enforcement procedures can be found in the **WIPO Copyright Treaty (WCT)**, Art. 14 of which does not provide the definition of potential procedures. The **Rome Convention** for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (**RC**) and the **Treaty on Intellectual Property in respect of Integrated Circuits (IPIC)** do not contain any provisions on legal enforcement at all and are limited to various definitions of the standards for material protection. A special position is held by the **North American Free Trade Agreement (NAFTA)** between the United States, Canada and Mexico. Arts 1714–1718 NAFTA contain detailed provisions on law enforcement. The NAFTA regulations conform to a large extent to the provisions on law enforcement in the TRIPS Agreement and served as an orientation guide and the basis of discussion in some areas of the TRIPS negotiations.¹⁸ The Cartagena Agreement contains provisions regarding the definition and the procedures in Arts 55–57 of Chapter XIII (“Procedural Aspects”). While those regulations are very general and mainly limited to the determination of rudimentary procedural principles, they still represent directly applicable law for the relevant States.¹⁹

3. European Community

8 At the time of ratification of the TRIPS Agreement, there were, in addition to the above-mentioned international conventions, already some **directives** at European level that also dealt—at least partially—with issues of law enforcement. Some of those are *e.g.* the Product Piracy Regulation²⁰ as well as a number of directives concerning special property rights.²¹ The respective provisions on law enforcement were, however, relatively vague and regularly limited to an obligation of the Members to provide for appropriate procedures.

¹⁸ Cf. Art. 1714 NAFTA and Art. 41 TRIPS.

¹⁹ The agreement was only concerned with Bolivia, Columbia, Ecuador, Peru and Venezuela.

²⁰ Council Regulation (EC) No. 3295/94 of 22 December 1994 Laying Down Measures to Prohibit the Release for Free Circulation, Export, Re-export or Entry for a Suspensive Procedure of Counterfeit and Pirated Goods (Product Piracy Regulation), OJ 1994 L 341/8, as amended by Council Regulation (EC) No. 241/99 of 25 January 1999, OJ 1999 L 27/1 and Council Regulation EC/1383/03 of 22 July 2003 Concerning Customs Action Against Goods Suspected of Infringing Certain Intellectual Property Rights and the Measures to be Taken Against Goods Found to Have Infringed such Rights, OJ 2003 L 196/7.

²¹ Council Regulation (EC) No. 40/94 of 20 December 1994 on the Community Trade Mark, OJ 1994 L 11/1, finally amended by Council Regulation (EC) No. 422/04 of 19 February 2004, OJ 2004 L 70/1; Council Directive 1991/250/EEC of 14 May 1991 on the Legal Protection of Computer Programs, OJ 1991 L 122/42; Directive 1996/9/EC of the European Parliament and of the Council of 11 March 1996 on the Legal Protection of Databases, OJ 1996 L 77/20.

C. Historical Development

The final version of the provisions on law enforcement was based on a Joint EC Paper²² and a US Position Paper.²³ Both proposals reappear largely unchanged in the Agreement. Only some smaller, mitigating amendments were carried out at the request of developing countries and lobby groups. The so-called **Dunkel Draft**²⁴ drawn up on the basis of the two proposals in 1991 was included almost unchanged—apart from a few formal linguistic changes—in the final version. 9

D. Effects

I. Direct Applicability

The greatest possible effect of the provisions on law enforcement would be achieved if all provisions of Part III were directly applicable. Considering the maxim of effectiveness pursuant to Art. 41, sentence 1,²⁵ such far-reaching effect of the provisions could be taken into consideration. However, no generally valid statement on the direct applicability of the provisions of Part III can be made, since the legal orders of the Members contain different requirements for the incorporation of treaties from public international law.²⁶ Nevertheless, conclusions that are valid for all Members can be drawn with regard to the direct applicability of the provisions on law enforcement. The relevant point of departure is the differing legal **quality of the provisions** of Part III. 10

As long as the Agreement explicitly provides that either Members are **not obliged**²⁷ or the introduction of measures is left at the **discretion** of the individual Members,²⁸ the direct applicability of the provisions on law enforcement is out of the question.²⁹ To this extent, the Members are not even obliged to provide for these regulations in their own national laws, for which reason the provisions cannot be invoked before national courts. 11

The capability of direct application of the provisions of Part III, first, presupposes that their implementation must be obligatory. However, the direct applicability of the provisions seems problematic so far as the **certainty of** 12

²² MTN.GNG/NG11/W/68.

²³ MTN.GNG/NG11/W/70.

²⁴ MTN.TNC/W/FA (The Dunkel Draft).

²⁵ Cf. Vander, Article 41, paras 2 *et seq.*

²⁶ See for a general outline, *Elfring & Arend*, Article 1, paras 3 *et seq.*

²⁷ For relevant provisions *cf.* the outline above in fn. 12.

²⁸ For relevant provisions *cf.* the outline above in fn. 13.

²⁹ *Dreier*, in: *Beier & Schricker* (eds), 248, 269; *Hermes*, 266 *et seq.*

the provisions is concerned. Many provisions are formulated in such an uncertain way that they cannot be directly applied without further specifications.³⁰ Nevertheless, the direct applicability of those regulations cannot be denied solely on the basis of such flexibility and uncertainty. Those provisions containing uncertain legal terms—as is the case in national legal orders—may be specified in the legal practice, whereupon decisions of the WTO adjudicating bodies may serve as a corrective against fragmentary interpretations.³¹ Accordingly, only those provisions with a binding obligation whose implementation is obligatory are, in principle, capable of being directly applied.³²

- 13 However, there are still doubts about the direct applicability of provisions that are so definitely formulated as can be applied in principle by national courts, because, in contrast to material rights, procedural rights can be asserted only if the relevant national law provides for **the procedural action in question in the first place**.³³
- 14 Finally, another argument against the direct applicability of the provisions of Part III is that the respective provisions are addressed to the Members and contain **obligations**³⁴ for the Members to introduce or provide for certain regulations.³⁵ The wording of the regulations indicates that they are meant to achieve applicability within the national legal order only through an act of implementation by the Members.
- 15 The direct applicability of the provisions on law enforcement is thus to be denied.³⁶ However, when **interpreting** domestic law, the assessments and basic principles contained in Part III should be taken into consideration as

³⁰ Cf. especially Art. 41.3, sentence 1, which suggests the preference of the written form of decisions under all circumstances. Moreover, reference shall be made to a number of provisions which are highly flexible with many indefinite legal concepts. Cf. the outline above in fn. 11.

³¹ *Hermes*, 267.

³² This shall be applicable to the provisions with regard to interim measures under Art. 50 and to the procedures on custom measures according to Arts 51 *et seq.* These provisions are so concrete and definite that they can be directly applied by national courts. For direct applicability of Art. 50 cf. *UNCTAD/ICTSD*, 601 *et seq.* (especially fn. 100).

³³ *Dreier*, in: *Beier & Schricker* (eds), 248, 270. Of a different opinion is *Hermes*, 269.

³⁴ Cf. the principles in Art. 1.1; see especially the provisions of Part III: Art. 41.1, sentence 1: “Members shall ensure”; Art. 42, sentence 1: “Members shall make available to”; Art. 51, sentence 1, Art. 61, sentence 1: “Members shall adopt/provide for.”

³⁵ *Dreier*, in: *Beier & Schricker* (eds), 248, 270; *Bork*, NJW 50 (1997) 25, 1665; see also the view of German legislators, BT-Drs. 12/7655, 347; Different: *Drexler*, GRUR Int. 43 (1994) 10, 777, 785; *Hermes*, 268; cf. also *Karg*, ZUM 44 (2000) 11, 934, 940 for direct applicability of Art. 50.6.

³⁶ *Dreier*, in: *Beier & Schricker* (eds), 248, 270; *Ullrich*, in: *Beier & Schricker* (eds), 357, 390 *et seq.*, with reference to rightwing political and systematic implications. With the same conclusion *Krieger*, GRUR Int. 46 (1997) 5, 421, 422. For a different view, see *Drexler*, GRUR Int. 43 (1994) 10, 777, 785, under the condition of the certainty of legal provisions; *Drexler*, in: *Beier & Schricker* (eds), 18, 48 *et seq.*; different *Hermes*, 269 *et seq.*

far as possible.³⁷ This position also corresponds to the position of the ECJ for Community law.³⁸

II. State of Implementation

1. General Overview

Due to the large number of Members it is difficult to give an overall assessment of the implementation of the law enforcement provisions in the TRIPS Agreement. It can, however, be assumed that most **industrialized countries** have provided procedures of law enforcement that largely live up to the requirements of Part III. This was already the case at the time of ratification of the Agreement, so that it was unnecessary for most industrialized countries to take further action after the Agreement had entered into force. The **threshold and developing countries** were in a quite different situation, as their often deficient systems of IP protection were one of the main reasons for the negotiations that preceded the Agreement. Shortly after the ratification of TRIPS, those countries started to implement relevant regulations into their national laws on the protection of intellectual property and to extend their basic procedural rights by one measure or another.³⁹ So far as the implementation in individual countries is concerned, one can in particular refer to the **field reports**,⁴⁰ which—apart from the adaptations made to the Agreement—frequently focus on the practical difficulties. On 13 August 2007, the US requested the establishment of a panel to assess the consistency of China's Copyright Act with regard to creative works of authorship, sound recordings and performances that have not been authorized for publication or distribution within China and its Criminal Act with regard to threshold issues of law enforcement.⁴¹ The Panel is *inter alia* invited to consider Arts 41.1, 46, 59 and 61 in respect of the measures at issue.

³⁷ See also BGHZ 150, 377, 385.

³⁸ While the ECJ left the question about direct applicability of EC laws unanswered in the so-called *Hermès*-Decision on 16 June 1998 (see C-53/96, *Hermès International v. FHT Marketing Choice*, [1998] E.C.R. I-3603, Recs 23 *et seq.*), it rejected direct application of the TRIPS Agreement in C-300/98 and C-392/98, *Parfums Christian Dior SA v. Tuk Consultancy BV* and *Asco Gerüste GmbH and others v. Wilhelm Layher GmbH & Co.KG*, [2000] E.C.R. I-11307, Headnote 2, Recs 41 *et seq.* See also C-89/99, *Schieving-Nijstad vof and others v. Robert Groeneveld*, [2001] E.C.R. I-5851, Headnote 2, Recs 51 *et seq.* However, the courts shall, as far as it is possible, undertake to consider the wordings and the purpose of TRIPS while they are applying national laws. Although the decisions were all concerned with Art. 50.6, they tend to lead to conclusions in a general and broad sense.

³⁹ Dreier, in: *Beier & Schricker* (eds), 248, 270.

⁴⁰ *Abeyesekere*, GRUR Int. 46 (1997) 6, 524; *Al-Ahmar*, IIC 34 (2003) 4, 373; *Pacón*, GRUR Int. 48 (1999) 12, 1004; *Price*, IIC 35 (2004) 3, 281; *Stefanov*, GRUR Int. 52 (2003) 4, 336; cf. also *Bottenschein*, GRUR Int. 54 (2005) 2, 121.

⁴¹ *China—Intellectual Property Rights*, WT/DS362/1. See in further detail *Vander*, Article 61, para. 4.

- 17 At any rate, the main problem with the TRIPS provisions is not so much writing them into national laws as their **enforcement in legal practice**.⁴² Moreover—as expected—it turns out to be something of a problem that the Agreement calls for implementation, which leaves the Members with much freedom. Even though there are still many differences between the national legal orders so that the harmonizing effect of the Agreement is rather small, the TRIPS Agreement has still been able to provide a certain **minimum standard** especially with regard to the rights and duties of the parties to the proceedings.⁴³ However, on the occasion of a conference organized by the European Commission within the framework of the 10th anniversary of the TRIPS Agreement in Brussels on 23 and 24 April 2004, the competent 2nd Panel (“Enforcement Challenges”) stated that, at least with regard to the fight against global piracy, the Agreement had brought about no substantial improvement of the situation.⁴⁴

2. Implementation in the European Union

- 18 At the **European level**, the decisive role in the domestic implementation of the Agreement is played by the Members, whereas the Commission has passed only a small number of legal acts on the implementation of the Agreement in the Community.⁴⁵ Despite this fact, a large number of directives on the protection of intellectual property also partially referring to issues of law enforcement⁴⁶ have been enacted in the European Community during this time. One directive to be pointed out in particular with regard to the enforcement of intellectual property rights is the **Enforcement Directive**,⁴⁷ which even exceeds the requirements of the TRIPS Agreement in certain respects (so-called TRIPS-Plus provisions).⁴⁸ Within the EC, measures of border seizure are based on the Product Piracy Regulation. To this extent, it can be assumed that the protection of intellectual property rights in Europe is of high level and constantly evolving.

⁴² *Pacón*, GRUR Int. 48 (1999) 12, 1004, 1006.

⁴³ For interim measures: *Grosheide*, GRUR Int. 49 (2000) 4, 310, 324.

⁴⁴ *Cf. Kur*, GRUR Int. 53 (2004) 10, 837, 838. The European Commission availed itself of the opportunity to provide a new strategic paper emphasizing the significance of the enforcement of protection of intellectual property rights in the negotiation with third countries (European Commission, *Directorate General for Trade: Strategy for the Enforcement of Intellectual Property Rights in Third Countries*). *Cf.* also criticism by *Sodipo*, 192 *et seq.*

⁴⁵ *Schäfer*, GRUR Int. 45 (1996), 763, 774.

⁴⁶ *Cf. Mayer & Linnenborn*, K&R 6 (2003) 7, 313, 321 *et seq.*

⁴⁷ Corrigendum of Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the Enforcement of Intellectual Property Rights, OJ 2004 L 195/16. See *Dreier*, GRUR Int. 53 (2004) 9, 706 *et seq.*; *v. Hartz*, ZUM 49 (2005) 5, 376 *et seq.*; *Knaak*, GRUR Int. 53 (2004) 9, 745. For an original draft of the Directive of 23 January 2003, COM/2003/46: *Mayer & Linnenborn*, K&R 6 (2003) 7, 313 *et seq.*

⁴⁸ The right to information pursuant to Art. 8 Enforcement Directive is *e.g.* in comparison to Art. 47 TRIPS a mandatory provision and renders the right to information against a third party available to right holder.

SECTION 1: GENERAL OBLIGATIONS

Article 41*

1. Members shall ensure that enforcement procedures as specified in this Part are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements. These procedures shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.
2. Procedures concerning the enforcement of intellectual property rights shall be fair and equitable. They shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.
3. Decisions on the merits of a case shall preferably be in writing and reasoned. They shall be made available at least to the parties to the proceeding without undue delay. Decisions on the merits of a case shall be based only on evidence in respect of which parties were offered the opportunity to be heard.
4. Parties to a proceeding shall have an opportunity for review by a judicial authority of final administrative decisions and, subject to jurisdictional provisions in a Member's law concerning the importance of a case, of at least the legal aspects of initial judicial decisions on the merits of a case. However, there shall be no obligation to provide an opportunity for review of acquittals in criminal cases.
5. It is understood that this Part does not create any obligation to put in place a judicial system for the enforcement of intellectual property rights distinct from that for the enforcement of law in general, nor does it affect the capacity of Members to enforce their law in general. Nothing in this Part creates any obligation with respect to the distribution of resources as between enforcement of intellectual property rights and the enforcement of law in general.

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* The commentary is translated by Susanne Kruse, professional graduate translator.

CROSS REFERENCES

Art. 10*bis* BC; Art. 10*ter* PC; Art. 1 UCC; Art. 3 Enforcement Directive;¹ Art. 1714 NAFTA; Art. 55 Cartagena Agreement; Art.14 WCT.

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A. General

- 1 Art. 41 lays down a set of general obligations of the Members preceding the special provisions on law enforcement procedures. These general obligations form the **basis** for **understanding** and **interpreting** the subsequent provisions on law enforcement. While Art. 42 originally applies only to civil procedures, Art. 41 contains provisions that are relevant to **civil** as well as **administrative** and **criminal procedures**. To a large extent, they are congruent with the provisions of Art. 1714 NAFTA.

B. Objectives (Art. 41.1)

I. Maxim of Effectiveness

- 2 Art. 41.1, sentence 1 obliges Members to implement the enforcement procedures specified in Part III of the TRIPS Agreement in their national legal systems. These enforcement procedures are essential for the purpose of permitting “effective action against any act of infringement of intellec-

¹ Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the Enforcement of Intellectual Property Rights, OJ 2004 L 195/16.

tual property rights covered by this Agreement.” Hence, the enforcement of protected intellectual property rights follows, first of all, the **maxim of effectiveness**. Furthermore, the provision calls for “expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements” and thereby reflects the **efficiency aspect** of law enforcement. The individual procedures are detailed in the subsequent provisions of Part III. The purpose of Art. 41.1, sentence 1 is not the concrete definition of specific provisions and principles but in fact the determination of a “result-orientated”² interpretation of the envisaged enforcement procedures.

It is, however, not entirely clear to what extent the Members are obliged not only to ensure that enforcement remedies are available but also to provide for their **effectiveness in practice**.³ In other words, it has to be analysed whether the obligations to implement enforcement procedures are of formal or material nature. In light of the maxim of effectiveness, the purpose of Art. 41.1 and that of TRIPS as such will only be achieved by creating law enforcement systems that are effective themselves,⁴ since the purpose of the TRIPS Agreement to provide effective protection of intellectual property rights by creating law enforcement systems cannot be achieved without the guaranteed effectiveness of the respective law enforcement systems. Provided that national regulations correspond to the concrete specifications of Arts 42 *et seq.*, one might, however, argue that the provisions are to be regarded as **conforming to TRIPS** even in those cases where they do not have the desired effect,⁵ *i.e.* one might consider the purely formal implementation of the Agreements’ specifications sufficient even if the provisions of the relevant individual State are not applied in practice in such a way as to achieve the desired and intended effectiveness. In this connection, one must also take into account Art. 41.5 which puts into perspective implementation obligations to which the WTO Members have committed themselves in the TRIPS Agreement. On the other end, one must also bear in mind in this respect that the required consideration of the different needs and possibilities of the WTO Members is explicitly restricted only to the concrete method and form of law enforcement organization. Therefore national differences cannot justify a complete restriction of the cardinal obligation provided in Art. 41.1 to guarantee that effective action is taken against any infringement of the rights defined in Part II of

² *Nolff*, 28.

³ *Cf.* doubts raised by *Dreier*, in: *Beier & Schriker* (eds), 248, 260.

⁴ *Axster*, in: *Reichert* (ed.), 19, 28, with regard to the law of evidence; see also *Dreier*, in: *Beier & Schriker* (eds), 248, 260; see for details *Haedicke*, IIC 31 (2000) 7–8, 771, 776 *et seq.*; see also *Selzer*, 82; rejected by *Ibbeken*, 302; *Markfort*, 93 *et seq.*

⁵ In this sense see *Markfort*, 94.

the Agreement.⁶ The “differences in national legal systems” though, with regard to “the provision of effective and appropriate means for the enforcement of trade-related intellectual property rights”, are already taken into account in the Preamble Rec. 2 lit. c. Therefore, a **uniform standard** for the effectiveness of enforcement procedures is hardly determinable.⁷ Notwithstanding, the required differentiation between TRIPS-irrelevant incapability and TRIPS-relevant unwillingness to adopt enforcement procedures seems problematic.⁸ In sum, one should probably not assume that Members will act in conformity with TRIPS in the case of merely formal implementation of Arts 42 *et seq.*, because inefficient procedures will also contradict the declared objective of effective law enforcement and to that extent are no more than “shells without a core.” This result, based on the consistent application of the concept of effectiveness, is also confirmed by the historical development of the Agreement, because the Contracting Parties attached particular importance to the implementation of the provisions on law enforcement to be regarded as a novelty. Thus effective law enforcement constituted a major incentive for the creation of the TRIPS Agreement.⁹ However, the maxim of effectiveness does not cover those measures the implementation of which is left to the discretion of the Member States,¹⁰ *i.e.* measures which are clearly not binding.^{11, 12}

- 4 A question that arises in connection with the obligation of the Members to ensure appropriate enforcement procedures is whether a **relevant violation** of this obligation is already to be assumed in the case of a single infringement, *i.e.* when the law of intellectual property protection is incorrectly applied in an individual case, or whether such relevant violation presumes fundamental and systematic failings in the law of the relevant Member. Considering that the provisions on law enforcement would provide only a framework and that the intention of the Agreement is merely to establish minimum standards, a relevant violation is to be assumed only in those cases in which the law of the Member already fails in principle to fulfil the established requirements.¹³ This view is also supported by practical considerations. Provided that Members could also submit individual cases of incorrect enforcement to a panel, the latter—contrary to its original assigned task—would in fact be allocated the role of appellate instance and thus the task to examine the law and the actual circumstances of individual

⁶ Haas, 154.

⁷ Cf. *Watal*, 337 with an example concerning the determination of fines and the level of incomes in each Member State.

⁸ Dreier, in: *Beier & Schricker* (eds), 248, 272.

⁹ Haedicke, IIC 31 (2000) 7–8, 771, 776 *et seq.*

¹⁰ Cf. *Vander*, Before Articles 41–61, fn. 12.

¹¹ *Ibid.*

¹² Cf. Dreier, in: *Beier & Schricker* (eds), 248, 260.

¹³ Cf. *Abbott & Cottier & Gurry* (eds), 1572.

disputes. As individual cases can only be referred to a panel by Members but not by the individuals themselves this danger can be deemed manageable. Nevertheless, this risk has to be kept at the back of one's mind. As of now, (June 2008) dispute settlement proceedings have been instituted to examine whether Arts 213–215, 217 and 218 of the Chinese Criminal Act under which procedures and penalties are available only if the amount of illegal gains is relatively large or huge, or if there are other (especially) serious circumstances is compliant with China's obligation under Art. 41.1.¹⁴

II. Trade Barriers and Abuse

Art. 41.1, sentence 2 limits the obligation to establish most effective enforcement procedures pursuant to Art. 41.1, sentence 1 by stipulating that the enforcement of such procedures shall be carried out in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against the abuse of enforcement procedures.¹⁵ The **reciprocity** between sentences 1 and 2 conduces to the purpose of providing the **required balance** between the necessary protection of intellectual property rights on the one hand and the avoidance of an encumbrance on economic activities through exceedingly strict regulations and any possible resulting abuse potentials on the other. Considering the inclusion of this aspect in Rec. 1 of the Preamble,¹⁶ the prevention of barriers as a conceivable legal reflex to the provision of effective enforcement procedures proves to be particularly important. Increased significance is also attached to potential abusive situations, *e.g.* in order to limit the bigger companies' strategy of filing suits against competitors whose financial resources are insufficient to sustain prolonged legal disputes. This reflects the so-called checks and balances principle.¹⁷ This approach, intended to balance the interests of right holders, infringers and the public, is not peculiar to the TRIPS Agreement but has already been laid down in Art. XXIV:4 GATT 1994.

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C. Procedural Provisions (Art. 41.2)

I. General

Art. 41.2 sets out the **essential procedural principles** which form the core of procedures according to the rule of law. Moreover, according to

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¹⁴ *China—Intellectual Property Rights*, WT/DS362/1; see also *Vander*, Article 61, para. 4.

¹⁵ *Cf.* also Art. 8.2.

¹⁶ *Cf.* here *Kéfler*, Preamble, paras 4 *et seq.* and *Elfring & Arend*, Article 1, paras 11–13.

¹⁷ *Dreier*, in: *Beier & Schricker* (eds), 248, 260.

Art. 62.4, Art. 41. 2 applies also to the acquisition and maintenance of intellectual property rights.

II. Maxim of Fairness

7 The requirement of fair and equitable procedures pursuant to Art. 41.2, sentence 1 is given even greater emphasis by its position at the beginning of the list of general procedural principles. The specification of fair and equitable procedures is given effect to by the provisions of Art. 42. The fact that an individual regulation on the determination of fair and equitable procedures was created in Art. 42 and that, in addition, the principle of fair trial was included in sentence 1 of the general procedural principles (Art. 42.2) illustrate the paramount **importance** of this principle among the procedural principles. The essential elements of procedural fairness are, in particular, the right to be heard and the right to independent representation by a lawyer. Art. 41.2, sentence 2 ensures that principles of procedural efficiency (complexity, costs, terms and duration) are observed. To the extent these requirements serve equalizing the (different) powers of the parties, Art. 41.2, sentence 2 also accounts for substantive fairness in proceedings. At first glance the wording “fair and equitable” could be deemed a pleonasm. However, the term “fair” implies an elimination of one’s own feelings, prejudices, and desires so as to achieve a proper balance of conflicting interests and to prevent obstacles with regard to the proceedings, whereas the term “equitable” indicates equal treatment of all concerned. Thus, the sophisticated wording reveals the aim of the TRIPS Agreement namely to emphasize the importance and the scope of this procedural maxim.

8 III. Access to Proceedings

One purpose of Art. 41.2, sentence 2 is the facilitation of the most **far-reaching access** possible to existing enforcement procedures. Such access to proceedings shall not be hindered by unnecessary complication or cost. In the *Canada—Patent Term* dispute concerning the conformity of Canadian patent law with the minimum term of patent protection pursuant to Art. 33, the Panel elaborated on the interpretation on Art. 41.2, sentence 2.¹⁸ In its report, the Panel found “potential requirements that an applicant commence proceedings for a writ of mandamus and pay additional fees to be in breach of the general principle that procedures not be ‘unnecessarily complicated or costly.’”¹⁹ Following the reasoning of the Panel, dispensable

¹⁸ *Canada—Patent Term*, WT/DS170/R.

¹⁹ *Ibid.*, para. 6.118.

procedural rules or procedural steps are to be omitted, especially if they result in an additional cost burden for the parties involved.

Since the procedures are to involve no “unreasonable time-limits” or “unwarranted delays” (acceleration principle), the provision is aimed, *inter alia*, at producing efficiency gains, which in turn, enhance the overall **effectiveness of law enforcement**. The procedures are to be designed in such a way that legal protection can be obtained for a period long enough to guarantee effective safeguard. Thus, the provision is relevant for the **length of procedures in general**, as well as for required **terms for applications and statements** in particular. Furthermore, the provision emphasizes the indispensable availability of effective interim measures, since measures evoked for short term are increasingly required so far as intellectual property rights are concerned, which cannot be imposed within the limitations of general procedures. It was also in *Canada—Patent Term* where the Panel interpreted the concept of “**unwarranted delays**” pursuant to Art. 42.2, sentence 2. According to the Panel, such “delays, which are not tied to any valid reason related to the examination and grant process, would be inconsistent with the general principle that procedures not entail ‘unwarranted delays.’”²⁰ As can be gathered from this statement, the imperative to avoid “unwarranted delays” does not merely imply that the procedures to be ensured by the Members are to be completed within a manageable period when applied in practice. Rather, apart from seeing that the established procedures be carried out as quickly as possible, Members shall make sure beforehand, *i.e.* during the specification of such procedures, that they are implemented in such a way as to avoid “unwarranted delays”. However, no exorbitant requirements shall be imposed so far as the process duration is concerned. Moreover, a violation of Art. 42.2 will not be present when procedural principles are infringed once in a single case, but will only occur in those cases where the **system as such** is inherently incompatible with Art. 42.2, *i.e.* where the cause of compatibility stems from the structure of the procedure itself. As regards the implementation of the procedures, **country-specific peculiarities** must be taken into account at all times by reason of Art. 41.5.²¹ In no case, however, should the common procedure applied in the respective country be regarded as the only criterion for the fulfilment of these obligations, because the creation of a uniform, world-wide standard calls for comparable interpretations and norms for the disputing parties.²² Until such time as such interpretations and norms are developed, the model to be used for orientation is the framework conditions prevailing in the Members, bearing in mind, however, that these

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²⁰ *Ibid.*, para. 6.117.

²¹ *Cf. Gervais*, para. 2.377.

²² *Cf. Markfort*, 96; raising doubts: *Watal*, 342.

must in any case be compatible with the maxim of effectiveness pursuant to Art. 41.1, sentence 1.

D. Decisions on the Merits of a Case (Art. 41.3)

I. Concept

- 10 Art. 41.3 determines the **criteria** for drafting decisions on the merits of a case. These regulations, however, apply only to “decisions on the merits of a case” and not to interim measures.²³ Art. 41.3, like Art. 41.2, is to be evaluated within the framework of Art. 62.4.

II. In Writing and Reasoned

- 11 The requirement that a decision must be “in writing and reasoned” pursuant to Art. 41.3, sentence 1 is intended to ensure the necessary **transparency**,²⁴ *i.e.* the **comprehensibility and reviewability** of decisions. However, the requirement of writing and reasoning does not apply without any reserve but is limited by the addition of the wording “preferably.”²⁵ This qualification is partly due to the fact that otherwise some courts of industrialized States would have to amend their judicial decision-making practice, too.²⁶ In fact, in many jurisdictions it is part of normal procedure to give a judgment orally in a first step and to communicate the detailed reasons for it to the opposing parties in writing subsequently.²⁷ Probably, however, this qualification mainly serves the purpose of legalizing procedures that do not seem to require the drafting of a judgment in writing or its reasoning. Such may occur for the merits of those cases where the judgements are no more disputable or where both parties have waived the right of reasoning. Considering the aforementioned qualifications, the requirements of drafting in writing and reasoning should not be considered mandatory²⁸ but should rather be interpreted as **recommendations**.

²³ The special provisions in Art. 50 are relevant for interim measures.

²⁴ *Cf.* also relevant provisions on transparency in Art. 63.

²⁵ According to the original drafts of EC and the US such shall be “regularly” the case. *Cf.* MTN.GNG/NG11/W/68, Part 3, Section 1, Art. 3, sentence 10; MTN.GNG/NG11/W/70, Part 3, Section 1, Art. 3, sentence 11.

²⁶ *Dreier*, in: *Beier & Schricker* (eds), 248, 260 *et seq.*

²⁷ *Watal*, 339.

²⁸ *Hermes*, 267, only refers to preference; for an obviously different view and against the explicit wording of the provision see: *Gervais*, para. 2.377; *Ibbeken*, 303.

III. Availability

The requirement of Art. 41.3, final part of sentence 2, according to which 12
 decisions “shall be made available at least to the parties to the proceeding
 without undue delay”, on the one hand safeguards the objective of Art. 41.3,
 sentence 1 regarding transparency, comprehensibility and reviewability.
 On the other hand, the regulation conduces to the purpose of potentially
preparing a legal remedy against the decision made. Art. 41.3, sen-
 tence 2 must be understood in the light of the premise of the avoidance
 of “unreasonable time-limits or unwarranted delays” set down in Art. 41.2,
 sentence 2. As is made clear by the use of the term “at least”, decisions
 may be made available not only to the parties involved in the proceedings
 but also to third parties or even to the public at large. There is, however,
 no obligation to that extent.²⁹

It is doubtful whether the obligation to “make [decisions] available” may 13
 also be interpreted as to entail a **duty to notify**.³⁰ The wording may
 be interpreted both in terms of a duty to notify decisions to the parties
 and as a mere duty to file decisions ready and release them upon request.
 However, a retrospect on the history of the norm reveals that the duty to
 notify is not justified. The proposals of both the EC and the United States
 had envisaged a stricter obligation by the wording “shall be made known.”³¹
 In comparison to the proposals, the final wording seems to mitigate the
 obligation, which in fact calls for the assumption of a general obligation
 to guarantee that the parties involved are given the **option to access**
 judgments. No notification is required for this purpose.

IV. Use of Evidence

Art. 41.3, sentence 3 serves the purpose of making decisions on the merits 14
 of a case comprehensible and acceptable. By determining that “decisions
 on the merits of a case shall be based only on evidence in respect of
 which parties were offered the opportunity to be heard”, it intends to avoid
surprising decisions. This provision is to be classified as a specification
 in terms of the principle of a fair and equitable procedure pursuant to
 Art. 41.2, sentence 1. Therefore, it seems more congruent to include this
 matter in Art. 42. This provision is not applied within the framework of
 the preliminary procedure.³² Demanding a prior hearing of an opposing
 party pursuant to Art. 41.3, sentence 3 also for expedited proceedings would

²⁹ Art. 15 Enforcement Directive provides such an obligation in contrast.

³⁰ Affirmative *Gervais*, para. 2.377; different: *Dreier*, in: *Beier & Schriker* (eds), 248, 260; *Markfort*, 97.

³¹ MTN.GNG/NG11/W/68, Part 3, Section 1, Art. 3, sentence 10; MTN.GNG/NG11/W/70, Part 3, Section 1, Art. 3, sentence 11.

³² *Cf.* Art. 50.2.

regularly entail the danger of frustration of the complainant's actions, *i.e.* it would allow the defendant to purposefully destruct evidence.

E. Legal Remedies (Art. 41.4)

I. Administrative and Civil Procedures

- 15 On the one hand, Art. 41.4, sentence 1 provides legal protection in respect of **decisions of administrative authorities**. Accordingly, there is “an opportunity for review by a judicial authority of final administrative decisions.”³³ This requirement refers not only to review proceedings as such but also to reviews by a separate institution.³⁴ This can also be inferred from Art. 31 lit. f.³⁵ Art. 41.4, sentence 1 explicitly relates only to final decisions, because the administrative authority is to be given the opportunity—in the interests of procedural economy—to revise its decisions regularly within the framework of its own preceding **internal control authority** before a judicial review takes place.
- 16 On the other hand, Art. 41.4, sentence 1 requires an opportunity to review “at least the legal aspects of **initial judicial decisions on the merits of a case**”. By virtue of the wording “at least”, Members are given the option to provide an opportunity for the review of judicial decisions on the merits of a case also with regard to the facts on which the relevant decisions are based. Therefore, the **minimum standard** provided for by the provision includes only the reviewability of judicial decisions of the first level of jurisdiction concerning legal deficiencies. However, review of legal deficiencies is limited insofar as it needs to be granted only “to jurisdictional provisions in a Member’s law concerning the importance of a case.” This exception is particularly meaningful for potential restrictions based on the amount in dispute.³⁶
- 17 Art. 62.5, sentence 2 provides an **exception** to Art. 41.4, sentence 1 with regard to **administrative decisions** in procedures concerning the acquisition or maintenance of an intellectual property right. Accordingly, there is no obligation to provide for judicial review if “the grounds for such procedures can be the subject of invalidation procedures”.

³³ Under the procedural frame of Art. 62.4, Art. 62.5 further provides the review by “organs similar to court”.

³⁴ *Gervais*, para. 2.378.

³⁵ For details *cf. Quirin*, Article 31, paras 40 *et seq.*

³⁶ *Gervais*, para. 2.378.

II. Criminal Proceedings

For the sake of **procedural economy**, Art. 41.4, sentence 2 lays down 18
 “no obligation to provide for review of acquittals in criminal cases.” Beyond
 that, this provision was included to cover those instances in which national
 law permits no legal remedy against an acquittal by a jury in criminal cases,
e.g. in the legal system of the United States.³⁷

F. Organizational and Financial Autonomy (Art. 41.5)

I. Judicial System

Art. 41.5, sentence 1, sub-sentence 1 clarifies that there is no obligation “to 19
 put in place a judicial system for the enforcement of intellectual property
 rights **distinct** from that for the enforcement of law in general”.³⁸ That
 Members are not obliged to establish such a special judicial system raises
 doubts. As shown by decade-long practice, *i.e.* in Germany, specialized courts
 or particular chambers and the senate of the general courts are able to
 adjudicate in proceedings and legal disputes concerning industrial property
 rights **more competently** than the general judicial authorities.³⁹ Moreover,
 the establishment of special courts regularly offers the advantage of con-
 sistent and uniform adjudication. Therefore, those courts are in a position
 to make a significant contribution to legal security.⁴⁰ Art. 41.5, sentence 1,
 sub-sentence 1 was included in neither the EC’s nor the US’s position papers
 but was introduced upon a proposal by India,⁴¹ to meet the limited resources
 of especially the **threshold and developing countries**. Considering
 that the establishment of special judicial systems would overburden the
 resources of financially weak countries, in particular the developing ones,
 this restriction turns out to be appropriate despite the existing concerns.
 In spite of the flexibility provided for by Art 41.5, some Members have
 instituted special courts for the adjudication of intellectual property rights.
 For instance, the *Central Intellectual Property and International Trade Court (IP &
 IT Court)* was established in Thailand;⁴² and in China, special chambers for
 the protection of industrial property rights were set up in the people’s courts
 of the medium- and upper-level in the big economic centres.⁴³

³⁷ *Cf. Watal*, 339.

³⁸ Emphasis added.

³⁹ *Fritze*, GRUR Int. 46 (1997) 2, 143 = AIPPI Annuaire 1996/V, 29, 30; *Sodipo*, 187
et seq.

⁴⁰ *Sodipo*, 187; *Watal*, 338.

⁴¹ MTN.GNG/NG11/ W/40, No. 4 lit. e, 3; *Cf. Dreier*, in: *Beier & Schricker* (eds), 248,
 261.

⁴² *Cf. Ariyanuntaka*, IIC 30 (1999) 4, 360; *Watal*, 338, 343.

⁴³ *Bottenschein*, GRUR Int. 54 (2005) 2, 121, 122.

II. General Procedures

- 20 Art. 41.5, sentence 1, sub-sentence 2 endorses Art. 51.5, sentence 1, sub-sentence 1 insofar as it states that “the capability of the Members to enforce their law in general” shall be unaffected by the obligations under Part III of the TRIPS Agreement. While the TRIPS Agreement puts emphasis on the protection of intellectual property rights, it does, however, respect the need to leave the legal system in general unimpaired by a one-sided focus on these rights.

III. Financial Resources

- 21 Due to the lack of an obligation to create special judicial systems, Art. 41.5, sentence 2 determines that there shall be no “obligation with respect to the **distribution of resources** as between enforcement of intellectual property rights and the enforcement of law in general”.⁴⁴ The Agreement thus refrains from any intervention in the financial autonomy of its Members.

G. Jurisprudence

- 22 As of now (August 2008), a claim for violation of Art. 41 was filed only in two instances. In *EC—Trademarks and Geographical Indications*, Australia claimed that the EC Regulation on the protection of geographical indications and designations of origin “is inconsistent with Articles 41.1, 41.2, 41.3 and 42 of the TRIPS Agreement because of the provisions concerning objections by a trademark right holder, and the functioning of the regulatory committee.”⁴⁵ Likewise the United States—being the second complainant in the proceedings—found that certain aspects of the EC Regulation violate Arts 41.1, 41.2, 41.4 TRIPS because they would deny the owners’ right of a registered trademark provided for in Art. 16.1, and because, with respect to a GI, they would not ensure the rights provided for in Art. 22.2 of the TRIPS Agreement.⁴⁶ With regard to Australia’s claim, the Panel noted that the challenged EC procedures related to the acquisition and maintenance of intellectual property rights and were thus not covered by Art. 41 but Part IV of the TRIPS Agreement instead.⁴⁷ It thus rejected the Australian argument. The US claims in respect of Art. 41 were not ruled upon because the Panel exercised judicial economy.⁴⁸ With *EC—Trademarks and Geographical Indications* being the only dispute where a decision has been made on the consistency

⁴⁴ Such restriction can not be found in Art. 1714.5 NAFTA.

⁴⁵ *EC—Trademarks and Geographical Indications (Australia)*, WT/DS290/R, para. 7.731.

⁴⁶ *EC—Trademarks and Geographical Indications (US)*, WT/DS174/R, para. 7.759.

⁴⁷ *EC—Trademarks and Geographical Indications (Australia)*, WT/DS290/R, para. 7.733.

⁴⁸ *EC—Trademarks and Geographical Indications (US)*, WT/DS174/R, para. 7.761.

of a Member's enforcement system with Art. 41, the provisions were, so far, never found to be violated. At the moment however, Art. 41.1 is at issue again in *China—Intellectual Property Rights*. The Panel that was composed on 13 December 2007 will now address the US claims relating to Chinese criminal procedures and penalties for commercial scale counterfeiting and piracy as well as to Art. 4 of China's Copyright Act.⁴⁹

⁴⁹ Cf. *China—Intellectual Property Rights*, WT/DS362/1.

SECTION 2: CIVIL AND ADMINISTRATIVE PROCEDURES AND REMEDIES

Before Articles 42–49

Arts 42–49 specify the general obligations under Art. 41 for the purpose of application in civil judicial procedures. Accordingly, the provisions of Section 2 need to be read together with procedural maxims laid down in Art. 41 (Section 1). *1*

Article 42* Fair and Equitable Procedures

Members shall make available to right holders^[1] civil judicial procedures concerning the enforcement of any intellectual property right covered by this Agreement. Defendants shall have the right to written notice which is timely and contains sufficient detail, including the basis of the claims. Parties shall be allowed to be represented by independent legal counsel, and procedures shall not impose overly burdensome requirements concerning mandatory personal appearances. All parties to such procedures shall be duly entitled to substantiate their claims and to present all relevant evidence. The procedure shall provide a means to identify and protect confidential information, unless this would be contrary to existing constitutional requirements.

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A. General

- 1 Art. 42 **substantiates** the principle of fairness in proceedings, laid down in Art. 41.2, sentence 1, for civil procedures. In accordance with Art. 42, sentence 1, civil judicial procedures concerning the enforcement of protected IP shall be made available to right holders. The provision aims at **enforcing** intellectual property rights covered by TRIPS **as effectively as possible**, while at the same time respecting the **imperatives of fairness and equity**. Art. 42 does not merely specify the rights of owners in respect of

* The commentary is translated by Susanne Kruse, professional graduate translator.

[1] For the purpose of this Part, the term “right holder” includes federations and associations having legal standing to assert such rights.

the enforcement of their legal position but determines, as it were, the rights of defendants necessary to put forward their full defence. On the one hand, Art. 42 is intended to safeguard the effectiveness of the legal enforcement systems in favour of the right holder. On the other hand, it is meant to give the alleged infringers sufficient opportunity to rebut the accusations and to effectively defend themselves (checks and balances approach).

B. Establishment of Procedures (Art. 42, Sentence 1)

Art. 42, sentence 1 determines that right holders be given access to “civil procedures concerning the enforcement of any¹ intellectual property right² covered by this Agreement”. Consequently, Members are obliged to “make available” such civil judicial procedures. To date, none of the national measures brought before the DSB was found inconsistent with Art. 42.³ Nevertheless, the WTO adjudicating bodies have repeatedly contributed to the interpretation of the provision. In the *US—Section 211 Appropriations Act* case, the Panel was invited to rule on the conformity of the US Section 221 Omnibus Appropriations Act with the TRIPS Agreement, in particular, with Art. 42, sentence 1. Elaborating on the interpretation of the provision, the Panel noted that the ordinary meaning of the term “available” suggests that “right holders are entitled, under Article 42, to have access to judicial procedures which are effective in terms of bringing about the enforcement of their rights covered by the Agreement when this is warranted.”⁴ Although the Appellate Body reversed the Panel’s conclusion on the merits, it affirmed the Panel on this particular interpretation.⁵ To this extent, the Agreement provides that the rights protected by Part II of the Agreement have to be **matched** with the enforcement procedures of Part IV.

In principle, the term **right holder** only covers the holders of the rights themselves. According to footnote 11 however, this term also “includes federations and associations having legal standing to assert such rights.”⁶ This is *e.g.* the case for the copyright collecting societies.⁷ However, contrary to the Anell Draft of 23 July 1990⁸ and in deviation from a series of

¹ Different to Art. 42, Arts 51–60 concerning border measures and Art. 61 on criminal procedures apply only in respect of counterfeit trademarks and pirated copyright goods.

² *Cf.* Art. 1.2 (Part II, Section 1 to 7).

³ Also Australia in *EC—Trademarks and Geographical Indications (Australia)*, WT/DS290/R failed to make a *prima facie* case that the European regulation was inconsistent with Art. 42.

⁴ *US—Section 221 Appropriations Act*, WT/DS176/R, paras 8.95, 8.97.

⁵ *US—Section 211 Appropriations Act*, WT/DS176/AB/R, paras 203–232.

⁶ *Cf.* also similar provisions in Art. 10.2 PC.

⁷ *Duggal*, 79, fn. 332.

⁸ *Cf.* MTN.GNG/NG11/W/76, No. 2.2A, 3.

national submissions, the “right holder” does not include legal or natural persons authorized by the right holder (*e.g.* like exclusive licensees).⁹ When interpreting the term “right holder” in the *US—Section 211 Appropriations Act* case the Panel referred to footnote 11¹⁰ and declared that the term does not relate only to an “owner of an intellectual property right but also to third parties and others who may have legal standing in the jurisdiction in question to assert rights,”¹¹ which eventually results in equal treatment for actual and alleged right holders. This interpretation seems imperative because effective law enforcement cannot be warranted if only proven right holders are provided with law enforcement measures. The option to take legal action must also be available for potential right holders to the extent that it is likely that they are entitled to the asserted rights.

C. Right of the Defendant to Written Notice and Information (Art. 42, Sentence 2)

- 4 The **obligation to give the defendant written notice** pursuant to Art. 42, sentence 2 is meant to guarantee that defendants have adequate information to prepare their own pleadings. Any such notice must contain “sufficient detail”. The interpretation of this indeterminate legal concept is to be based upon the provision’s purpose that is to prompt both, effective legal enforcement and defence. Against this background, the defendant’s first concern is the communication of the **facts relevant** for the substantiation of the right holder’s claim. Moreover and as explicitly specified at the end of Art. 42, sentence 2, the defendant is to be informed about the **legal basis** for the asserted claim. In terms of formal procedure, such notice is to be given both in writing and in a timely manner the criterion of **timeliness** being achieved by making sure that the defendant is given sufficient time for defence. The specification of a precise minimum time limit for the due process of law does not seem practicable because the time limit to be granted needs to be based decisively on the specifics of the individual case. **Criteria** that need to be considered when calculating a time limit are *inter alia* the extent and complexity of the procedure, the domicile of the defendant and the potential necessity of employing a legal representative. However, by virtue of the principle of efficiency (Art. 41.2, sentence 2), exceedingly generous time limits are to be avoided. A possible

⁹ *Cf. Gervais*, para. 2.385.

¹⁰ Printed in Art. 42.

¹¹ *US—Section 211 Appropriations Act*, WT/DS176/R, para. 8.98 reads “The term ‘right holder’ [...] refers not only to an owner of an intellectual property right but also to others who may have legal standing in the jurisdiction in question to assert rights, [...]” *Cf.* also *UNCTAD/ICTSD*, 586.

baseline period to be contemplated for straightforward and uncomplicated cases could be a minimum term of 14 days.

D. Legal Representation and Personal Appearance (Art. 42, Sentence 3)

Art. 42, sentence 3, sub-sentence 1 establishes the right of the disputants to legal representation. This right has unlimited validity, allowing the parties to be represented for all activities and in all procedural stages by an **independent legal counsel of their own free choice**. The right of the parties to legal representation is complemented by Art. 42, sentence 3, sub-sentence 2 to the extent that no “overly burdensome requirements concerning mandatory personal appearances” are to be imposed. This provision is especially important where disputes about the infringement of intellectual property rights are concentrated before specific courts.¹² The provision does not categorically exclude ordering the parties to appear in person, even if this may be difficult for them. Normally, however, it is to be assumed that it is not necessary **in principle** for the parties to **appear in person** and that personal appearance requires the existence of specific reasons. Otherwise, right holders would be forced to accept their rights being impaired in cases of too complex and laborious law enforcement, in particular, in cross-border disputes.¹³ Therefore, a personal appearance order comes into consideration only if it turns out from a judicial point of view to be essential for resolving an issue or dispute. This is *e.g.* the case when the judicial authorities wish to obtain a personal impression of the parties involved, and especially when possible claims and procedures decisively depend on verifiable knowledge or the credibility of the parties.

5

E. Right to be Heard (Art. 42, Sentence 4)

The basic principle of fair and equitable procedures designed to facilitate effective law enforcement is laid down in Art. 42, sentence 4. According to this provision, the parties shall be given an opportunity to substantiate their claims and to present all relevant evidence. The wording of the provision contains no specification of whether the **right to substantiation of claims** is limited to a comprehensive submission on the facts of the case or whether it may/should also cover legal arguments. In consideration of the fundamental principle of fairness in proceedings as laid down in Art. 41.2,

6

¹² *Ibbeken*, 305, in fn. 26 with reference to German law.

¹³ *Cf. Selzer*, 83.

sentence 1, the right to substantiation of claims should also include a legal substantiation. Also the Panel in *US—Section 211 Appropriations Act* held that the ordinary meaning of the term “substantiate” suggests that the parties to the proceedings must have an effective opportunity “to *fully* present their case before the court reaches its conclusions.”¹⁴

- 7 The **right to present evidence** is limited to relevant evidence. This should, however, not result in any noteworthy limitation of this right. Evidence is considered **relevant** in all cases where it is required as a documentation of facts being relevant to the decision. Relevance should only be denied under all circumstances if there is no legal aspect under which the presentation of evidence could be relevant to the decision or if the evidence is obviously presented for purposes being off-topic, *i.e.* systematically delaying the procedure.

F. Protection of Confidential Information (Art. 42, Sentence 5)

- 8 Art. 42, sentence 5 stipulates rules concerning the identification and protection of confidential information. The provision is rather significant for the legal enforcement of intellectual property rights because the identification of confidential information is regularly required for the assessment of claims for damages and compensation. A **definition** of confidential information cannot be achieved simply by referring to the term “undisclosed information” in the sense of Art. 39.¹⁵ While confidential information¹⁶ also comprises undisclosed information in the meaning of Art. 39, the concept is, however, broader and includes additional information such as the content of a trade secret that could be required by a court or an expert. The party in control of the confidential information will usually oppose to its disclosure to the adverse party or other entities.¹⁷ In general, the definition of confidential information follows the intended circle of its permitted disclosure. In this connection, Art. 42 needs to find the right balance between the **right to information** granted by Art. 42, sentence 2 (transparency in proceedings) and the interests of the parties in their **confidential information** as protected by Art. 42, sentence 5. One possible way to resolve the conflicting interests is the legal appointment of an **independent expert** that would sign a declaration of non-disclosure and guarantee that all documents be destroyed or returned after the conclusion of the proceedings.

¹⁴ See *US—Section 211 Appropriations Act*, WT/DS176/R, para. 8.96. Emphasis added.

¹⁵ Cf. *Peter & Michaelis*, Article 39, paras 12–14.

¹⁶ The same term is used in Arts 40.3, 42, 43.1 and 57.

¹⁷ *UNCTAD/ICTSD*, 587.

The identification as well as the protection of confidential information must not be “contrary to existing **constitutional requirements**” of the laws of the Members. This is stated by the final clause of Art. 42, sentence 5. A prohibition of secrecy in civil procedures having a constitutional basis can be found in some South American countries or in Southeast Asia.¹⁸ Although the final clause of Art. 42, sentence 5 only orders the observance of “existing” constitutional requirements; this regulation should probably be understood as also account for constitutional requirements determined after the entry into force of the TRIPS Agreement. Therefore, the relevant **point in time** for assessing constitutional requirements does not correspond to the time of the entry into force of the TRIPS Agreement but to the time of the individual decision under Art. 42.

¹⁸ Cf. *Gervais*, para. 2.385, fn. 90.

Article 43* Evidence

1. The judicial authorities shall have the authority, where a party has presented reasonably available evidence sufficient to support its claims and has specified evidence relevant to substantiation of its claims which lies in the control of the opposing party, to order that this evidence be produced by the opposing party, subject in appropriate cases to conditions which ensure the protection of confidential information.
2. In cases in which a party to a proceeding voluntarily and without good reason refuses access to, or otherwise does not provide necessary information within a reasonable period, or significantly impedes a procedure relating to an enforcement action, a Member may accord judicial authorities the authority to make preliminary and final determinations, affirmative or negative, on the basis of the information presented to them, including the complaint or the allegation presented by the party adversely affected by the denial of access to information, subject to providing the parties an opportunity to be heard on the allegations or evidence.

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* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the Enforcement of Intellectual Property Rights, OJ 2004 L 157/45.

A. General

Art. 43.1 specifies **the authority of the courts** regarding the submission of evidence under the control of the party which does not bear the initial burden of proof. Art. 43.2 complements the **mandatory** authority under Art. 43.1 to the extent that it provides Members with the **option** to empower their judicial authorities to make decisions when evidence fails to be available or enforcement action is impeded. 1

B. Obligation to Produce Evidence (Art. 43.1)

I. Concept

According to Art. 43.1, the courts shall have the authority to order that the opposing party produce evidence relevant to the issue in the case. Ultimately, the opposing party is obliged to submit evidence which may very well become relevant and in fact used against it in course of **criminal procedures** pursuant to Art. 61. In this respect, Art. 43.1 contradicts the principle *nemo tenetur se ipsum prodere*, *i.e.* defendants may not be forced to incriminate themselves. From that perspective, it is the first provision of its kind to be included in an international Agreement.² The **obligation to produce evidence** is not limited to the defendant; it can be equally imposed on both parties to the proceedings. 2

The opening clause “the judicial authorities shall have the authority” can only be construed as an imperative authority granted to the courts.³ The *India—Patents (EC)*⁴ Panel took up the same position and further refined its view when it stated that Members should grant the courts the relevant powers in advance, *i.e.* as a matter of principle, rather than only on the occasion of a specific situation such as a precedent.⁵ 3

II. Prerequisites

The judicial order must refer to evidence **relevant to the issue**. This is not the case if an item of evidence has no influence on the result of a decision, *i.e.* if there is sufficient other evidence or if the evidence which lies in the control of the opposing party is insufficient to substantiate the claims. 4

² Cf. *Klemet-N'Guessan*, No. 419, 338 ; see for the critics on the effect of the principle with regard to intellectual property rights: *Sodipo*, 168 *et seq.*

³ *Gervais*, para. 2.390.

⁴ *India—Patent (EC)*, WT/DS79/R, para. 7.66.

⁵ *Ibid.*

- 5 The provision contains no definite indication regarding the concrete **types of evidence** to be encompassed by the judicial order. However, in view of the rather general language of the official versions (*e.g.* the English text refers to evidence “in the control of the opposing party”),⁶ the provision covers **all types of evidence**.⁷ A limitation comes into consideration in respect of **evidence given by a witness**, only if the calling of a witness by the opposing party conflicts with the internal non-disclosure obligations.⁸
- 6 Orders pursuant to Art. 43.1 are to be issued only where **all “reasonably available evidence” has been exhausted**. The provision contains no indication of what exactly “reasonably available evidence” is supposed to imply. Considering the spirit and purpose of the provision, it probably means that a requesting party must have exhausted all available and obtainable evidence before an order on the submission of evidence by the opposing party can be made. Evidence should be regarded as not available if it was not disposable and if the procurement of the respective evidence was either objectively impossible or unacceptable.⁹ For instance, a party has exhausted all **reasonable** available evidence if it would need to seek further necessary evidence through wrongful means. Thus, a party can not be forced to engage in punishable or anti-competitive action. The order to provide evidence furthermore presumes the **concrete specification** of what evidence is in the control of the opposing party. A mere assumption that the opposing party may be in the possession of evidence does not suffice for the making of a judicial order.¹⁰ If **discovery orders** or other “fishing for evidence” is to be prevented,¹¹ adequate specification of the evidence is indispensable. Moreover, it must be on the party seeking the order and in this respect bearing the burden of proof to adequately specify the evidence. It is thus implicit in Art. 43 that the order to produce evidence be made **upon request**,¹² and not *ex officio*.
- 7 By making such orders the courts shall take into account the legitimate interests of the opposing party in the **protection of confidential information**.¹³ In accordance with the final clause of Art. 43.1, the submission of evidence is to be ordered “subject in appropriate cases to conditions

⁶ In French it is formulated as “à ordonner que ces éléments de preuve soient produits par la partie adverse” which renders a broader understanding of evidence.

⁷ Also *Correa*, 421 exhibits a broad understanding of evidence. According to him, evidence in the context of the provision should include documentation and material objects in the possession of the opposing party.

⁸ *Cf. Ibbeken*, 308, 333.

⁹ *Ibid.*, 307.

¹⁰ *Cf. Watal*, 341.

¹¹ When compared internationally, the discovery orders are not dealt with in such a restrictive way as in Germany; *cf.* here *Axster*, in: *Reichert* (ed.), 19, 24 *et seq.*

¹² *UNCTAD/ICTSD*, 588.

¹³ For the concept of confidential information *cf. Vander*, Article 42, para. 8.

which ensure the protection of confidential information". As far as any order to produce evidence affects confidential information, protection of such information must be guaranteed.¹⁴ Whether and how the safeguarding of that information is to be achieved need be decided in the particular case. Often, the claimant's interest in gaining access to the information will **conflict** with the opposing party's interest in the protection of confidential information. A balance that needs to be stricken between these opposing interests is called for in Art. 42, sentence 5. Concerns that the confidential information—trade secrets in particular—be disclosed to the competitor(s) may be counteracted by ordering an independent **expert** to carry out the examination of the specified evidence.¹⁵

The position of Art. 43 in Part III, Section 2 of the Agreement might suggest that it refers only to judicial orders made after proceedings on the merits have been initiated. In light of the mandate of effectiveness pursuant Art. 41.1, sentence 1 however, Art. 43 should cover **all proceedings** taking place before a civil court that raise the question whether one of the parties may have a duty to produce evidence.¹⁶ 8

III. Infringements

Where the opposing party disobeys a judicial order to submit evidence, States have frequently instituted **evidence rules** according to which the court is *e.g.* empowered to draw adverse inference from a refusal to provide evidence or may come to a decision on the basis of the evidence laid before it. Art. 43.2 entitles Members to draw up evidence rules. However, neither Art. 43.1 nor Art. 43.2 mention the procurement of evidence by way of conservation of evidence, confiscation or by virtue of other judicial or administrative procedures.¹⁷ Against the background of the American **Pre-Trial-Discovery** procedure,¹⁸ the United States had submitted more far-reaching proposals on the procurement of information,¹⁹ which, however, have not found their way into the final version of the Agreement.²⁰ Moreover, Art. 43.1 apparently lags behind the **Anton Piller Order**²¹ 9

¹⁴ *Ibbeken*, 309, considers it feasible that the production of evidence be order also without the protection of confidential information if this concerns cases of professional infringement.

¹⁵ *Blakeney*, para. 13.05.

¹⁶ *Cf. Ibbeken*, 306.

¹⁷ *Dreier*, in: *Beier & Schricker* (eds), 248, 262.

¹⁸ Rule 26 (Depositions and Discovery) of Federal Rules of Civil Procedure of the United States, 1995, Civil Procedure Supplement.

¹⁹ *Cf. MTN.GNG/NG11/W/70*, Art. 6, 11 and *MTN.GNG/NG11/W/33/Rev. 2*, 24.

²⁰ The proposals were, nevertheless, partly adopted in Art. 50.

²¹ *Anton Piller v. Manufacturing Processes*, (UK) [1976] Ct. A. RPC, 719; *cf. Blakeney*, paras 13.06 *et seq.*

established in English law, according to which the alleged infringer can be required to allow the claimant to enter the premises in order to search for objects, documents or other evidence.²²

C. Frustration of Evidence (Art. 43.2)

I. Basic Principles

- 10 Art. 43.2 complements the judicial order authority of Art. 43.1 by a **facultative evidence rule** in the event of frustration of evidence and procedural impediment. The implementation of the provision in the national legal systems is not compulsory. However, if a Member does enact an evidence rule in the case of frustration, such rule must comply with Art. 43.2. Consequently, Members are only free with regard to the “whether” and not with the “how” of implementation.²³ The optional implementation of Art. 43.2 harbours the danger that Art. 43.1 will lose much of its force if not supported by the threat of sanctions.²⁴

II. Prerequisites

1. Allocation of Evidence

- 11 Art. 43.2 presupposes that the opposing party will **behave in a certain way**, which may consist in a refusal of access to necessary information (Art. 43.2, alternative 1), the failure to provide information “within a reasonable period” (Art. 43.2, alternative 2) or a significant impediment of a “procedure relating to an enforcement action” (Art. 43.2, alternative 3).
- 12 The expression “**necessary information**” used in Art. 43.2, alternative 1 is to be interpreted in light of the notion of “evidence” pursuant to Art. 43.1.²⁵ Information is necessary only if the requesting party has exhausted all reasonable alternatives to secure evidence in order to substantiate its claims and the only alternative left is to resort to information from the opposing party.
- 13 The otherwise non-availability of information “**within a reasonable period**” pursuant to Art. 43.2, alternative 2 is to be understood as a specification of the efficiency maxim laid down in Art. 41.2, sentence 2. The reasonableness of a period is to be based upon the effort required by

²² The principles of *Anton-Piller-Order* can be found in Art. 50 as well.

²³ Cf. *Gervais*, para. 2.390.

²⁴ *Markfort*, 156; cf. *Ibbeken*, 311.

²⁵ Cf. above paras 4 *et seq.*; *Correa*, 422 further distinguishes between both terms and understands information as excluding all products, machinery, and other tools of production.

the opposing party to procure the necessary information. Thus, if more comprehensive compilations of material are required, a period of just a few days may prove unreasonable, whereas the submission of items in the possession of the obligated party is possible and therefore seems also to be necessary within a very short period. Defining a fixed time-frame is certainly not suggestive, because it would make it impossible to account for the particularities of the individual case and the procurement effort required.²⁶ In principle, the maxim of efficiency (Art. 41.2, sentence 2) mandates that the periods be kept short. Thus, as a rule, whenever the production of evidence does not involve great effort the granting a period of only a few days seems sufficient, whereas adequate allowance should be made for communication and transmission of documents especially in case involving cross-border issues.

The last situation (Art. 43.2, alternative 3) that is the **impediment of proceedings relating to an enforcement action** is phrased more general and covers all operations not related to the provision of information. In consideration of the principle of fairness (Art. 41.2, sentence 1), activities that may qualify as a procedural impediment are systematic procedural delay and the abusive use of procedural rights or remedies. In many cases, however, a systematic impediment will be hard to demonstrate, for which reason the practical significance of this alternative will be rather small. 14

2. Culpable Actions

The opposing party's non-cooperative behaviour may be sanctioned only if it was undertaken at that party's own free will and without sound reason. A court decision with regard to frustration of evidence thus depends on the existence of culpable actions on the part of the opposing party. Such actions will be regularly assumed if the opposing party had the **chance** to act lawfully and if it is unable to **justify** any unlawful behaviour. Potential grounds for justification are primarily interests worth protecting such as confidential information. Denial of access to information is warranted if *e.g.* the safeguards for the protection of confidential information under Art. 43.1 turn out to be insufficient.²⁷ 15

3. Opportunity to be Heard

According to the final clause of Art. 43.2, the parties must be given an opportunity to be heard before the judicial authority can make a decision. This requirement substantiates the procedural fundamental right to a hearing laid down in Art. 42, sentence 4. The inclusion of the right to a hearing within the framework of Art. 43.2 corresponds to the **increased** 16

²⁶ For similar problems, *cf.* *Vander*, Article 42, para. 4.

²⁷ *Gervais*, para. 2.391.

need for a detailed analysis of the issue at hand and an appraisal of the available evidence when the court wishes to make its decision with regard to frustration of evidence.

III. Legal Consequences

- 17 In the case of Art. 43.2, the courts are authorized to make decisions “on the basis of the information presented to them”. This explicitly includes “the complaint or allegation presented by the party adversely affected by the denial of access to information”; *i.e.* the courts may consider that party’s case to be demonstrated. Since Art. 43.2 merely obliges the Members—if they choose to implement the provision—to “accord judicial authorities the authority to make [...] determinations”, the authorities are entitled but not obliged to make a decision based on frustration of evidence aspects. Consequently, the judge maintains a certain **scope for discretion and decision-making**.²⁸
- 18 Within the framework of Art. 43.2, the decision-making competence of the courts is not limited to any specific **type of decision**. In fact, the courts are authorized “to make [both] preliminary and final determinations, affirmative or negative”. Because the parties are to be granted an opportunity to be heard, such comprehensive decision-making powers do not raise fairness or other fundamental concerns.

D. Special Case: Process Patents

- 19 Art. 34 includes a special provision for the burden of proof with process patent.²⁹ The provision accounts for the difficulties that patent owners face in order to prove that a third party uses the protected process in its internal business and production flows. Against this background, Art. 34 privileges patent owners with regard to the initial burden of proof (Art. 34.1 and 2), while, at the same time, taking into account those interests of the defendant that are worthy of protection (*cf.* Art. 34.3).

²⁸ *Staelin*, 181.

²⁹ For details of the provision *cf. Neef & Arend*, Article 34, paras 2 *et seq.*

Article 44* Injunctions

1. The judicial authorities shall have the authority to order a party to desist from an infringement, *inter alia* to prevent the entry into the channels of commerce in their jurisdiction of imported goods that involve the infringement of an intellectual property right, immediately after customs clearance of such goods. Members are not obliged to accord such authority in respect of protected subject matter acquired or ordered by a person prior to knowing or having reasonable grounds to know that dealing in such subject matter would entail the infringement of an intellectual property right.
2. Notwithstanding the other provisions of this Part and provided that the provisions of Part II specifically addressing use by governments, or by third parties authorized by a government, without the authorization of the right holder are complied with, Members may limit the remedies available against such use to payment of remuneration in accordance with subparagraph (h) of Article 31. In other cases, the remedies under this Part shall apply or, where these remedies are inconsistent with a Member's law, declaratory judgments and adequate compensation shall be available.

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A. General

According to Art. 44.1, sentence 1 the courts shall be authorized to order the non-violation of laws. This obligation is restricted by way of facultative protection of good faith in terms of Art. 44.2, sentence 1. Art. 44.2, sentence 1 confines the rights of the injured party to a mere compensation claim, which is possible and facultative under certain circumstances. Art. 44.2, sentence 2 in particular concerns the case of compulsory licensing. 1

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the Enforcement of Intellectual Property Rights, OJ 2004 L 157/45.

B. Grant of Injunction (Art. 44.1)

I. Principle

- 2 Art. 44.1, sentence 1 requires Members to provide the courts with the authority to grant injunctions for infringements.² **Infringements** in the meaning of Art. 44.1 are all relevant impairments of intellectual property rights covered by the TRIPS Agreement³ that have already occurred or at least commenced.⁴ However, the provision does not justify any claim to **preliminary injunctions**. The imposition of provisional measures exclusively depends on the conditions laid down in Art. 50.
- 3 The purpose of an injunction issued by the courts must *inter alia* be the prevention of “the entry into the channels of commerce in their jurisdiction of imported goods that involve the infringement of an intellectual property right, immediately after customs clearance of such goods”. To this extent, the requested measures must be available directly at the border or at any rate immediately after customs clearance.⁵ However, the **pre-determination for a specific purpose** (“prevent the entry into the channels of commerce”) is merely **exemplary in nature** (“*inter alia*”). Accordingly, an action for injunction may be launched irrespective of the import of infringing goods.⁶ Art. 51 provides a comparable mechanism of protection (border seizure), the regulations of which, however, do only apply to counterfeit trademarked goods or pirated copyright goods, and only before such goods are released into free circulation.

II. Protection of Good Faith

- 4 Art. 44.1, sentence 2 provides for an exception to the authority to grant an injunction pursuant to Art. 44.1, sentence 1 if the subject matter was acquired or ordered by the defendant in **good faith**. This restriction can be deemed justified because it is normally unlikely that the *bona fide* acquirer or orderer is not expected to pursue repeated or even large-scale infringement of intellectual property rights.⁷ The scope of this limitation concerns the **trade** in infringing goods and does by no means also cover the production of such goods. The relevant **time at which** the presence of good faith is

² As regards the expression “The judicial authorities shall have the authority to order” cf. *Vander*, Article 43, para. 3.

³ Cf. Art. 1.2 (Part II, Sections 1 to 7).

⁴ *Gervais*, para. 2.395.

⁵ *Ibid.*

⁶ Unclear according to *Gervais*, para. 2.396, who seems to confine the measures provided in Art. 44.1 to imported goods (“only in respect of imported goods”).

⁷ *Selzer*, 84.

assessed is the time of acquisition or order.⁸ Because Art. 44.1, sentence 2 merely discharges Members from the duty to empower their courts to grant injunctions in respect of goods acquired in good faith, the Members can rule out a protection of good faith altogether.⁹

The possibility of issuing injunctions where the infringer acts in good faith is therefore left to the discretion of the Members, and is thus **facultative** in nature. The TRIPS Agreement's statements on liability privileges based on good faith seem rather surprising when considering that the US and Japan had vehemently opposed a comparable provision within the context of a treaty on the protection of integrated semi-conductor circuits.¹⁰ 5

C. Restriction of Remedy (Art. 44.2)

I. Restriction of Payment of Remuneration

In accordance with Art. 44.2, sentence 1, Members may restrict the owner's claim to the payment of adequate remuneration pursuant to Art. 31 lit. h.¹¹ 6
The provision was included in the Agreement at the suggestion of the United States¹² and results from a discussion between industrialized and developing countries on the restriction of legal remedies against governments.¹³ It is possible to impose such restriction, however, only in cases where either the government or a third party instructed by the government makes unauthorized use of an intellectual property right but, at the same time, honours the obligations under Part II specifically those concerning use without the consent of the right holder (compulsory licences). Relevant provisions on compulsory licences are Art. 31 relating to patents and in Art. 37.2¹⁴ in respect of layout designs. Against this background, the **scope of application** of Art. 44.2, sentence 1 is limited to patents and layout designs, which rules out any restriction pursuant to this provision on other property rights covered by the Agreement. Art. 44.2, sentence 1 in particular is not applicable to trademark rights, because Art. 21 provides for the explicit prohibition of compulsory licensing.¹⁵ If the prerequisites of

⁸ Dreier, in: *Beier & Schriker* (eds), 248, 262; see *Gervais* for a different view, para. 2.395, who suggests notifying the infringer of his infringement prior to bringing a lawsuit.

⁹ In the original drafts of EC and the US protection of good faith was not mentioned. Cf. MTN.GNG/NG11/W/68, Art. 7, 14; MTN.GNG/NG11/W/70, Art. 7, 16.

¹⁰ Cf. *Klopmeier* especially for the protection of good faith, Article 37, paras 2 *et seq.*; *Dreier*, in: *Beier & Schriker* (eds), 248, 262; *Matthews*, 67.

¹¹ For the interpretation of the concept of adequate remuneration cf. *Eikermann*, Article 31, para. 46.

¹² MTN.GNG/NG11/W/70, Art. 7, 16.

¹³ Cf. *Gervais*, para. 2.396.

¹⁴ Art. 37.2 refers in turn to Art. 31 lits a-k.

¹⁵ For such prohibition cf. *Schmidt-Pfitzner*, Article 21, para. 1.

Art. 44.2, sentence 1 are fulfilled, all other remedies against such user can be excluded.

II. Other Restrictions

- 7 Art. 44.2, sentence 2, sub-sentence 1 clarifies that in all cases not covered by Art. 44.1, all remedies provided for in Part III shall generally apply. Art. 44.2, sentence 2, sub-sentence 2 limits the scope of mandatory remedies to **declaratory judgments** and an **adequate compensation** where the remedies of Part III are “inconsistent with a **Member’s law**.”¹⁶ This is the case if a Member does not provide a certain remedy or if the remedy in question conflicts with national provisions, for instance, licence regulations or compulsory licences.¹⁷ In sum, the regulation safeguards the Members’ freedom to subject copyrights, industrial designs and models as well as undisclosed information to governmental use or compulsory licensing, which, however, do at least require a declaratory judgment and adequate compensation established by Art. 44.2, sentence 2. The **adequacy of compensation** shall be based upon the seriousness of the infringement and the significance of protected legal position. The use of the term “compensation” alone is sufficient to make it clear that this is not a damages claim in the classical sense.¹⁸ The purpose of compensation is to provide remuneration for the unauthorized exploitation of the property right concerned rather than to compensate for an infringement. On this account, the calculation of compensation should be equivalent to regular licensing practices (licence analogy).¹⁹

¹⁶ Emphasis added.

¹⁷ Cf. Dreier, in: *Beier & Schriker* (eds), 248, 262, fn. 59; *Markfort*, 271; *UNCTAD/ICTSD*, 592.

¹⁸ For a damages claim cf. the provision of Art. 45, in which the term of “damages” is employed in contrast to Art. 44.

¹⁹ *UNCTAD/ICTSD*, 592.

Article 45* Damages

1. The judicial authorities shall have the authority to order the infringer to pay the right holder damages adequate to compensate for the injury the right holder has suffered because of an infringement of that person's intellectual property right by an infringer who knowingly, or with reasonable grounds to know, engaged in infringing activity.
2. The judicial authorities shall also have the authority to order the infringer to pay the right holder expenses, which may include appropriate attorney's fees. In appropriate cases, Members may authorize the judicial authorities to order recovery of profits and/or payment of pre-established damages even where the infringer did not knowingly, or with reasonable grounds to know, engage in infringing activity.

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A. General

Art. 45.1 is a **mandatory** provision. It states that the judicial authorities² must have the power to award fault-dependent damages upon the right holder's request against infringers, the scope of which shall correspond to the injury suffered by the right holder pursuant to Art. 45.2, sentence 1. Art. 45.2, sentence 2 includes a further **optional** provision according to which Members may authorize the courts—in appropriate cases and independently of the infringer's fault—"to order recovery of profits and/or payment of pre-established damages".

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the Enforcement of Intellectual Property Rights, OJ 2004 L 157/45.

² As regards the expression "The judicial authorities shall have the authority to order" cf. *Vander*, Article 43, para. 3.

B. Damages Claim of the Right Holder (Art. 45.1)

I. Prerequisites

1. Infringement

- 2 A claim for damages by a right holder presupposes the infringement of an intellectual property right by an infringing activity undertaken by the defendant. Potential **infringement activities** are all impairments of intellectual property rights considered relevant under this Agreement.³

2. Knowledge or Reasonable Grounds to Know

- 3 Any damages claim presupposes the knowledge or reasonable grounds to know by the infringer that the activity was infringing, *i.e.* the existence of culpable behaviour. Such behaviour may result either from intentional or from negligent action. TRIPS does not specify the circumstances in which the infringer has no reasonable grounds for assuming his or her engagement in infringing activity. This creates a wide margin for all sorts of interpretations of negligence. As long as infringers do not deliberately violate laws that protect intellectual property rights, their acts shall frequently be deemed negligent. This shall apply at any rate where producers impair third party intellectual property rights by the manufacture of their products. Especially with regard to registered intellectual property rights such as trademarks and patents, failure to engage into a patent- or trademark-search can suffice for an allegation of negligence. For instance, any **producer** making copies of a certain product should no doubt be obliged to carry out regular searches for potential property rights.⁴ Where the infringement is undertaken by a third party **marketing** or importing/exporting goods produced in violation of intellectual property rights, a negligence allegation with regard to the defendant can be justified only if there are additional **indications** (*e.g.* acquisition of goods at a price considerably lower than their usual market value, acquisition through unusual channels of distribution) of the infringement by the goods. Beyond this, culpable actions can no doubt be assumed at all events where offences have been committed by the infringer after having received a warning from the right holder.⁵
- 4 It should be pointed out that apart from the possibilities provided for by Art. 45.2, sentence 2, the Agreement contains only one provision namely Art. 37.1, sentence 2 on layout designs that envisages **compensation payments to be made by an infringer acting in good faith (*bona fide* infringer)**.

³ *Cf.* also *Vander*, Article 44, para. 2.

⁴ *Blakeney*, para. 13.16.

⁵ *Ibid.*

3. Damage

The culpable infringement of property rights must have directly caused the damage in question. The main aspect of damage to the right holder to be considered is loss of profit. Another potential source of damage to the right holder in the case of the distribution of imitated and possibly low-quality goods is loss of image. Given the fact that the Agreement itself makes no statement regarding the compensability of such immaterial damages it will depend on the law of the individual Member whether and to what extent the right holder is entitled to recover immaterial damages. Finally, the right holder may incur the considerable costs of proceedings. Art. 45.1, however, does not cover damages based on such costs. The special provision of Art. 45.2, sentence 1 may be relevant in this regard.⁶

5

II. Legal Consequences

As specified in the Agreement, adequate **damages** to be paid by the infringer shall serve the purpose of compensation for infringement of an intellectual property right. **Damages** are considered **adequate** if they fully compensate for the damage suffered. On the other hand, right holders shall not make additional profit from exercising their rights. Since the provision requires infringers to be sanctioned, no punitive damages are to be awarded⁷ and property right holders are therefore to be compensated only for the actual damage suffered.

6

In many cases it is hardly possible to assess the damage in monetary terms.⁸ The assessment of damage is even very difficult for the courts due to problems in particular of ascertaining relevant criteria of assessment.⁹ Alongside the monetary claim for proven damages, also the recovery of the **infringer's profit**¹⁰ or a **fictitious licence fee**¹¹ could serve as a basis for the calculation of damages.

7

C. Supplementary Provisions (Art. 45.2)

I. Object of Regulation

Art. 45.2, sentence 1 further specifies the content of a damages claim with regard to costs of proceedings. In addition, Art. 45.2, sentence 2 provides

8

⁶ Cf. for details para. 9 below.

⁷ *Markfort*, 239; *Watal*, 347.

⁸ Cf. *Blakeney*, para. 13.15.

⁹ Cf. *Klemet-N'Guessan*, No. 421, 339.

¹⁰ The recovery of lost profits is not unknown to TRIPS, cf. Art. 45.

¹¹ The costs of a fictive licence are referred to in the Agreement, cf. Art. 37.1.

for the payment of lost profit and pre-established damages even in respect of the *bona fide* acquirer or user of protected IP.

II. Expenses

- 9 The courts shall not only be authorized¹² to award damages pursuant to Art. 45.1 but also to order the refund of **costs of court proceedings incurred by the injured party**. In this connection **attorney's fees** are explicitly mentioned in the Agreement. Other potential costs to be considered apart from attorneys' fees are *e.g.* expenses for private investigations to prove the infringement of an intellectual property right.¹³ Since the attorney's fees "can" only be included in the costs, Members are not obliged to provide for liability to pay damages covering attorneys' fees. Where a duty to refund the attorney's fees is provided for, this is limited in amount to appropriate remuneration. Remuneration is appropriate if the fees are in line with the norm in the relevant country¹⁴ and, in particular, if they do not exceed the established rates. By contrast, freely negotiated fees that considerably exceed normal charge rates should be deemed inappropriate. Art. 45.2, sentence 1 contains no provision on a duty to refund expenses by the claimant in case the action for damages remains unsuccessful. Art. 48.1, sentence 2 according to which the winning defendant shall be refunded with the costs of proceedings is limited in its scope of application to cases where the right to launch a lawsuit is abused by the right holder. In other situations, the Members are not obliged to order the **defendant's costs** to be paid by the claimant.

III. Recovery of Profits & Payment of Pre-Established Damages

- 10 Apart from compensation for an actual injury,¹⁵ Members may provide for the recovery of profits and alternatively or cumulatively provide for statutorily pre-established total damages. The scope of application of Art. 45.2, sentence 2—unlike for awards pursuant to Art. 45.1—is not limited to cases of positive or constructive knowledge of the infringer. The legal consequences of Art. 45.2, sentence 2 may expressly affect the infringer even if the infringement was committed unintentionally or negligently.
- 11 Since it is often problematic to evaluate the actual injury suffered and to prove that the infringer has made profits from his actions, the claim to pre-

¹² As regards the expression "The judicial authorities shall have the authority to order" *cf. Vander*, Article 43, para. 3.

¹³ *Watal*, 350.

¹⁴ *Ariyanuntaka*, IIC 30 (1999) 4, 360, 373.

¹⁵ *Gervais*, para. 2.400.

established damages gains particular importance. In this context, Members are able to lay down certain sums which may be applied as damages when certain intellectual property rights are violated. While pre-established sums for the purpose of awarding damages are common practice in many parts of the world,¹⁶ this statutory construction is confronted with clear reservations in certain legal systems (*e.g.* in Germany). In particular, it is asserted that these pre-established rates are very close to punitive damages, the latter being deliberately avoided as a remedy for IPR infringements in a multitude of national legal systems.

If, however, a Member empowers its judicial authorities with the competence pursuant to Art. 45.2, sentence 2, the obligation to recover profits or pay pre-established damages is limited to **appropriate cases**. TRIPS gives no indication of when such a case is to be considered appropriate. Because claims under Art. 45.2, sentence 2 can be substantiated even without culpable action by the infringer, and hence the provision—unlike Art. 45.1—has no subjective requirements, the **objective circumstances of the individual case** should be more suitable for use as assessment criteria than subjective criteria. Appropriate cases are for instance conceivable where the infringer generates considerable profits or has managed to achieve a better position in the relevant market by trading in infringing goods. Moreover, it may also be relevant whether low quality infringing imitations have caused damage to the reputation of the right holder's company. 12

¹⁶ This approach is highly prevalent particularly in American laws (*cf. e.g.* Digital Theft Deterrence and Copyright Damages Act, Anti-counterfeiting Consumer Protection Act, Digital Millennium Copyright Act). Meanwhile, an expansion of the legal system is observed in threshold countries and developing countries. *Cf.* relevant provisions in Singapore, see *Gölze*, GRUR Int. 54 (2005) 1, 28, 30 *et seq.*; for the situation in China *cf. Bottenschein*, GRUR Int. 54 (2005) 2, 121, 122.

Article 46* Other Remedies

In order to create an effective deterrent to infringement, the judicial authorities shall have the authority to order that goods that they have found to be infringing be, without compensation of any sort, disposed of outside the channels of commerce in such a manner as to avoid any harm caused to the right holder, or, unless this would be contrary to existing constitutional requirements, destroyed.

The judicial authorities shall also have the authority to order that materials and implements the predominant use of which has been in the creation of the infringing goods be, without compensation of any sort, disposed of outside the channels of commerce in such a manner as to minimize the risks of further infringements. In considering such requests, the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of third parties shall be taken into account. In regard to counterfeit trademark goods, the simple removal of the trademark unlawfully affixed shall not be sufficient, other than in exceptional cases, to permit release of the goods into the channels of commerce.

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A. General

- I* Art. 46 obliges Members to grant the judicial authorities the necessary competence to order remedies other than injunctions and damages. First, Members must provide products that have effectively been found infringing and “materials and implements the predominant use of which” has been in their creation be “**disposed of outside the channels of commerce**” (Art. 46, sentences 1 and 2). Second, subject to the existing constitutional requirements, the judicial authority to be provided for further extends to the destruction of the products (Art. 46, sentence 1). However, judicial authority with regard to these orders needs to respect the principle of proportional-

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the Enforcement of Intellectual Property Rights, OJ 2004 L 157/45.

ity (Art. 46, sentence 3). The provision makes it explicitly clear that these additional judicial competences serve the purpose of creating an **effective deterrent** to infringements of intellectual property rights.

B. Orders and Dispositions (Art. 46, Sentences 1 and 2)

I. Infringing Goods

In accordance with Art. 46, sentence 1, the judicial authorities are entitled to order² that infringing goods be “disposed of outside the channels of commerce in such a manner as to avoid any harm caused to the right holder.” Hence, the provision seeks to **deter future infringements**. Its primer aim is therefore preventive.³ Moreover, it takes into account the interests of right holders once infringement has occurred. 2

The measures to be taken by the courts shall be based on the procedural maxim of effectiveness as laid down in Art. 41, sentence 1 and, thus, effectively exclude the potential occurrence of an injury to the right holder. Certainly, the most effective option available for the exclusion of any further injury is **destruction of the products in question**. Destruction will regularly need to be considered for products labelled with a registered trademark, because the mere removal of the unlawfully applied trademarks can only obviate the danger of further infringing activities in exceptional cases.⁴ In particular, the last sentence of Art. 46 accounts for this issue. Due to the profound impact of such a destruction order, it shall be treated as *ultima ratio* in order to dispose of the products outside the channels of commerce.⁵ In this respect, the value of the products to the national economy becomes relevant and destruction might therefore not suggest itself from a pro-development perspective and in consideration of certain social needs.⁶ Art. 46, sentence 1 accounts for both; it explicitly provides the authority to order the destruction of infringing goods and at the same time limits this option with regard to the Members **constitutional requirements**. In particular the principle of adequate and fair proceedings in the event of seizure—being respected in a multitude of legal systems—should be taken into consideration as a constitutional principle and thus a possible limitation.⁷ 3

² As regards the expression “The judicial authorities shall have the authority to order” cf. *Vander*, Article 43, para. 3.

³ The principle of deterrence is generally provided for in Art. 41.1.

⁴ Cf. Art. 46.4.

⁵ *Staelin*, 181, fn. 10.

⁶ *UNCTAD/ICTSD*, 595.

⁷ Cf. *Blakeney*, para. 13.17.

- 4 Orders or dispositions by the court may be adopted only upon **request** of the right holder. While this does not directly follow from Art. 46, sentence 1, “such requests” shall be subject to the principle of proportionality pursuant to Art. 46, sentence 3. Thus, the filing of a request for a judicial order in the meaning of Art. 46, sentence 1 is implicitly made a requirement.

II. Materials and Implements for Creation

- 5 Apart from the competences according to sentence 1, Art. 46, sentence 2 establishes a judicial authority⁸ “to order that materials and implements the predominant use of which has been in the creation of the infringing goods” be disposed of outside the channels of commerce. Materials and implements are not **predominantly** used for creating infringing products if they are regularly employed to produce legitimate products and if the abuse of materials and implements for the creation of infringing goods is to be considered only very small in proportion to legal production.
- 6 In terms of quality the court’s authority under Art. 46, sentence 2 is limited to that in Art. 46, sentence 1 in two respects: First, Art. 46, sentence 2 provides no option to **destroy** the implements and materials used in the creation of infringing products. In light of the explicit wording in Art. 46, sentence 1 and the missing corresponding authority in Art. 46, sentence 2, destruction appears to be ruled out.⁹ Second, Art. 46, sentence 2—unlike Art. 46, sentence 1—does not require damage to be eliminated but is limited to **keeping the number of further infringements as low** as possible. The different treatment of infringing goods and implements or materials involved in their creation is justified in view of the different risk they produce for the right holder. Already existing goods create a concrete and direct threat of damage to the right holder, and the realization of damage can regularly be ruled out only by disposing of the goods outside the channels or destroying them. With regard to the implements and materials for the creation of infringing goods, it often suffices to consider less draconian measures such as the confiscation of production patterns or print and press samples.
- 7 Alike Art. 46, sentence 1, Art. 46, sentence 2 presupposes the right holder to file an application concerning remedies against materials and implements.

⁸ As regards the expression “The judicial authorities shall have the authority to order” cf. *Vander*, Article 43, para. 3.

⁹ See *Stahelin*, 182 for a different view.

III. Compensation

Art. 46, sentences 1 and 2 do not provide for compensation of the infringer. 8
The infringer is expected to accept the measures taken without any compensation. The exclusion of compensation stresses the sanction-character of the Art. 46 and highlights the intended deterrent effect.

C. Proportionality (Art. 46, Sentences 3 and 4)

I. Balancing of Interests

Decisions on pursuant to Art. 46, sentences 1 and 2 shall take into account 9
not only the interests of the right holder but also—on the basis of the principle of checks and balances (Art. 41.1)—the proportionality of the measure to be ordered in relation to the seriousness of the infringement as well as the interests of third parties.

Apart from the objective circumstances of the individual case that could 10
include the quality of the infringement (commercial or organized actions as opposed to infringements within the private field) and its effect on the protected IPR (infringement of core guarantees or secondary aspects), possible criteria of assessment for the seriousness of the infringement also include subjective criteria (*e.g.* the degree of fault, intentional or negligent behaviour of the infringer). Third parties that might be affected by orders and disposition made in accordance with Art. 46 will regularly care for their property. Their interests shall be assessed first of all according to their involvement and degree of fault.¹⁰ It is often the distributors that turn out to be the most seriously affected third parties because they have ordered and paid for pirated goods often without any knowledge of possible infringements.

II. Special Case: Counterfeit Trademark Goods

Art. 46, sentence 4 contains a clarifying provision regarding trademarked 11
goods and, in this respect, concretizes the proportionality review required in accordance with Art. 46, sentence 3. Pursuant to Art. 46, sentence 4, “the simple removal of the trademark unlawfully affixed shall not be sufficient, other than in exceptional cases, to permit release of the goods into the channels of commerce”. This provision needs to be viewed in light of the considerable danger that stems from repeated unlawful affixing of the trademarks to products.¹¹ One must also take into account the fact that goods

¹⁰ *Markfort*, 227.

¹¹ *Dreier*, in: *Beier & Schricker* (eds), 248, 263.

with trademarks unlawfully affixed to them may cause confusion about their manufacturer and their origin not only as a result of the simple affixing of the trademark but in fact also due to the frequently realistic and detailed imitation of the product. The simple removal of the trademark does not often suffice to eliminate the danger of confusion. The simple removal of the trademark may be enough in exceptional cases only, *i.e.* if such simple trademark removal is sufficient to eliminate the originally intended danger of confusion and if repeated affixing of the trademarks is out of the question. Hence, the simple removal of trademarks unlawfully affixed could suggest itself in cases in which the infringement is undertaken by persons in a private, non-professional or non-organized environment. Moreover, simple removal of the infringing trademarks seems to be sufficient where the goods are supplied for charitable purposes.¹²

¹² *Watal*, 350.

Article 47* Right of Information

Members may provide that the judicial authorities shall have the authority, unless this would be out of proportion to the seriousness of the infringement, to order the infringer to inform the right holder of the identity of third persons involved in the production and distribution of the infringing goods or services and of their channels of distribution.

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CROSS REFERENCES

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A. General

Art. 47 empowers **the judicial authorities to seek information** concerning the identity of third persons and their channels of distribution. The Members are not obliged to afford such authority (“Members may provide”), but if implemented, it proves to be the essential instrument to the right holder for obtaining an overall insight into the organizational and distributional structures of trade with infringing products, especially if the infringers operate professionally. In the latter case the provisions of Art. 47 have to be construed as a claim of the right holder, provided that the merits of the case are in compliance with the requirements of Art. 47. This is also implied by the title of Art. 47 referring to a “right of information” indicating that the provisions of Art. 47 aim at constituting a claim for the benefit of the right holder. An injunction available at the very end of the supply chain has usually only little effect. In particular, this becomes apparent when considering that injunctions are regularly obtained after proceedings having lasted for a long time. In view of the importance of the right to information, the provision’s **facultative character** represents a considerable constraint.² Moreover, the right to information can not be exercised until the defendant is clearly identified as an **infringer**.³

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the Enforcement of Intellectual Property Rights, OJ 2004 L 157/45.

² Art. 8 Enforcement Directive explicitly provides a mandatory right to information.

³ *UNCTAD/ICTSD*, 596.

- 2 In the course of the negotiations to TRIPS, it was alleged that Art. 47 would force defendants to incriminate themselves and thus be inconsistent with the principle *nemo tenetur se ipsum prodere*. These concerns finally prevented the provision from being made obligatory.

B. Content of the Claim

I. Identity of Third Persons

- 3 The right to information regarding the identity of third persons is targeted at “third persons involved in the production and distribution of the infringing goods or services”. The claim merely refers to the identity of third persons and does not include the concrete field of their activity, etc. Since there is no further restriction of the degree of **involvement**, the right to information may be exercised against parties that are both directly and indirectly involved. The wording of the provision calls for the cumulative involvement in the production and distribution of the infringing goods. The provision is, however, directed to enforce the disclosure of distributional and organizational structures. This makes sense only if the right holder’s right to information extends to the identity of all persons involved in the production *or* distribution of the infringing goods. Against this background, the provision should be interpreted as referring to production and distribution, each on its own account.

II. Channels of Distribution

- 4 Apart from the identity of third persons, the right to information also extends to the channels of distribution. Again, any interpretation should be based on the purpose of the right to information. In light of the maxim of effectiveness laid down in Art. 41.1, sentence 1,⁴ this covers all specifications required for ensuring the **traceability of the channels of distribution of goods**. Therefore, the right to information may extend to points of sale and storage as well as the final and temporary storage facilities for pirated goods.⁵

⁴ Cf. here *Vander*, Article 41, paras 2 *et seq.*

⁵ More restrictive: *UNCTAD/ICTSD*, 596.

C. Restrictions

The right to information is subject to certain restrictions. First, the broad concept of third persons is limited by the need to balance the right to information with the seriousness of the infringement involved. Only if such balancing act leads to the result that the interest in the disclosure of the information prevails in light of the seriousness of the infringement, the authority to seek information may rightfully be exercised. Consequently, Art. 47 requires a **review of the proportionality** of the order to provide information. 5

Second, TRIPS contains no indication of the **criteria** that could provide guidance for such proportionality review.⁶ Following the spirit and purpose of the provision, however, a right to information could be regarded proportional at least in cases involving large-scale infringements. Since the right to information primarily serves the purpose of revealing organizational and distributional structure of the infringing actions, it will prove ineffective where such structures obviously do not exist, *e.g.* where the infringement(s) occurred only once or on a very small-scale. Nevertheless, this limitation should merely be applied to evident situations because, typically, the whole scale and importance of infringements of intellectual property rights will be revealed only once an action for information is successfully asserted. 6

⁶ *Markfort*, 217, holds that such comments are not precise enough.

Article 48* Indemnification of the Defendant

1. The judicial authorities shall have the authority to order a party at whose request measures were taken and who has abused enforcement procedures to provide to a party wrongfully enjoined or restrained adequate compensation for the injury suffered because of such abuse. The judicial authorities shall also have the authority to order the applicant to pay the defendant expenses, which may include appropriate attorney's fees.
2. In respect of the administration of any law pertaining to the protection or enforcement of intellectual property rights, Members shall only exempt both public authorities and officials from liability to appropriate remedial measures where actions are taken or intended in good faith in the course of the administration of that law.

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CROSS REFERENCES

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A. General

- I* Art. 48.1 governs the obligatory power of the judicial authorities to order that the defendant be paid **indemnification** by the applicant,¹ while Art. 48.2 contains provisions regarding the **liability** of the public authorities and officials. These norms are connected only insofar as they both contain provisions on the indemnification of the defendant.²

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ As regards the expression “The judicial authorities shall have the authority to order” cf. *Vander*, Article 43, para. 3.

² Cf. also Art. 56 on border measures.

B. Liability of the Applicant (Art. 48.1)

I. Concept

Art. 48.1 makes a distinction between the **injury suffered from abusive use of proceedings** (Art. 48.1, sentence 1) and the **costs of proceedings** incurred by the defendant, which may also include attorneys' fees (Art. 48.1, sentence 2). The party to be held liable for both types of damages is the applicant. Protection against abusive initiation of proceedings is accorded by way of ordering the losing applicant to bear the often very high costs of proceedings and to compensate the defendant for all injury suffered by reason of such abuse.³ The main purpose of these provisions is to prevent abusive use of procedural rights (**preventive function**). At the same time, the provisions are aimed at compensating for economic damage caused by abuse of proceedings (**compensatory function**).

II. Prerequisites

1. Measure

First of all, a claim to compensation pursuant to Art. 48.1, sentence 1 requires a measure taken against the defendant in order to redress alleged harm of the applicant. 3

2. Request

The measures concerned must have been initiated upon request of the applicant. Such request in particular is a request pursuant to Art. 46. *Ex officio* action is therefore not envisaged with regard to the indemnification of the defendant under Art. 48.1, sentence 1. 4

3. Abusive Action

Art. 48.1 clarifies that protection is not accorded against every unwarranted measure that is requested by the applicant but only in cases of **abuse of enforcement proceedings**.⁴ In terms of the applicant's subjective intentions, this requires positive **knowledge** of the missing justification of the requested measure. In practice, it will frequently be difficult to demonstrate such knowledge. Thus, instead of mainly or exclusively focussing on the (hardly verifiable) intentions of the applicant, one should also consider the external circumstances and facts and check the **plausibility** of the 5

³ *Fritze*, GRUR Int. 46 (1997) 2, 143 = AIPPI Annuaire 1996/V, 29, 30.

⁴ Such cases of abuse are obviously taken into account in the provisions of Art. 8.2, Art. 40.2, Art. 41.1, Art. 50.3 and Art. 67.

applicant's allegations.⁵ Should the allegations of the applicant be wrong or misleading, one could assume—as a matter of principle and without any further review—that the applicant knew about the lack of the measure's justification and accordingly presume an abusive intent. However, despite the just mentioned difficulties in providing the necessary evidence for positive knowledge, a general and complete disregard of the applicant's intention appears inconceivable. Otherwise, the right holder would be exposed to an excessive procedural risk and held liable whenever a measure that is to redress an alleged infringement turns out to be unjustified. Ultimately, such understanding would contradict the very objective of TRIPS, namely to establish and grant as effective protection of intellectual property as possible. This holds true if applicants, at the **time** the application is submitted and the measure is taken, assume that the requested action protects their rightful interests. While Art. 48.1 is intended to prevent the abuse of proceedings, it is, however, not meant to protect defendants against potentially unjustified proceedings. On the other hand, the interests of the defendant have to be considered to a reasonable extent. The premise of checks and balances therefore prohibits unilateral, undue preference of right holders.

- 6 Since the risk of having to bear the opposition's expenses is inherent in any initiation of court proceedings and does thus not specifically relate to IP issues or affect the minimum requirements of TRIPS, it seems also conceivable to establish a **claim to compensation** exclusively geared to the occurrence of an injury through unjustified measures, **without** requiring a malicious **intention or knowledge** on part of the applicant having initiated the unjustified measure.⁶ Such regulations, particularly in respect of preliminary measures, are common among the Members. They also appear appropriate, because the party against whom unjustified measures are initiated may suffer a considerable material loss even if the party having initiated those measures has not abused the available legal remedies and measures but used them legitimately. While the prospect of a possible claim to damages may admittedly prevent the right holder from launching proceedings against a potential infringer, this is a risk that the right holder needs to accept as a **general risk of litigation**.⁷

III. Legal Consequences

- 7 According to Art. 48.1, sentence 1, the applicant is obliged to pay adequate compensation “to a party wrongfully enjoined or restrained” by the measure. The definition of what constitutes adequate compensation is to be based on

⁵ Cf. *Gervais*, para. 2.412.

⁶ *UNCTAD/ICTSD*, 598 *et seq.*

⁷ *Ibid.*

the spirit and purpose of the provision. The purpose of Art. 48.1, sentence 1 is to make sure that unlawfully taken measures do not result in any economic loss suffered by the party enjoined. An **adequate compensation** must therefore clear all economic losses suffered by the party enjoined that can be attributed to the wrongful measure.

Pursuant to Art. 48.1, sentence 2, “the defendant’s **expenses**, which may include appropriate attorney’s fees” shall be reimbursed.⁸ The provision parallels Art. 45.2, sentence 1.

8

C. Liability Privilege (Art. 48.2)

I. Principle

Art. 48.2 is based on the general view that the State or its organs may, in principle, be held liable. The provision confirms this general view. It, however, authorizes the Members to establish liability privileges for public authorities and officials “in respect of the administration of any law pertaining to the protection or enforcement of intellectual property rights”. Accordingly, public authorities and officials may be exempt “from liability to appropriate remedial measures” if their “actions are taken or intended in **good faith** in the course of the administration of that law.” In practice, it is difficult to demonstrate good faith. The burden of proof rests on the public authority or official who invokes the favourable limitation of liability. To the extent the public authority or official has taken conventional measures in the absence of particular circumstances that would warrant a different assessment; there will usually be a **presumption** in favour of good faith on the part of the public authority or official.

9

Art. 48.2 covers both, actions taken and actions intended. In contrast to the notion of “actions taken,” the verb “intended” implies no actual occurrence but rather a **purpose** or intention. Therefore, if the particular case gives no direct indication of good faith, its assessment requires a consideration of the **purpose** on which a measure is based.⁹

10

II. Limitation

Since the liability privilege premises not only good faith but also that the actions be taken in the course of the administration of laws “pertaining

11

⁸ See for further detail *Vander*, Article 45, para. 9.

⁹ *Cf. Gervais*, para. 2.413.

to the protection or enforcement of intellectual property rights”, such **privilege shall not include** any actions in the course of which the relevant public authorities or officials failed to respect the limits of their competences, especially, if they order a measure that is not envisaged in the respective provision.

Article 49*
Administrative Procedures

To the extent that any civil remedy can be ordered as a result of administrative procedures on the merits of a case, such procedures shall conform to principles equivalent in substance to those set forth in this Section.

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CROSS REFERENCES

Art. 1715.8 NAFTA.

Arts 42–48 clearly relate to judicial civil proceedings only. This is expressed for instance by the language (“civil judicial procedures”) in Art. 42, but also Art. 43.1 and 2, Art. 44.1, Art. 45.1 and 2, Arts 46, 47 and 48.1 explicitly refer to “judicial authorities”. 1

However, Art. 49 provides that to the extent that civil remedies are ordered as a result of substantive administrative procedures, such procedures shall conform to the “principles equivalent in substance to those set forth in [Arts 42–48].” The provision clarifies that the regulations for judicial and administrative procedures need not be identical but reflect the **same essential principles**, in substance and not in detail. This ensures that the procedural principles of Arts 42–48 are preserved independent of whether the decision is made by a judicial or an administrative authority, thereby protecting the parties from—still not infrequent—arbitrary acts by governments.¹ 2

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ *Blakeney*, para. 13.21; *Staehelin*, 182.

SECTION 3: PROVISIONAL MEASURES

Article 50*

1. The judicial authorities shall have the authority to order prompt and effective provisional measures:
 - (a) to prevent an infringement of any intellectual property right from occurring, and in particular to prevent the entry into the channels of commerce in their jurisdiction of goods, including imported goods immediately after customs clearance;
 - (b) to preserve relevant evidence in regard to the alleged infringement.
2. The judicial authorities shall have the authority to adopt provisional measures *inaudita altera parte* where appropriate, in particular where any delay is likely to cause irreparable harm to the right holder, or where there is a demonstrable risk of evidence being destroyed.
3. The judicial authorities shall have the authority to require the applicant to provide any reasonably available evidence in order to satisfy themselves with a sufficient degree of certainty that the applicant is the right holder and that the applicant's right is being infringed or that such infringement is imminent, and to order the applicant to provide a security or equivalent assurance sufficient to protect the defendant and to prevent abuse.
4. Where provisional measures have been adopted *inaudita altera parte*, the parties affected shall be given notice, without delay after the execution of the measures at the latest. A review, including a right to be heard, shall take place upon request of the defendant with a view to deciding, within a reasonable period after the notification of the measures, whether these measures shall be modified, revoked or confirmed.
5. The applicant may be required to supply other information necessary for the identification of the goods concerned by the authority that will execute the provisional measures.
6. Without prejudice to paragraph 4, provisional measures taken on the basis of paragraphs 1 and 2 shall, upon request by the defendant, be revoked or otherwise cease to have effect, if proceedings leading to a decision on the merits of the case are not initiated within a reasonable period, to be determined by the judicial authority ordering the measures where a Member's law so permits or, in the absence of such a determination, not to exceed 20 working days or 31 calendar days, whichever is the longer.
7. Where the provisional measures are revoked or where they lapse due to any act or omission by the applicant, or where it is subsequently found that there has been no infringement or threat of infringement of an intellectual property right, the judicial authorities shall have the authority to order the applicant, upon request of the defendant, to provide the defendant appropriate compensation for any injury caused by these measures.
8. To the extent that any provisional measure can be ordered as a result of administrative procedures, such procedures shall conform to principles equivalent in substance to those set forth in this Section.

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* The commentary is translated by Susanne Kruse, professional graduate translator.

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A. General

Art. 50 contains detailed procedural rules on the imposition of provisional measures. With regard to the principle of due process, it endorses Art. 44. On the one hand the provision takes into account the interests of the right holder in obtaining prompt and effective provisional legal protection (Arts 50.1 and 2), and on the other hand it sufficiently implements the checks and balances principle (Art. 41.1) in consideration of the danger of a possibly unwarranted burdening of the defendant (Arts 50.3–4 and 6–7). 1

B. Procedure

To initiate the ordering of a judicial measure under Art. 50 the right holder must file an **application** (Arts 50.3–7: “applicant”).² The application is 2

¹ Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the Enforcement of Intellectual Property Rights, OJ 2004 L 157/45.

² Supporting the option of *ex officio* action in parallel to the procedure laid down in Art. 50 see *Klomet-N’Guessan*, No. 425, 341.

followed by a **hearing** which, in the exceptional circumstances of para. 2, may be foregone. The judicial authorities may require the applicant to **provide evidence and “security or equivalent assurance”** (Art. 50.3) or “to supply other information necessary for the identification of the goods concerned” (Art. 50.5). On this basis, the judicial authorities may reject the application or order a measure. If the defendant was not heard, he or she “shall be given notice, without delay after the execution of the measure[s] at the latest” (Art. 50.4, sentence 1). Upon the **defendant’s request**, the measure may “be modified, revoked or confirmed” (Art. 50.4, sentence 2). Moreover, adopted measures “shall, upon request by the defendant, be revoked or otherwise cease to have effect, if **proceedings leading to a decision on the merits of the case** are not initiated within a reasonable period” (Art. 50.6). Finally, in certain cases, “the judicial authorities shall have the authority to order the applicant, upon request of the defendant, to provide the defendant appropriate **compensation**” (Art. 50.7).

C. Underlying Concepts

- 3 Art. 50.1 forms the basis for the Members’ obligation to provide a procedure for the imposition of provisional measures.³ The provision implements Art. 41.1’s call for expeditious procedures. Certainly, the **obligatory** provisional measures system should be regarded as essential to effective legal protection in the intellectual property field particularly when the maxim of effectiveness laid down in Art. 41.1, sentence 1 is considered. Moreover, the ability to make use of provisional protective measures seems to be necessary in order to avoid unwarranted delays (Art. 41.2, sentence 2). Art. 50’s link with the aforementioned principles is expressed very clearly by the wording (“prompt and efficient provisional measures”) of the provision.
- 4 The review of the **promptness** and **effectiveness** of judicial orders needs to follow the maxims of Art. 41. Any delays and other domestic mechanisms endangering the effectiveness of provisional legal protection will thus cause concern to the extent that they cannot be justified by Art. 41.5.⁴ The review of sufficient promptness and effectiveness cannot be geared to a rigid temporal framework. In fact, the interpretation of these terms must be based on certain categories of cases, which are to be determined according to their urgency and may result in different evaluation standards.⁵

³ See on the phrase “The judicial authorities shall have the authority” *Vander*, Article 43, para. 3.

⁴ *Gervais*, para. 2.422.

⁵ *Cf. Ibbeken*, 315, with illustrations of the different categories of urgency.

The practical application of provisional measures must make sufficient allowance for the **provisional nature** of those measures. Accordingly, the adoption of a provisional measure will be justifiable only if (1) a delay in its adoption would cause irreparable damage to the right holder, (2) the potential damage to the right holder would be more severe if a provisional measure were not adopted as compared with the potential damage to the alleged infringer if such measure is unwarranted and (3) there is considerable likelihood of a *de facto* infringement. In this context, one must take into account that while the provisional measure must be sufficient to achieve its aim, it may yet at the same time be only as much of a burden as is absolutely necessary. 5

D. Relevant Objects of Provisional Orders (Art. 50.1 lits a and b)

I. Infringement

On the one hand, provisional measures can be adopted pursuant to Art. 50.1 lit. a for the purpose of **preventing the infringement** of any intellectual property right.⁶ The authorization to give such an order must be seen as an addition to the ability to order injunctions in the due process of law pursuant to Art. 44.1. 6

The prevention of an infringement is substantiated by the requirement to stop, in particular, the entry of the infringing product into the channels of commerce that are subject to the judicial authorities in question directly after its release by the customs authorities. In parallel to Art. 44 and in contrast to Art. 51, which concerns measures taken before the release of the goods, Art. 50 applies only to the period **after release by the customs authorities**. In this respect, the entry of the goods into the channels of commerce refers to both goods produced domestically and those that reach the home country by way of importation.⁷ In contrast to the original proposals by the EC and the US,⁸ the obligation does not apply 7

⁶ Cf. Art. 1.2 (Part II, Sections 1–7). The ECJ holds the view that Art. 50 leaves to the Members, within the framework of their own legal systems, the task of specifying whether the right to sue under general provisions of national law concerning wrongful acts, in particular unlawful competition, in order to protect an industrial design against copying is to be classified as an intellectual property right within the meaning of Article 50.1. Cf. Joined Cases C-300/98 and C-392/98, *Dior et al. v. Tuk Consultancy BV and Assco Gerüste GmbH et al. v. Wilhelm Layher GmbH & Co.*, [2000] E.C.R. I-11307, Headnote 3.

⁷ *Gervais*, para. 2.422.

⁸ The proposals classified the export of infringing goods as a sub-category of the action of releasing into the channels of commerce. Cf. MTN.GNG/NG11/W/68, Art. 13, 12; MTN.GNG/NG11/W/70, Art. 14, 13.

to the mere export of infringing goods but only if the goods are in danger of entering into **commercial distribution channels** that are subject to the competence of the Member in question.⁹ However, since the illustration of Art. 50.1 lit. a, sub-sentence 2 is only exemplary (“in particular”), other constellations do not appear to be excluded *a priori*.¹⁰

- 8 The provision also covers infringements that have not yet occurred¹¹ but are in fact imminent.¹² The possibility of this **precautionary legal protection** does not result directly from Art. 50.1, but only from it when read together with Art. 50.3. The latter provision explicitly mentions “imminent infringements.”

II. Preservation of Evidence

- 9 On the other hand, provisional measures can be ordered pursuant to Art. 50.1 lit. b for the **preservation of evidence**.¹³ The scope of Art. 50.1 lit. b complements the ability to order the presentation of evidence as provided for by Art. 43.1. That the provision is geared to **civil procedural** measures does not follow from its explicit wording, but from the systematic position of the norm.¹⁴ Criminal procedural orders cannot be regarded as a suitable means of preserving evidence.¹⁵
- 10 A provisional measure for the preservation of evidence must be limited with a view to the potential **subject matter of the preservation of evidence** to “relevant evidence in regard to the alleged infringement”. Such restriction seeks to ensure that provisional measures affect only evidence in connection with the claimed infringement. A particular potential judicial measure is the seizure of the infringing goods or of the means used for their production. The subject matter of the preservation of evidence cannot merely be limited to the seizure of the infringing goods, but in fact the ability to preserve evidence also applies to all documents and records to the extent that they can offer indications of an infringement.¹⁶ A judicial

⁹ Dreier, in: *Beier & Schricker* (eds), 248, 263.

¹⁰ *Grosheide*, GRUR Int. 49 (2000) 4, 310, 316.

¹¹ *Correa*, 434. Cf. *Selzer*, 87, on the question whether past infringements are equally covered.

¹² *Gervais*, para. 2.422; *Markfort*, 124.

¹³ *Patnaik*, GRUR 106 (2004) 3, 191, 194 *et seq.* provides an overview on selected national instruments relating to the preservation of evidence: *Anton-Piller Order* (UK), “saisie-contrefaçon” (France, Belgium), “descrizione e sequestro” (Italy) and the freezing injunction and “Mareva” injunction (UK). See also Interim relief. A worldwide survey, *Managing Intellectual Property* 74 (1997), 35 *et seq.*; *Correa*, 435.

¹⁴ Art. 50.2 requires another party. Art. 50.7 concern initiated proceedings on the merits.

¹⁵ Providing a comprehensive analysis: *Bork*, NJW 50 (1997) 25, 1665, 1667; *Ibbeken*, 316 *et seq.*; *Patnaik*, GRUR 106 (2004) 3, 191, 192. Different: *Krieger*, GRUR Int. 46 (1997) 5, 421, 422.

¹⁶ See also *Gervais*, para. 2.423.

order comes into consideration especially for the purpose of determining the amount, location, source or destination of the affected products as well as the identity of the potential infringers.¹⁷

It seems doubtful whether the judicial authorities are authorized to order **provisional measures as regards third parties** who act in good faith themselves and have neither committed nor threatened to commit an infringement. This should be negated with a view to the proceedings on the merits. If, in the course of the proceedings on the merits of a case, the claimant is given the option to seek the production of evidence in relation to the defending party only (Art. 43.1), no other rule can apply with regard to the preservation of evidence within the context of provisional legal protection.¹⁸ 11

E. *Inaudita Altera Parte* Provisional Measures (Art. 50.2)

Provisional measures may generally be ordered only upon giving notice to the defendant. In particular in the field of organized crime, and in particular in the case of product piracy, a strict obligation to give notice before a provisional measure can be granted faces considerable concerns. As soon as potential infringers obtain knowledge of possible impending measures, they will try to **conceal the infringement**. Indications of an infringement could then be removed or destroyed in order to frustrate discovery. For this purpose, infringers will frequently try to remove potential evidence.¹⁹ 12

Against this background, the judicial authorities are authorized to order provisional measures even without informing the alleged infringer/defendant (*inaudita altera parte* provisional measures).²⁰ However, this authority extends only “where appropriate”; *i.e.* **special reasons** need to be present before a provisional measure can be ordered. The right to be heard is one of the central procedural rights and a condition for the guarantee of due process (also *cf.* Art. 6.1, sentence 1 Eur. Conv. On H. R.,²¹ Art. 14.1, sentence 2 of the International Covenant on Civil and Political Rights),²² so that *inaudita altera parte* provisional measures must be handled restrictively also with regard 13

¹⁷ *Cf.* *Klemet-N°Guessan*, No. 424, 340; more restrictive is *Ibbeken*, 319 who refers to the requirement of Art. 43.

¹⁸ *Ibbeken*, 317.

¹⁹ *Cf.* *Watal*, 344.

²⁰ As regards the expression “The judicial authorities shall have the authority to adopt”, see *Vander*, Article 43, para. 3.

²¹ UNTS 213 (1955), 221, also available at: <http://www.echr.coe.int/NR/rdonlyres/D5CC24A7-DC13-4318-B457-5C9014916D7A/0/EnglishAnglais.pdf> (last accessed 28 Mai 2008).

²² UNTS 999 (1976), 171, 174.

to Art. 41.2, sentence 1.²³ Special reasons in accordance with Art. 50.2 are delay as a cause of an “irreparable harm to the right holder” and “a demonstrable risk of evidence being destroyed”. The relevant damage—apart from a potential financial loss—could also relate to the reputation or image of the right holder, *e.g.* if the infringing goods constitute a risk to the health or safety of the ultimate consumers.²⁴ These reasons, however, are not final (“in particular”). The presence of a special reason may in general be assumed to the extent that informing the defendant runs the danger of seriously impeding or excluding the enforcement of the claimant’s IPRs.

- 14 In terms of the possibility of irreparable harm, Art. 50.2, alternative 1 refers to the mere presence of certain likelihood, whereas “the risk of evidence being destroyed” must exist “demonstrably”. The simple possibility of impending harm to the right holder does not suffice to exclude the procedural right of the alleged infringer to be informed before the ordering of a measure.²⁵
- 15 While the *inaudita altera parte* provisional measures contradict the procedural basic **right to be heard** (Art. 42, sentence 4), this tense relationship is, however, loosened through the obligation to inform after the execution of a measure pursuant to Art. 50.4, sentence 1 and through the defendant’s right to a review in accordance with Art. 50.4, sentence 2.

F. Evidence and Security (Art. 50.3)

I. Obligation to Provide Evidence

- 16 The judicial authorities may “require the applicant to provide any reasonably available evidence”.^{26, 27} Thereby Art. 50.3, alternative 1 seeks to facilitate examinations in respect of the rights ownership of the applicant and of the existence of an IPR infringement.
- 17 It is not necessary for the infringement to have already occurred; the **threat of an infringement** is enough and is to be assumed if such infringement has not yet occurred, but there are concrete indications of its imminence.
- 18 The right holder need not provide full evidence of the existence of these circumstances;²⁸ but will satisfy the court by establishing “a sufficient degree

²³ Selzer, 88; Straus, JWIP 3 (2000) 6, 815 *et seq.* exemplifies this restrictive approach.

²⁴ Klemet-N’Guessan, No. 424, 341. See also Vander, Article 45, para. 5.

²⁵ UNCTAD/ICTSD, 605.

²⁶ On the interpretation of reasonably available evidence, see Vander, Article 43, para. 6.

²⁷ See on the expression “The judicial authorities shall have the authority to adopt” *ibid.*, para. 3.

²⁸ Different Staehelin, 183.

of certainty.”²⁹ In comparison with the full burden of proof, a lower degree of judicial likelihood is sufficient to this end. Moreover, there are other potential means of proving (imminent) infringements (*e.g.* a statutory declaration), the probative value of which is at the discretion of the relevant court. The decisions are, however, still reviewable, since the obligation to provide any reasonably available evidence in order to satisfy the court with a sufficient degree of certainty that the right is being infringed or that such infringement is imminent, “implies that the provisional measures are based, at least to a certain extent, upon **[a substantive] assessment.**”³⁰

II. Obligation to Provide Security

The judicial authorities have the authority “to order the applicant to provide a security or equivalent assurance”. Potential security could in particular be the provision of a (bank) guarantee. The court’s authority serves the purposes of **protecting the defendant** and preventing abuse. The provision thus substantiates the general prohibition of abuse laid down in Art. 41.1, sentence 2. 19

The **need to order security or equivalent assurance** is to be based on the circumstances of the individual case and the degree of the court’s conviction with regard to the likelihood of an infringement. If the judicial authorities are convinced of the need to order a provisional measure, but the degree of conviction is only just sufficient to justify such a measure, the ordering of security seems necessary. If, however, a measure is obviously ordered within the context of organized crime, the provision of security will regularly be dispensed with. 20

The **amount** of the security or other assurance is to be based on the set target of the provision. It must be sufficient to compensate for potential harm to the defendant. The credibility of the applicant’s right (and thus the likelihood of the ownership and infringement), the market value of the goods, the size of the relevant market, the scope of production and the estimated duration of the proceedings leading to the decision on the merits of the case may serve as considerations assisting the calculation.³¹ However, the amount cannot be determined just by the potential harm. In fact, the security must at the same time be high enough to rule out the abuse of the proceedings for the purpose of ordering provisional measures. A rough **rule of thumb** for the calculation of the amount of security could be 21

²⁹ Dreier, in: *Beier & Schricker* (eds), 248; 264; *Ibbeken*, 318.

³⁰ *Cf.* C-53/96, *Hermès International v. FHT Marketing Choice BV*, [1998] E.C.R. I-3603, Rec. 42. Emphasis added.

³¹ *Cf.* *Witthaus*, GRUR Int. 52 (2003) 4, 334, 335.

approximated to the market value of the goods, plus an extra amount to be calculated in consideration of its desired effect.

G. Procedure in the Case of Provisional Measures Adopted *Inaudita Altera Parte* (Art. 50.4)

I. Notification Obligation

- 22 Art. 50.4, sentence 1 is to be read in close connection to Art. 50.2. If provisional measures are ordered *inaudita altera parte* that is without informing the defendant (Art. 50.2), the associated infringement of the procedural right to be heard (Art. 42, sentence 4) is compensated for by the requirement of subsequent notification.
- 23 Art. 42, sentence 2 may serve as a reference for the manner in which the information obligation is fulfilled.³² It calls for sufficiently detailed written notice of the essential aspects of the decision. This notice must be given to both the defendant and the applicant.
- 24 From a **temporal point of view**, the information must be provided at the latest promptly after the execution of the measure. The notification is prompt if it is communicated directly following execution. Since it must be given “at the latest” promptly after the execution of the measure, it is also possible to inform the defendant before the measure is executed, *e.g.* when the provisional order is made.³³ The particular time of the giving of information is to be determined in consideration of the protective purpose of Art. 50.2. Notice must therefore not be provided so early as to endanger the success of the provisional measure, *i.e.* the time of information must not undermine the concept of Art. 50.2.

II. Review Procedure

- 25 Pursuant to Art. 50.4, sentence 2, the defendant is entitled to initiate a judicial **review** of a provisional measure including a right to be heard. The review takes place **upon request** only. The right to be heard under Art. 50.4, sentence 2 corresponds to the general principle laid down in Art. 42, sentence 4.
- 26 A review decision must be made “within a reasonable period after the notification of the measures”. Since the request pursuant to Art. 50.4, sentence 2 is part of the provisional protection framework, strict standards must be

³² *Gervais*, para. 2.423.

³³ *Cf. UNCTAD/ICTSD*, 606.

applied to the **reasonableness of the period**. Because of the comparable interests of the claimant and the defendant, it is possible to refer to the interpretation of the notion of “prompt” in Art. 50.1. The court should take no more than a few days to reach a decision—even less in cases where goods are being detained.³⁴ In respect of the **legal consequences**, Art. 50.4, sentence 2 provides for the confirmation, modification or revocation of the measure ordered. Where a measure is revoked, compensation for damage in accordance with Art. 50.7 needs to be considered.

H. Identification (Art. 50.5)

Art. 50.5 provides for the authority to require the applicant “to supply other information necessary for the identification of the goods concerned”. The provision serves the interest in the **effective execution** of provisional measures. A more detailed description of the goods can be required, in particular, if they are stored in a larger warehouse together with goods to be attributed to other persons or companies. Against this background, Art. 50.5 seeks also to protect third parties by preventing confusion and potentially unjustified measures at the expense of such third parties. 27

I. Revocation and Other Repeal (Art. 50.6)

In accordance with Art. 50.6, “provisional measures taken on the basis of [Art. 50] paragraphs 1 and 2” can, “upon request by the defendant, be revoked or otherwise cease to have effect.”³⁵ Such a **request** is mandatory; *ex officio* revocation or other repeal is thus inconceivable.³⁶ This mechanism is especially important where the “defendant contests the provisional measures prescribed by the judicial authority concerned and wishes to compel the right holder to bring substantive proceedings in the course of which the defendant will be in a position to put forward his full defence.”³⁷ 28

The great practical relevance of the provision is made clear by the fact that Art. 50.6 has already been the subject of ECJ preliminary decisions several times. The decisions mainly concerned the direct applicability of the provision.³⁸ However in *Schieving-Nijstad vof et al. v. Robert Groeneveld*, the 29

³⁴ *Gervais*, para. 2.424; also *Dreier*, in: *Beier & Schricker* (eds), 248, 264.

³⁵ As regards the expression “The judicial authorities shall have the authority to order”, see *Vander*, Article 43, para. 3.

³⁶ C-89/99, *Schieving-Nijstad vof et al. v. Robert Groeneveld*, [2001] E.C.R. I-5851, Headnote 3; cf. also *Karg*, ZUM 44 (2000) 11, 934, 936.

³⁷ *Ibid.*, Recs 42 *et seq.*

³⁸ Cf. the outline of relevant ECJ decisions in *Vander*, Before Articles 41–61, fn. 38 and the remarks on direct applicability *Vander*, Before Articles 41–61, paras 10 *et seq.*; see also

ECJ produced findings with regard to the need for a request and the time limits referred to in Art. 50.6.³⁹

- 30 A **revocation** permanently eliminates the legal grounds for the measure ordered. If the measure **otherwise ceases to have effect**, this will not impact on the order in respect of its legal grounds⁴⁰ and will normally result merely in a lack of executability of the measure ordered. Repeal also comes into consideration in particular if the legal basis of the provisional measure is to be maintained to facilitate its potential later re-enactment without having to pass once more through the whole procedure set out for the original enactment of a provisional measure.
- 31 The revocation or other repeal requires that **the proceedings on the merits have not been initiated within a reasonable period**. The failure to observe the time-limits is the only trigger for a revocation or other repeal. There is no substantive examination.⁴¹ In respect of the **reasonability of the period**, a distinction is to be drawn between two constellations. Where a Member's law so permits, the relevant period can be determined by the court which orders the provisional measure. Where there is no possibility of judicial determination of such a period, the proceedings on the merits must be initiated within 20 working days or 31 calendar days, whichever is the longer. Where the courts are authorized to determine a reasonable period, Art. 50.6 stipulates no direct upper limits.⁴² However, a restriction of the periods that may be ordered by the courts results from the required reasonability of such terms. The courts are therefore obliged to order only periods that do not conflict with the objective of Art. 50.6. Ultimately, the courts will have to determine the permissible maximum period on the basis of the stipulated term of 20 working days or 31 calendar days.⁴³ This would be desirable especially with regard to the **targeted harmonization** of law. The determination of a longer period by the court comes into consideration at best in exceptional circumstances, such as if the timely filing of an action within the normal short period is practically impossible due to *e.g.* the necessity of filing an action abroad.⁴⁴

Correa, Medidas cautelares en material de patentes de invención, Lexis Nexis Jurisprudencia Argentina, JA-2002-IV, No. 8, 21–28.

³⁹ C-89/99, *Schieving-Nijstad vof et al. v. Robert Groeneveld*, [2001] E.C.R. I-5851, Recs 42 *et seq.*; *cf.* the following remarks on the need for a request and the time limits referred to in Art. 50.6.

⁴⁰ *Cf.* *Karg*, ZUM 44 (2000) 11, 934, 936 who distinguishes between revocation requiring a formal act by the court and other cessation of effects without a necessary judicial determination.

⁴¹ *Ibid.*, 937.

⁴² Different *Dreier*, in: *Beier & Schriker* (eds), 248, 264 who understands the term of 20 working days or of 31 calendar days respectively as the absolute upper limit.

⁴³ Also *Gervais*, para. 2.425; *Karg*, ZUM 44 (2000) 11, 934, 935; *Correa*, 437 holds the view that the courts may also establish shorter time limits for the applicant.

⁴⁴ *Cf.* *Ibbeken*, 323.

Art. 50.6 contains no regulation regarding the **beginning of the period**. 32
 The determination of the date relevant to the beginning of the time limit is therefore up to the Members to decide,⁴⁵ provided that it is reasonable “having regard to the circumstances of each case and taking into account the balance to be struck between the competing rights and obligations of the intellectual property right holder and of the defendant.”⁴⁶ The ECJ holds the view that Art. 50.6 authorizes every Member to define the power of the courts with regard to the provisional measures ordered by them. According to the ECJ, such regulatory discretion can also extend to the determination of the period within which proceedings on the merits of the case are to be instituted.⁴⁷

TRIPS contains no explicit stand as to whether failure to initiate proceedings 33
 on the merits can be **cured** until the end of the hearing in the Art. 50.6 proceedings. Taking into consideration the concept of Art. 41.2, sentence 2 that is to establish fast procedures as well as the emphasis on the principle of efficiency in provisional legal protection pursuant to Art. 50.1, the possibility of curing this failure would undermine the fundamental tendency of TRIPS. It should thus be rejected in the framework Art. 50.6.⁴⁸ Ultimately, the applicant is forced to file an action on the merits of the case within the stipulated period without knowing whether the defendant will ever submit any revocation application or rather refrain from doing so and accept the provisional measure.⁴⁹

J. Compensation to the Defendant (Art. 50.7)

Art. 50.7 contains a mandatory provision⁵⁰ indicating that the “applicant, 34
upon request of the defendant, [is] to provide the defendant appropriate compensation for an injury” caused by a provisional measure. This provision extends the ability to order compensation for damage under Art. 48.1 to preliminary proceedings.

Entitlement to compensation requires that the provisional measure be 35
 revoked⁵¹ or otherwise ceased to exist through an act or omission of the

⁴⁵ *Ibid.*

⁴⁶ C-89/99, *Schieving-Nijstad vof et al v. Robert Groeneveld*, [2001] E.C.R. I-5851, Recs 42 *et seq.*, 65.

⁴⁷ *Ibid.*, Rec. 70.

⁴⁸ *Cf. Karg*, ZUM 44 (2000) 11, 934, 935 *et seq.*

⁴⁹ *Ibid.*, 938 *et seq.*; *Ibbeken*, 321 *et seq.*

⁵⁰ As regards the expression “The judicial authorities shall have the authority to order” see *Vander* Article 43, para. 3.

⁵¹ *Cf.* Art. 50.4, sentence 2 and Art. 50.6.

applicant or where it is subsequently found that there has been no (imminent) infringement of an intellectual property right.

- 36 Orders pursuant to Art. 50.7 relate to **appropriate**⁵² compensation for injury caused by provisional measures. There needs to be a direct and adequate causal link between the measure and the injury. Due to the explicit limitation on injuries caused by the measure, the compensation obligation will not cover injuries that have no direct connection to the measure.⁵³ This is *e.g.* the case for the **expenses including attorney' fees** incurred by the defendant. This interpretation is confirmed in the light of the wording of Art. 45.2, sentence 1 and Art. 48.1, sentence 2, which explicitly include such costs in the damage to be compensated for. Should Art. 50.7 call for these costs to be compensated, too, a corresponding regulation would have suggested itself. However, since no such regulation was stipulated, there is no obligation to establish the authority of the courts to do so. The Members by contrast are free to provide for such an option in their domestic legislation.

K. Provisional Measures in Administrative Procedures (Art. 50.8)

- 37 Art. 50.8 extends the scope of application of the fundamental principles of Art. 50.1–7 to the administrative procedure, thus harmonizing judicial and administrative principles in accordance with Art. 49.⁵⁴
- 38 At the same time, the wording of the provision—“to the extent that any provision measure can be ordered as a result of administrative procedures”—clarifies that the Members are not obliged to provide for equivalent provisional measures in the field of administration.

⁵² Cf. to the notion of appropriateness, see *Vander*, Article 48, para. 7.

⁵³ Different *UNCTAD/ICTSD*, 607.

⁵⁴ See in greater detail *Vander*, Article 49, para. 2.

SECTION 4: SPECIAL REQUIREMENTS RELATED TO BORDER MEASURES^[12]

Before Articles 51–61*

BIBLIOGRAPHY

See bibliography Before Articles 41–61 and General Bibliography.

CROSS REFERENCES

Arts 9, 10, 10^{ter} PC; Product Piracy Regulation;¹ Art. 1718 NAFTA.

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A. General

The TRIPS Agreement obliges its Members to introduce a procedure governing border measures for the protection of intellectual property rights. Section 4 of the Agreement's Part III establishes for the first time a complete system of international regulations regarding trademark and product piracy, thus meeting one of the Members' main concerns.² The comparatively detailed provisions of Arts 51–60 set out the **regulatory framework** of a procedure for the suspension of the release of suspicious goods. These provisions essentially follow the mechanism introduced in recent years by

^[12] Where a Member has dismantled substantially all controls over the movement of goods across its border with another Member with which it forms part of a customs union, it shall not be required to apply the provisions of this Section at that border.

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ Council Regulation (EC) No. 3295/94 of 22 December 1994 Laying Down Measures to Prohibit the Release for Free Circulation, Export, Re-export or Entry for a Suspensive Procedure of Counterfeit and Pirated Goods (Product Piracy Regulation), OJ 1994 L 341/8, as amended by Council Regulation (EC) 241/99 of 25 January 1999, OJ 1999 L 27/1 and Council Regulation (EC) No. 1383/03 of 22 July 2003 Concerning Customs Action Against Goods Suspected of Infringing Certain Intellectual Property Rights and the Measures to be Taken Against Goods Found to Have Infringed such Rights, OJ 2003 L 196/7.

² The importance of the fight against product piracy is already made clear in the preamble ("Recognizing the need for a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods"). See for this the *Keßler*, Preamble, para. 23.

the European Community's Product Piracy Regulation and the Member States' domestic laws.³

- 2 The approach used in the TRIPS Agreement reflects the view that the most effective method of counteracting product piracy consists in **preventing infringements** directly at the source.⁴ To stop the international trade and particularly the import of unauthorized products, border measures appear to be a viable option, whereas attempts to prevent the production at the place of manufacture have often proven unsuccessful.⁵ More recently, product piracy has reached beyond the classical targets, such as clothing, to products of new information technologies including audio, video, media and, in particular, software appliances.⁶
- 3 Since, measures taken by customs authorities are traditionally confined to fiscal administration and prevention of arms and drug traffic, Members will, in view of their TRIPS obligations, have to rethink their priorities⁷ and focus more on IP protection and enforcement.⁸

B. Proceeding

I. General

- 4 The provisions of Arts 51–60 reveal only a rough procedural pattern. There is the mandatory application procedure on the one hand and the optional *ex officio* action on the other.

II. Application Procedure

- 5 If owners of intellectual property rights have “**valid grounds** for suspecting that the importation of counterfeit trademark or pirated copyright goods may take place”,⁹ they shall “lodge an application in writing with competent authorities, administrative or judicial, for the suspension by the customs authorities of the release [...] of such goods” (Art. 51, sentence 1). The respective applicant must provide adequate **evidence** as well as “a sufficiently detailed description of the goods” (Art. 52, sentence 1). The applicant shall be **informed** by the competent authorities about the

³ *Stoll & Schorkopf*, Max Planck CWLT, Vol 1, para. 656.

⁴ *Matthews*, 69; *Sodipo*, 175; *Watal*, 354.

⁵ About the dimension of international product piracy: *Braun & Heise*, GRUR Int. 50 (2001) 1, 28 *et seq.*

⁶ See *Watal*, 354.

⁷ See on this problem for Sri Lanka *Abeyeskere*, GRUR Int. 46 (1997) 6, 524, 531.

⁸ *Blakeney*, para. 14.01.

⁹ Emphasis added.

acceptance of the application and the period within which actions may be taken (Art. 52, sentence 2). The applicant in turn may be required to provide a **security** (Art. 53.1). The importer and the applicant “shall be promptly **notified** of the suspension of the release of goods” (Art. 54).¹⁰ In case of a determination in favour of the right holder, Art. 57, sentence 3 allows Members to **provide** her with the names and addresses of the consignor, the importer and the consignee as well as with information on the quantity of the goods in question. If the customs authorities are not informed within a specific period “that proceedings leading to a decision on the merits of the case have been initiated by a party other than the defendant”, the goods must be **released**, “provided that all other conditions for importation or exportation have been complied with” (Art. 55, sentence 1). The same applies where the competent authority **has not taken** “provisional **measures prolonging** the suspension of the release of the goods”.¹¹ If “proceedings leading to a decision on the merits of the case have been initiated”, the defendant may request a **review** of the measure (Art. 55, sentence 2). If the suspension of the release is carried out “in accordance with a provisional judicial measure, the provisions of paragraph 6 of Article 50 shall apply” (Art. 55, sentence 3). Unreleased goods may be **disposed** or **destroyed** in accordance with the provisions of Art. 46. In turn, the defendant is entitled to request a **review** by a judicial authority as a countermeasure (Art. 59). According to Art. 56, the judicial authorities have the competence to order the payment of compensation for any injury caused to the importer, the consignee or the owner of the goods by unjustified measures.

III. *Ex Officio* Action

If Members provide for the authorities to take *ex officio* actions where there is *prima facie* evidence of the infringement of an intellectual property right, such authorities are entitled to seek information from the right holder (Art. 58 lit. a). According to Art. 58 lit. b, sentence 1, if any action is taken, “the importer and the right holder shall be promptly notified”. If the importer lodges an **appeal**, the provisions of Art. 55 shall apply *mutatis mutandis* pursuant to Art. 58 lit. b, sentence 2.

6

¹⁰ Emphasis added.

¹¹ Emphasis added.

Article 51* Suspension of Release by Customs Authorities

Members shall, in conformity with the provisions set out below, adopt procedures^[13] to enable a right holder, who has valid grounds for suspecting that the importation of counterfeit trademark or pirated copyright goods^[14] may take place, to lodge an application in writing with competent authorities, administrative or judicial, for the suspension by the customs authorities of the release into free circulation of such goods. Members may enable such an application to be made in respect of goods which involve other infringements of intellectual property rights, provided that the requirements of this Section are met. Members may also provide for corresponding procedures concerning the suspension by the customs authorities of the release of infringing goods destined for exportation from their territories.

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* The commentary is translated by Susanne Kruse, professional graduate translator.

^[13] It is understood that there shall be no obligation to apply such procedures to imports of goods put on the market in another country by or with the consent of the right holder, or to goods in transit.

^[14] For the purposes of this Agreement:

(a) “counterfeit trademark goods” shall mean any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation;

(b) “pirated copyright goods” shall mean any goods which are copies made without the consent of the right holder or person duly authorized by the right holder in the country of production and which are made directly or indirectly from an article where the making of that copy would have constituted an infringement of a copyright or a related right under the law of the country of importation.

¹ Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the Enforcement of Intellectual Property Rights, OJ 2004 L 157/45.

A. General

Art. 51, sentence 1 sets out the mandatory provision of procedures for lodging an application for the grant of protection against the import of infringing trademark or pirated copyright goods. The **general limitation of this mandatory obligation** to counterfeit trademark or pirated copyright goods is contained in parallel in Art. 61. The application procedure was drafted as applying only to the trademark and copyright sector because it was considered very difficult to detect infringements in cases of topographies or patents. Here, the subject matter is usually integrated in a number of different products and can hardly be traced.² There is, however, the facultative option to extend the procedures also to goods that have been subject to other infringements of intellectual property rights (Art. 51, sentence 2). Moreover, it is possible to establish corresponding regulations for the export of infringing goods (Art. 51, sentence 3). 1

B. Obligatory Protection of Imports (Art. 51, Sentence 1)

Art. 51, sentence 1 obliges the Members to adopt procedures for the suspension of the release of certain goods in accordance with the provisions of Part III. 2

This obligation exists only in respect of the **import** of counterfeit trademark or pirated copyright goods.³ The interpretation of the terms “counterfeit trademark goods” or “pirated copyright goods” is to be based on the definitions in footnote 14⁴ of the Agreement. In short, **counterfeit trademark goods** are to be defined as goods and packaging bearing a trademark that is infringing pursuant to the law of the country where the good is imported. It should be noted that the definition covers not only identical trademarks but beyond that also trademarks that are indistinguishable from a protected trademark in their essential features. **Pirated copyright goods** means any goods which are copies made without the required consent and which are made from an article in a way that “would have represented” an infringement of copyright or related right in the country of importation. The use of the subjunctive (“would have represented”) makes it clear that Members are entitled with regard to the required infringement to work 3

² *Correa*, Art. 51, 439 *et seq.*; *Watal*, 355.

³ The EC demanded in the context of the proposal the establishment of border measures for infringements of all intellectual property rights. See MTN.GNG/NG11/W/68, Part 3, Section 4, Art. 14, 13.

⁴ Printed under Art. 51.

with a so-called **fictional domestic⁵ infringing act**.⁶ This definition covers not only copies of the original but moreover also all further copies of the first copies created.

- 4 The procedure is initiated by way of an **application in writing** from the right holder submitted to the competent courts or administrative authorities. Depending on the relevant domestic legislation, such **competent authorities**⁷ could be a judicial authority or an administrative institution that is higher in rank than the customs authorities.⁸
- 5 The procedure requires **valid grounds for suspicion** on the part of the right holder. However, pursuant to Art. 41.1, sentence 1, with respect to the maxim of effectiveness, the criteria for the validity of the suspicion should not be construed too strict. In accordance with Art. 41, sentence 2, sub-sentence 2, a purely formal rejection of the application on grounds of an invalid suspicion is permissible only in cases of obvious invalidity and of danger of abuse of the border seizure procedure. Against this background, the validity of a suspicion is checked merely in order to assess the **plausibility** of an application.⁹

C. Facultative Protection (Art. 51, Sentences 2 and 3)

I. Protected Products

- 6 Art. 51, sentence 2 facilitates on the one hand an extension of the protection provided under Art. 51, sentence 1 regarding the subject matter of protection. However, the wording of Art. 51, sentence 2 (“other infringements of intellectual property rights”) gives no clear indication as to what exactly such extension might cover. Applying a more generous interpretation, the extension is permissible in respect of both **other infringements of copyrights and trademark rights** and **infringements of other intellectual property rights**.¹⁰ This generous interpretation seems advis-

⁵ The infringement of intellectual property rights is sometimes only triable if the infringing act was committed in the inland. Since with the import of generally rights infringing goods the production in the inland is regularly excluded (rather, the already manufactured goods are to be imported) the examination of the facts is carried out under the fiction that the production took place in the inland.

⁶ *Braun & Heise*, GRUR Int. 50 (2001) 1, 28, 32.

⁷ Same terminology in Art. 52, sentence 2, Art. 53.1, Art. 56, Art. 57, sentences 1, 2 and 3, Art. 58, sentence 1, Art. 59, sentences 1 and 2.

⁸ *Watal*, 360.

⁹ But see the burden of proof in accordance with Art. 52, sentence 1.

¹⁰ *Stachelin*, 186.

able in light of the principle of effectiveness (Art. 41.1, sentence 1) and the minimum standard principle¹¹ (Art. 41.1, sentence 2).

The **extension of the scope of application** of border measures beyond the protection of counterfeit trademark and pirated copyright goods is not mandatory. Insofar as the Members do extend the subject matter of protection (*e.g.* as occurred widely within the EC pursuant to Art. 2 para. 1 of the Product Piracy Regulation), the prerequisites of this Section need to be fulfilled. They have to make sure that the special requirements for border measures are always respected, no matter to which goods protected by intellectual property rights potential border measures relate. Art. 51, sentence 2 is therefore optional as to “whether or not” an extension of the scope of application occurs. However, with regard to “how” such extension should be implemented, the provision establishes an obligation to comply with the provisions of Section 4.

7

II. Protection of Exports

Apart from the potential extension of the subject matter of protection, Art. 51, sentence 3 offers another opportunity to extend the scope of application of border-seizure measures. The potential application of the procedures also to the export of infringing products provides the opportunity to the Members to **prevent the release into circulation** of the products at an early stage. Export seizure refers to both products covered under the compulsory procedures of Art. 51, sentence 1 and products protected at the discretion of the Members in accordance with Art. 51, sentence 2. This is made clear by the use of the terms “corresponding procedures” and “infringing goods”. Countries providing export protection include a large number of industrialized States as well as threshold and developing countries such as *e.g.* Korea, Singapore, Thailand and China.¹²

8

D. Particular Cases

I. Customs Unions

In accordance with Art. 51 footnote 12,¹³ the application of the provisions of Section 4 is not mandatory at borders of States which have “dismantled substantially **all controls over movement of goods** across [their] border[s] with another Member with which [they] form part of a

9

¹¹ See *Elfring & Arend*, Article 1, paras 14 *et seq.*

¹² See *Watal*, 357.

¹³ Printed before Art. 51–60.

customs union”.¹⁴ The EC for instance is perceived as a customs union in respect of its domestic borders. However, Members that form this kind of customs union may extend the application of the provisions of Section 4 beyond the exterior borders of that customs union to borders lying within the Union.¹⁵

II. Parallel Imports/Transit

- 10 Art. 51, footnote 13¹⁶ excludes two further cases from the mandatory obligations of Section 4. The first exception concerns goods “put on the market in another country by or with the consent of the right holder” (so-called **parallel imports**). The other exception refers to **goods in transit**. Members are free, in parallel with the exception on the customs union, to envisage the application of the provisions of Section 4 also for goods already put on the market abroad and for those in transit. Given the generally preventive effect of a border seizure measure, its establishment especially for transit seems a reasonable approach to fighting product piracy.¹⁷
- 11 Since the intention suggested by the wording of the footnote expressly consists in providing an exemption from an existing “obligation”, the **scope of application** of the exception provision in footnote 13 can only relate to the compulsory part of the provision. The exception therefore merely refers to the described infringements of counterfeit trademark or pirated copyright goods.¹⁸

¹⁴ Emphasis added.

¹⁵ See the Corrigendum to the Enforcement Directive, OJ 2004 L 195/16.

¹⁶ Printed under Art. 51.

¹⁷ For the Product Piracy Regulation, the ECJ ruled that it also covers the mere transit of rights infringing products. See C-383/98, *The Polo/Lauren Company LP v. PT. Dwidua Langgeng Pratama International Freight Forwarders*, [2000] E.C.R. I-02519.

¹⁸ See *UNCTAD/ICTSD*, 611 *et seq.*

Article 52* Application

Any right holder initiating the procedures under Article 51 shall be required to provide adequate evidence to satisfy the competent authorities that, under the laws of the country of importation, there is *prima facie* an infringement of the right holder's intellectual property right and to supply a sufficiently detailed description of the goods to make them readily recognizable by the customs authorities. The competent authorities shall inform the applicant within a reasonable period whether they have accepted the application and, where determined by the competent authorities, the period for which the customs authorities will take action.

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A. General

Art. 52, sentence 1 concretizes the application procedure for the initiation of procedures required according to Art. 51 and standardizes the relevant criteria for the foundation to be demonstrated in the application. Art. 52, sentence 2 envisages a duty to inform the applicant about the outcome of an application pursuant to Art. 51. 1

B. Application Requirements (Art. 52, Sentence 1)

Art. 52, sentence 1 places the **burden of proof** on the applicant. The submission of evidence is mandatory and (in contrast to the rule regarding a mere order for provisional measures in accordance with Art. 50.3) irrespective of the existence of an order. 2

In qualitative terms, Art. 52, sentence 1 requires the submission of “**adequate evidence to satisfy** the competent authorities¹ that, under the laws of the country of importation, there is [...] an infringement of an intellectual property right”. Unlike Art. 50.3, Art. 52, sentence 1 demands complete satisfaction rather than merely “a sufficient degree of certainty”. 3

The provision of evidence of the existence of an infringement is facilitated by the fact that such infringement needs only be *prima facie*. This **facilitation** 4

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ For the term “competent authorities” see *Vander*, Article 51, para. 4.

of evidence has to be viewed taking into account that in many cases, it would be disproportionate to expect the applicant to prove the fulfilment of each and every claim requirement, if other proven facts in consideration of established experiences suggest a certain chain of events. Any decision or measure taken on the basis of *prima facie* evidence therefore is based on probability. As a result, such evidence is excluded in any case if the defendant is able to present facts that cast doubt on the existence of the fact to be proved. Consequently, a decision based on *prima facie* evidence can be made only if (1) there is an empirical value to indicate that the existence of one fact typically also involves the presence of another, (2) these facts really do exist and (3) that the defendant was unable to demonstrate the presence of an atypical case invalidating the empirical value.

- 5 The burden of proof of the applicant is complemented by the duty “to supply a sufficiently detailed **description of the goods** to make them readily recognizable by the customs authorities” (final part of Art. 52, sentence 1).² Art. 52, sentence 1 merely requires information to be given to help the customs authorities to identify the goods, whereas their examination for the presence of an infringement may be carried out by a different organ, *e.g.* a judicial authority³ At any rate, goods are to be considered as readily recognizable if they can be identified simply by way of a visual inspection.
- 6 If possible, the applicant should provide the competent authorities with the name and address of the importer, the country of origin of the goods, the registration documents for the industrial property right, details of the means of transportation as well as the destination and time of arrival of the goods concerned.

C. Information About the Acceptance of an Application (Art. 52, Sentence 2)

- 7 Art. 52, sentence 2 establishes an obligation of the competent authorities to **notify** the applicant **of their decision**. This obligation also extends to the notification of the period that was specified for measures to be taken by the customs authorities.⁴
- 8 Notice to the applicant needs to be given within a “**reasonable period**”. In contrast to Art. 50.4, sentence 1, which demands that notice be given

² *Cf. Vander*, Article 50, para. 27.

³ *UNCTAD/ICTSD*, 612.

⁴ These details equal the recommendations of the World Customs Organization (WCO) as laid down in Art. 6 *WCO Model Legislation*. See for this *Watal*, 357 *et seq.*

“without delay”,⁵ the requirements for the notification period established under Art. 52, sentence 2 seem less strict. The notion of “reasonable period” is also used in Art. 50.4, sentence 2. This provision contains specifications regarding the period for carrying out a review of provisional measures adopted, while Art. 52, sentence 2 concerns the period for checking an application for a suspension of the release of the goods. Both provisions thus essentially regulate comparable constellations, which is why it seems suitable to base a determination of the appropriateness of the period pursuant to Art. 52, sentence 2 on the period for taking a decision regarding a provisional measure in accordance with Art. 50.4, sentence 2. Such period should be as short as possible and should in any event not exceed a few days. Informing the right holders promptly about the decision made will enable them to react within the necessary time and to make use of potential legal remedies in case of unfavourable decisions.

Although Art. 52 itself contains no specifications regarding the form in which the necessary notice is to be given, the decision should preferably⁶ be made in writing (Art. 41.3, sentence 1). However, such **written form** is not a compulsory requirement, especially since the determined measures are regularly not taken on the basis of a complete and comprehensive appraisal of the facts of a case but rather of a plausibility check.⁷ 9

⁵ See *Vander*, Article 50, para. 24.

⁶ See *Vander*, Article 41, para. 11.

⁷ *Gervais*, para. 2.437.

Article 53* **Security or Equivalent Assurance**

1. The competent authorities shall have the authority to require an applicant to provide a security or equivalent assurance sufficient to protect the defendant and the competent authorities and to prevent abuse. Such security or equivalent assurance shall not unreasonably deter recourse to these procedures.
2. Where pursuant to an application under this Section the release of goods involving industrial designs, patents, layout-designs or undisclosed information into free circulation has been suspended by customs authorities on the basis of a decision other than by a judicial or other independent authority, and the period provided for in Article 55 has expired without the granting of provisional relief by the duly empowered authority, and provided that all other conditions for importation have been complied with, the owner, importer, or consignee of such goods shall be entitled to their release on the posting of a security in an amount sufficient to protect the right holder for any infringement. Payment of such security shall not prejudice any other remedy available to the right holder, it being understood that the security shall be released if the right holder fails to pursue the right of action within a reasonable period of time.

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A. General

- 1 Art. 53 sets out mandatory protection provisions. Art. 53.1 enables the competent authorities to require the applicant “to provide a security or equivalent assurance”. Art. 53.2 regulates a further option to provide a security with the purpose of achieving the release of the goods.

B. Security or Assurance to be Paid by the Applicant (Art. 53.1)

I. Scope and Purpose of the Security or Assurance

- 2 Art. 53.1, sentence 1, like the parallel provision Art. 50.3, obliges the Members to entitle the competent authorities¹ to demand “a security or equivalent assurance”. Such security or assurance must be “sufficient to protect the

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ For the term “competent authorities” see *Vander*, Article 51, para. 4.

defendant and the competent authorities and to **prevent abuse**.² This norm thus demonstrates an obvious tendency to counteract anti-competitive practices. The provision, however, does not require that security or an assurance be given in each and every case. In particular in cases where the competent authorities have merely carried out unsuccessful searches, providing a security or assurance would make little sense.³

Art. 53.1, sentence 1 goes beyond Art. 50.3 insofar as it also grants **protection to the competent authorities**. This extension within the field of special requirements relating to border measures is aimed at preventing the competent authorities from being called upon unnecessarily. For a large number of States, guaranteeing the possibility of area-wide border-controls represents a real challenge to their resources. In Hong Kong, for instance, the applicant, apart from having to provide a security for the protection of the defendant, must also deposit an additional assurance for the estimated administrative costs and provide any storage room that may be required.⁴ Against this background, the stipulation of a security or assurance also serves the purpose of reserving resources for justified claims. At the same time, such stipulation is intended to forestall the possibility that the competent authorities might be faced with potential damages claims in case of unwarranted interventions.⁵

II. Limitations

Art. 53.1, sentence 2 places a limit on the quantification of a security or assurance in consideration of the maxim of effectiveness pursuant to Art. 41.1, sentence 1. Accordingly, such security or assurance must not be so high as to unreasonably deter right holders from having recourse to these procedures. This regulation was introduced against the background that, in certain countries, the holder of an intellectual property right could encumber the importation of products to such an extent that any market access be cut off for a decisive period of time.⁶

An **unreasonable deterrent** is to be assumed in cases where right holders, despite considering their rights to be infringed, refrain from filing an application with regard to the required security or assurance simply on basis of the amount of such a security or assurance. Against this background, securities and assurances should not be set so high as to endanger the economic freedom of action of right holders. However, in accordance with the

² For the amount of the security or assurance, see *Vander*, Article 50, para. 21. Emphasis added.

³ See *Gervais*, para. 2.441 with further references.

⁴ *Watal*, 358.

⁵ See *Gervais*, para. 2.441.

⁶ *Staehelin*, 186.

principle of checks and balances provided for in Art. 41.1, sentence 2, the lower limit for securities or assurances must be high enough to safeguard the defendant at least as regards the amount of the potential direct damage.

C. Security to be Paid by the Owner, Consignee, Importer (Art. 53.2)

I. Release of the Good

- 6 The entitlement to release of the goods pursuant to Art. 53.2, sentence 1, which Members are obliged to provide for, ties in with the suspension of the release of the goods by institutions other than the judicial authorities or by other independent authorities. This regularly affects **orders made by the customs authorities**.
- 7 The **scope of application** of this provision is limited to the intellectual property rights listed exhaustively. The regulation thus concerns the suspension not of trademark or copyright goods but merely of **other intellectual property rights**,⁷ the protection of which is left to the discretion of the Members through the provisions of Section 4 on Special Requirements Related to Border Measures.⁸
- 8 Moreover, the claim to a release of the goods requires the **period**⁹ stipulated in Art. 55 to have elapsed without any preliminary measures having been ordered by the competent authorities. In addition, all other **conditions for importation** must be fulfilled.¹⁰
- 9 The release of the goods is possible after the provision of a sufficient security or assurance by the goods' owner, consignee or importer, in which case the security or assurance may be considered **sufficient** if it is enough to offer the right holder protection against an infringement. Such security or assurance is thus to be based upon the potential damage caused to the right holder. The principles laid down in Art. 50.3 and Art. 53.1, sentence 1 are to be applied accordingly.¹¹

⁷ Geographical indications are not listed. Members are therefore not obliged with regard to them, but they may include the geographical indications in the scope of application of Art. 53.2.

⁸ See Art. 51, sentence 1.

⁹ In accordance with Art. 55 generally ten, in exceptional cases 20 days after notification of the suspension.

¹⁰ See the parallel regulation in Art. 55.

¹¹ For the details, see para. 5 above and *Vander*, Article 50, para. 21. The examination of the reasonableness, with regard to a defence against abuse within the scope of Art. 53.2, sentence 1 is not necessary.

The possibility opened up by Art. 53.2, sentence 1 of forcing the release of the goods under certain conditions seems to **run counter to the protective aim** of the border measures, especially given the fact that the protection of the importer from unwarranted seizures by the customs authorities may already be safeguarded by means of a security or assurance provided by the applicant. This danger, however, must not be overrated, since Art. 53.2 concerns not the release of trademark or copyright goods but only measures taken by the customs authorities regarding other property rights that are left to the discretion of the Members.¹² 10

II. Limitation

The payment of a security or assurance in the sense of Art. 53.2, sentence 1 by the goods' owner, consignee or importer of the goods concerned must, in accordance with Art. 53.2, sentence 2, sub-sentence 1, not prejudice "any other remedy available to the right holder". Consequently, such **other remedies** are available to the right holder **irrespectively** of a potential security or assurance. 11

If the right holder "fails to pursue the right of action within a reasonable period of time", the security or assurance shall be **released** pursuant to Art. 53.2, sentence 2, sub-sentence 2. A **reasonable period of time** must take into consideration the interests of both the right holder and the party affected by the suspension of the release of the goods. From the point of view of the latter party, it would be desirable for the period for the release of the security or assurance to be as short as possible. Depending on the amount of the security or assurance, a very long period until the release of such security or assurance may impair the economic freedom of action of the party affected. The right holder, requiring some time to prepare to assert the claims on the one hand and being able to make use of the security or assurance in case of an infringement without having to enforce against the infringer on the other hand, is interested in a preferably long period before the release. The comparable situation where proceedings for a preliminary court order are initiated may provide a possible orientation for a suitable compromise between both interests. The statements on adequacy made for Art. 50.6 apply here, too.¹³ 12

¹² *Dreier*, GRUR Int. 45 (1996) 3, 205, 213 *et seq.*

¹³ See *Vander*, Article 50, para. 31.

Article 54*
Notice of Suspension

The importer and the applicant shall be promptly notified of the suspension of the release of goods according to Article 51.

- 1 Both the importer and the applicant must be notified if the release of goods is suspended according to Art. 51. Pursuant to the general principle in accordance with Art. 41.3, such notification should preferably, but not necessarily, be in writing. It must, however, be provided promptly after the suspension of the release of the goods.
- 2 The answer to the question of how a **prompt notification** is defined is to be based on the general procedural provision of Art. 41.3, according to which decisions on the merits of a case shall be notified “without undue delay”. Considering that the suspension of the release of goods creates considerable expenses, especially in connection with storage, the importer has a strong interest in obtaining a prompt notification in order to be able to react quickly to the situation, *e.g.* by filing further requests for remedies or procuring alternative goods. If the release of goods is wrongfully suspended for a longer period, considerable compensation claims may be raised against the applicant in accordance with Art. 56. This is why the applicant also has a strong interest in expeditious proceedings. Against this background and given the clear wording of the provision, prompt notification requires the application of more stringent criteria than the “reasonable periods” in accordance with Arts 43.2, 50.4, 51, sentence 2 and 53.2, sentence 2. A notification is considered prompt only if it is provided directly after the suspension of the measure in question. Since such notification is limited to the simple announcement of a fact (the suspension of the release of goods), it needs to be given typically on the same day as, but no later than the day following, the suspension. Even taking Art. 41.5 into account, a **maximum period** of a few days at the most must not be exceeded.

* The commentary is translated by Susanne Kruse, professional graduate translator.

Article 55* Duration of Suspension

If, within a period not exceeding 10 working days after the applicant has been served notice of the suspension, the customs authorities have not been informed that proceedings leading to a decision on the merits of the case have been initiated by a party other than the defendant, or that the duly empowered authority has taken provisional measures prolonging the suspension of the release of the goods, the goods shall be released, provided that all other conditions for importation or exportation have been complied with; in appropriate cases, this time-limit may be extended by another 10 working days. If proceedings leading to a decision on the merits of the case have been initiated, a review, including a right to be heard, shall take place upon request of the defendant with a view to deciding, within a reasonable period, whether these measures shall be modified, revoked or confirmed. Notwithstanding the above, where the suspension of the release of goods is carried out or continued in accordance with a provisional judicial measure, the provisions of paragraph 6 of Article 50 shall apply.

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A. General

Art. 55 regulates the rights of the defendant in the case of suspension of the release of the goods. The provision differentiates between the defendant's right to release of the goods in the case of a failure to bring proceedings following the suspension (Art. 55, sentence 1) and the right to a review on the merits of the case if proceedings have been initiated (Art. 55, sentence 2). 1

B. Release of the Goods (Art. 55, Sentence 1)

Art. 55, sentence 1 sets out that the defendant has an obligatory entitlement to the release of the goods.¹ In the original regime of protection,² this provision is applicable to the **application procedure** only and presupposes a suspension of the release of goods. 2

Claims to the release of the goods must be granted if no “proceedings leading to a **decision on the merits of a case** have been initiated by a party other than the defendant” and if no “provisional measures prolonging the suspension of the release of the goods” have been taken. 3

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ See Art. 53.2 for the case of the posting of a security.

² But see the reference in Art. 58 lit. b.

- 4 The relevant **period** for bringing proceedings or for an extension of the suspension of the release of the goods is ten working days calculated from the date on which “the applicant has been served notice of the suspension”.³ The customs authorities may extend this time limit by another ten working days “**in appropriate cases**”. Such constellations are regularly to be assumed if the right holder needs more time for preparing the initiation of proceedings due to the seriousness of the infringement or a complicated situation with respect to the necessary evidence. An entitlement to release of the goods is always **excluded** if the other conditions for importation or exportation have not been complied with.

C. Decision on the Merits of a Case (Art. 55, Sentence 2)

- 5 If “proceedings leading to a decision on the merits of a case have been initiated”, the defendant may request a **review** of the application forming the basis for the measure at hand. Moreover, the defendant is granted a right to be heard, irrespective of who initiates “proceedings leading to a decision on the merits of a case”. Art. 55, sentence 1 merely states that such proceedings must “have been initiated by a party other than the defendant”.
- 6 For the rest, Art. 55, sentence 2 corresponds entirely to the parallel provision of Art. 50.4, sentence 2 regarding provisional measures.⁴

D. Suspension in Accordance with a Provisional Judicial Measure (Art. 55, Sentence 3)

- 7 Art. 55, sentence 3 regulates the relationship of the provisions on provisional measures with those of Section 4. Where the release of the goods is suspended by reason of a provisional judicial measure (Art. 50), the provision to be applied is Art. 50.6.⁵

³ About the insofar relevant time, see *Vander*, Article 54, para. 2.

⁴ For further details, see *Vander*, Article 50, paras 25 *et seq.*

⁵ For further details *ibid.*, paras 28 *et seq.*

Article 56* Indemnification of the Importer and of the Owner of the Goods

Relevant authorities shall have the authority to order the applicant to pay the importer, the consignee and the owner of the goods appropriate compensation for any injury caused to them through the wrongful detention of goods or through the detention of goods released pursuant to Article 55.

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A. Scope of Application

Art. 56 regulates a claim for compensation against the applicant which is to be provided for under national law. A claim in accordance with Art. 56 is only a possibility for **proceedings initiated upon application** and not for *ex officio* actions (Art. 58). Art. 56 corresponds to Art. 48 and Art. 50.7 but extends the **circle of beneficiaries** beyond the importer to potential recipients and owners of the goods. While other parties involved, such as carriers, suppliers, distributors and retailers, also may be considered as potential claimants, their possible claims are not covered by Art. 56 and may at best arise out of general principles and the provisions of the Members' legal systems.¹ 1

B. Requirements

The compensation claim to be granted by the relevant authorities² ties in with the wrongful detention of goods. Such a **wrongful detention** can be assumed if the alleged infringer's conduct, which is challenged by the right holder's application, does not constitute a relevant infringement. What is therefore required is the lawful behaviour of the party affected by the detention of the goods. Irrespective of such lawful behaviour, a claim in accordance with Art. 56 also comes into consideration where **detained goods are released pursuant to Art. 55**. 2

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ *UNCTAD/ICTSD*, 616.

² On the term "relevant authorities" compare *Vander*, Article 51, para. 4.

C. Legal Consequence

- 3 Art. 56 establishes a claim to appropriate compensation. With regard to the definition of the concept of **appropriateness**, reference can be made to the corresponding provisions of Art. 48.1, sentence 1 and Art. 50.7.³ The rule that the only damage to be compensated for is damage causally and directly attributable to the detention of the goods also applies to Art. 56.⁴ There is no obligation to cover expenses and attorney's fees, but Members may choose to include them in their national compensation schemes.⁵
- 4 Since importers, recipients and owners may assert any potential compensation claims **independently**, the right holder has a considerable liability risk in respect of unjustified applications for the detention of goods. This liability risk corresponds to the objective of Art. 41.1, sentence 2 and is an effective method of limiting the number of unlawfully initiated proceedings.

³ For further details see *Vander*, Article 48, para. 7 and *Vander*, Article 50, para. 36.

⁴ Mandating full compensation *UNCTAD/ICTSD*, 616.

⁵ *Gervais*, para. 2.453.

Article 57* Right of Inspection and Information

Without prejudice to the protection of confidential information, Members shall provide the competent authorities the authority to give the right holder sufficient opportunity to have any goods detained by the customs authorities inspected in order to substantiate the right holder's claims. The competent authorities shall also have authority to give the importer an equivalent opportunity to have any such goods inspected. Where a positive determination has been made on the merits of a case, Members may provide the competent authorities the authority to inform the right holder of the names and addresses of the consignor, the importer and the consignee and of the quantity of the goods in question.

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A. General

Art. 57, sentences 1 and 2 establish the opportunity for the right holder or importer to have the goods concerned by a detention inspected. In the event of a positive decision on the merits of a case, the right holder's opportunity to inspect is complemented by an option to get information similar to the right of information in accordance with Art. 47. 1

B. Inspection by the Right Holder (Art. 57, Sentence 1)

Art. 57, sentence 1 requires the Members to provide the competent authorities¹ with the authority "to give the right holder sufficient opportunity to have any goods detained by the customs authorities inspected". Such opportunity is considered **sufficient** if the right holder is granted the possibility actually to detect potential infringements. In this respect, the opportunity to have the goods inspected must be sufficient with regard to both the time and the manner of inspection. As to the **time** available for the inspection, it is impossible to determine any universally valid time span. Rather, one must take into consideration the circumstances of the individual case. While actions within the scope of product piracy should frequently be relatively easy and immediate to detect, disclosing infringing behaviour in the field of patent offences is comparatively more difficult. In the latter case, the right 2

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ On the term "competent authorities" see *Vander*, Article 51, para. 4.

holder should therefore be permitted to carry out a more intensive and lengthy inspection. Defining a universally binding procedure also seems to make little sense with regard to the **manner** of inspection. While a short visual inspection is sufficient in simple cases, other cases may require a more detailed and, if applicable, a technical-analytical inspection of the material concerned. Wherever possible, the right holder is to be provided with a sample for inspection purposes.

- 3 The inspection does not have to be **carried out** by the right holders themselves. Especially in complicated cases they may also consult an expert.²
- 4 The right of inspection is linked to the **purpose** of the substantiation of a claim. Inspections are prohibited for purposes that go beyond the mere substantiation of a claim. This restriction serves the objective of protecting importers against unwarranted intrusions on their legal sphere. Right holders shall have no opportunity to use the right of inspection to attempt to obtain details about other products (especially manufacturing methods and production processes).
- 5 This approach is supported by the fact that the right holder's right of information may be granted only without prejudice to the **protection of confidential information**. The right of inspection must not go so far as to permit the disclosure of confidential information by means of the inspection. This balancing act between the right holder's right of information and the importer's need for the protection of information has to be handled by taking into account the respective interests in accordance with the parallel problematic under Art. 43.1.³ One potential way of accommodating both interests consists in consulting an independent expert.

C. Inspection by the Importer (Art. 57, Sentence 2)

- 6 Art. 57, sentence 2 sets out the mandatory provision of authority for the competent authorities to give the importer a right of inspection equivalent to the right holder's right of inspection. However, the TRIPS Agreement does not appear to acknowledge a right of the defendant to object to the suspension of the release of the goods immediately after notification (Art. 54).⁴ The only party **entitled to benefit** is the importer of the goods. Unlike Art. 56, Art. 57 grants such right to neither the consignee nor the owner of the goods.

² See *Gervais*, para. 2.457.

³ See *Vander*, Article 43, para. 8.

⁴ *Dreier*, in: *Beier & Schricker* (eds), 266, fn. 66.

D. Provision of Information (Art. 57, Sentence 3)

Art. 57, sentence 3 regulates the optional provision of authority for the competent authorities to provide information in favour of the right holder obtaining a justifiable claim. Such information includes the names and addresses of the importer and the consignee as well as the quantity of the goods in question. It is only the claim to the provision of information regarding the persons involved which enables the right holder to make further inquiries and finally take legal steps against all those parties involved.⁵ Insofar, the claim to provide information forms an essential basis for the **effective prosecution** of infringements.⁶ While information about the names and addresses of the parties involved facilitates the prosecution, information regarding the quantity of the goods in question mainly serves the purpose of **specifying** any **potential claims for damages**.

7

⁵ *Matthews*, 70.

⁶ See also Art. 47.

Article 58* Ex Officio Action

Where Members require competent authorities to act upon their own initiative and to suspend the release of goods in respect of which they have acquired *prima facie* evidence that an intellectual property right is being infringed:

- (a) the competent authorities may at any time seek from the right holder any information that may assist them to exercise these powers;
- (b) the importer and the right holder shall be promptly notified of the suspension. Where the importer has lodged an appeal against the suspension with the competent authorities, the suspension shall be subject to the conditions, *mutatis mutandis*, set out at Article 55;
- (c) Members shall only exempt both public authorities and officials from liability to appropriate remedial measures where actions are taken or intended in good faith.

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A. General

- 1 The optional *ex officio* action complements the application procedure in accordance with Art. 51.¹ The *ex officio* action is based on the application procedure and explicitly incorporates the regulations of the latter in parts (*cf.* Art. 58 lit. b). A significant difference, however, is the possibility of a liability privilege in favour of public authorities and officials where they act in good faith in accordance with Art. 58 lit. c.
- 2 According to the wording in Art. 58, sentence 1, Members are not obliged to provide for an *ex officio* action for the suspension of the release of the goods. If they do provide for such a procedure and if the competent authorities² may accordingly “suspend the release of such goods in respect of which they have acquired *prima facie* evidence³ that an intellectual property right is being infringed”, that procedure must be based on the specifications set out in Art. 58 lit. a to c.⁴
- 3 The introduction of an *ex officio* action into the TRIPS framework was encouraged by the fact that many customs authorities were already expe-

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ About the advantages and disadvantages of the *ex officio* action in comparison to the application procedure, see *Sodipo*, 178 *et seq.*

² On the term “competent authorities” see *Vander*, Article 51, para. 2.

³ About the *prima facie* evidence of an infringement, see Art. 52, sentence. 1.

⁴ *Gervais*, para. 2.461.

riencing conflicts between their obligation to take action against piracy and imitations on the one hand and the secrecy of official institutions on the other.⁵ The possibility of taking *ex officio* actions addresses this conflict. As a general rule, the customs authorities take *ex officio* actions only randomly and mainly for the purpose of the supervision and imposition of duties and charges.⁶ Considering their human resources and other fields of activities, the customs authorities are likely to continue carrying out only random checks concerning the violation of intellectual property rights, even where the possibility of taking *ex officio* actions exists.

B. Duty to Provide Information (Art. 58 lit. a)

According to Art. 58 lit. a, “the competent authorities may at any time seek from the right holder any information that may **assist** them to exercise [their] powers”.⁷ Types of information, which may be required to be provided, are those necessary for the identification of the goods concerned⁸ or documents giving information about the type and scope of the subject of protection.⁹ Right holders failing to provide the required information run the risk that the competent authorities will refuse an intervention in their particular case.¹⁰ 4

C. Notification Obligation (Art. 58 lit. b)

According to Art. 58 lit. b, sentence 1, after an *ex officio* suspension of the release of the goods, the importer and the right holder “shall be **promptly** notified of the suspension”¹¹ in line with the obligation to notify in the application procedure (Art. 54). Where an appeal is lodged against the suspension, Art. 58 lit. b, sentence 2 provides for the *mutatis mutandis* application of the provision of Art. 55. 5

⁵ *Stahelin*, 187.

⁶ *UNCTAD/ICTSD*, 617 *et seq.*

⁷ Emphasis added.

⁸ See *Vander*, Article 50, para. 27.

⁹ See *ibid.*, paras 16 *et seq.*

¹⁰ *UNCTAD/ICTSD*, 618.

¹¹ On the interpretation of the term “promptly” see *Vander*, Article 54, para. 2. Emphasis added.

D. Liability Privilege (Art. 58 lit. c)

- 6 While within the context of official liability Members may grant a liability privilege to public authorities and officials, Art. 58 lit. c permits the exemption from “liability to appropriate remedial measures” only where the actions in question “are taken or intended in **good faith**”. Regularly, the good faith of public authorities or officials can be assumed.¹²

¹² Cf. also *Vander*, Article 48, para. 11.

Article 59* Remedies

Without prejudice to other rights of action open to the right holder and subject to the right of the defendant to seek review by a judicial authority, competent authorities shall have the authority to order the destruction or disposal of infringing goods in accordance with the principles set out in Article 46. In regard to counterfeit trademark goods, the authorities shall not allow the re-exportation of the infringing goods in an unaltered state or subject them to a different customs procedure, other than in exceptional circumstances.

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A. Destruction and Disposal Order (Art. 59, Sentence 1)

According to Art. 59, sentence 1, the competent authorities¹ have “the authority to order the destruction or disposal of infringing goods”. The provision thus extends the possibilities of a destruction order beyond the jurisdiction of the courts (Art. 46, sentence 1) to the procedure regarding border seizure by the customs authorities. Attention must be paid to the **basic principles** specified in Art. 46, which state that destruction or disposal orders must be accepted without any possibility of a claim for compensation, that any damage for the right holder needs to be avoided and that corresponding orders must not be contrary to existing constitutional requirements.² Moreover, for any decision on the destruction of goods the authorities must take the seriousness of the infringement and third-party interests into consideration.³ Destruction and disposal orders can be made only subject to the defendant’s right to a **judicial review**. The defendant must thus be granted the opportunity to have such orders reviewed by a court. 1

Potential destruction or disposal orders have no effect on the further rights of the right holder. Thus, despite the possible destruction of goods, the right holder may assert additional claims, especially claims for compensation, against the defendant. 2

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ On the term “competent authorities” see *Vander*, Article 51, para. 4.

² On the constitutional requirements see *Vander*, Article 46, para. 3.

³ *Blakeney*, para. 14.10.

B. Remedies in Respect of Counterfeit Trademarked Goods (Art. 59, Sentence 2)

- 3 The competent authorities shall allow “the re-exportation of the infringing goods in an unaltered state” in exceptional circumstances only. The reason for this restrictive approach regarding counterfeit trademark goods lies in the **increased risk potential** of such goods. If the authorities allowed re-exportation, there would be a danger of the importation of the goods in the same form into a third country. Consequently, re-exportation in an unaltered state would hardly be in conformity with the maxim of effectiveness in accordance with Art. 41.1 sentence 1. Art. 46, sentence 4 seems to suggest that re-exportation should be possible in cases where the trademarks wrongfully affixed are removed and the goods are therefore altered.⁴ However, an authorization for re-exportation may be contrary to the interests of the right holder where there is a risk of repeated abuse of the goods, especially if there are concrete indications of repeated abusive use or if the goods are very likely to be reused.⁵ As a consequence, re-exportation should be permitted only if there is a guarantee that the re-importation of the goods as imitations would not be possible without the investment of considerable effort.

⁴ In this sense *UNCTAD/ICTSD*, 619.

⁵ *Gervais*, para. 2.465.

Article 60* De *Minimis* Imports

Members may exclude from the application of the above provisions small quantities of goods of a non-commercial nature contained in travellers' personal luggage or sent in small consignments.

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Art. 5.8 Antidumping Agreement;¹ Art. 11.9 SCM Agreement.²

Art. 60 reflects the **practical difficulties of the enforcement of border measures** regarding small quantities of goods of a non-commercial nature. Customs authorities are confronted with the limits of their possibilities especially when dealing with the importation of infringing goods in travellers' personal luggage. The potential effort that the customs authorities would have to make in order to carry out comprehensive controls would regularly bear no proportion to the use of such measures. Moreover, right holders also often have no interest in providing the resources required for persecuting prosecuting such infringements. 1

Nevertheless, one should not underestimate the **danger** that accompanies such import opportunities. Not least because it has become so easy to do business through internet auction houses, *de minimis* imports have increased considerably.³ Severe problems are also raised in cases where infringing goods can be reproduced after their import (*e.g.* products of the entertainment industry).⁴ Moreover, one should point out the potential abuse of the *de minimis* clause regarding the possibility of a multitude importation of a small amount of infringing goods, *i.e.* imports made by persons pretending to travel privately, each of them carrying only small amounts of pirated goods.⁵ After all, such exemption clauses may strengthen the lack of awareness of wrongdoing, which in turn promotes the demand for illegal imitations.⁶ Against this background, one should consider verifying the need for the exemption rule in Art. 60 as soon as suitable control systems have 2

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ UNTS 1868 (1995), 201, available at: http://www.wto.org/english/docs_e/legal_e/19-adp_01_e.htm (last accessed 27 April 2008).

² UNTS 1868 (1995), 14, available at: http://www.wto.org/english/docs_e/legal_e/24-scm_02_e.htm#articleXI (last accessed 27 April 2008).

³ *v. Welser*, *Europäisches Wirtschafts- und Steuerrecht* 16 (2005) 5, 202, 205.

⁴ *Trainer*, *Trademark World* 74 (1995), 24, 28.

⁵ *Selzer*, 90; *v. Welser*, *Europäisches Wirtschafts- und Steuerrecht* 16 (2005) 5, 202, 205.

⁶ *Selzer*, 90.

been developed and the practical difficulties of the implementation of the controls have been eliminated.⁷

- 3 This so-called *de minimis* clause is not a peculiarity of the TRIPS Agreement. In fact, such regulations are frequently applied within the **WTO legal system**.⁸

⁷ *Gervais*, para. 2.469.

⁸ See for instance Art. 5.8 Antidumping Agreement, Art. 11.9 SCM Agreement.

SECTION 5: CRIMINAL PROCEDURES

Article 61*

Members shall provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale. Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity. In appropriate cases, remedies available shall also include the seizure, forfeiture and destruction of the infringing goods and of any materials and implements the predominant use of which has been in the commission of the offence. Members may provide for criminal procedures and penalties to be applied in other cases of infringement of intellectual property rights, in particular where they are committed wilfully and on a commercial scale.

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A. General

In addition to the civil and administrative enforcement procedures to be provided, Art. 61 safeguards effective law enforcement through the establishment of criminal procedures. The entitlement to punish for certain infringing acts represents an important **deterrent**, since criminal charges are avoided in particular within a business context due to their negative consequences

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the Enforcement of Intellectual Property Rights, OJ 2004 L 157/45.

(especially for the reputation of the business involved). Moreover, the establishment of criminal provisions may play a significant role in cases where civil proceedings against infringers generally take more time in certain Members or where the stopping of further infringements seems more important than providing compensation for already existing damage.² Another important factor is that the competent authorities deal with criminal procedures by taking *ex officio* action and make inquiries that regularly need to be made by the claimant or applicant in civil procedures. The focus of the regulations regarding criminal provisions lies on the punishment of criminally relevant commercial actions in the field of **product piracy**.

B. Facts of the Case

I. Mandatory Orders

- 2 With regard to wilful trademark counterfeiting and the wilful unauthorized production of copyright goods (*i.e.* copyright piracy) on a commercial scale, Art. 61, sentence 1 envisages the obligatory provision of criminal procedures and penalties. The interpretation of the terms “counterfeit trademark goods” or “pirated copyright goods” is to be based on the definitions in footnote 14 of the TRIPS Agreement.³
- 3 On the one hand, the obligatory establishment of criminal procedures and penalties only refers to a small part of the total of intellectual property rights covered by the Agreement. The **subject of the protection** of Art. 61 includes neither patent infringements nor infringements of other intellectual property rights. On the other hand, **infringing acts** are punishable only if they are **committed “on a commercial scale”**. This presupposes that such infringing acts are committed for long-term purposes, *i.e.* in principle they are not individual occurrences (although a single act should normally suffice for the assumption of a commercial scale in the event of serious infringements) and are intended to make a not inconsiderable contribution to the financing of the infringer’s living. Infringements committed on merely a private scale and without any firm intention of financial enrichment are therefore excluded. There is also no duty to punish **acts committed negligently**.
- 4 At the moment (June 2008), Art. 61, sentence 1 is at issue in *China—Intellectual Property Rights*. The Panel that was composed on 13 December 2007 will need to address the US claims relating to Chinese copyright law

² See *Watal*, 352.

³ Printed under Art. 51. See in particular *Vander*, Article 51, para. 3.

and criminal procedures and penalties. With particular regard to Art. 61, it is to examine Arts 213–215, 217 and 218 of the Chinese Criminal Act under which procedures and penalties are available only if the amount of illegal gains is relatively large or huge, or if there are other (especially) serious circumstances. The Act itself does not define the notions of “serious”, “especially serious”, “relatively large”, and “huge”. Instead, the Judicial Interpretations of December 2004 and of April 2007 determine the illegal business volume/gains necessary to meet this threshold. Accordingly, it is the price of the infringing goods as opposed to the price of the corresponding legitimate goods that establishes the illegal business volume/gains.⁴ In light of the competitive conditions principle that is fundamental to the world trade order, it appears questionable whether the market price of the infringing products can serve as a benchmark compliant with the commercial scale criterion of Art. 61. On the other hand, the threshold of conviction of crimes was already substantially lowered by those Judicial Interpretations to the extent that the standards contained therein might justify the conviction.

II. Facultative Orders

Art. 61 facilitates the provision of penalties above this minimum standard. Penalties can be imposed on the one hand by reference to the **legal rights** concerned and follow from the use of the words “at least” in Art. 61, sentence 1 as well as the explicit reference to this possibility in Art. 61, sentence 4. Accordingly, criminal procedures and penalties may also be extended to cases other than those of trademark counterfeiting and copyright piracy as listed in Art. 61, sentence 1 if they are committed on a commercial scale. Extensions of penalty orders to further property rights and further ways of committing an infringement must be based fundamentally on the protective aim of the Agreement. Keeping in mind that the Members’ desire to strengthen intellectual property rights was to a great extent a product of the increasing occurrence of product piracy, the extension of cases where a penalty could be ordered to include also **other property rights** seems an obvious choice.

The Members may exceed the obligatory minimum levels of penalty under Art. 61.1 also in respect of the **way in which infringements are committed**. This includes in particular acts committed negligently as well as attempts to infringe. While punishment appears logical even for an attempt, it seems inappropriate for negligently committed acts. **Punishability on grounds of negligence** would not fit in with the structure of other property offences (*e.g.* theft or fraud), for which, as a matter of principle,

⁴ *China—Intellectual Property Rights*, WT/DS362/1.

negligence is not punishable. However, one might at least consider the punishability of acts committed with gross negligence. Otherwise, infringers could regularly make a simple claim that they have been unaware of the particular property right infringed.⁵ Frequently, though, cases of pretended lack of knowledge will reveal a breach of the duty of care with regard to the claimed lack of knowledge of a potential infringement, *e.g.* in cases of obvious product piracy. An extension beyond the scope of **commercial trade** would be a less reasonable choice, because only in cases of acts committed on a commercial scale the special danger for property rights manifests itself and the holders of property rights need to take into account considerable losses of assets. Moreover, this view corresponds to the exception provided for in Art. 60.

- 7 While Art. 61, sentence 4 allows punishing orders beyond the specifications of Art. 61, sentence 1, it also clarifies that this possibility—in parallel with Art. 61, sentence 1—is to be considered in particular in cases where infringements are “committed wilfully and on a commercial scale”. On the one hand, this suggests a **tendency towards an extension of punishability**⁶ through the inclusion of other intellectual property rights not covered by Art. 61, sentence 1. On the other hand, the explicit repeated reference to the wilful commission of the act in question on a commercial scale makes it clear that criminal proceedings are to be limited mainly to this manner of committing an infringing act.

C. Legal Consequences

I. Penalties

- 8 Pursuant to Art. 61, sentence 3, in appropriate cases, available remedies shall include not only “imprisonment and/or monetary fines” (Art. 61, sentence 2) but beyond that also “the seizure, forfeiture and destruction of the infringing goods and [...] materials”. This is intended to ensure that counterfeit goods are taken out of circulation. With regard to the materials and implements used in their production, this provision is applicable only insofar as their “predominant use [...] has been in the commission of the offence”. This refers in particular to technical production plants but could also be of importance—depending on the individual case (*e.g.* when using a complex product sales system)—for the means of transportation (*e.g.* lorry) used.⁷ In contrast to Arts 46 and 59, Art. 61, sentence 3 does not restrict

⁵ Cf. *Cremer*, GRUR Int. 51 (2002) 6, 511, 517.

⁶ See *Dreier*, GRUR Int. 45 (1996) 3, 205, 214; critical is *Duggal*, 84.

⁷ See *Gervais*, para. 2.474.

the seizure, forfeiture and destruction of goods or materials and implements through constitutional requirements. “**Appropriate cases**” should be interpreted as cases in which there is a danger that without the seizure, forfeiture or destruction of the infringing goods or materials and implements, they will be further used or re-used (*e.g.* in case of the professional imitation of trademark goods).

II. Extent of Punishment

Art. 61 contains no details on the extent of punishment but rather focuses on the result as such. Penalties are to provide a sufficient **deterrent**⁸ (Art. 61, sentence 2). Since product piracy has the potential to yield substantial profits, the range of punishment must make allowance for this fact by permitting the imposition of penalties great enough for the fear of discovery to outweigh the attraction of the profits to be gained from punishable behaviour, *i.e.* the penalty must appear unacceptable. 9

The measure of punishment is further concretized by a **requirement of proportionality** included in Art. 61, sentence 2, according to which the remedy available must be consistent “with the level of penalties applied for crimes of a corresponding gravity”. A potential standard of comparison are punishments for receiving stolen goods, theft or fraud, each time—as far as possible—in the qualification as the commission on a commercial scale.⁹ For acts committed on a commercial scale in any case, there should be the opportunity to provide the necessary deterrent by way of severe prison sentences of several (up to ten) years. In other cases, the threat of a monetary fine or a shorter prison sentence (of up to five years) seems both appropriate and sufficient. 10

⁸ The general determination of the principle of deterrence arises from Art. 41.1, sentence 1.

⁹ See *Gervais*, para. 2.473.

PART IV

ACQUISITION AND MAINTENANCE OF INTELLECTUAL PROPERTY RIGHTS AND RELATED *INTER PARTES* PROCEDURES

Article 62

1. Members may require, as a condition of the acquisition or maintenance of the intellectual property rights provided for under Sections 2 through 6 of Part II, compliance with reasonable procedures and formalities. Such procedures and formalities shall be consistent with the provisions of this Agreement.
2. Where the acquisition of an intellectual property right is subject to the right being granted or registered, Members shall ensure that the procedures for grant or registration, subject to compliance with the substantive conditions for acquisition of the right, permit the granting or registration of the right within a reasonable period of time so as to avoid unwarranted curtailment of the period of protection.
3. Article 4 of the Paris Convention (1967) shall apply *mutatis mutandis* to service marks.
4. Procedures concerning the acquisition or maintenance of intellectual property rights and, where a Member's law provides for such procedures, administrative revocation and *inter partes* procedures such as opposition, revocation and cancellation, shall be governed by the general principles set out in paragraphs 2 and 3 of Article 41.
5. Final administrative decisions in any of the procedures referred to under paragraph 4 shall be subject to review by a judicial or quasi-judicial authority. However, there shall be no obligation to provide an opportunity for such review of decisions in cases of unsuccessful opposition or administrative revocation, provided that the grounds for such procedures can be the subject of invalidation procedures.

CASE LAW

Appellate Body Report, *Canada—Patent Term*, WT/DS170/AB/R.

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Art. 5.2 BC; Art. 4 PC.

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A. General

- 1 Within the overall framework of TRIPS laying down regulations on the use and availability of intellectual property rights, Art. 62 addresses the acquisition and maintenance of those rights and related procedures.

B. Reasonable Procedures and Formalities (Art. 62.1)

- 2 In many States the recognition and enforcement of intellectual property rights are dependent on certain procedures and formalities. This was taken into account when Art. 62 was drafted. Compliance with certain procedures and formalities can therefore still be required, but they must be reasonable and comply with the provisions of the TRIPS Agreement in accordance with Art. 62.1. Which of them are “reasonable” is not further determined, but the purpose of the provision gives an indication. The purpose of Art. 62 is that the acquisition and maintenance of intellectual property rights shall not be impeded in such a way as to render useless the material standards and rules of enforcement. Applying this, procedures and formalities should not be so complicated or expensive as to make the majority of applications uneconomic. Members may decide within their margin of discretion which procedures and formalities to implement, while respecting the principles laid down before. Procedural regulations should in any case aim at and be suitable for serving the purposes of the Agreement. This provision is of particular interest in the discussion about the establishment of a duty to disclose the origin of genetic resources under national law.¹
- 3 The requirements on procedures and formalities relate to only those intellectual property rights that are listed in Sections 2 through 6 of Part II, in other words all rights concerning trademarks, geographical indications, industrial designs and layout-designs (topographies) of integrated circuits. In contrast, the protection of copyrights and related rights and that of undisclosed information shall not be made to depend on any of these procedures.²

¹ See also *Reyes-Knoche*, Article 29, paras 12 *et seq.*

² The protection of undisclosed information is self-explanatory since disclosure outside the enterprise is to be avoided. Pursuant to the international standards on copyright protection set out in Art. 5.2 BC the protection of such works shall not be tied to any formalities.

C. Reasonable Period of Time (Art. 62.2)

The acquisition of an intellectual property right is usually subject to a grant and registration procedure. While compliance with the substantive conditions has to be guaranteed the procedure must provide for the granting or registration within a **reasonable period** of time. Members should develop procedures, which will not unjustifiably shorten the actual period of protection. This duty also includes providing sufficient financial means to avoid delays by reason of pressure of work or technical deficiencies.³ Firstly, the formalities and further procedural requirements for acquiring intellectual property rights should be laid down in a way that compliance with them is practical and possible within a reasonable time frame. What is a reasonable period depends on the traditions of the relevant national law. 4

This provision acquired a particular meaning in the area of patent law.⁴ Pursuant to Art. 33, the term of protection shall last at least 20 years from the filing date. During the filing period when the patent rights have not yet been granted, the applicant has no protection under patent law unless the national law already grants protection at that stage. 5

The fact that the patent holder will not have the protection for the full 20 years as a result of Art. 62.2 has led to the decision in *Canada—Patent Term* that the effective term of 17 years granted to the patent in Canada was not in compliance with Art. 33.⁵ In this respect, the Appellate Body noted that the procedures of Art. 62 cannot be relied upon in order to defend a claim of violation of Art. 33.⁶ 6

D. Applicability to Service Marks (Art. 62.3)

Art. 4 PC also applies to service marks. This extension of the scope of the Paris Convention reinforces the comprehensive protection of trademarks under Art. 15 TRIPS Agreement securing the acquisition and maintenance of service marks. In practice, it means the applicability of the six month period of priority of the service mark holder from first application and 7

³ This duty does not conflict with Art. 41.1 and 5, which contain the obligation to ensure procedures for the enforcement of intellectual property rights in general and does not refer to the acquisition or maintenance of intellectual property rights.

⁴ A similar problem to that in patent law arises for industrial designs (Art. 26.3) and for layout-designs (Art. 38). On the other hand, in trademark law the protection can be renewed indefinitely (Art. 18).

⁵ For further details, see *Neef & Arend*, Article 33, paras 1 *et seq.*

⁶ *Canada—Patent Term*, WT/DS170/AB/R, para. 6.119.

related confinements of formalities on the registration procedures besides the principles laid down in Art. 62 TRIPS.

E. Applicability of General Principles (Art. 62.4)

- 8 This paragraph is of particular importance since it subjects the procedures governing the acquisition and maintenance of intellectual property rights to **additional** requirements pursuant to Art. 41.2 and 3. Their application is intended to guarantee **fairness in proceedings** for the acquisition and maintenance of intellectual property rights. Art. 41.2 concretizes the general term “reasonable” procedural rules and formalities pursuant to Art. 62.1. Art. 41.3 obliges Members also to provide in the area of acquisition and maintenance of intellectual property rights, appropriately reasoned decisions which must be in writing. The reasoning has to be based on evidence upon which each party has had the opportunity to be heard. Furthermore, the decision must be made available to the parties involved without undue delay.

F. Review of Final Administrative Decisions (Art. 62.5)

- 9 Art. 62.5 guarantees the review of final administrative decisions by a judicial or quasi-judicial authority.

PART V

DISPUTE PREVENTION AND SETTLEMENT

Article 63* **Transparency**

1. Laws and regulations, and final judicial decisions and administrative rulings of general application, made effective by a Member pertaining to the subject matter of this Agreement (the availability, scope, acquisition, enforcement and prevention of the abuse of intellectual property rights) shall be published, or where such publication is not practicable made publicly available, in a national language, in such a manner as to enable governments and right holders to become acquainted with them. Agreements concerning the subject matter of this Agreement which are in force between the government or a governmental agency of a Member and the government or a governmental agency of another Member shall also be published.
2. Members shall notify the laws and regulations referred to in paragraph 1 to the Council for TRIPS in order to assist that Council in its review of the operation of this Agreement. The Council shall attempt to minimize the burden on Members in carrying out this obligation and may decide to waive the obligation to notify such laws and regulations directly to the Council if consultations with WIPO on the establishment of a common register containing these laws and regulations are successful. The Council shall also consider in this connection any action required regarding notifications pursuant to the obligations under this Agreement stemming from the provisions of Article 6ter of the Paris Convention (1967).
3. Each Member shall be prepared to supply, in response to a written request from another Member, information of the sort referred to in paragraph 1. A Member, having reason to believe that a specific judicial decision or administrative ruling or bilateral agreement in the area of intellectual property rights affects its rights under this Agreement, may also request in writing to be given access to or be informed in sufficient detail of such specific judicial decisions or administrative rulings or bilateral agreements.
4. Nothing in paragraphs 1, 2 and 3 shall require Members to disclose confidential information which would impede law enforcement or otherwise be contrary to the public interest or would prejudice the legitimate commercial interests of particular enterprises, public or private.

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* The commentary is translated by Susanne Kruse, professional graduate translator.

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Art. X GATT 1994; Art. III GATS; Arts 6^{ter} and 15 PC; Art. 24 BC.

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A. General

- 1 Art. 63 as well as Art. X GATT 1994, Art. III GATS and numerous other provisions contained in Annex 1A WTO oblige WTO Members to provide for **transparency**. The intention behind the transparency obligation, which is fundamental to the world trade order, is firstly, to inform economic actors so that they can take maximum advantage of the opportunities created by WTO rules and commitments, and secondly, to facilitate monitoring of compliance with the obligations under the WTO and, through this means, the avoidance of disputes between Members.¹ Such disputes are best avoided by forcing Members from the very beginning to take greater care when implementing their obligations and by making sure that remaining deficiencies may be detected and eliminated in good time, *i.e.* before the filing of dispute settlement proceedings, once the Members have made the relevant provisions transparent.²
- 2 Art. 63 lays down three different transparency obligations: the obligations to publish (para. 1), to notify (para. 2) and to inform (para. 3). None of these transparency obligations applies if the information in question is **confidential**, *i.e.* if its publication, notification or another form of disclosure would be detrimental to higher-ranking interests of the Members. According to Art. 63.4 (and Art. X:1, sentence 3 GATT 1994), such higher-ranking interests include the public interests of the Members themselves, especially the interest in the enforcement of domestic laws, as well as the “legitimate commercial interests of particular enterprises, public or private”.

¹ WT/WGTCP/W/114, para. 57.

² *Otten*, JIEL 1 (1998), 523, 525 *et seq.*

B. Obligation to Publish (Art. 63.1)

Art. 63.1, following Art. X:1, sentences 1 and 2 GATT 1994, obliges the Members to publish laws, regulations, final judicial decisions and administrative rulings of general application, as well as bilateral intergovernmental or inter-agency agreements pertaining to the subject matter of the TRIPS, in one of their official languages. Art. 63.1, sentence 1 describes the subject matter of the TRIPS as “the availability, scope, acquisition, enforcement and prevention of the abuse of intellectual property rights”. As the TRIPS does not cover all areas of intellectual property, Members are not obliged to publish laws, regulations, decisions, and bilateral agreements relating to non-covered subject matter, such as *e.g.* utility models.³ Art. 63.1 also clarifies that only measures that are “made effective by a Member” are subject to the obligation to publish. It does not apply to draft measures or to measures that have not entered into force yet.

3

Publication may be on paper or in electronic format, including through a web page; it may also be made through public or private publishers.⁴ Where publication in one of the official languages is not practicable, the Members are obliged to make the information publicly available in a different manner. This may happen, for instance, with regard to final judicial decisions, as they are not systematically published in many countries. Compliance with Art. 63.1 is ensured, if these decisions can be obtained by governments and rights holders from the courts or other offices.⁵ However, it does not suffice for the information to be contained in a written response by the government of a Member to a parliamentary demand.⁶

4

Interpretative problems may arise with regard to the definition of “regulations”, “administrative rulings of general application” and bilateral intergovernmental or inter-agency agreements. The drafting suggests that “regulations” refers to something other than “laws”, namely measures adopted by the administration to implement a law.⁷

5

It may be difficult to decide when an administrative ruling is of “general application”. Administrative rulings address particular situations *ex post*, in contrast to administrative regulations that set rules for future behaviour by the addressed parties. An administrative ruling that may be applied to similar cases, such as the refusal to grant a certain category of claims as contained in a particular patent application, is, therefore, not a ruling of

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³ *Correa*, 475.

⁴ *Ibid.*, 473.

⁵ *Ibid.*

⁶ *India—Patents (US)*, WT/DS/50/R, para. 7.48.

⁷ *Correa*, 473.

“general application”.⁸ In *India—Patents (US)*, the Panel, with reference to the *US—Underwear* decision, decided that the Indian mechanism for receiving patent applications for pharmaceutical and agrochemical products established by Art. 70.8 represented an administrative ruling of general application.⁹ Pursuant to the latter decision, administrative rulings are of general application under Art. X:1, sentence 1 GATT 1994, if they affect an unidentified number of economic operators, including domestic and foreign producers.¹⁰ In *Japan—Film*, the Panel argued for extending the obligation to publish under Art. X:1, sentence 1 GATT 1994 to administrative rulings not pertaining to an indefinite number of economic operators as long as they stipulated general principles not restricted to individual cases.¹¹

- 7 Interestingly, the obligation to publish is limited to bilateral agreements in force between Members or their agencies, *e.g.* patent offices. It, therefore, does not apply to agreements with non-Members, although the most-favoured nation clause of Art. 4 applies both in cases where advantages are granted to Members and to non-Members.¹²

C. Obligation to Notify (Art. 63.2)

- 8 Art. 63.2, sentence 1 obliges the Members to notify laws and regulations relating to the subject matter of the TRIPS Agreement to the Council for TRIPS “in order to assist that Council in its review of the operation of this Agreement”. The obligation to notify does not extend to final judicial decisions and administrative rulings of general application or bilateral intergovernmental or inter-agency agreements.

I. Notification Procedure (Art. 63.2 Sentence 1)

- 9 The procedure to be followed for notification in accordance with Art. 63.2, sentence 1 was stipulated by the Council for TRIPS in its decision of 21 November 1995,¹³ according to which the Members are obliged, as soon as they apply a TRIPS Agreement provision pursuant to Arts 65 and 66, to notify any corresponding laws or regulations “without delay”.¹⁴ If not

⁸ *Ibid.*, 474.

⁹ *India—Patents (US)*, WT/DS/50/R, para. 7.48.

¹⁰ *US—Underwear*, WT/DS24/R, para. 7.65.

¹¹ *Japan—Film*, WT/DS44/R, para. 10.388.

¹² *Correa*, 475.

¹³ IP/C/2; See for more details WT/TC/NOTIF/TRIPS/1 which summarizes all decisions by the Council for TRIPS that have been passed in this field and contains exemplary texts for notifications.

¹⁴ IP/C/2, para. 2.1.

envisaged otherwise by the Council for TRIPS, “without delay” means that notification must be given **within 30 days**. Endorsements of laws and regulations made after the dates specified in Arts 65 and 66 are to be notified “without delay” following their entry into force.¹⁵

With regard to the further procedure, the Council for TRIPS differentiates 10 between “main dedicated intellectual property laws and regulations”¹⁶ and “other laws and regulations”¹⁷ The former cover in particular laws relating to individual intellectual property rights. Other laws and regulations, however, comprise on the one hand intellectual property laws and regulations that are not fundamental, such as implementation regulations. On the other hand, they include laws and regulations not meant for the protection of intellectual property but still pertaining to the subject matter of the TRIPS Agreement.¹⁸ These primarily comprise domestic procedural law and, in respect of the prevention of the abuse of intellectual property rights, the domestic competition and anti-trust laws.

Main dedicated intellectual property laws and regulations must be notified in 11 one of the **official WTO languages**, *i.e.* in English, French or Spanish.¹⁹ If they require prior translation, such translations must be submitted together with the original texts.²⁰ Other laws and regulations may be notified in one of their official languages provided that they are submitted together with a list,²¹ in one of the official WTO languages, which indicates the connection between those other laws and regulations and the TRIPS Agreement.²²

II. Facilitations Resulting from the WTO-WIPO Agreement

Art. 63.2, sentence 2 mandates the Council for TRIPS “to minimize the 12 burden on Members in carrying out this obligation” and authorizes it to waive the obligation to notify if negotiations with the WIPO to establish a common register are successful.

The Agreement between the World Trade Organization and the World 13 Intellectual Property Organization of 22 December 1995 led to the establishment of a **common register** that includes the laws and regulations notified to both the International Bureau of WIPO in accordance with Art. 15.2 PC and Art. 24.2 BC and to the Council for TRIPS pursuant

¹⁵ *Ibid.*, para. 2.2.

¹⁶ *Ibid.*, para. 6.

¹⁷ *Ibid.*, para. 9.

¹⁸ *Ibid.*, para. 7.

¹⁹ *Ibid.*, para. 7.

²⁰ *Ibid.*, para. 8.

²¹ *Ibid.*

²² *Ibid.*, para. 10.

to Art. 63.2, sentence 1.²³ According to the decision of the Council for TRIPS of 21 December 1995, the obligation to notify is not applicable if the Members have already notified laws and regulations pertaining to the subject matter of the TRIPS Agreement to the International Bureau of WIPO in one of the official WTO languages.²⁴ Members are further relieved by the obligation of the International Bureau of WIPO under Art. 2.5 WTO-WIPO Agreement to provide support to WTO Members in respect of any potentially required translations of laws and regulations into one of the official WTO languages irrespectively of whether these WTO Members are also Members of the WIPO.

- 14 Art. 63.2, sentence 3 further requires the Council for TRIPS to consider “any action required” regarding **notifications pursuant to Art. 2.1 TRIPS combined with Art. 6ter Paris Convention**. The obligation to notify pursuant to Art. 2.1 TRIPS combined with Art. 6ter PC is foreign to the transparency provision of Art. 63, because it does not relate to laws and regulations but to State emblems. State emblems are not subject to review by the Council for TRIPS. According to Art. 2.1 TRIPS combined with Art. 6ter PC, the Members are obliged to notify any State emblems, official hallmarks, and emblems of intergovernmental organizations as well as armorial bearings, flags, other emblems, abbreviations, and names they wish to protect.²⁵ Pursuant to Art. 3 WTO-WIPO Agreement, the International Bureau of WIPO must register State emblems of WTO Members in the sense of Art. 6ter PC irrespectively of whether such WTO Members are also Members of the WIPO. The notification of State emblems of WTO Members with the International Bureau of WIPO is acknowledged by the WTO as sufficient compliance with the obligation to notify.

D. Obligation to Inform (Art. 63.3)

- 15 Finally, Art. 63.3, sentence 1, for the first time in the field of the protection of intellectual property, introduces an obligation for the Members to supply, in response to a written request from another Member, information on the laws, regulations, decisions and agreements mentioned in Art. 63.1. Moreover, under Art. 63.3, sentence 2, the Members must give access to or at least sufficiently inform another Members about any specific judicial decision or administrative ruling or bilateral agreement if the Member in question has reason to believe that its rights under the TRIPS are affected by these measures. Interestingly, the obligation to inform is much broader

²³ See *Kaiser*, Article 68, para. 15.

²⁴ IP/C/2, para. 4.

²⁵ See for more details *Gervais*, para. 2.486.

than the obligation to publish, as it neither refers to “final” judicial decisions nor specifies that administrative rulings are such of “general application”. In addition, it generally refers to any “bilateral agreement in the area of intellectual property rights”.²⁶

²⁶ *Correa*, 477.

Article 64* Dispute Settlement

1. The provisions of Articles XXII and XXIII of GATT 1994 as elaborated and applied by the Dispute Settlement Understanding shall apply to consultations and the settlement of disputes under this Agreement except as otherwise specifically provided herein.
2. Subparagraphs 1(b) and 1(c) of Article XXIII of GATT 1994 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.
3. During the time period referred to in paragraph 2, the Council for TRIPS shall examine the scope and modalities for complaints of the type provided for under subparagraphs 1(b) and 1(c) of Article XXIII of GATT 1994 made pursuant to this Agreement, and submit its recommendations to the Ministerial Conference for approval. Any decision of the Ministerial Conference to approve such recommendations or to extend the period in paragraph 2 shall be made only by consensus, and approved recommendations shall be effective for all Members without further formal acceptance process.

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* The commentary is translated by Susanne Kruse, professional graduate translator.

CASE LAW

Decision by the Arbitrators, *EC—Bananas III (Ecuador) (Article 22.6—EC)*, WT/DS27/ARB/ECU; Panel Report, *India—Patents (US)*, WT/DS50/R; Appellate Body Report, *India—Patents (US)*, WT/DS50/AB/R; Panel Report, *Indonesia—Autos*, WT/DS54/R; Panel Report, *India—Patents (EC)*, WT/DS79/R; Panel Report, *Canada—Pharmaceutical Patents*, WT/DS114/R; Panel Report, *US—Section 110 (5) Copyright Act*, WT/DS160/R; Panel Report, *Canada—Patent Term*, WT/DS170/R; Appellate Body Report, *Canada—Patent Term*, WT/DS170/AB/R; Panel Report, *EC—Trademarks and Geographical Indications (US)*, WT/DS174/R; Panel Report, *US—Section 211 Appropriations Act*, WT/DS176/R; Appellate Body Report, *US—Section 211 Appropriations Act*, WT/DS176/AB/R; Panel Report, *EC—Trademarks and Geographical Indications (Australia)*, WT/DS290/R.

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A. General

As a rule, dispute settlement under the TRIPS Agreement is governed by Arts XXII and XXIII:1 lit. a GATT 1994 and the Dispute Settlement Understanding (DSU). Before we explain possible exceptions to this rule, namely the applicability of the non-violation and situation complaints to dispute settlement under the TRIPS Agreement (C.), we first give a short overview of the drafting history and content of Art. 64 (B.). The final evaluation deals with the significance of dispute settlement under the TRIPS Agreement (D. I.), the interpretation of the TRIPS Agreement by the WTO dispute settlement organs (D. II.) and the difficulties with the suspension of concessions or other obligations under the TRIPS Agreement in accordance with Art. 22.3 DSU (D. III.).

B. Historical Development and Content

- 2 In the Uruguay Round of the GATT, it was a long time before the enforcement of obligations in the TRIPS Agreement by way of dispute settlement became a topic for negotiation.¹ Since dispute settlement was regarded as a means of excluding unilateral measures being taken by the Members to enforce intellectual property rights following the example of Section 337 of the US Tariff Act and Section 301 of the US Trade Act,² the contentious issue was not whether to integrate dispute settlement within the framework of the TRIPS Agreement but how.³ While the developed countries suggested adopting the dispute settlement rules of the GATT,⁴ the developing countries advocated the limitation of dispute settlement to consultations between the disputing parties with the objective of finding a mutually satisfactory solution.⁵
- 3 Neither of these two groups of States emerged from the negotiations as the victor. While Art. 64.1 refers for consultation and dispute settlement to Arts XXII and XXIII GATT 1994 as elaborated and applied by the DSU, the reference to Art. XXIII GATT 1994 is qualified, however, by Art. 64.2 and 3. Of the three permissible grounds for complaint leading to the initiation of a dispute settlement procedure specified in Art. XXIII GATT 1994, the Members could initially—in accordance with Art. 64.2—invoke only the ground pursuant to Art. XXIII:1 lit. a GATT 1994, which refers to the **violation complaint**. The other two grounds in accordance with Art. XXIII:1 lits b and c GATT 1994, which also allow dispute settlement to be used as a **non-violation complaint** and as a **situation complaint**, were ruled out for a period of five years from the date of the entry into force of the WTO Agreement, *i.e.* until 1 January 2000. In accordance

¹ IP/C/W/124, para. 12.

² Art. 67 of the first draft of the TRIPS Agreement (Draft Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Organizations, MTN.TNC/W/35, 26 November 1990, 193 *et seq.*) explicitly ruled out unilateral measures. As this provision was not retained in the final draft of the TRIPS Agreement, it is now up to the dispute settlement organs to decide whether unilateral measures are compatible with the TRIPS Agreements. A panel found that unilateral measures on the basis of Section 301 of the US Trade Act are not inconsistent with WTO rules; see *US—Section 301 Trade Act*, WT/DS152/R, para. 8.1. It has not yet been decided whether the same holds true for unilateral measures on the basis of Section 337 of the US Tariff Act, see Request for Consultations by the European Communities and their Member States, *United States—Section 337 of the Tariff Act of 1930 and Amendments Thereto*, WT/DS186/1.

³ *Gervais*, para. 2.495.

⁴ See *e.g.* Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Draft Agreement on Trade-Related Aspects of Intellectual Property Rights, Communication from the European Community, MTN.GNG/NG11/W/68, 29 March 1990, paras 16 *et seq.*

⁵ See *e.g.* Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Draft Agreement on Trade-Related Aspects of Intellectual Property Rights, Communication from Argentina, Brazil, Chile, China, Cuba, Egypt, India, Nigeria, Peru, Tanzania and Uruguay, MTN.GNG/NG11/W/71, 14 May 1990.

with Art. 64.3, sentence 1, the Council for TRIPS was to examine during this period “the scope and modalities for complaints of the type provided for under subparagraphs 1 (b) and 1 (c) of Article XXIII of GATT 1994 [...] and submit its recommendations to the Ministerial Conference for approval”.

After the Council for TRIPS had failed to submit recommendations to the Ministerial Conference by 1 January 2000, the Ministerial Conference in Doha in a decision of 14 November 2001 suspended the applicability of the grounds for complaint under Art. XXIII:1 lits b and c GATT 1994 beyond 1 January 2000. It prompted the Council for TRIPS to continue its examination of the “the scope and modalities for complaints of the type provided for under subparagraphs 1 (b) and 1 (c) of Article XXIII of GATT 1994” and to submit appropriate recommendations to the next Ministerial Conference.⁶ However, the Council for TRIPS was still **unable to submit recommendations** to the following Ministerial Conference in Cancún, which took place from 10 to 14 September 2003.⁷

4

C. Applicability of Art. XXIII:1 lits b and c GATT 1994

I. Grounds for Complaint

The non-violation and situation complaints pursuant to Art. XXIII:1 lits b and c GATT 1994 originate in the bilateral trade agreements of the 1920s and 1930s.⁸ The **balance of interests** between the contracting parties expressed in mutually granted benefits should also be maintained in those cases where trade agreements have not been violated, but benefits directly or indirectly resulting from the trade agreements have been nullified or impaired.

5

The prerequisites for the **non-violation complaint** pursuant to Art. XXIII:1 lit. b GATT 1994 are elaborated by the GATT/WTO dispute settlement practice and Art. 26.1 DSU, which has partly codified the GATT/WTO dispute settlement practice.⁹ A successful non-violation complaint presupposes that the benefits accruing to the complaining party directly or

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⁶ Ministerial Conference, Implementation-Related Issues and Concerns, Decision of 14 November 2001, WT/MIN(01)/17, 20 November 2001, para. 11.1.

⁷ Council for TRIPS, Minutes of Meeting, Held in the Centre William Rappard on 4–5 June 2003, IP/C/M/40, 22 August 2003, para. 175.

⁸ Böckenförde, AVR 43 (2005), 43, 69; Roessler, JIEL 2 (1999), 413, 417–418; Cottier & Schefer, in: Petersmann (ed.), 143, 149 *et seq.*; Negotiating Group on Dispute Settlement, Non-Violation Complaints under GATT Article XXIII:2, Note by the Secretariat, MTN/GNG/NG13/W/31, 14 July 1989, para. 5. See for the non-violation complaint in recent free trade agreements Hsu, JWT 39 (2005) 2, 205.

⁹ Cottier & Schefer, in: Petersmann (ed.), 143, 154.

indirectly under the WTO Agreements were nullified or impaired by a measure attributable to another Member and that the benefits could have been reasonably expected.¹⁰

- 7 Since no recommendations and rulings in a dispute settlement procedure have yet been made on the basis of Art. XXIII:1 lit. c GATT 1994,¹¹ the prerequisites for the **situation complaint** pursuant to Art. XXIII:1 lit. c GATT 1994 have been elaborated exclusively by Art. 26.2 DSU. The situation complaint is different from the other grounds for complaints under Art. XXIII:1 lits a and b GATT 1994 insofar as benefits are not nullified or impaired by a measure that is attributable to another Member but by “the existence of any other situation”. From the point of view of evolutionary history, “any other situation” means macro-economic erroneous trends such as *e.g.* a global breakdown of the demand for a certain product or a sudden shortage of a particular currency resulting in financial difficulties.¹²

II. Possible Applications Under the TRIPS Agreement

- 8 If the grounds for complaint under Art. XXIII:1 lits b and c GATT 1994 were applied to dispute settlement within the TRIPS Agreement, it would be unclear which measures of another Member or which “other situation[s]” could be challenged. The intellectual property rights regulated in the TRIPS Agreement are **exclusive rights which are mostly negative in substance**. They authorize their holders to prevent others from the use of the subject matter of protection, *i.e.* the work for copyright law, the inventor’s idea for patent law, the aesthetical concept of form for design law etc. They do not, however, authorize the respective right holders in principle to use the subject matter of protection in question, *e.g.* the sale of pharmaceutical products that embody the inventor’s idea.¹³
- 9 Some academics do not rule out the possibility that the intellectual property rights regulated in the TRIPS Agreement may become positive in substance within the framework of a non-violation or situation complaint.¹⁴ According to these voices, individual Members might argue that the intellectual property rights regulated in the TRIPS Agreement were nullified or impaired by the fact that they could not be economically exploited by their holders. Within the framework of a non-violation complaint, impairments could

¹⁰ See for more details IP/C/W/124, paras 30 *et seq.*; Böckenförde, Article 26 DSU, in: Wolfrum & Stoll & Kaiser (eds), Max Planck, CWTL Vol. 2, paras 14 *et seq.*

¹¹ IP/C/W/124, para. 84.

¹² See for further detail, Böckenförde, Article 26 DSU, in: Wolfrum & Stoll & Kaiser (eds), Max Planck, CWLT Vol. 2, paras 33 *et seq.*

¹³ Abbott, in: Petersmann (ed.), 413, 434; Roessler, in: Petersmann (ed.), 123, 136; Petersmann, GATT/WTO Dispute Settlement System, 149; Petersmann, Common Mkt. L. Rev. 31 (1994), 1157, 1232–1233.

¹⁴ UNCTAD, 37.

occur both with regard to limitations of the economic exploitation of intellectual property rights conferred in the public interest, *e.g.* for reasons of public health,¹⁵ and in respect of the *de facto* (*i.e.* despite the implementation of Arts 41–61 into domestic law) insufficient enforcement of intellectual property rights¹⁶ in the sovereign territory of another Member.

However, measures that could be challenged successfully would be only those that the complaining party **could not reasonably expect** at the time of its accession to the WTO. The Members could not reasonably expect an opposite practice today, whereas many Contracting Parties of the GATT 1947 had for example limited the price for pharmaceutical products within the framework of the Uruguay Round.¹⁷ 10

III. Discussions Held in the Council for TRIPS

In 1999, the Council for TRIPS began to discuss the possible scope of application and the modalities for non-violation and situation complaints within the framework of the TRIPS Agreement. Following the decision of the Ministerial Conference in Doha of 14 November 2001 on Implementation-Related Issues and Concerns,¹⁸ in which the 5-year moratorium of Art. 64.2 was extended indefinitely, the Council for TRIPS discussed four different recommendations: 11

- a. Not to apply the grounds for complaint under Art. XXIII:1 lits b and c GATT 1994;
- b. To apply the grounds for complaint under Art. XXIII:1 lits b and c GATT 1994;
- c. To apply the grounds for complaint under Art. XXIII:1 lits b and c GATT 1994, but on the condition that there be a more detailed determination of its scope of application and its modalities; and
- d. To reextend the moratorium provided for in Art. 64.2 in order to give the Council for TRIPS more time to examine the scope of application and the modalities of the grounds for complaint under Art. XXIII:1 lits b and c GATT 1994.¹⁹

¹⁵ Council for TRIPS, Non-Violation and Situation Nullification or Impairment under the TRIPS Agreement, Communication from Argentina, Bolivia, Brazil, Colombia, Cuba, Ecuador, Egypt, India, Kenya, Malaysia, Pakistan, Peru, Sri Lanka and Venezuela, IP/C/W/385, 30 January 2002, para. 45; *Abbott*, in: *Petersmann* (ed.), 413, 434.

¹⁶ *Samahon*, *Law & Pol'y Int'l Bus.* 31 (2000), 1051, 1052. Similarly *Gervais*, para. 2.495; *Abbott*, in: *Petersmann* (ed.), 413, 427 *et seq.*

¹⁷ *UNCTAD*, 37.

¹⁸ WT/MIN(01)/17, para. 11.1.

¹⁹ Council for TRIPS, Minutes of Meeting, Held in the Centre William Rappard on 4–5 June 2003, IP/C/M/40, 22 August 2003, para. 144.

- 12 No consensus could be reached on any of these proposals. Although the majority of the Members' representatives in the Council for TRIPS were in favour of not applying the grounds for complaint under Art. XXIII:1 lits b and c GATT 1994, the Council for TRIPS was incapable—due to a **formal objection by Switzerland and the US**—of submitting a similar recommendation to the Ministerial Conference in Cancún.²⁰ Switzerland and the US argued that in accordance with Art. 64.1, the dispute settlement mechanism, including the non-violation and situation complaints, did apply to the TRIPS Agreement and that any moratorium, including that stipulated in Art. 64.2, was preliminary in nature.²¹
- 13 In contrast, the developing countries in particular argued against the application of the grounds for complaint under Art. XXIII:1 lits b and c GATT 1994 to dispute settlement within the framework of the TRIPS Agreement and in this connection referred to the concerns already voiced in the literature²² on the point.²³ Emphasizing the *sui generis* character²⁴ of the TRIPS Agreement, they explained that the application of the grounds for complaint under Art. XXIII:1 lits b and c GATT 1994 was **not required**.²⁵
- 14 According to the developing countries, the non-violation complaint within the framework of the GATT and the GATS protects the balance of interests between the Members that is expressed in the schedules of concessions and commitments in accordance with Arts II and XXI GATT 1994 and Arts XX and XXI GATS. These countries also claim that within the framework of the GATT, the non-violation complaint was limited to the schedules of concessions *de facto* within the context of the GATT²⁶ and *de jure* within the scope of the GATS (Art. XXIII:3 GATS). Those schedules of concessions contain specific negotiable obligations of the Members that regulate the access of diverse goods and services to the Members' own markets and go beyond the Members' general non-negotiable obligations. The developing countries further state that in contrast to the GATT 1994 and the GATS, the TRIPS Agreement contained **neither general nor specific** Members' **obligations** that regulated the access of diverse goods and services embodying intellectual property rights to the Members' own markets.²⁷ While creators

²⁰ *Ibid.*, para. 175.

²¹ *Ibid.*, paras 167 *et seq.* and 170 *et seq.* In this respect, see also *Lee & Lewinski*, in: *Beier & Schrieker* (eds), 278, 313.

²² See in particular *Roessler*, in: *Petersmann* (ed.), 123, 136 *et seq.*; *Petersmann*, GATT/WTO Dispute Settlement System, 149 *et seq.*; *Petersmann*, *Common Mkt. L. Rev.* 31 (1994), 1157, 1232–1233.

²³ IP/C/W/385, para. 56.

²⁴ *India—Patents (US)*, WT/DS50/R, para. 7.19.

²⁵ IP/C/W/385, paras 30 *et seq.*

²⁶ *Petersmann*, GATT/WTO Dispute Settlement System, 172.

²⁷ IP/C/W/385, para. 31; *Abbott*, in: *Petersmann* (ed.), 413, 434; *Roessler*, in: *Petersmann* (ed.), 123, 136; *Petersmann*, GATT/WTO Dispute Settlement System, 149.

who are nationals of a Member could reasonably expect that their works would not be reproduced in another Member's sovereign territory without their consent, they could, however, not reasonably expect to be able to sell their works in another Member's sovereign territory.

Nor did the general obligations of the TRIPS Agreement give expression to a **balance of interests between the Members beyond access to the market** that could be protected by the non-violation and situation complaints. What is subject to the principle of reciprocity is not the general obligations of the TRIPS Agreement but the trade agreements in their entirety, which form part of the WTO Agreement pursuant to Art. II:2 and 3 WTO.²⁸ 15

Even if the grounds for complaint under Art. XXIII:1 *lits b and c* GATT 1994 are applied to dispute settlement within the framework of the TRIPS Agreement, the developing countries²⁹ and the prevailing academic opinion³⁰ foresee difficulties with regard to the **determination of their scope of application and their modalities**. According to these voices, it is questionable in particular what could be the content of a mutually satisfactory adjustment pursuant to Art. 26.1 *lit. b* DSU if the winning complaining party were not to accept any compensation. The *clausula rebus sic stantibus* that underlay Art. XXIII:1 *lit. b* GATT 1994³¹ and necessitated new negotiations led to nothing, because the TRIPS Agreement only provided for general non-negotiable obligations of the Members. 16

Finally, a need for adjustment is also discerned with regard to the **standard of review** of a panel or the Appellate Body within the framework of both grounds for complaint. Because the active provisions of the TRIPS Agreement which oblige Members to act limit the national sovereignty of the Members more severely than the passive provisions of the GATT 1994 and the GATS, which oblige Members to refrain from taking action, the developing countries and academic opinion claim that a definition was required—following the example of Art. 17.6 No. i) and ii) of the Agreement on Implementation of Article VI GATT 1994 (Antidumping Agreement)—as to the prerequisites under which a panel or the Appellate Body was obliged to respect decisions of the Members.³² 17

²⁸ IP/C/W/385, para. 32; Roessler, in: Petersmann (ed.), 123, 136 *et seq.*

²⁹ IP/C/W/385, para. 37.

³⁰ Samahon, Law & Pol'y Int'l Bus. 31 (2000), 1051, 1073 *et seq.*; Roessler, in: Petersmann (ed.), 123, 137; Petersmann, Common Mkt. L. Rev. 31 (1994), 1157, 1232 *et seq.*

³¹ Böckenförde, AVR 43 (2005), 43, 71 *et seq.*; Cottier & Schefer, in: Petersmann (ed.), 143, 172 *et seq.*; Bogdandy, JWT 26 (1992) 4, 95, 110 *et seq.*

³² Samahon, Law & Pol'y Int'l Bus. 31 (2000), 1051, 1068 *et seq.*, 1073 *et seq.*

IV. Outlook

- 18 Despite the final result of the discussions in the Council for TRIPS, there are doubts beyond the arguments produced whether it is necessary to apply the grounds for complaint under Art. XXIII:1 lits b and c GATT 1994 to dispute settlement within the framework of the TRIPS Agreement.
- 19 On the one hand—contrary to opposite concerns³³—their application would entail **no flood of complaints**. Neither the non-violation complaint pursuant to Art. XXIII:1 lit. b GATT 1994, nor the practically meaningless situation complaint pursuant to Art. XXIII:1 lit. c GATT 1994 achieves the significance of the violation complaint under Art. XXIII:1 lit. a GATT 1994.³⁴ In the Panel Report *Japan—Film*, the non-violation complaint was explicitly referred to as an exceptional remedy.³⁵
- 20 The application of the grounds for complaint under Art. XXIII:1 lits b and c GATT 1994 to dispute settlement within the framework of the TRIPS Agreement would not increase the **minor significance** of both these complaints. While some American trade agreements of the 1990s, especially the North American Free Trade Agreement (NAFTA), stipulate that the non-violation complaint is also applicable to the provisions on the protection of intellectual property contained therein,³⁶ none of the non-violation complaints filed to date have concerned the provisions on the protection of intellectual property.³⁷
- 21 On the other hand, the discussion on the possible scope of application and the modalities for non-violation and situation complaints within the framework of the TRIPS Agreement needs to take into account that parts of the relevant literature³⁸ which argue for the **complete abandonment** (*i.e.* not limited to the TRIPS Agreement) **of the grounds for complaint in Art. XXIII:1 lits b and c GATT 1994**. These voices claim that these grounds were redundant because WTO law was to be interpreted in good faith and “in the light of its object and purpose” pursuant to Art. 31.1 VCLT.³⁹ A measure—even if it was not regulated by WTO law—could

³³ IP/C/W/385, para. 45.

³⁴ See with regard to the small number of non-violation complaints in the GATT/WTO dispute settlement practice IP/C/W/124, para. 27.

³⁵ *Japan—Film*, WT/DS44/R, para. 10.37.

³⁶ IP/C/W/124, para. 97; *Lee & von Lewinski*, in: *Beier & Schricker* (eds), 278, 319 *et seq.*

³⁷ IP/C/W/124, para. 105.

³⁸ *Cottier & Schefer*, in: *Petersmann* (ed.), 143, 171 *et seq.*; *Roessler*, in: *Petersmann* (ed.), 123, 138.

³⁹ Vienna Convention of the Law of the Treaties, UNTS 1155 (1980), 331; The VCLT is applicable to the WTO dispute settlement procedure as customary international law pursuant to Art. 3.2 sentence 2 DSU, see *Stoll*, Article 3 DSU, in: *Wolfrum & Stoll & Kaiser* (eds), Max Planck CWTL, Vol. 2, para. 14.

represent an infringement of the latter if it either was taken in bad faith or contradicted the object and purpose of WTO law.

The interpretation of the TRIPS Agreement in good faith must, however, not be geared to the “reasonable expectations” of the Members, which are of vital importance for the non-violation complaint pursuant to Art. XXIII:1 lit. b GATT 1994. This is prevented according to Appellate Body Report *India—Patents (US)* by Art. 64.2 and 3.⁴⁰ As long as the Council for TRIPS had not yet finished its review, neither the Panel nor the Appellate Body could decide whether and to what extent the grounds for complaint of Art. XXIII:1 lit. b and c GATT 1994 were available for dispute settlement within the framework of the TRIPS Agreement. 22

D. Evaluation

I. The Significance of Dispute Settlement Under the TRIPS Agreement

26 of the so far 378 dispute settlement procedures,⁴¹ *i.e.* **about 7% of the cases**, have involved the TRIPS Agreement. After a total of 20 dispute settlement procedures were initiated between 1996⁴² and 1999 and 6 between 2000 and 2008, the **development is regressive**. This may have to be seen in connection with the review of the laws and other provisions of 38 developed countries completed by the Council for TRIPS in September 2000.⁴³ 23

Those dispute settlement procedures were initiated **mostly by developed countries**. The complainants were the US in 17, the EC and its Member States in 6, and Canada, Brazil and Australia in 1 each of the hitherto 26 dispute settlement procedures. **Developing countries**, however, were **affected in only roughly one third of the cases**, which may be down to the fact that the developing countries and the least-developed countries are not obliged to apply the TRIPS Agreement provisions respectively before 1 January 2000 or 1 January 2006 (Arts 3, 4 and 5), or 1 July 2013⁴⁴ and 24

⁴⁰ *India—Patents (US)*, WT/DS50/AB/R, para. 42. Similarly *EC—Computer Equipment*, WT/DS62/AB/R, WT/DS67/AB/R, WT/DS68/AB/R, para. 80.

⁴¹ As of 1 January 2008.

⁴² The first request for consultations dates from 14 February 1996, see Request for Consultations by the United States, *Japan—Measures Concerning Sound Recordings*, WT/DS28/1, 14 February 1996.

⁴³ See *Kaiser*, Article 68, para. 7.

⁴⁴ Council for TRIPS, Extension of the Transition Period under Article 66.1 of the TRIPS Agreement for Least-Developed Country Members, IP/C/40, 30 November 2005.

1 January 2016 (pharmaceutical products).⁴⁵ In 18 cases, developed countries were both complainant and defendant.

- 25 While the procedures were initiated jointly by the EC and its Member States, only one procedure⁴⁶ has so far been directed against them in common. In the remaining cases, a distinction is to be made between different periods. Between 1996 and 1998, either just one procedure was initiated against the Member State in question or one procedure each against the EC and the relevant Member State, while only one procedure was initiated against the EC between 1999 and 2007.
- 26 In the majority of dispute settlement procedures, consultations pursuant to Art. 4 DSU resulted in a mutually satisfactory solution. In the *Brazil—Patent Protection* case initiated by the US, a mutually satisfactory solution was achieved through the “**counter**” case, *United States—US Patents Code*, which was initiated by Brazil for tactical reasons.⁴⁷ Brazil claimed that the US patent law was just as incompatible with the TRIPS Agreement as the Brazilian law in respect of the grant of compulsory licenses.⁴⁸
- 27 *Table 1: Procedures involving the TRIPS Agreement that were terminated by means of a mutually satisfactory solution*

| Name of the Case | WTO Doc. | Involved TRIPS Articles |
|---|-----------------|--------------------------------|
| <i>Japan—Measures Concerning Sound Recordings (US)</i> | WT/DS28/4 | Arts 3, 4, 14, 61, 65 and 70 |
| <i>Pakistan—Patent Protection for Pharmaceutical and Agricultural Chemical Products</i> | WT/DS36/4 | Arts 27, 65 and 70 |
| <i>Portugal—Patent Protection under the Industrial Property Act</i> | WT/DS37/2 | Arts 33, 65 and 70 |
| <i>Japan—Measures Concerning Sound Recordings (EC)</i> | WT/DS42/4 | Arts 14.6 and 70.2 |
| <i>Ireland—Measures Affecting the Grant of Copyright and Neighbouring Rights</i> | WT/DS82/3 | Arts 9 to 14, 63, 65 and 70 |
| <i>Denmark—Measures Affecting the Enforcement of Intellectual Property Rights</i> | WT/DS83/2 | Arts 50, 63 and 65 |

⁴⁵ Council for TRIPS, Extension of the Transition Period under Article 66.1 of the TRIPS Agreement for Least-Developed Country Members for Certain Obligations with Respect to Pharmaceutical Products, IP/C/25, 1 July 2002.

⁴⁶ Request for Consultations by Canada, *European Communities—Patent Protection for Pharmaceuticals and Agricultural Chemical Products*, WT/DS153/1, 2 December 1998.

⁴⁷ Notification of Mutually Agreed Solution, *Brazil—Patent Protection*, WT/DS199/4, 19 July 2001.

⁴⁸ Request for Consultations by Brazil, *United States—US Patent Code*, WT/DS224/1, 7 February 2001: “The Patents Code also imposes statutory restrictions which limit the right to use or sell any federally owned invention in the United States only to a licensee that agrees that any products embodying the invention or produced through the use of the invention will be manufactured substantially in the United States.”

Table 1 (*cont.*)

| Name of the Case | WTO Doc. | Involved TRIPS Articles |
|---|-----------------|--|
| <i>Sweden—Measures Affecting the Enforcement of Intellectual Property Rights</i> | WT/DS86/2 | Arts 50, 63 and 65 |
| <i>European Communities—Measures Affecting the Grant of Copyright and Neighbouring Rights</i> | WT/DS115/3 | Arts 9 to 14, 63, 65 and 70 |
| <i>European Communities—Enforcement of Intellectual Property Rights for Motion Pictures and Television Programs</i> | WT/DS124/2 | Arts 41 and 61 |
| <i>Greece—Enforcement of Intellectual Property Rights for Motion Pictures and Television Programs</i> | WT/DS125/2 | Arts 41 and 61 |
| <i>Argentina—Patent Protection for Pharmaceuticals and Test Data Protection for Agricultural Chemicals</i> | WT/DS171/3 | Arts 27, 65 and 70 |
| <i>Argentina—Certain Measures on the Protection of Patents and Test Data</i> | WT/DS196/4 | Arts 27, 28, 31, 34, 39, 50, 62, 65 and 70 |
| <i>Brazil—Measures Affecting Patent Protection</i> | WT/DS199/4 | Arts 27 and 28 |

In nine dispute settlement proceedings, panel reports were adopted, against three of which appeals to the Appellate Body were filed. 28

Table 2: Procedures involving the TRIPS Agreement that led to the adoption of panel or Appellate Body reports 29

| Name of the Case | WTO Doc. | Involved TRIPS Articles |
|---|--|--|
| <i>India—Patents (US)</i> | WT/DS/50/R WT/DS/50/AB/R | Arts 27, 63, 70.8 and 9 |
| <i>Indonesia—Autos</i> | WT/DS54/R WT/DS55/R WT/DS59/R WT/DS64/R | Arts 3, 20 and 65 |
| <i>India—Patents (EC)</i> | WT/DS79/R | Art. 70.8 lit. a and 9 |
| <i>Canada—Pharmaceutical Patents</i> | WT/DS114/R | Arts 27, 30, 33 and 70 |
| <i>US—Section 110 (5) Copyright Act</i> | WT/DS160/R | Arts 9.1 and 13 |
| <i>Canada—Patent Term</i> | WT/DS170/R WT/DS170/AB/R | Arts 33, 62.1 and 4, 65, 70.1 and 2 |
| <i>EC—Trademarks and Geographical Indications (US)</i> | WT/DS174/R | Arts 3, 16, 24, 63 and 65 |
| <i>US—Section 211 Appropriations Act</i> | WT/DS176/R WT/DS176/AB/R | Arts 2.1, 3.1, 4, 15.1, 16.1 and 42 |
| <i>EC—Trademarks and Geographical Indications (Australia)</i> | WT/DS290/R | Arts 1, 2, 3, 4, 16, 20, 22, 24, 41, 42, 63 and 65 |

Four dispute settlement procedures are still pending.

30 *Table 3: Pending procedures involving the TRIPS Agreement*

| Name of the Case | WTO Doc. | Involved TRIPS Articles |
|---|------------|--|
| <i>European Communities—Patent Protection for Pharmaceutical and Agricultural Chemical Products</i> | WT/DS153/1 | Art. 27.1 |
| <i>United States—Section 337 of the Tariff Act of 1930 and Amendments Thereto</i> | WT/DS186/1 | Arts 2, 3, 9, 27, 41, 42, 49, 50 and 51 |
| <i>United States—US Patents Code</i> | WT/DS224/1 | Arts 27 and 28 |
| <i>China—Measures Affecting the Protection and Enforcement of Intellectual Property Rights</i> | WT/DS362/1 | Arts 3., 9.1, 14, 41.1, 46 and 61, Art. 5 BC |

II. Interpretation of the TRIPS Agreement by the WTO Dispute Settlement Organs

- 31 According to Art. 3.2, sentence 2 DSU, the dispute settlement system serves, *inter alia*, to clarify the provisions of the TRIPS Agreement in harmony with the interpretation rules of customary international law. In the past the dispute settlement organs have repeatedly drawn upon **Arts 31 and 32 VCLT** to this effect.⁴⁹ Since both articles contain interpretation rules of customary international law,⁵⁰ it does not matter that individual Members, among them the US, did not join the VCLT.⁵¹
- 32 Pursuant to Art. 31.1 VCLT, the TRIPS Agreement “shall be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context”. By virtue of the **objective or textual interpretation approach** of the VCLT, which is mainly based on the treaty text, but also gives room—as far as is required—for the clarification of the relevant parties’ will,⁵² the “context” is interpreted narrowly. It comprises, in accordance with Art. 31.2 VCLT, “in addition to the text, including its preamble and annexes” “(a) any agreement relating to the treaty which was made between all the parties in connexion with the conclusion of the treaty” and “(b) any instrument which was made by one or more parties in connexion with the conclusion of the treaty and accepted by the other parties as an instrument related to the treaty”. The grammatical interpretation method is complemented by the systematic one.

⁴⁹ See for the TRIPS Agreement *e.g.* *US—Section 211 Appropriations Act*, WT/DS176/R, para. 8.15; *US—Section 110 (5) Copyright Act*, WT/DS160/R, para. 6.43.

⁵⁰ *US—Gasoline*, WT/DS2/AB/R, 17.

⁵¹ *Lennard*, JIEL 5 (2002), 17, 18.

⁵² *Dahm & Delbrück & Wolfrum*, I/3, § 153.

In the *India—Patents (US)* case, the Panel stated that the TRIPS Agreement, like any other WTO Agreement, should be literally interpreted.⁵³ In the *Canada—Pharmaceutical Patents* case, the Panel elaborated on the context for the interpretation concluded that such context did not include only the text of the TRIPS Agreement itself but also the provisions of other intellectual property treaties incorporated into the TRIPS Agreement.⁵⁴ These are Arts 1–12 and 19 PC, Arts 1–21 BC (with the exception of Art. 6*bis*) and Arts 2–7 (with the exception of Art. 6.3), Arts 12 and 16 para. 3 IPIC Treaty, which are incorporated by Arts 2.1, 9.1 and 35.⁵⁵ Since the TRIPS Agreement not only reproduces the wording of the above-mentioned provisions but incorporates them as such to prevent the separate development of the international protection of intellectual property, the **different context of the incorporated provisions** needs to be taken into account for this interpretation.⁵⁶ 33

Pursuant to Art. 31.2 lit. a VCLT, an agreement relates to the treaty if it either clarifies certain terms of the treaty or limits its scope.⁵⁷ In its *US—Section 211 Appropriations Act* Report, the Appellate Body defined an **authentic interpretation**, namely the Final Protocol to the original Paris Convention of 1883, as an agreement in the sense of Art. 31.2 lit. a VCLT.⁵⁸ In its *US—Section 110 (5) Copyright Act* report, the Panel subsumed the minor exceptions doctrine, which is not reflected in the wording of the incorporated provisions of the Berne Convention, under Art. 31.2 lit. a VCLT.⁵⁹ The Panel stated that at the Brussels Revision Conference of 1948, the general correspondent had been advised to mention explicitly the domestic legislator’s ability “to make what is commonly called minor reservations”. 34

Art. 31.3 VCLT calls for the consideration of “(a) any subsequent agreement between the parties regarding the interpretation of the treaty”, “(b) any subsequent practice in the application of the treaty” and “(c) any relevant rules of international law applicable in the relations between the parties”. “Any subsequent practice” includes the domestic application, provided that this is carried out consistently.⁶⁰ It does not suffice for the “subsequent practice” to refer only to the subject matter of the treaty. For this reason, 35

⁵³ *India—Patents (US)*, WT/DS50/R, para. 7.19.

⁵⁴ *Canada—Pharmaceutical Patents*, WT/DS114/R, para. 7.14.

⁵⁵ *US—Section 110 (5) Copyright Act*, WT/DS160/R, para. 6.18.

⁵⁶ *Lennard*, JIEL 5 (2002), 17, 52; *Abbott*, in: *Petersmann* (ed.), 413, 421: “It was not to begin a de novo exercise in creating basic IPR standards. In adopting the rules of external IPR conventions, the WTO members took them subject to existing state practice, including interpretative decisions”.

⁵⁷ *US—Section 110 (5) Copyright Act*, WT/DS160/R, para. 6.45.

⁵⁸ *US—Section 211 Appropriations Act*, WT/DS176/AB/R, para. 145.

⁵⁹ *US—Section 110 (5) Copyright Act*, WT/DS160/R, para. 6.53.

⁶⁰ *Ibid.*, para. 6.55.

the WIPO Copyright Treaty is not subsequent practice for the application of the TRIPS Agreement.⁶¹

- 36 Pursuant to Art. 31.1 VCLT, the TRIPS Agreement is not only to be interpreted in good faith and in its context but also “in the light of its object and purpose”. As was made clear by the Appellate Body Report on *Japan—Alcoholic Beverages II*, the **teleological interpretation method** has no more than a **supporting function** *vis-à-vis* the other methods of interpretation already mentioned.⁶² The object and purpose of the treaty must be established, *i.e.* expressed, through its wording.
- 37 One characteristic of treaty interpretation “in the light of its object and purpose” is the **principle of the *effet utile***. In its *Canada—Pharmaceutical Patents* Report, the Panel explained that the interpretation of the TRIPS Agreement had to guarantee the highest possible efficiency of its provisions.⁶³ The interpretation of a provision should in particular not result in a loss of practical sufficiency for another provision. In the *US—Section 211 Appropriations Act* case, the Appellate Body revoked the Panel’s decision that Art. 1.2 excluded trade names of Art. 8 PC from the Agreement’s scope of application.⁶⁴ According to the Appellate Body, the Panel’s interpretation that the term “intellectual property” which referred pursuant to Art. 1.2 only to the types of intellectual property regulated in Sections 1 to 7 of Part II of the TRIPS Agreement deprives Art. 1.2, which explicitly incorporated Art. 8 PC, of its practical efficiency.
- 38 Art. 32 VCLT clarifies that the **historical interpretation method**, which is based on complementary interpretation tools, is **subsidiary**. It can be drawn on only for the purpose of confirming an interpretation result already found in accordance with Art. 31 VCLT or reaching such a result if the interpretation pursuant to Art. 31 VCLT is ambiguous or leads to an obviously absurd or unreasonable result. The complementary interpretation tools include the preparatory works (*travaux préparatoires*) and the circumstances of the conclusion of the treaty. In the *US—Section 110 (5) Copyright Act* case, the Panel supported its interpretation by reference to the negotiating history of the Berne Convention.⁶⁵
- 39 Beyond this, the Panels and the Appellate Body apply various **interpretation principles**⁶⁶ derived from good faith, such as *e.g.* the principle of

⁶¹ *Ibid.*, para. 6.69.

⁶² *Japan—Alcoholic Beverages II*, WT/DS8/AB/R, WT/DS10/AB/R, WT/DS11/AB/R, 18: “Thus, the words actually used in the Article provide the basis for an interpretation that must give meaning and effect to all its terms.”

⁶³ *Canada—Pharmaceutical Patents*, WT/DS114/R, para. 6.49.

⁶⁴ *US—Section 211 Appropriations Act*, WT/DS176/AB/R, paras 333 *et seq.*

⁶⁵ *US—Section 110 (5) Copyright Act*, WT/DS160/R, para. 6.18.

⁶⁶ See *Lennard*, JIEL 5 (2002), 17, 55; *Canal-Forgues*, RGDIP 105 (2001), 5, 8.

consistent interpretation⁶⁷ or the principle that the chosen interpretation should be the one that best avoids the conflicts existing between different treaties, which do not necessarily need to be components of the WTO Agreement.⁶⁸

III. Difficulties with the Suspension of Concessions or Other Obligations

In the Banana Dispute, in which the Appellate Body had decided that the Banana Market Regulation⁶⁹ infringed the GATT 1994 and the GATS.⁷⁰ After the expiry of the implementation period, Ecuador requested the suspension of its obligations from the TRIPS Agreement *vis-à-vis* the EC pursuant to Art. 22.3 lit. c DSU in respect of copyright and related rights, geographical indications and industrial designs.⁷¹ The EC in return applied in accordance with Art. 22.6 DSU for a review of the requested “trade sanctions” in an arbitration procedure. The consequential *EC—Bananas III (Ecuador) (Article 22.6—EC)* decision of the arbitrators⁷² points out in an *obiter dictum* the **legal and factual difficulties** connected with the suspension of obligations under the TRIPS Agreement. 40

The legal difficulties result from the domestic legal order of the injured Member,⁷³ from the Paris and Berne Conventions, the provisions of which have been incorporated in part by Arts 2.1 and 9.1,⁷⁴ and from the principle of proportionality set out in Art. 22.4 DSU. 41

Those legal difficulties resulting from the **domestic legal order** depend on the rank or status of the treaties in the domestic legal order on the one hand and on the necessity of the implementation of the TRIPS Agreement in such order on the other. If the TRIPS Agreement ranks above domestic law, as it does *e.g.* in the EC⁷⁵ and in France,⁷⁶ the obligations set out therein can no longer be suspended in a case of the direct applicability of its provisions. If, however, the TRIPS Agreement needs to be implemented through domestic law, *i.e.* if it has the status of a law, as it does *e.g.* in Germany,⁷⁷ 42

⁶⁷ *India—Patents (US)*, WT/DS50/AB/R, para. 66.

⁶⁸ *US—Section 110 (5) Copyright Act*, WT/DS160/R, paras 6.66, 6.70.

⁶⁹ Council Regulation EEC/404/93 of 13 February 1993 on the Common Organization of the Market in Bananas, 13 February 1993, OJ 1993 L 47/1.

⁷⁰ *EC—Bananas III*, WT/DS27/AB/R.

⁷¹ Recourse by Ecuador to Art. 22.2 of the DSU, *EC—Bananas III*, WT/DS27/52, 9 November 1999.

⁷² *EC—Bananas III (Ecuador) (Article 22.6—EC)*, WT/DS27/ARB/ECU.

⁷³ *Ibid.*, para. 158.

⁷⁴ *Ibid.*, paras 148 *et seq.* The provisions of the IPIC Treaty that were incorporated by Art. 35 are not taken into account, as the IPIC Treaty has not entered into force.

⁷⁵ Art. 300.3 and 7 ECT.

⁷⁶ Art. 54 of the French Constitution.

⁷⁷ Art. 59.2 of the German Basic Law.

the obligations set out therein can be suspended by a later law. Beyond this, legal difficulties may also arise from the fact that in the legal orders of some Members intellectual property rights are constitutionally guaranteed and that their suspension therefore requires a special justification.⁷⁸

- 43 On the other hand, legal difficulties may arise from the **Paris and Berne Conventions** only if the injured Member is at the same time a contracting party to these treaties. While according to the arbitrators' opinion, Art. 2.2 does not prevent the injured Member from suspending the obligations resulting from the incorporated provisions of the Paris and Berne Conventions as regards the injuring Member,⁷⁹ the question whether the injured Member is authorized pursuant to the Paris and Berne Conventions to suspend the obligations stipulated therein as regards a WTO Member that is at the same time a contracting party to these treaties had to be judged independently of Art. 2.2.⁸⁰ And while the option to refuse the fulfillment of treaty obligations in the event of a major infringement of the treaties is discussed in the relevant literature,⁸¹ this could come into consideration *a priori* only for infringements of the same treaty and possibly even the same provision. Ultimately, this option is rejected with reference to the circumstance that the treaties are in fact not based on the principle of reciprocity.⁸²
- 44 Legal difficulties finally arise in connection with the **principle of proportionality** laid down in Art. 22.4 DSU, since the economic consequences of the suspension of intellectual property rights are usually disproportionate to the damage inflicted on the injured Member.⁸³ In their *EC—Bananas III (Ecuador) (Article 22.6—EC)* decision, the arbitrators pointed out that the suspension of obligations under the TRIPS Agreement always involved a curtailment of private rights. Such curtailment was more far-reaching within the scope of the TRIPS Agreement than in the context of the GATT 1994 and the GATS, since the ability to copy phonograms or make use of other intellectual property rights was potentially unlimited, whereas producers of goods or performers of services only had to stop exportation.⁸⁴
- 45 The limited impacts of the suspension of obligations under the TRIPS Agreement, and especially the fact that permission for such suspension does not affect the obligations of other Members under the TRIPS Agreement may result not only in legal but also in **factual difficulties**, because the injured Member must be careful not itself to infringe the TRIPS Agreement

⁷⁸ *Samahon*, Law & Pol'y Int'l Bus. 31 (2000), 1051, 1072.

⁷⁹ *EC—Bananas III (Ecuador) (Article 22.6—EC)*, WT/DS27/ARB/ECU, paras 150 *et seq.*

⁸⁰ *Ibid.*, para. 152.

⁸¹ *Ballreich*, GRUR Int. 32 (1983) 6–7, 470, 474.

⁸² *Buck*, 193 *et seq.*

⁸³ *Samahon*, Law & Pol'y Int'l Bus. 31 (2000), 1051, 1072 *et seq.*; *Abbott*, in: *Petersmann* (ed.), 413, 433.

⁸⁴ *EC—Bananas III (Ecuador) (Article 22.6—EC)*, WT/DS27/ARB/ECU, para. 157.

provisions. Since according to the arbitrators, the holders of intellectual property rights the protection of which is suspended by the injured Member are still authorized to take measures against potential exports from the injured contracting party to the markets of other contracting parties and to apply for border measures pursuant to Art. 51, the injured Member could suspend such intellectual property rights only for the purpose of supplying its own domestic market.⁸⁵ The injured Member also had to be careful to suspend only the protection of the intellectual property rights of the nationals of the injuring Member, which—as stressed by the arbitrators—requires a diligent examination within the scope of Art. 14 due to the fact that performing artists and producers of phonograms may be nationals of different Members.⁸⁶ Moreover, the enterprises of the injured Member are unable to foresee for how long they may benefit from the suspension of certain intellectual property rights, because Art. 22.1 DSU grants such suspension on a preliminary basis only.⁸⁷

⁸⁵ *Ibid.*, paras 155–156; see the wording of Art. 31 lit. f.

⁸⁶ *Ibid.*, para. 144.

⁸⁷ *Vranes*, EuZW 12 (2001) 1, 10, 15.

PART VI

TRANSITIONAL ARRANGEMENTS

Article 65 **Transitional Arrangements**

1. Subject to the provisions of paragraphs 2, 3 and 4, no Member shall be obliged to apply the provisions of this Agreement before the expiry of a general period of one year following the date of entry into force of the WTO Agreement.
2. A developing country Member is entitled to delay for a further period of four years the date of application, as defined in paragraph 1, of the provisions of this Agreement other than Articles 3, 4 and 5.
3. Any other Member which is in the process of transformation from a centrally-planned into a market, free-enterprise economy and which is undertaking structural reform of its intellectual property system and facing special problems in the preparation and implementation of intellectual property laws and regulations may also benefit from a period of delay as foreseen in paragraph 2.
4. To the extent that a developing country Member is obliged by this Agreement to extend product patent protection to areas of technology not so protectable in its territory on the general date of application of this Agreement for that Member, as defined in paragraph 2, it may delay the application of the provisions on product patents of Section 5 of Part II to such areas of technology for an additional period of five years.
5. A Member availing itself of a transitional period under paragraphs 1, 2, 3 or 4 shall ensure that any changes in its laws, regulations and practice made during that period do not result in a lesser degree of consistency with the provisions of this Agreement.

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A. General

During the negotiations of the TRIPS Agreement which were basically led by the interests of industrialized countries, it was clear to all that most of the developing countries would need a **transitional period** in which to adapt to the high standards and new rules on the protection of intellectual property, in particular with regard to their implementation.¹ Therefore, Art. 65 provides for acceptable transitional periods in dependence on the differing Member groups and sectors of regulation. 1

B. General Transitional Arrangements (Art. 65.1)

Pursuant to Art. 65.1, the general transitional period was to expire on 1 January 1996. That meant that Members had by then to implement into their national laws the principles of national treatment (Art. 3), most-favoured nation treatment (Art. 4), and compliance with other multilateral agreements under the auspices of the WIPO (Art. 5). The provision is valid for all Members independently of whether they are industrialized or developing countries. In this regard the TRIPS Agreement distinguishes between the implementation of fundamental principles and other principles, and their respective implementation. 2

C. Transitional Arrangements for Developing Countries (Art. 65.2)

However, developing countries have been granted the privilege of prolonging the period of implementation for up to four years if the provisions of para. 4 of this provision are satisfied. One of the few cases decided by a national court was heard by the High Court of Argentina.² The decision 3

¹ MTN.GNG/NG11/8, paras 35 *et seq.*

² Corte Suprema de Justicia de la Nación, *Dr. Karl Thomae GmbH v. Behörde für gewerbliches Eigentum (INPI)*, D.361.XXXIV, 13 February 2001, GRUR Int. 51 (2002) 12, 1037.

refers to the question whether Arts 33 and 65 would require the implementation of the 20 year term of a patent even though the original term was only 15 years, which would have expired just after the TRIPS comes into force, but still within the transitional period. Most of the judges favoured the 15 year solution, which means that the patent expired on 1 January 2000 and became common good of the Republic of Argentina. The decision reflects the general attitude in developing countries, which are still reluctant to introduce an effective system for the protection of intellectual property rights since they are virtually new to their legal system.

D. Treatment of Countries in Process of Transformation (Art. 65.3)

- 4 Pursuant to Art. 65.3, countries in the process of transformation were also granted the privileged treatment accorded to developing countries if their political system made the implementation of the principles of this agreement particularly difficult. This provision refers basically to those countries which are in the transformation from a centrally planned system to a market, free-enterprise economy and cannot adapt as quickly as industrialized countries whose patent systems are already in place.

E. Prolongation with Regard to Certain Patents in Specific Technical Areas (Art. 65.4)

- 5 Furthermore, developing countries were able to take up an **additional transitional period** of 5 years if, due to the obligations of the TRIPS, product patents protections in areas of technology had to be newly implemented. However, in such a case only the provisions concerning product patents (Part II, Section 5) could have been delayed. Developing countries without such a transitional period were obliged to grant exclusive rights pursuant to Art. 70. 8 and 9.³ The transitional periods have all expired now.
- 6 In *India—Patents (US)*,⁴ the Appellate Body was concerned with the relation of Arts 65 and 70.8 and 9 as well as with the differences of these obligations.⁵ The Appellate Body held that during the transitional period patents in the field of pharmaceutical and agrochemical products need not be granted, but the developing country was obliged to allow the exclusive marketing rights (EMRs) of those products pursuant to Art. 70.8 and 9.

³ See for further details *Elfring*, Article 70, paras 15 *et seq.*

⁴ *India—Patent (US)*, WT/DS50/AB/R, para. 51.

⁵ Confirmed in *India—Patent (EC)*, WT/DS79/R, paras 7.31.

F. Prohibition of “roll-back” (Art. 65.5)

Art. 65.5 contains the so-called “roll-back provision”, or also know as the “standstill provision”, according to which a deterioration of the standard of protection within the transitional period is not allowed. The purpose of the standstill provision is to raise the protection level step by step. Most interestingly this rule does not affect the least-developed countries pursuant to Art. 66. In consideration of the development status and the low trade volume, this is a commitment to the least-developed countries. In the end this exception has had rather little economic impact.

7

Again, the High Court of Argentina was involved with regard to the question of whether the roll back prohibition of Art. 65.5 was infringed. The case was brought by the United States, who asked for consultations in the case *Argentina—Patent Protection for Pharmaceuticals and Test Data Protection for Agricultural Chemicals*.⁶ Since the disputants were able to settle the dispute beforehand no decision was made in this case.⁷ But, another complaint was brought by the US against Indonesia that was *Indonesia—Autos*.⁸ The US alleged violation of the most-favoured nation principle and Art. 65.5. However, the Panel could not see any violation and therefore did not make any further remarks on Art. 65.

8

⁶ *Argentina—Patent Protection for Pharmaceuticals and Test Data Protection for Agricultural Chemicals*, WT/DS171/1.

⁷ *Argentina—Patent Protection for Pharmaceuticals and Test Data Protection for Agricultural Chemicals*, WT/DS/171/3.

⁸ *Indonesia—Autos*, WT/DS54/R, WT/DS55/R, WT/DS59/R, WT/DS64/R, paras 14.280–14.282.

Article 66 **Least-Developed Country Members**

1. In view of the special needs and requirements of least-developed country Members, their economic, financial and administrative constraints, and their need for flexibility to create a viable technological base, such Members shall not be required to apply the provisions of this Agreement, other than Articles 3, 4 and 5, for a period of 10 years from the date of application as defined under paragraph 1 of Article 65. The Council for TRIPS shall, upon duly motivated request by a least-developed country Member, accord extensions of this period.
2. Developed country Members shall provide incentives to enterprises and institutions in their territories for the purpose of promoting and encouraging technology transfer to least-developed country Members in order to enable them to create a sound and viable technological base.

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CROSS REFERENCES

Art. XXXVI GATT 1947; Art. XI:2 WTO Agreement.

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A. General

Article 66 contains special rights to the benefits of **least-developed countries (LDCs)**. The TRIPS makes a clear distinction between developing countries and least-developed countries. These special rights refer to the transitional periods of implementation and technology transfer. 1

It was recognized from very early on that developing countries would need certain privileges to enable them to participate equally in world trade. This was already reflected in the principles and goals of Art. XXXVI GATT 1947. A further development took place with the so-called “**enabling clause**.”¹ In the Ministerial Decision on the GATT 1947 in 1979, the Contracting Parties, for the first time, made a further distinction between developing countries and least-developed countries, and granted further privileges² to the latter. In the negotiations on the TRIPS Agreement this distinction was welcomed by most Members. However, it was also criticized.³ As with Art. 65 it was under discussion how long the transitional period should be and whether different standards should apply to the two groups. The EC’s proposal contained in Art. 4 of the 5th part mandated that LDCs should under certain circumstances be granted a longer transitional period upon justified request, but in principle there should be only one transitional period for all.⁴ From the point of view of the LDCs themselves a provision concerning the transitional period should contain the entitlement to a longer transitional period and the option to extend the transitional period infinitely.⁵ 2

B. Concept

Article 66 grants two privileges to LDCs. Firstly, it allows a **longer transitional period** to enable them to adapt their national legal systems to the requirements of the TRIPS (Art. 66.1, sentence 2) with the possibility of extending this transitional period upon request (Art. 66.1, sentence 2). Secondly, developed countries are to provide incentives for **technology transfer** to LDCs (Art. 66.2). Technology transfer was one of the main demands of the developing countries in the negotiations on TRIPS, and was partially considered in Art. 7 in which the protection and implementation of intellectual property rights are regarded as facilitating technology 3

¹ L/4903.

² *Ibid.*, paras 2d, 6, 8.

³ MTN.GNG/NG11/17, paras 22, 23.

⁴ Negotiating Group on TRIPS, including Trade in Counterfeit Goods, Draft Agreement on Trade Related Aspects of Intellectual Property Rights, MTN.GNG/NG11/W/68, 29 March 1990.

⁵ MTN.GNG/NG11/W/76, para. 1B.2 of seventh part (Anell Draft).

transfer.⁶ Since LDCs do not have the capacity to absorb technology, further incentives have to be provided for to advance technology transfer to LDCs. Without incentives the technology transfer to LDCs seems to be very unlikely or minimal.⁷ One has to keep in mind that technology transfer serves to lessen the grave technological differences between developed countries and the LDCs and to achieve an assimilation of the circumstances, thus to reach a level playing field in world trade.

- 4 However, there are three **important exceptions** to the extended transitional period: first, the principles of national treatment (Art. 3), second, most-favoured nation treatment (Art. 4), and third, compliance with other multilateral agreements under the auspices of WIPO (Art. 5). As already described under Art. 65 these principles are valid for all Members irrespective whether they are industrialized or developing countries.
- 5 Furthermore, the exemption also relates to exclusive marketing rights (EMRs) on pharmaceutical and agrochemical products for a period of up to 5 years under the provisions of Art. 70.9 (so-called “**mailbox**” provision).⁸

C. Status of Least-Developed Country Members

- 6 The status of LDCs is based on recognition by the United Nations pursuant to Art. XI:2 of the WTO Agreement. Exemptions to the TRIPS shall be granted to LDCs depending on their special needs, their economic, financial and administrative constraints and the need to be flexible in the light of obligations under the TRIPS.
- 7 The United Nations currently recognizes 50 countries as least-developed. This list is reviewed every three years. The last review took place in 2003 when East Timor was added to the list. Decisive for an admission to or extinction from the list is a low gross national income, low living standards (nutrition, health, education and adult literacy) and a low economic diversification. 32 of the 50 least-developed countries are Members of the WTO. These are Angola, Bangladesh, Benin, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Democratic Republic of the Congo, Djibouti, Gambia, Guinea, Guinea Bissau, Haiti, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Senegal, Sierra Leone, Solomon Islands, Tanzania, Togo, Uganda and Zambia. Equatorial Guinea is under observatory status. Ten other least-developed countries began negotiations for membership in the

⁶ See for further detail *Kebler*, Article 7, paras 5–7.

⁷ See below paras 14 *et seq.*

⁸ See for further detail *Elfving*, Article 70, paras 15 *et seq.*

WTO: Afghanistan, Bhutan, Cape Verde, Ethiopia, Laos, Sao-Tomé and Príncipe, Samoa, Sudan, Vanuatu and Yemen.⁹

The ability to prolong the transitional period pursuant to Art. 66.1, sentence 2 was sought only by Burundi.¹⁰ 8

D. Transitional Period for LDCs (Art. 66.1)

Art. 66.1 contains a general rule that the least-developed country Members have a duty to implement the changes resulting from the TRIPS Agreement within the transitional period of 10 years. The transitional period (pursuant to Art. 66.1 read together with Art. 65.1) started on 1 January 1995 and ended on 1 January 2005. 9

This transitional period of 10 years did not apply to the principles of national treatment (Art. 3), most-favoured nation treatment (Art. 4), and compliance with other multilateral agreements under the auspices of WIPO (Art. 5). These three principles had to be implemented by all Members into their national legal systems irrespective of their development status within the general transitional period pursuant to Article 65.1, which ended on 1 January 1996. Furthermore, the least-developed countries were also obliged to notify the Council for TRIPS of the implemented national laws and regulatory changes pursuant to Art. 63.¹¹ 10

However, none of the developing countries or least-developed countries has notified the Council for TRIPS of any laws or regulations until the beginning of 1997.¹² This might be due to the fact that the interrelation between the transitional periods pursuant to Arts 65 and 66 and the notification pursuant to Art. 63 were not clear enough. In general there has not been a duty to notify all national laws relevant to intellectual property. To counter these difficulties or misapprehensions, the Secretariat started a survey on the implementation of the principles of national treatment (Art. 3) and most-favoured nation treatment (Art. 4).¹³ 11

In the Doha Declaration on the **TRIPS Agreement and Public Health** dated 14 November 2001¹⁴ has been suspended for least-developed countries until 1 January 2016. But since only the Council for TRIPS is competent to impose such a suspension pursuant to Art. 66.1, the Ministerial Conference 12

⁹ The current status can be accessed on the WTO website. Available at: http://www.wto.org/english/thewto_e/whatis_e/tif_e/org7_e.htm (last accessed 11 February 2008).

¹⁰ Notification by Burundi, IP/N/1/BDI/1.

¹¹ See for further detail on the transparency obligations *Kaiser*, Article 63, paras 9 *et seq.*

¹² See IP/C/W/48/Rev.1, para. 3.

¹³ Annex to IP/C/W/48/Rev.1.

¹⁴ WT/MIN(01)/DEC/2.

placed the order under para. 7 sentence 3 of the Doha Declaration to make such a decision. Para. 7 of the Doha Declaration on the TRIPS Agreement and Public Health granted to the LDCs by Decision of the Council for TRIPS in June 2002¹⁵ a transitional period until 1 January 2016 within which they are exempt from only specific obligations under the TRIPS. The extension of the transitional period expressly concerns **pharmaceutical products** and related duties to protect patent and undisclosed information (Sections 5 and 7 of Part II) only. At the same time the Council for TRIPS indicated under point 2 of its Decision that LDCs can also apply for the extension of transitional periods with regard to other obligations under the TRIPS.

- 13 Furthermore, the Council for TRIPS granted LDCs an exemption from the **duties under Art. 70.9** until 1 January 2006 as far as **pharmaceutical products** were concerned.¹⁶ This Decision is based on the fact that the so-called “mailbox”—system pursuant to Art. 70.9 granting exclusive marketing rights (EMRs) was simply overlooked. In order not to endanger the results of the Doha Round with regard to public health the Decision was amended.

E. Technology Transfer (Art. 66.2)

- 14 Art. 66.2 describes the duty of developed countries to provide incentives to enterprises and institutions in their territories to make technology transfer to least-developing countries happen. The purpose of technology transfer is that least-developed States with the help of technology transfer will be able to build up a sound and viable economy in their countries.
- 15 However, this provision lays down only the duty to provide incentives for technology transfer. It does not contain the duty to transfer technology itself. The responsibility remains with the LDCs whether and how to make use of technology transfer. Therefore, Art. 66.2 concerns only the duty to provide incentives “in order **to enable them** to create a sound and viable technological base.”¹⁷
- 16 Incentives for technology transfer can be provided in very different ways, *i.e.* tax advantages, subsidies, research cooperation, training programmes etc.

¹⁵ IP/C/25.

¹⁶ Least-Developed Country Members, Obligations under Article 70.9 of the TRIPS Agreement with Respect to Pharmaceutical Products, Decision of 8 July 2002, WT/L/478 12 July 2002 and Council for TRIPS, Least-Developed Country Members, Obligations Under Article 70.9 of the TRIPS Agreement with Respect to Pharmaceutical Products, Draft Waiver, IP/C/W/359, 28 June 2002.

¹⁷ Emphasis added.

In order to oversee and review the efforts of developed States to comply with the above described duty, the Ministerial Conference at the Doha Round decided that developed States have to report annually on which programmes and incentives have been implemented.¹⁸ This reporting system has its origins in the Decision of the Council for TRIPS on 1 December 1998 in which an informal exchange of information on technology transfer was encouraged.¹⁹ With the Doha Declaration the reporting system was established in obligatory form. However, the one year period seemed not to be feasible and was therefore extended to a three year period.²⁰ 17

F. Transitional Periods in Other International Treaties

In other treaties on the protection of intellectual property rights special provisions in favour of developing countries were included, however no special regulations for least-developed countries were established. Only the TRIPS Agreement makes the distinction between developing and least-developed countries. The incentives for least-developed countries were repeatedly the subject of Ministerial Conferences. As described above the obligatory reporting system on the incentives to be provided to LDCs was requested and meanwhile implemented.²¹ 18

The Decision of the Ministerial Conference on Implementation-Related Issues and Concerns²² shows the importance of technology transfer for developing countries. There is now a working group investigating the means of bringing technology transfer not only to least-developed countries but also to developing countries. The mandate is broader and not only relates to the protection of intellectual property rights. The working group is also to investigate what impact international trade has had on technology transfer.²³ 19

¹⁸ WT/MIN(01)/17, para. 12.

¹⁹ IP/C/M/21, paras 37–44; These decisions can be found in the documentation to Council for Trade-Related Aspects of Intellectual Property Rights—Implementation of Article 66.2: IP/C/W/132. To a certain extent this reporting system is due to the request of Haiti asking for a written reporting system to be provided for by the developed states on incentives to facilitate technology transfer to LDCs. The request was supported by several LDCs and was also regarded as being favourable by developed States.

²⁰ IP/C/28.

²¹ WT/MIN(01)/DEC/2; WT/MIN(01)/17, para. 11.2; IP/C/28.

²² WT/MIN(01)/DEC/2, para. 37.

²³ WT/MIN(01)/17, para. 11.2.

Article 67

Technical Cooperation

In order to facilitate the implementation of this Agreement, developed country Members shall provide, on request and on mutually agreed terms and conditions, technical and financial cooperation in favour of developing and least-developed country Members. Such cooperation shall include assistance in the preparation of laws and regulations on the protection and enforcement of intellectual property rights as well as on the prevention of their abuse, and shall include support regarding the establishment or reinforcement of domestic offices and agencies relevant to these matters, including the training of personnel.

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A. General

Art. 67 provides a set of rules on the procedure, content and purpose of **technical cooperation in favour of developing countries.** 1

During the negotiations on the TRIPS Agreement, Members recognized very early that developing countries need support in the form of technical cooperation.¹ Only the particular content of such support and its formulation in the Agreement was disputed. Developing countries wanted very clear and legally binding obligations to warrant technical cooperation for the developed States combined with a strong role for multinational institutions like the WTO or WIPO to put the cooperation on a multilateral level and to have more influence on the content of technical cooperation. Also pure financial support for certain States was discussed but it was not specified which States—whether only WTO Members or also third States—would benefit.² It was also under discussion whether only developed States or all Members should be obliged to cooperate and whether all developing countries or only least-developed country Members should be entitled to technical cooperation. Differing opinions led to several proposals for this Article on technical cooperation.³ In the end the Article is now addressed to developed country Members and is for the benefit of all developing and least-developed country Members. 2

B. Implementation as a Goal

Art. 67 facilitates the implementation of TRIPS in less-developed country Members. As a side effect this provision is to accelerate implementation by providing know how on the drafting of national laws and the training of staff. This system also ensures that legal solutions are proposed which will be approved beforehand by competent experts.⁴ In the end one should not overlook that developed country Members will also benefit from such 3

¹ See MTN.GNG/NG11/W/12/Rev.1, para. 108 with a summary of the proposals of the United States, Switzerland, the European Community and Japan.

² The latter matches the proposal of the United States, MTN.GNG/NG11/W/14, 20, 6.

³ MTN.GNG/NG11/W/76 dated 23 July 1990.

⁴ The indirect influence of counselling by the WTO Secretariat on planned national laws and regulations can be seen in the report of the Secretariat relating to technical cooperation in the field of TRIPS, IP/C/W/79, para. VI.

cooperation,⁵ and that in general the purpose of technical cooperation is to enable developing countries to participate equally in world trade.⁶

C. Addressees of the Duty to Cooperate

- 4 Art. 67 addresses how the developed country Members are to provide technical and financial cooperation.⁷ Thus, its **addressees are exclusively WTO Members**. Beneficiaries are developing as well as least-developed country Members. The distinction between developing Members and least-developed Members has no further effect since technical and financial cooperation is to be provided to both in the same way.

D. Modalities of Technical Cooperation

- 5 Art. 67 does not enshrine the right of developing and least-developed country Members to demand technical cooperation; it enshrines instead a **procedurally qualified duty** of developed country Members to provide technical and financial cooperation upon request and with mutually agreed terms and conditions. From the point of view of international law one can consider it as a kind of **obligation to cooperate**, while leaving the content of this cooperation open and making it dependent upon procedural steps. The first step is a request by the beneficiary. The second step are mutually agreed terms. The content and scope of these terms have to be determined by the parties and are therefore dependent on mutual interests. Thus, the agreement on cooperation has to be made by the cooperating partners and is not to be decided by institutional bodies.

E. Content and Subject of Cooperation

- 6 Art. 67 embraces not only technical cooperation but also **financial cooperation**, meaning pure monetary support. However, sentence 2 of the provision makes it clear that the cooperation shall concentrate *firstly* on

⁵ Indirect regulation instruments, together with means of direct influence like the threat of a trade boycott or the suspension of certain trade advantages, can have the effect of carrot and stick. However, the recognition of the developed countries among the developing countries may vary. See *Callan*, Berkley Research on International Economics (BRIE) Working Paper 116, 1998.

⁶ See WT/COMTD/W/23 with reference to Section 2 to the preamble of the WTO Agreement.

⁷ According to *Koepsel*; IDEA 44 (2004) 2, 167, 205 *et seq.*, the developed country Members live up to their duties under Art. 67.1.

assistance in the preparation of laws and regulations for the protection of intellectual property rights and the prevention of their abuse, and *secondly* the establishment or reinforcement of domestic offices and agencies to regulate and assist in these matters, which includes the training of personnel.

F. Experiences in Technical Cooperation

Technical cooperation is a very important topic for the World Trade Organization in general and for the Council for TRIPS in particular. 7

The implementation and improvement of access to information is overseen by means of a report system. Developed country Members have to report on an annual basis on their programmes on technical and financial cooperation, including the notification of contact addresses.⁸ International organizations and the WTO Secretariat have also announced programs in the field of technical and financial cooperation. The WTO together with WIPO has organized several events on this topic. Altogether this provision, together the Rec. 8 of the Preamble to TRIPS led to closer cooperation between WTO and WIPO, which has also been manifested in the WTO-WIPO Agreement of 22 December 1995.⁹ Pursuant to this Agreement the circle of beneficiaries has been broadened. Technical and financial support provided by WIPO is also to be available to those developed States which are Members only of the WTO (Art. 4 WTO-WIPO Agreement). In this regard, the IBRD (World Bank) has already supported several studies conducted by WIPO. The IBRD has also led several programs on technical cooperation. 8

International technical cooperation is also manifested in the patent offices of developed States which are often faced with questions by less-developed country Members on the interpretation of certain clauses of the TRIPS Agreement or current debates in the field of intellectual property rights. 9

Hitherto, there have been no decisions by the Council for TRIPS on Art. 67. 10 But the importance of technical cooperation is reflected in paras 38 to 41 of the Doha Declaration¹⁰ which describe a new strategy for technical cooperation which had recently been concluded by the WTO Committee on Trade and Development.¹¹ The new strategy refers to guidelines on

⁸ Programmes provided by developed states can be found in the series of the document: IP/C/W/10; IP/C/W/11; IP/C/W/12 and Addenda, 21, 22, 34, 35, 36, 77, 78, 79, 108, 109, 110, 154, 155, 156, 201, 202, 203, 241, 304, 305, 306, 407, 408.

⁹ IP/C/6.

¹⁰ WT/MIN(01)/DEC/1.

¹¹ WT/COMTD/W/90.

technical cooperation of 1996¹² which contain more details on aims, means, elements, institutions and financing of technical cooperation.

- 11 Since the Doha Round in 2001, the WTO has developed a database on programs which have been brought into being for the purpose of technical support.¹³ Since then, financial support for such programs has also increased substantially.
- 12 The Doha Ministerial Declaration (2001) is more progressive than the Singapore Ministerial Declaration (1996) where the Members could agree under para. 5 only to continue to work for greater coherence in international economic policy-making and for improved coordination between the WTO and other agencies in providing technical assistance.¹⁴
- 13 Also, further back in 1994 technical cooperation was mentioned under para. 2 (v) of the Ministerial Decision on Measures in Favour of Least-Developed Countries.¹⁵
- 14 Another Ministerial Decision in 1994 mentioned technical and financial cooperation concerning possible negative effects of the reform programmes for least-developed States and net food importing developing States.¹⁶ The Decision refers only to possible negative effects on the Food Aid Convention 1986.¹⁷ However, since the food aid program also affects prices of agricultural products (*i.e.* seeds, fertilizer, pesticides) the declaration could also be understood in a broader sense and can be extended to possible negative effects of the TRIPS Agreement.

¹² WT/COMTD/8.

¹³ Doha Development Agenda Trade Capacity Building Database (TCBDB), available at: <http://tcbdb.wto.org> (last accessed 11 February 2008).

¹⁴ WT/MIN(96)/DEC, para. 5.

¹⁵ LT/UR/D-1/3.

¹⁶ LT/UR/D-1/2, para. 3 (iii).

¹⁷ UNTS 1429 (1986), 71. The text of the Food Aid Convention of 1986 is available at: <http://www.takuzinis.lv/xhtml1.1/20050130.html> (last accessed 11 February 2008).

PART VII

INSTITUTIONAL ARRANGEMENTS; FINAL PROVISIONS

Article 68*

Council for Trade-Related Aspects of Intellectual Property Rights

The Council for TRIPS shall monitor the operation of this Agreement and, in particular, Members' compliance with their obligations hereunder, and shall afford Members the opportunity of consulting on matters relating to the trade-related aspects of intellectual property rights. It shall carry out such other responsibilities as assigned to it by the Members, and it shall, in particular, provide any assistance requested by them in the context of dispute settlement procedures. In carrying out its functions, the Council for TRIPS may consult with and seek information from any source it deems appropriate. In consultation with WIPO, the Council shall seek to establish, within one year of its first meeting, appropriate arrangements for cooperation with bodies of that Organization.

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* The commentary is translated by Susanne Kruse, professional graduate translator.

CROSS REFERENCES

Art. V WTO; Art. 8 WIPO; Arts 57, 63 and 71 UN Charter; Art. X IMF Agreement;¹ Arts V:6 and 8 IBRD;² Arts 5, 12 OECD Convention;³ Arts 302–304 ECT, Arts 713, 1308 NAFTA; Art. 87 Havana Charter.⁴

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A. General

- 1 According to Art. IV:5, sentence 1 WTO Agreement, the multilateral trade agreements GATT, GATS and TRIPS, have **specific councils** “which shall operate under the general guidance of the General Council.”⁵ While the composition and decision-making of the Council for Trade-Related Aspects of Intellectual Property Rights (Council for TRIPS) derive from the WTO Agreement and the rules of procedure of the Council for TRIPS⁶ (B.), the tasks of the latter are regulated in various provisions of the TRIPS Agreement, and especially in its Art. 68 (C.).

B. Composition and Decision-Making of the Council for TRIPS

- 2 Pursuant to Art. IV:5, sentence 7 WTO Agreement, the Council for TRIPS is open to representatives of all Members, and, therefore, unlike the General Council, not necessarily composed of the representatives of *all* Members. The meetings of the Council for TRIPS are to be held “as necessary” pur-

¹ Articles of Agreement of the International Monetary Fund, 27 December 1945, UNTS 2 (1947), 39.

² Articles of Agreement of the International Bank for Reconstruction and Development, 27 December 1945, UNTS 2 (1947) 134.

³ Fornding Convention of the Organization for Economic Cooperation and Development, 14 December 1960, UNTS 888 (1973) 179.

⁴ Havana Charter for the International Trade Organization (ITO), 27 March 1948, CTS No. 32, 3; UN Doc. E/CONF. 2/78 (1948).

⁵ See for further details *Kaiser*, Art. IV WTO Agreement, in: *Wolfrum & Stoll & Kaiser* (eds), Max Planck CWTL Vol. 2, paras 11 *et seq.*

⁶ IP/C/1.

suant to Art. IV:5, sentence 8 WTO Agreement which, in practice, means four or five times a year.⁷ They are attended not only by representatives of the Members but also by representatives of **observers**. Observers are States or separate customs territories which have begun accession negotiations with the WTO in accordance with Art. XII:1 WTO⁸ and international organizations which were granted observer status by the Council for TRIPS under Art. V:1 WTO Agreement.⁹ While the FAO, the IMF, the OECD, the UN, the UNCTAD, the UPOV, the IBRD, the WCO and the WIPO have each had permanent observer status in the Council for TRIPS since February 1997,¹⁰ the WHO has merely had *ad hoc* observer status in the Council for TRIPS since June 2000.¹¹ UNAIDS may take part as an observer only in the Council for TRIPS' discussions on intellectual property and public health.¹² In contrast to the representatives of the Members and in line with general public international law, the representatives of observers may speak in meetings, but they have no voting rights.¹³

Decisions are taken by way of the **consensus procedure**. According to footnote 1 of the WTO Agreement, a decision is considered as taken if no Member present at the meeting in question formally objects to the proposed decision.¹⁴ Thus, the consensus procedure prevents Members from raising objections to decisions that run counter to their own opinions as long as essential personal interests are not impaired.¹⁵ If the Council for TRIPS is unable to find consensus, there will be **no vote**, but the proposal will be passed on for decision to the General Council in accordance with the rules of procedure of the Council for TRIPS.¹⁶

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⁷ Otten, JIEL 1 (1998), 523, 524.

⁸ See for further details Schorkopf, Article XII WTO Agreement, in: *Wolfrum & Stoll & Kaiser* (eds), Max Planck CWTL, Vol. 2, paras 18 *et seq.*

⁹ See for further details Kaiser, Article V WTO Agreement, in: *Wolfrum & Stoll & Kaiser* (eds), Max Planck CWTL Vol. 2, paras 8 *et seq.*

¹⁰ Council for TRIPS, Annual Report (1997) of the Council for TRIPS, IP/C/12, 28 November 1997, para. 3.

¹¹ Council for TRIPS, Minutes of Meeting, Held in the Centre William Rappard on 26–29 June 2000, IP/C/M/27, 14 August 2000, para. 4. The requests of seventeen further international organizations for observer status in the Council of TRIPS have not yet been decided; see Council for TRIPS, International Intergovernmental Organizations, Requests for Observer Status in the Council for TRIPS, IP/C/W/52/Rev.11, 27 May 2005.

¹² Council for TRIPS, Minutes of Meeting, Held in the Centre William Rappard on 5–7 March 2002, IP/C/M/35, 22 March 2002, paras 316 *et seq.*

¹³ *Bartram & Pardo López*, in: *Wolfrum* (ed.), para. 1. See also General Council, Observer Status for International Intergovernmental Organizations in the WTO, WT/L/161, Annex 3, 25 July 1996, point 4.

¹⁴ Thus, the term of consensus in international law is to be distinguished from the term of consensus in civil law, which demands unanimity; see *Wolfrum*, in: *Hattenhauer & Kaltefleiter* (eds), 79, 79 *et seq.*

¹⁵ *Ibid.*, 86.

¹⁶ IP/C/1, Rule 33 of Chapter VII (Decision-Making).

- 4 In contrast to the other specific councils, *i.e.* the Council for Trade in Goods (Council for GATT) and the Council for Trade in Services (Council for GATS), the Council for TRIPS has not made use in its rules of procedure of the authorization to establish subsidiary bodies pursuant to Art. IV:6 WTO. It is supported only by the WTO Secretariat's Intellectual Property Division.¹⁷

C. Functions of the Council for TRIPS

- 5 In accordance with Art. IV:5, sentence 4 WTO, the Council for TRIPS oversees the functioning of the TRIPS Agreement. This general function is reiterated in Art. 68, sentence 1 and elaborated in Arts 1.3, sentence 1, 3.1, sentence 3, 4 lit. d, 23.4, 24.2, 63.2, 64.3, 66.1, sentence 2, 68, sentences 2–4, 71.1 and 72.2.

I. Monitoring Compliance with the TRIPS Agreement

- 6 The Council for TRIPS has two ways of monitoring the operation of the TRIPS Agreement and, in particular, Members' compliance with their obligations thereunder.¹⁸ First, it affords the Members "the opportunity of consulting", *i.e.* it sets up a forum in which each Member may question other Members whom it suspects of failing to respect the TRIPS Agreement. Second, it receives the notifications required by Arts 1.3, sentence 3, 3.1, sentence 3, 4 lit. d, 9.1 and 14.6¹⁹ (non-appliance of certain provisions of the TRIPS Agreement and incorporated intellectual property treaties) as well as by Art. 63.2, sentence 1²⁰ (internal laws and other regulations pertaining to the subject matter of the TRIPS Agreement).
- 7 From June 1996²¹ to September 2000,²² the Council for TRIPS reviewed the notified laws and other regulations of 38 developed countries. The review was carried out separately for individual subject fields of the TRIPS Agreement (**subject-by-subject approach**), starting with copyrights and

¹⁷ *Abbott*, *Hastings Int'l & Comp. L. Rev.* 20 (1997), 661, 664.

¹⁸ *Geuze & Wager*, *JIEL* 2 (1999), 347, 382; *Otten*, *JIEL* 1 (1998), 523, 524.

¹⁹ See for the notification required in accordance with Arts 9.1 and 14.6 Council for TRIPS, Notification Provisions of Intellectual Property Conventions Incorporated by Reference into the TRIPS Agreement but not explicitly referred to it, IP/C/W15, 20 November 1995.

²⁰ See *Kaiser*, Article 63, paras 8 *et seq.*

²¹ Council for TRIPS, Schedule for Consideration of National Implementing Legislation in 1996/1997, IP/C/3, 30 November 1995.

²² Council for TRIPS, Minutes of Meeting, Held in the Centre William Rappard on 21 and 22 December 2000, IP/C/M/28, 23 November 2000, para. 15.

related rights. In June 2000,²³ the Council for TRIPS started to review the laws and other regulations notified by the developing countries obliged pursuant to Art. 65.2 to apply the TRIPS Agreement five years after the entry into force of the WTO Agreement, *i.e.* as from 1 January 2000. The review of those laws and other regulations was not carried out separately for individual subject fields but separately for individual Members (**country-by-country approach**), starting with the Members who had voluntarily declared themselves prepared for review.²⁴

II. Assistance in the Context of Dispute Settlement

In accordance with Art. 68, sentence 2, the specialized knowledge of the Council for TRIPS in the field of intellectual property is to benefit the Members insofar as the Council is obliged to “provide any assistance requested by them in the context of dispute settlement procedures”. In this respect, Art. 68, sentence 3 authorizes the Council for TRIPS to “consult with and seek information from any source it deems appropriate”, in particular the International Bureau of WIPO. While the International Bureau of WIPO is not authorized to give a binding interpretation of the intellectual property law treaties administered by the WIPO, it may, however, forward to the Council for TRIPS factual information, such as details regarding the drafting history of a provision incorporated by Arts 2.1, 9.1 and 35. Moreover, a member of the International Bureau of WIPO may take on the function of a panel member within the framework of WTO dispute settlement.²⁵ Although members of the International Bureau of WIPO do not explicitly belong to the list of considered persons in Art. 8.1 DSU, they can be regarded as “well-qualified” individuals. The list contained in Art. 8.1 DSU is not final.

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III. Assistance to Developing Countries and Least-Developed Countries

The Council for TRIPS, in various decisions, has requested the developed countries, the international organizations with permanent observer status and the WTO Secretariat to submit annual reports on their technical cooperation with developing countries and least-developed countries. It has, moreover, requested the developed countries to notify any potential contact

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²³ Council for TRIPS, Minutes of Meeting, Held in the Centre William Rappard on 21 March 2000, IP/C/M/26, 24 March 2000, para. 15.

²⁴ Council for TRIPS, Annual Report (1999) of the Council for TRIPS, IP/C/19, 22 October 1999, para. 13.

²⁵ *Abbott*, in: *Petersmann* (ed.), 413, 416; *Abbott*, *Hastings Int'l & Comp. L. Rev.* 20 (1997), 661, 671.

points for developing and least-developed countries.²⁶ Such contact points may be identical to the contact points notified pursuant to Art. 69,²⁷ but they do not have to be.²⁸

- 10 The WTO Secretariat and the International Bureau of WIPO at irregular intervals organize joint workshops on technical cooperation. The exchange of opinions cultivated in these workshops and the mutual obligation of both organs with regard to developing countries provided for in Art. 4 WTO-WIPO Agreement have so far resulted in two **joint initiatives**.²⁹ The objective of the first joint initiative of 21 July 1998 was to help developing countries meet the 1 January 2000 deadline for conforming to the TRIPS Agreement (Art. 65.2). Similarly, the second joint initiative of 14 June 2001 aimed to support least-developed countries in their efforts to comply with their deadline.³⁰ Art. 66.1 obliged least-developed countries to have implemented the TRIPS Agreement into domestic law until 1 January 2006. The Council for TRIPS, however, has extended this deadline until 1 January 2016³¹ for the provisions on pharmaceutical products and until 1 July 2013³² for the remaining provisions with the exception of Arts 3, 4 and 5. In an initial phase, two regional workshops will be held with the aim of familiarizing the persons responsible for the implementation of the TRIPS Agreement in the least-developed countries with the Agreement's basic principles. In a second phase, specific plans for the individual countries will be drawn up, which will list the priorities of that legal-technical support.

IV. Further Development of the TRIPS Agreement

- 11 Under Arts 23.4, 24.1, 27.3 lit. b, 64.3 and 71.1, sentences 1 and 2, the WTO Members—acting through the Council for TRIPS—are obliged to

²⁶ See, in particular, Council for TRIPS, Annual Report (1996) of the Council for TRIPS, IP/C/8, 6 November 1995, paras 20–23; General Council, Annual Reports (1995), WT/GC/W/25, 7 December 1995, Section I, para. 12.

²⁷ See *Kaiser*, Article 69, para. 1.

²⁸ See Council for TRIPS, Notification of Contact Points for Technical Cooperation on TRIPS, IP/N/7/Rev. 2, 17 September 1998, and for the latest addendum Council for TRIPS, Notification of Contact Points for Technical Cooperation on TRIPS, IP/N/7/Rev. 2/Add.7, 14 March 2006.

²⁹ Council for TRIPS, Annual Report (1998) of the Council for TRIPS, IP/C/15, 4 December 1998, para. 21; Permanent Committee on Cooperation for Development Related to Intellectual Property, WIPO's Legal and Technical Assistance to Developing Countries for the Implementation of the TRIPS Agreement, PCIPD/1/3, 28 April 1999, paras 61–64.

³⁰ Council for TRIPS, Annual Report (2001) of the Council for TRIPS, IP/C/23, 5 October 2001, para. 19; WIPO General Assembly, Cooperation with the World Trade Organization, WO/GA/27/6, 6 August 2001, para. 4.

³¹ Council for TRIPS, Extension of the Transition Period under Article 66.1 of the TRIPS Agreement for Least-Developed Country Members for Certain Obligations with Respect to Pharmaceutical Products, IP/C/25, 1 July 2002.

³² Council for TRIPS, Extension of the Transition Period under Article 66.1 of the TRIPS Agreement for Least-Developed Country Members, IP/C/40, 20 November 2005.

enter into negotiations on specific topics, *e.g.* the establishment of a system for the notification and registration of geographical indications for wines, and to review the implementation of the TRIPS Agreement as such (**built-in agenda**). Pertinent new developments which led to negotiations in the Council for TRIPS beyond the above-mentioned provisions were the global increase in electronic commerce on the one hand, which has changed the requirements of the international protection of intellectual property,³³ and the growing necessity for easier access for developing countries to medicine under the TRIPS Agreement in light of diseases such as HIV/AIDS on the other hand. While most negotiations have not yet been finalized, the General Council decided in 2005³⁴ to amend the TRIPS Agreement by inserting Art. 31*bis*,³⁵ thereby making permanent a decision on patents and public health adopted in 2003.³⁶ Two thirds of WTO Members have to ratify the amendment before it can take effect.³⁷

V. Cooperation Between the WTO and the WIPO

By means of the TRIPS Agreement, the world trade order for the very first time claimed a right to be a force in the field of the international protection of intellectual property.³⁸ This has led to an “institutional duplication”³⁹ insofar as two international organizations are equally responsible for the international protection of intellectual property: the WTO on the one hand and the WIPO as an UN-affiliated organizational framework for the international system of the protection of intellectual property rights⁴⁰ on the other hand. It involves **conflicts of competence** in the field of intellectual property protection that the TRIPS Agreement is unable to solve. 12

However, the TRIPS Agreement does in various provisions envisage cooperation between both organizations the details of which still need to be finalized. According to Rec. 8 of its Preamble, the Agreement is open for “a mutually supportive relationship between the WTO and the World Intellectual Property Organization”. The fostering of this relationship is entrusted to the Council for TRIPS and the WIPO Coordination 13

³³ See, in particular, Council for TRIPS, The Work Programme on Electronic Commerce, IP/C/W/128/Add.1, 15 May 2003.

³⁴ General Council, Amendment of the TRIPS Agreement, Decision of 6 December 2005, WT/L/641, 8 December 2005.

³⁵ For an interpretation of the provision, see *Quirin*, Article 31*bis*.

³⁶ General Council, Implementation of Paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health, Decision of 30 August 2003, WT/L/540, 2 September 2003.

³⁷ See for further information on the amendment procedure *Grote*, Article X WTO Agreement, in: *Wolfrum & Stoll & Kaiser* (eds), Max Planck CWTL, Vol. 2, paras 17 *et seq.*

³⁸ See generally *Stoll*, 324 *et seq.*; *Christians*, 154 *et seq.*

³⁹ *Stoll*, 358.

⁴⁰ *Stoll*, in: *Wolfrum* (ed.), 1431 *et seq.*

Committee, which—in contrast to the Council for TRIPS—consists of representatives of elected⁴¹ members. Just as the Council for TRIPS is supported by the WTO Secretariat, the competent WIPO Coordination Committee is supported by the International Bureau of WIPO.⁴²

- 14 Art. 63.2, sentences 2 and 3 encourage negotiations between the WTO and the WIPO on the following topics: the establishment of a common register of notified internal laws and other regulations on the one hand and any action required regarding notifications of State emblems of WTO Members pursuant to Art. 2.1 combined with Art. 6*ter* PC on the other hand.⁴³ Art. 68, sentences 2 and 3 TRIPS facilitate the provision of assistance by the WIPO within the framework of dispute settlement. However, the provision which has the greatest importance for cooperation between WTO and WIPO is Art. 68, sentence 4, which authorizes and instructs the Council for TRIPS to make appropriate arrangements for cooperation between these two organizations. The Council for TRIPS fulfilled this task by way of the **Agreement Between the World Trade Organization and the World Intellectual Property Organization** of 22 December 1995.

1. The WTO-WIPO Agreement

- 15 The WTO-WIPO Agreement, which entered into force on 1 January 1996,⁴⁴ provides for cooperation between WTO and WIPO in three different areas. Art. 2 WTO-WIPO obliges the International Bureau of WIPO to make available to WTO Members and their nationals as well as to the WTO Secretariat and the Council for TRIPS laws and regulations notified to the International Bureau of WIPO pursuant to Art. 15.2 PC and Art. 24.2 BC. The WTO Secretariat is inversely obliged to transfer to the International Bureau of WIPO laws and regulations notified to the WTO Secretariat pursuant to Art. 63.2. On the basis of Art. 2 WTO-WIPO, both the WTO and the WIPO have agreed to set up at WIPO a **common register** of notified laws and regulations.⁴⁵ WIPO provides various forms of public access to this register. For instance, WIPO publishes those laws and other regulations in a monthly “Industrial Property and Copyright” report and posts them on the internet, on the publicly accessible electronic CLEA (Collection of Laws for Electronic Access)⁴⁶ database.

- 16 Moreover, Art. 3 WTO-WIPO obliges the International Bureau of WIPO to register State emblems of WTO Members under Art. 6*ter* PC. Art. 4

⁴¹ Art. 8.1 WIPO.

⁴² *Abbott*, JIEL 3 (2000), 63, 67; *Abbott*, Hastings Int'l & Comp. L. Rev. 20 (1997), 661, 664, 666.

⁴³ See *Kaiser*, Article 63, paras 12 *et seq.*

⁴⁴ Art. 5.1 WTO-WIPO.

⁴⁵ *Abbott*, Hastings Int'l & Comp. L. Rev. 20 (1997), 661, 667.

⁴⁶ Available at: <<http://www.wipo.int/clea/en/index.jsp>> (last accessed 11 February 2008).

WTO-WIPO finally obliges the WTO Secretariat and the International Bureau of WIPO to grant developing countries technical assistance with regard to the implementation of the TRIPS Agreement irrespective of whether those States are WTO or WIPO Members.

2. Conflicts Between the WTO and the WIPO

As shown by the WTO-WIPO Agreement and parallel developments, the TRIPS Agreement has not replaced the institutional basic principles of the system of international protection of intellectual property but reinforced them. Conflicts of competence are avoided by entrusting the individual tasks to be completed in the field of the international protection of intellectual property to the international organization that is **better suited** to them.⁴⁷ The WIPO performs the tasks that are traditionally imposed on it by Art. 4 WIPO. This includes the administration of administrative unions in the field of intellectual property (ii), the offering of legal-technical assistance to developing countries (v) and the registration of industrial property rights as well as internal laws and regulations (vii). In contrast to the WTO, the WIPO not only has the infrastructure that has been developed over decades and that is necessary for fulfilling these administrative tasks, but it also has sufficient financial means. While the WTO depends on financial contributions of its Members, the WIPO is financed mostly from its own revenues received for the registration of industrial property rights.⁴⁸

Beyond this **rule-making** in the field of the international protection of intellectual property continues to take place mainly within the framework of the WIPO as the more specialized and more expert forum.⁴⁹ After the conclusion and entry into force of the TRIPS Agreement, numerous treaties were concluded under the auspices of WIPO: the Trademark Law Treaty of 27 October 1994, the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty, both of 20 December 1996, the Geneva Act of the Hague Agreement Concerning the International Deposit of Industrial Designs of 2 July 1999 and the Patent Law Treaty of 1 June 2000.⁵⁰ Apart from Art. 31*bis* the TRIPS Agreement has not been amended. This is due not only to the WTO's lack of specialization and lower degree of expert

⁴⁷ See for more details *Abbott*, *JIEL* 3 (2000), 63, 63 *et seq.*

⁴⁸ *Kivakva*, *International Organizations Law Review* 3 (2006), 143, 143; *Salmon*, *St. John's J. Legal. Comment.* 17 (2003), 429, 430.

⁴⁹ Switzerland *e.g.* claims the WIPO to be the preferential forum for negotiation on the protection of traditional knowledge. See Council for TRIPS, Article 27.3(b), *The Relationship between the TRIPS Agreement and the Convention on Biological Diversity, and the Protection of Traditional Knowledge*, Communication from Switzerland, IP/C/W/400/Rev.1, 18 June 2003, page 2.

⁵⁰ Diplomatic Conference for the Adoption of the Patent Law Treaty, Patent Law Treaty, Regulations under the Patent Law Treaty and Agreed Statements by the Diplomatic Conference, PT/DC/47, 2 June 2000.

knowledge in the field of intellectual property, but also to the fact that the consensus procedure, which is also valid for amendments of the TRIPS Agreement by the Ministerial Conference pursuant to Art. X:1, sentence 3 WTO Agreement, gives a Member or a minority of Members considerable influence on decision-making.⁵¹ Against this background, it seems reasonable, that the WTO will only make an appearance as a “forum of last resort”⁵² if the development of the international protection of intellectual property depends on concessions that have to be made to either developed or developing countries in other areas of the WTO.

- 19 By contrast, **disputes are settled** exclusively within the framework of the WTO because the possibilities for enforcing the international protection of intellectual property within the framework of the WIPO continue to be limited.⁵³ On the one hand, the WIPO Arbitration and Mediation Center, created in 1994, is only an appropriate forum for disputes between private parties.⁵⁴ On the other hand, the negotiations regarding a Treaty on the Settlement of Disputes Between States in the Field of Intellectual Property⁵⁵ within the framework of the WIPO failed due to the resistance of the US.⁵⁶

⁵¹ Abbott, JIEL 3 (2000), 63, 69; Wolfrum, in: Hattenhauer & Kaltefleiter (eds), 79, 87.

⁵² Abbott, JIEL 3 (2000), 63, 70.

⁵³ Art. 28 PC and Art. 33 BC constitute a rather ineffective competence of the International Court of Justice that has not been used because of its political dimension and the dissatisfaction of some States about its work. See Lee & von Lewinski, in: Beier & Schrieker (eds), 278, 284.

⁵⁴ The WIPO Arbitration and Mediation Center's webpage is available at: <<http://www.wipo.int/amc/en/center/index.html>> (last accesses 11 February 2008).

⁵⁵ WIPO General Assembly, Proposed Treaty on the Settlement of Disputes Between States in the Field of Intellectual Property, WO/GA/XXI/2, 30 April 1997, 5 *et seq.*

⁵⁶ Dörmer, GRUR Int. 47 (1998) 12, 919, 932.

Article 69* International Cooperation

Members agree to cooperate with each other with a view to eliminating international trade in goods infringing intellectual property rights. For this purpose, they shall establish and notify contact points in their administrations and be ready to exchange on information on trade in infringing goods. They shall, in particular, promote the exchange of information and cooperation between customs authorities with regard to trade in counterfeit trademark goods and pirated copyright goods.

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Art. 69 calls for international cooperation within the framework of the TRIPS Agreement. Art. 69, sentence 2 endorses Arts 51–61 by obliging the Members to establish **contact points** with the aim of eliminating international trade in goods infringing intellectual property rights. In its meeting of 21 September 1995, the Council for TRIPS requested the Members to notify information on the established contact points, in particular names, addresses, telephone and fax numbers of the contact points as well as any potential contact persons, before 1 January 1996. The Council for TRIPS committed itself to collating the information and disseminating it to the Members.¹ By the beginning of 2007, over 120 Members had notified their contact points.² The contact point for trade in goods infringing intellectual property rights notified by the EC was the Commission.

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The exchange of information between customs authorities emphasized in Art. 69, sentence 3 is significant in those cases where the export of goods infringing intellectual property rights cannot be prevented, but where the intended State of importation of those goods is known. The World Customs Organization has set up a global enforcement system, facilitating such exchange of information between customs authorities.³

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* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ Council for TRIPS, Minutes of Meeting, Held in the Centre William Rappard on 21 September 1995, IP/C/M/3, 20 October 1995, paras 27–28.

² IP/N/3/Rev.9; IP/N/3/Rev.9/Add.1; IP/N/3/Rev.9/Add.2; IP/N/3/Rev.9/Add.3.

³ The so-called Customs Enforcement Network (CEN) consists of a database of customs seizures and offences as well as a website (CWS) containing alerts and intelligence needed by customs services. Only authorized users have access to the system.

Article 70*

Protection of Existing Subject Matter

1. This Agreement does not give rise to obligations in respect of acts which occurred before the date of application of the Agreement for the Member in question.
2. Except as otherwise provided for in this Agreement, this Agreement gives rise to obligations in respect of all subject matter existing at the date of application of this Agreement for the Member in question, and which is protected in that Member on the said date, or which meets or comes subsequently to meet the criteria for protection under the terms of this Agreement. In respect of this paragraph and paragraphs 3 and 4, copyright obligations with respect to existing works shall be solely determined under Article 18 of the Berne Convention (1971), and obligations with respect to the rights of producers of phonograms and performers in existing phonograms shall be determined solely under Article 18 of the Berne Convention (1971) as made applicable under paragraph 6 of Article 14 of this Agreement.
3. There shall be no obligation to restore protection to subject matter which on the date of application of this Agreement for the Member in question has fallen into the public domain.
4. In respect of any acts in respect of specific objects embodying protected subject matter which become infringing under the terms of legislation in conformity with this Agreement, and which were commenced, or in respect of which a significant investment was made, before the date of acceptance of the WTO Agreement by that Member, any Member may provide for a limitation of the remedies available to the right holder as to the continued performance of such acts after the date of application of this Agreement for that Member. In such cases the Member shall, however, at least provide for the payment of equitable remuneration.
5. A Member is not obliged to apply the provisions of Article 11 and of paragraph 4 of Article 14 with respect to originals or copies purchased prior to the date of application of this Agreement for that Member.
6. Members shall not be required to apply Article 31, or the requirement in paragraph 1 of Article 27 that patent rights shall be enjoyable without discrimination as to the field of technology, to use without the authorization of the right holder where authorization for such use was granted by the government before the date this Agreement became known.
7. In the case of intellectual property rights for which protection is conditional upon registration, applications for protection which are pending on the date of application of this Agreement for the Member in question shall be permitted to be amended to claim any enhanced protection provided under the provisions of this Agreement. Such amendments shall not include new matter.
8. Where a Member does not make available as of the date of entry into force of the WTO Agreement patent protection for pharmaceutical and agricultural chemical products commensurate with its obligations under Article 27, that Member shall:
 - (a) notwithstanding the provisions of Part VI, provide as from the date of entry into force of the WTO Agreement a means by which applications for patents for such inventions can be filed;
 - (b) apply to these applications, as of the date of application of this Agreement, the criteria for patentability as laid down in this Agreement as if those criteria were being applied on the date of filing in that Member or, where priority is available and claimed, the priority date of the application; and
 - (c) provide patent protection in accordance with this Agreement as from the grant of the patent and for the remainder of the patent term, counted from the filing date in accordance with Article 33 of this Agreement, for those of these applications that meet the criteria for protection referred to in subparagraph (b).
9. Where a product is the subject of a patent application in a Member in accordance with paragraph 8(a), exclusive marketing rights shall be granted, notwithstanding the provisions of Part VI, for a period of five years after obtaining marketing approval in

* The commentary is translated by Susanne Kruse, professional graduate translator.

that Member or until a product patent is granted or rejected in that Member, whichever period is shorter, provided that, subsequent to the entry into force of the WTO Agreement, a patent application has been filed and a patent granted for that product in another Member and marketing approval obtained in such other Member.

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CASE LAW

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CROSS REFERENCES

Art. 18 BC.

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A. General

Art. 70 contains regulations regarding the **protection of existing subject matter**. The provision comprises two categories of norms: On the one hand, Arts 70.1 to 70.7 contain regulations in respect of all subject matter commenced, terminated or existing at the date of application of the TRIPS Agreement for the Members in question. On the other hand, Arts 70.8 and 70.9 oblige the Members, as of the date of entry into force of the WTO Agreement on 1 January 1995, to make certain provisions on the protection of pharmaceutical and agricultural chemical products in order to safeguard the patenting criteria for these products as long as the Members do not grant respective patent protection in accordance with Art. 27. 1

B. Regulation of Past or Existing Subject Matter (Arts 70.1 to 7)

I. Principle of Non-Retroactivity (Art. 70.1)

- 2 In accordance with Art. 70.1, the TRIPS Agreement “does not give rise to obligations in respect of acts which occurred [and were terminated] before the date of application of the TRIPS Agreement for the Member in question”. Consequently, such acts are subject to a general prohibition of retroactivity. The date of application to each Member is dependent on its status of development and calculated in accordance with Arts 65 and 66.
- 3 The term “**acts**” in the sense of Art. 70.1 comprises activities undertaken by both authorities and private individuals.¹ Acts which are likely to qualify for the application of Art. 70.1 are the grant of property rights, compulsory licences and exemption certificates or infringing actions by third parties. TRIPS provisions do not give rise to obligations in respect of any of these activities.
- 4 Existing “**subject matter**” in the sense of Art. 70.2 is different from “acts” under Art. 70.1.² The former refers to “particular ‘material’, including literary and artistic works, signs, geographical indications, industrial designs, inventions, layout-designs of integrated circuits and undisclosed information.”³ To the extent such subject matter exists at the date of application of the TRIPS Agreement, it falls under Art. 70.2 even if it was created by “acts” under Art. 70.1.⁴ In this respect, the Appellate Body in *Canada—Patent Term* made it clear that there is a difference between acts and the rights that arise from these acts. It noted that Art. 70.1 “can not be interpreted to exclude rights, such as patent rights, even if such rights arose through acts occurred before the date of application of the TRIPS Agreement for a Member”.⁵ Arts 70.1 and 70.2 are therefore considered mutually exclusive.⁶

¹ *Canada—Patent Term*, WT/DS170/AB/R, para. 54.

² *Ibid.*, paras 50–79.

³ *Canada—Patent Term*, WT/DS170/R, para. 6.36.

⁴ *Canada—Patent Term*, WT/DS170/AB/R, paras 56 *et seq.*: In this proceeding the DSB ruled that an ongoing protection of patent rights that commenced before the application of the TRIPS Agreement, is covered by the directives of the TRIPS Agreement from the beginning of its application. Pursuant to Canadian Patent Law, the protection duration was 17 years. In Canada’s opinion the protection of inventions which have been given patent protection before the application of the TRIPS Agreement were covered by Art. 70.1 and did therefore not fall under the protection duration of 20 years provided for in Art. 33 TRIPS. The Appellate Body noted in contrast thereto that, in accordance with Art. 20.2, the 20 year term of protection pursuant to Art. 33 was to be applied.

⁵ *Ibid.*, para. 60.

⁶ *Canada—Patent Term*, WT/DS170/R, para. 6.44; *Canada—Patent Term*, WT/DS170/AB/R, para. 69.

II. Protection of Certain Subject Matter (Art. 70.2)

Art. 70.2, sentence 1 obliges Members to apply the TRIPS Agreement “in respect of all subject matter existing at the date of application of this Agreement for the Member in question, and which is protected in that Member on the said date, or which meets or comes subsequently to meet the criteria for protection under the terms of this Agreement”. This means that the protection of existing subject matter persists and is not foreclosed by the application of the TRIPS Agreement. The TRIPS Agreement therefore merely changes the law applicable to such existing subject matter. Moreover, protection is granted only to subject matter which meets the criteria for protection on the date of application of the TRIPS Agreement or later.⁷ According to Art. 70.2, sentence 1, this obligation exists only if it is not “otherwise provided for in this Agreement”.

One **exception** to this regulation (and to Arts 70.3 and 70.4) is provided in Art. 70.2, sentence 2 regarding copyright obligations with respect to works existing at the date of application. These are defined pursuant to Art. 18 BC only, which addresses the temporal scope of application of the BC and excludes in its para. 1 works which have “fallen into the public domain in the country of origin through the expiry of the term of protection”. In accordance with Art. 18.2 BC, a work which is no longer protected in the protecting country by reason of the expiry of the term of protection remains in the public domain irrespectively of the protection granted in country of origin. Pursuant to Art. 18.3 BC, “the application of this principle shall be subject to any provisions contained in special conventions to that effect existing or to be concluded between countries of the Union”. Art. 18.4 BC concerns the accession of States to the Union, in which case works of a signatory of the Union which had previously fallen into the public domain in that Member are granted protection under the BC if they have not yet fallen into the public domain in the country of origin through the expiry of the term of protection. Moreover, accession by a new State means protection under the Berne Convention for works originating in that State and previously forming part of the public domain within the scope of application of the Berne Convention if they have not yet fallen into the public domain through the expiry of the term of protection in that State.

According to Art. 70.2, sentence 2 read together with Art. 14.6, Art. 18 BC applies, *mutatis mutandis*, to the rights of performers and producers of phonograms in phonograms existing at the date of application.⁸ Art. 18 BC is therefore *lex specialis* to Arts 70.2 to 70.4 in respect of copyrights and related rights.

⁷ Canada—Patent Term, WT/DS170/AB/R, para. 65.

⁸ Cf. Gervais, para. 2.536.

III. Protection of Subject Matter Which has Fallen into the Public Domain (Art. 70.3)

- 8 In accordance with Art. 70.3, “there shall be no obligation to restore protection to subject matter which on the date of application of this [the TRIPS] Agreement for the Member in question has fallen into the public domain”. The same applies with immediate effect to subject matter which has fallen into the public domain.⁹ Art. 70.3 is *lex generalis* to Art. 70.2, sentence 2 in respect of the copyright protection of existing works and phonograms.¹⁰ These are exclusively subject to Art. 18 BC, which abolishes the obligation to grant protection to works which have fallen into the public domain only if they did so by reason of the expiry of the term of protection. In contrast, Art. 70.3 TRIPS excludes the obligation to grant protection to all other subject matter which has fallen into the public domain regardless of the reason.

IV. Infringing Acts (Art. 70.4)

- 9 In accordance with Art. 70.4, the Members are authorized, “in respect of acts which were **[lawfully] commenced**, or in respect of which a **significant investment** was made”¹¹ before the date of acceptance of the WTO Agreement, and which become infringing with the TRIPS Agreement, to “provide for a limitation of the remedies available to the right holder [pursuant to the TRIPS] as to the continued performance of such acts”. This provision thus serves to protect those who have acted or made investments in good faith before the Members accepted their obligations under the WTO Agreement. The relevant date for the purposes of Art. 70.4 differs from that in the previous paragraphs and, in fact, from any other TRIPS provision. It refers to the “date of acceptance of the WTO Agreement”, which is different for earlier GATT Contracting Parties (1 January 1995) and acceding Members, but prior to the application of TRIPS.¹²
- 10 In substance, Art. 70.4, sentence 2 requires Members in cases where the remedies available to the right holder are limited to provide “at least [...] for the payment of equitable remuneration”. This obligation does not apply to existing works or phonograms.

⁹ *de Carvalho*, 307.

¹⁰ *Gervais*, para. 2.536.

¹¹ Emphasis added.

¹² *Cf. Correa*, 511.

V. Limitation of Rental Rights (Art. 70.5)

The Members may exclude the application of the rental rights granted under Arts 11 and 14.4 for computer programs, cinematographic works and phonograms “with respect to originals or copies purchased prior to the date of application of this [the TRIPS] Agreement for that Member”. Likewise Art. 70.4, this provision aims at protecting the good faith of the acquirer of the respective work who was not subject to the rights and obligations established by Arts 11 and 14.4 TRIPS. 11

VI. Limitation of Patent Protection (Art. 70.6)

In accordance with Art. 70.6, “Members shall not be required to apply Art. 31 [specific requirements to the use of a patent without the consent of the right holder], or the requirement in Art. 27.1 that patent rights shall be enjoyable without discrimination as to the field of technology, to use without the authorization of the right holder where authorization for such use was granted by the government before the date this [the TRIPS] Agreement became known”. The TRIPS Agreement became known in its concrete form with the publication of the so-called Dunkel Draft of GATT Director-General Arthur Dunkel on 20 December 1991.¹³ The term “known” suggests a practical interpretation which best ties in with the Members actual knowledge of the terms of the agreements. If the provision were to refer to the Final Uruguay Round Act instead, it would have been explicitly mentioned so. The main purpose of the provision is to **protect the good faith** of persons who were granted authorization for such use. In this respect, Art. 70.6 is an exception to Art. 70.2, sentence 1, and to Art. 70.4. 12

VII. Simplified Amendment of Applications (Art. 70.7)

According to Art. 70.7 sentence 1, “in the case of intellectual property rights for which **protection is conditional upon registration**, applications for protection which are pending on the date of application of this [the TRIPS] Agreement for the Member in question shall be permitted to be amended to claim any enhanced protection provided under the provisions of this Agreement”.¹⁴ However, pursuant to Art. 70.7, sentence 2, “such amendments shall not include new matter”. This provision aims at safeguarding certain time-limits or priorities, which are protected by the applications. 13

¹³ Different view *Correa*, 513, who assumes, that the date on which the Final Uruguay Round Act was signed in Marrakesh (15 April 1994) is meant.

¹⁴ Emphasis added.

- 14 Intellectual property rights, for which protection is conditional upon registration, are trademarks, geographical indications and patents. Registration is not necessary for copyrights and undisclosed information.

**C. Transitional Arrangements Regarding Patent Protection
for Pharmaceutical and Agricultural Chemical Products
(Arts 70.8 and 9)**

I. Filing Procedure

- 15 Art. 70.8 obliges the Members to establish a mailbox mechanism for patent applications, *i.e.* to enable the filing of patent registration for pharmaceutical and agricultural chemical products as of the date of entry into force of the WTO Agreement if they are at that date still unable to provide patent protection commensurate with Art. 27.¹⁵ In accordance with Art. 70.8 lit. a, this obligation applies, notwithstanding the transitional provisions of Part VI, to all Members as of 1 January 1995.¹⁶ This means that in case the Member is, pursuant to Art. 65,¹⁷ exempt from granting patent protection equivalent to Art. 27, it nevertheless is bound to receive applications for patents on pharmaceutical and agricultural chemical products. By this means, the provision safeguards certain registration criteria—such as novelty and priority—for the patentability of pharmaceutical and agrochemical products.¹⁸ These areas were regarded so important that the implementation of the TRIPS standards could not await the lapse of the transitional periods. Pharmaceutical products are those used for curative treatment and therapy. Agricultural chemical products are chemical substances implemented in the field of agriculture. So far, the obligation to establish a mailbox procedure under lit. a of the provision was found to be violated in two cases brought against India.¹⁹

¹⁵ The expression “mailbox” results from the fact that the filing pursuant to Art. 70.8 pauses until patent protection is given in accordance with Art. 27 *et seq.*

¹⁶ *India—Patents (US)*, WT/DS50/AB/R, paras 53–55; *India—Patents (EC)*, WT/DS79/R, para. 7.32.

¹⁷ *Anzellotti*, Article 65.

¹⁸ *India—Patents (US)*, WT/DS50/R, paras 7.27 *et seq.*; *India—Patents (US)*, WT/DS50/AB/R, para. 56; *India—Patents (EC)*, WT/DS79/R, paras 7.39–7.40.

¹⁹ In the first Indian Patent dispute brought by the US, the Appellate Body found flaws in India’s application system and therefore upheld the Panel’s conclusion that India failed to properly implement its obligations under Article 70.8 lit. a. See *India—Patents (US)*, WT/DS50/AB/R, paras 49 *et seq.* In the subsequent proceedings dealing with the very same Indian measure, however, this time initiated by the EC—being a third party to the original proceedings—, the Panel recalled the findings of the Appellate Body and noted that India’s arguments here were not much different than in the earlier case. On this basis, the Panel held that India was in violation with Art. 70.8 lit. a. See *India—Patents (EC)*, WT/DS79/R, paras 7.31 *et seq.*

Pursuant to Art. 70.8 lit. b, as of the date of application of the TRIPS Agreement, Members must apply the criteria for patentability to those registration filings “as if those criteria were being applied on the date of filing in that Member or, where priority is available and claimed, the priority date of the application”.²⁰ Registration is intended to preserve the existing criteria for patentability until the actual time of review. This review of the mailbox-applications could not occur before the expiration of the transitional period provided for in Art. 65. Otherwise, the protection of exclusive marketing rights (Art. 70.9) would be undermined.²¹ Art. 70.8 lit. c requires Members to provide patent protection in accordance with the TRIPS Agreement “as from the grant of the patent and for the remainder of the patent term, counted from the filing date”. As was determined by Appellate Body in *India—Patents (US)*, Members must provide a “sound legal basis” for this procedure in their legislation in order to “preserve both the novelty of inventions and the priority of the applications as of the relevant filing of and priority dates.”²² 16

II. Grant of Exclusive Marketing Rights (EMRs)

Art. 70.9 obliges the Members to grant exclusive marketing rights (EMRs) for products if first, a patent application for the said product has been filed in that Member in accordance with paragraph 8 lit. a, second, a patent has been granted in another Member, third, market approval has been obtained for the patented product and fourth, market approval has been obtained in the Member that has received the patent application. Exclusive marketing rights (EMRs) serve as a substitute for the patent rights and are meant to provide the right holder with the exclusive privileges notwithstanding the transitional period a Member enjoys under Art. 65. For instance, the market is to be kept free from products manufactured under similar conditions. Moreover, the right holder is to be granted exclusive rights in respect of the manufacture, use, supply and sale of the products in question as well as the enforcement of these rights. In this respect, the EMRs aim at echoing the rights conferred by Art. 28.²³ However, the same options for restrictions and exceptions as those for patent rights apply.²⁴ 17

Exclusive marketing rights are to be granted until they are confirmed or substituted by the grant of a patent, or suspended by the legitimate refusal of a patent. In respect of Members who have their own market licensing 18

²⁰ *India—Patents (US)*, WT/DS50/AB/R, paras 56, 47.

²¹ *Correa*, 515.

²² *India—Patents (US)*, WT/DS50/AB/R, para. 58.

²³ *Different Correa*, 516.

²⁴ *de Carvalho*, 314.

system, EMRs are to be granted for a maximum of five years following the obtaining of the market licence.

- 19 As a result from reference to Art. 70.8 lit. a, the duty to grant EMRs pursuant to Art. 70.9 applies notwithstanding the transitional provisions of Part VI from 1 January 1995.²⁵ The Panel in *India—Patents* pointed out, that “the range of products affected, *i.e.* pharmaceuticals and agricultural chemicals, is large and differing marketing approval regimes will apply according to the products in question.” For these reasons, the Panel was not convinced that India can establish any specific date later than 1 January 1995 as the date by which it should have in place the legal means necessary to give effect to the exclusive marketing rights provisions of Article 70.9.²⁶ Moreover, exclusive marketing rights must be granted even if there is no concrete patent application.²⁷ In *India—Patents*, India argued that since no application for the grant of EMRs had been filed, there was no violation of that provision. The Panel considered the decisive question in respect of Art. 70.9 to be one of temporal scope of application that is when to establish “a mechanism ready for the grant of exclusive marketing rights”.²⁸ Following the European approach, the Panel concluded that, that the individual grant of EMRs only depending on respective requests was not sufficient to fulfill the obligations of Art. 70.9. Such a system, so the Panel, “cannot operate effectively unless there is a mechanism in place that established general availability and enables such requests to be made.”²⁹

²⁵ *India—Patents (US)*, WT/DS50/AB/R, paras 82 *et seq.*; *India—Patents (EC)*, WT/DS79/R, para. 7.64.

²⁶ *India—Patents (EC)*, WT/DS79/R, para. 7.70.

²⁷ *Ibid.*, para. 7.65.

²⁸ *Ibid.*, para. 7.61.

²⁹ *Ibid.*, para. 7.65.

Article 71* Review and Amendment

1. The Council for TRIPS shall review the implementation of this Agreement after the expiration of the transitional period referred to in paragraph 2 of Article 65. The Council shall, 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.
2. Amendments merely serving the purpose of adjusting to higher levels of protection of intellectual property rights 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.

CROSS REFERENCES

Art. X WTO.

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A. Review by the Council for TRIPS (Art. 71.1)

Intellectual property protection is a dynamic field of law necessitating **regular adaptation** to technological, economic and social developments. As was made clear in Art. 71, Members are aware of the constant need of review and will support further development of the TRIPS Agreement. In accordance with Art. 71.1, the **Council for TRIPS**, whose tasks are described in general in Art. 68, acts as a monitoring body in respect of the further development and adaptation of the TRIPS Agreement. It is therefore entrusted with a special task in view of the acceptance and credibility of the TRIPS Agreement, the more so as many questions were left unanswered during the Uruguay Round negotiations and postponed to a later date. 1

Pursuant to Art. 71.1, a first review concerning the implementation of the TRIPS Agreement is to take place after the expiry of the transitional period referred to in Art. 65.2 that is 1 January 2000. Aim of this compulsory review is to verify the state of implementation and to ensure compliance with the obligations of the TRIPS Agreement.¹ Thereafter, the TRIPS Agreement is to be reviewed by the Council **every two years**, taking into consideration the experience gained with regard to the implementation of the TRIPS Agreement and in light of any developments in the international protection of intellectual property. Naturally, also the effects of modifications or 2

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ Cf. *Correa*, 517.

amendments to the TRIPS Agreement would be part of these reviews. The Council's review is to be based on the laws and regulations of the Members, which the latter are obliged to notify to it in accordance with Art. 63.2. However, this general provision on the review of the TRIPS Agreement by the Council may be overridden by special regulations in the individual case. *E.g.* Art. 27.3 lit. b provides for a review after four years after entry into force of the WTO Agreement.

B. Simplified Amendment Procedure (Art. 71.2)

- 3 Art. 71.2 deals with the procedure to be followed when introducing amendments to the TRIPS Agreement. Accordingly, “amendments merely serving the purpose of **adjusting to higher levels of protection** of intellectual property rights 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 Article X:6 of the WTO Agreement on the basis of a consensus proposal from the Council for TRIPS”. Acceptance was expressed during the signing of the agreements. Ratification of the acceptance is not required. In practise, modifications due to this provision would be rare because of the rigorous requirements.
- 4 In accordance with Art. X:6 WTO Agreement, such amendments to the TRIPS Agreement may be adopted by the Ministerial Conference—in contrast to the regular procedure for amending the WTO Agreement—without any further official adoption procedure. With regard to **any other amendments** to the TRIPS Agreement, such as adjustment to higher or lower levels of protection or extension of the exemption clauses, the regular amendment procedure as defined in Art. X WTO Agreement is to be considered.

Article 72* Reservations

Reservations may not be entered in respect of any of the provisions of this Agreement without the consent of the other Members.

CROSS REFERENCES

Arts 22, 23 VCLT.¹

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A. Concept

In accordance with Art. 72, any reservation made by a Member in respect of the effectiveness of any provision of the TRIPS Agreement requires **approval** in the sense of the prior consent of all other Members. Reservations are exceptions to individual provisions of the Agreement that take effect only between the Member establishing the reservation and the other Members. They do not affect the relationship of the other Members with each other. The provision aims at **safeguarding the special interests** of those Members who cannot fulfil the obligations arising out of the TRIPS Agreement in an individual case and who may be indemnified by way of a reservation. The requirement of approval of all other Members underpins the multilateral approach to this issue. 1

B. Further Clarification Through the Vienna Convention on the Law of Treaties

Art. 72 is further clarified by the **general provisions** of the Vienna Convention on the Law of Treaties (VCLT). 2

In accordance with Art. 22.1 VCLT, a Contracting State may withdraw a reservation it has made at any time without the consent of the other States. Pursuant to Art. 22.3 lit. a VCLT, unless otherwise agreed, “the withdrawal of a reservation becomes operative in relation to another Contracting State only when notice of it has been received by that State”. The **procedure** regarding reservations is based on Art. 23 VCLT, according to which the formulation, acceptance and withdrawal of a reservation are to be **made in writing**. 3

* The commentary is translated by Susanne Kruse, professional graduate translator.

¹ UNTS 1155 (1980), 331.

Article 73* Security Exceptions

Nothing in this Agreement shall be construed:

- (a) to require a Member to furnish any information the disclosure of which it considers contrary to its essential security interests; or
- (b) to prevent a Member from taking any action which it considers necessary for the protection of its essential security interests;
 - (i) relating to fissionable materials or the materials from which they are derived;
 - (ii) relating to the traffic in arms, ammunition and implements of war and to such traffic in other goods and materials as is carried on directly or indirectly for the purpose of supplying a military establishment;
 - (iii) taken in time of war or other international relations emergency in international relations; or
- (c) to prevent a Member from taking any action in pursuance of its obligations under the United Nations Charter for the maintenance of international peace and security.

CROSS REFERENCES

Art. XXI GATT 1994; Art. XIV*bis* GATS.

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A. General

- 1 Art. 73 contains a **safeguard clause** essentially corresponding to Art. XXI GATT 1994—which Members have repeatedly invoked within the framework of the GATT in order to justify restrictions on trade and other economic sanctions—as well as to Art. XIV*bis* in the GATS Agreement. As regards the evaluation of their own security interests and reference to the exceptions provided for in Art. 73, WTO Members—due to the rather vague concept of the provision—are given a **wide margin of discretion**. This, however, also enables Members to exempt themselves illegitimately from the obligations of the TRIPS Agreement by invoking their security interests. In order to prevent such security-related abuse of the exceptions, Art. 73 stipulates that considerable demands must be made when a security exception is invoked.

B. Non-Disclosure of Information

- 2 Pursuant to Art. 73 lit. a, there is no obligation “to furnish any information the disclosure of which it considers contrary to its essential security interests”. In this regard, it is particularly noteworthy that the assessment

* The commentary is translated by Susanne Kruse, professional graduate translator.

concerning the essential security interest requirement is undertaken by the Member invoking the exception.

C. Protection Measures

In accordance with Art. 73 lit. b, nothing in the TRIPS Agreement shall be construed “to prevent a Member from taking any action which it considers necessary for the protection of its essential security interests” relating to “fissionable materials”, traffic in military material or “in times of war or other emergency in international relations.” 3

D. United Nations Security Measures

Finally, Art. 73 lit. c does not provide for any obligations counteracting the actions taken by a Member “in pursuance of its obligations under the United Nations Charter for the maintenance of international peace and security”. An invocation of Art. 73 lit. c may be considered in particular with regard to the implementation of UN resolutions, such as the application of economic sanctions. 4

APPENDIX

A. Annex to the TRIPS Agreement (WT/L/641)

1. For the purposes of Article 31*bis* and this Annex:
 - “pharmaceutical product” means any patented product, or product manufactured through a patented process, of the pharmaceutical sector needed to address the public health problems as recognized in paragraph 1 of the Declaration on the TRIPS Agreement and Public Health (WT/MIN(01)/DEC/2). It is understood that active ingredients necessary for its manufacture and diagnostic kits needed for its use would be included;¹
 - “eligible importing Member” means any least-developed country Member, and any other Member that has made a notification² to the Council for TRIPS of its intention to use the system set out in Article 31*bis* and this Annex (“system”) as an importer, it being understood that a Member may notify at any time that it will use the system in whole or in a limited way, for example only in the case of a national emergency or other circumstances of extreme urgency or in cases of public non-commercial use. It is noted that some Members will not use the system as importing Members³ and that some other Members have stated that, if they use the system, it would be in no more than situations of national emergency or other circumstances of extreme urgency;
 - “exporting Member” means a Member using the system to produce pharmaceutical products for, and export them to, an eligible importing Member.
2. The terms referred to in paragraph 1 of Article 31*bis* are that:
the eligible importing Member(s)⁴ has made a notification² to the Council for TRIPS, that:

¹ This subparagraph is without prejudice to subparagraph 1(b).

² It is understood that this notification does not need to be approved by a WTO body in order to use the system.

³ Australia, Canada, the European Communities with, for the purposes of Article 31*bis* and this Annex, its member States, Iceland, Japan, New Zealand, Norway, Switzerland, and the United States.

⁴ Joint notifications providing the information required under this subparagraph may be made by the regional organizations referred to in paragraph 3 of Article 31*bis* on behalf of eligible importing Members using the system that are parties to them, with the agreement of those parties.

- (i) specifies the names and expected quantities of the product(s) needed;⁵
- (ii) confirms that the eligible importing Member in question, other than a least-developed country Member, has established that it has insufficient or no manufacturing capacities in the pharmaceutical sector for the product(s) in question in one of the ways set out in the Appendix to this Annex; and
- (iii) confirms that, where a pharmaceutical product is patented in its territory, it has granted or intends to grant a compulsory licence in accordance with Articles 31 and 31*bis* of this Agreement and the provisions of this Annex;⁶

the compulsory licence issued by the exporting Member under the system shall contain the following conditions:

only the amount necessary to meet the needs of the eligible importing Member(s) may be manufactured under the licence and the entirety of this production shall be exported to the Member(s) which has notified its needs to the Council for TRIPS;

products produced under the licence shall be clearly identified as being produced under the system through specific labelling or marking. Suppliers should distinguish such products through special packaging and/or special colouring/shaping of the products themselves, provided that such distinction is feasible and does not have a significant impact on price; and

before shipment begins, the licensee shall post on a website⁷ the following information:

- the quantities being supplied to each destination as referred to in indent (i) above; and
- the distinguishing features of the product(s) referred to in indent (ii) above;

the exporting Member shall notify⁸ the Council for TRIPS of the grant of the licence, including the conditions attached to it.⁹ The information provided shall include the name and address of the licensee, the product(s) for which the licence has been granted, the quantity(ies) for which it has

⁵ The notification will be made available publicly by the WTO Secretariat through a page on the WTO website dedicated to the system.

⁶ This subparagraph is without prejudice to Article 66.1 of this Agreement.

⁷ The licensee may use for this purpose its own website or, with the assistance of the WTO Secretariat, the page on the WTO website dedicated to the system.

⁸ It is understood that this notification does not need to be approved by a WTO body in order to use the system.

⁹ The notification will be made available publicly by the WTO Secretariat through a page on the WTO website dedicated to the system.

been granted, the country(ies) to which the product(s) is (are) to be supplied and the duration of the licence. The notification shall also indicate the address of the website referred to in subparagraph (b)(iii) above.

3. In order to ensure that the products imported under the system are used for the public health purposes underlying their importation, eligible importing Members shall take reasonable measures within their means, proportionate to their administrative capacities and to the risk of trade diversion to prevent re-exportation of the products that have actually been imported into their territories under the system. In the event that an eligible importing Member that is a developing country Member or a least-developed country Member experiences difficulty in implementing this provision, developed country Members shall provide, on request and on mutually agreed terms and conditions, technical and financial cooperation in order to facilitate its implementation.

4. Members shall ensure the availability of effective legal means to prevent the importation into, and sale in, their territories of products produced under the system and diverted to their markets inconsistently with its provisions, using the means already required to be available under this Agreement. If any Member considers that such measures are proving insufficient for this purpose, the matter may be reviewed in the Council for TRIPS at the request of that Member.

5. With a view to harnessing economies of scale for the purposes of enhancing purchasing power for, and facilitating the local production of, pharmaceutical products, it is recognized that the development of systems providing for the grant of regional patents to be applicable in the Members described in paragraph 3 of Article 31*bis* should be promoted. To this end, developed country Members undertake to provide technical cooperation in accordance with Article 67 of this Agreement, including in conjunction with other relevant intergovernmental organizations.

6. Members recognize the desirability of promoting the transfer of technology and capacity building in the pharmaceutical sector in order to overcome the problem faced by Members with insufficient or no manufacturing capacities in the pharmaceutical sector. To this end, eligible importing Members and exporting Members are encouraged to use the system in a way which would promote this objective. Members undertake to cooperate in paying special attention to the transfer of technology and capacity building in the pharmaceutical sector in the work to be undertaken pursuant to Article 66.2 of this Agreement, paragraph 7 of the Declaration on the TRIPS Agreement and Public Health and any other relevant work of the Council for TRIPS.

7. The Council for TRIPS shall review annually the functioning of the system with a view to ensuring its effective operation and shall annually report on its operation to the General Council.

**B. Declaration on the TRIPS Agreement and Public Health
(WT/MIN(1)/MIN/2)**

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:

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.

Each Member has the right to grant compulsory licences and the freedom to determine the grounds upon which such licences are granted.

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.

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.

C. Provisions of the IPIC Treaty Incorporated by Art. 35 of the TRIPS Agreement

Article 2: Definitions

For the purposes of this Treaty:

- (i) “integrated circuit” means a product, in its final form or an intermediate form, in which the elements, at least one of which is an active element, and some or all of the interconnections are integrally formed in and/or on a piece of material and which is intended to perform an electronic function,
- (ii) “layout-design (topography)” means the three-dimensional disposition, however expressed, of the elements, at least one of which is an active element, and of some or all of the interconnections of an integrated circuit, or such a three-dimensional disposition prepared for an integrated circuit intended for manufacture,
- (iii) “holder of the right” means the natural person who, or the legal entity which, according to the applicable law, is to be regarded as the beneficiary of the protection referred to in Article 6,

- (iv) “protected layout-design (topography)” means a layout-design (topography) in respect of which the conditions of protection referred to in this Treaty are fulfilled,
- (v) “Contracting Party” means a State, or an Intergovernmental Organization meeting the requirements of item (x), party to this Treaty,
- (vi) “territory of a Contracting Party” means, where the Contracting Party is a State, the territory of that State and, where the Contracting Party is an Intergovernmental Organization, the territory in which the constituting treaty of that Intergovernmental Organization applies,
- (vii) “Union” means the Union referred to in Article 1,
- (viii) “Assembly” means the Assembly referred to in Article 9,
- (ix) “Director General” means the Director General of the World Intellectual Property Organization,
- (x) “Intergovernmental Organization” means an organization constituted by, and composed of, States of any region of the world, which has competence in respect of matters governed by this Treaty, has its own legislation providing for intellectual property protection in respect of layout-designs (topographies) and binding on all its member States, and has been duly authorized, in accordance with its internal procedures, to sign, ratify, accept, approve or accede to this Treaty.

Article 3: The Subject Matter of the Treaty

- (1) [Obligation to Protect Layout-Designs (Topographies)]
 - (a) Each Contracting Party shall have the obligation to secure, throughout its territory, intellectual property protection in respect of layout-designs (topographies) in accordance with this Treaty. It shall, in particular, secure adequate measures to ensure the prevention of acts considered unlawful under Article 6 and appropriate legal remedies where such acts have been committed.
 - (b) The right of the holder of the right in respect of an integrated circuit applies whether or not the integrated circuit is incorporated in an article.
 - (c) Notwithstanding Article 2(i), any Contracting Party whose law limits the protection of layout-designs (topographies) to layout-designs (topographies) of semiconductor integrated circuits shall be free to apply that limitation as long as its law contains such limitation.
- (2) [Requirement of Originality]
 - (a) The obligation referred to in paragraph (1)(a) shall apply to layout-designs (topographies) that are original in the sense that they are the result of their creators’ own intellectual effort and are not commonplace among creators of layout-designs (topographies) and manufacturers of integrated circuits at the time of their creation.

- (b) A layout-design (topography) that consists of a combination of elements and interconnections that are commonplace shall be protected only if the combination, taken as a whole, fulfills the conditions referred to in subparagraph (a).

Article 4: The Legal Form of the Protection

Each Contracting Party shall be free to implement its obligations under this Treaty through a special law on layout-designs (topographies) or its law on copyright, patents, utility models, industrial designs, unfair competition or any other law or a combination of any of those laws.

Article 5: National Treatment

(1) [National Treatment]

Subject to compliance with its obligation referred to in Article 3(1)(a), each Contracting Party shall, in respect of the intellectual property protection of layout-designs (topographies), accord, within its territory,

- (i) to natural persons who are nationals of, or are domiciled in the territory of, any of the other Contracting Parties, and
- (ii) to legal entities which or natural persons who, in the territory of any of the other Contracting Parties, have a real and effective establishment for the creation of layout-designs (topographies) or the production of integrated circuits,

the same treatment that it accords to its own nationals.

(2) [Agents, Addresses for Service, Court Proceedings]

Notwithstanding paragraph (1), any Contracting Party is free not to apply national treatment as far as any obligations to appoint an agent or to designate an address for service are concerned or as far as the special rules applicable to foreigners in court proceedings are concerned.

(3) [Application of Paragraphs (1) and (2) to Intergovernmental Organizations]

Where the Contracting Party is an Intergovernmental Organization, “nationals” in paragraph (1) means nationals of any of the States members of that Organization.

Article 6: The Scope of the Protection

(1) [Acts Requiring the Authorization of the Holder of the Right]

- (a) Any Contracting Party shall consider unlawful the following acts if performed without the authorization of the holder of the right:

- (i) the act of reproducing, whether by incorporation in an integrated circuit or otherwise, a protected layout-design (topography) in its entirety or any part thereof, except the act of reproducing any part that does not comply with the requirement of originality referred to in Article 3(2),
 - (ii) the act of importing, selling or otherwise distributing for commercial purposes a protected layout-design (topography) or an integrated circuit in which a protected layout-design (topography) is incorporated.
 - (b) Any Contracting Party shall be free to consider unlawful also acts other than those specified in subparagraph (a) if performed without the authorization of the holder of the right.
- (2) [Acts Not Requiring the Authorization of the Holder of the Right]
- (a) Notwithstanding paragraph (1), no Contracting Party shall consider unlawful the performance, without the authorization of the holder of the right, of the act of reproduction referred to in paragraph (1)(a)(i) where that act is performed by a third party for private purposes or for the sole purpose of evaluation, analysis, research or teaching.
 - (b) Where the third party referred to in subparagraph (a), on the basis of evaluation or analysis of the protected layout-design (topography) (“the first layout-design (topography)”), creates a layout-design (topography) complying with the requirement of originality referred to in Article 3(2) (“the second layout-design (topography)”), that third party may incorporate the second layout-design (topography) in an integrated circuit or perform any of the acts referred to in paragraph (1) in respect of the second layout-design (topography) without being regarded as infringing the rights of the holder of the right in the first layout-design (topography).
 - (c) The holder of the right may not exercise his right in respect of an identical original layout-design (topography) that was independently created by a third party.
- (4) [Sale and Distribution of Infringing Integrated Circuits Acquired Innocently]
- Notwithstanding paragraph (1)(a)(ii), no Contracting Party shall be obliged to consider unlawful the performance of any of the acts referred to in that paragraph in respect of an integrated circuit incorporating an unlawfully reproduced layout-design (topography) where the person performing or ordering such acts did not know and had no reasonable ground to know, when acquiring the said integrated circuit, that it incorporates an unlawfully reproduced layout-design (topography).
- (5) [Exhaustion of Rights]
- Notwithstanding paragraph (1)(a)(ii), any Contracting Party may consider lawful the performance, without the authorization of the holder of the

right, of any of the acts referred to in that paragraph where the act is performed in respect of a protected layout-design (topography), or in respect of an integrated circuit in which such a layout-design (topography) is incorporated, that has been put on the market by, or with the consent of, the holder of the right.

Article 7: Exploitation; Registration, Disclosure

(1) [Faculty to Require Exploitation]

Any Contracting Party shall be free not to protect a layout-design (topography) until it has been ordinarily commercially exploited, separately or as incorporated in an integrated circuit, somewhere in the world.

(2) [Faculty to Require Registration; Disclosure]

- (a) Any Contracting Party shall be free not to protect a layout-design (topography) until the layout-design (topography) has been the subject of an application for registration, filed in due form with the competent public authority, or of a registration with that authority; it may be required that the application be accompanied by the filing of a copy or drawing of the layout-design (topography) and, where the integrated circuit has been commercially exploited, of a sample of that integrated circuit, along with information defining the electronic function which the integrated circuit is intended to perform; however, the applicant may exclude such parts of the copy or drawing that relate to the manner of manufacture of the integrated circuit, provided that the parts submitted are sufficient to allow the identification of the layout-design (topography).
- (b) Where the filing of an application for registration according to subparagraph (a) is required, the Contracting Party may require that such filing be effected within a certain period of time from the date on which the holder of the right first exploits ordinarily commercially anywhere in the world the layout-design (topography) of an integrated circuit; such period shall not be less than two years counted from the said date.
- (c) Registration under subparagraph (a) may be subject to the payment of a fee.

Article 12: Safeguard of Paris and Berne Conventions

This Treaty shall not affect the obligations that any Contracting Party may have under the Paris Convention for the Protection of Industrial Property or the Berne Convention for the Protection of Literary and Artistic Works.

Article 16: Entry Into Force of the Treaty**(3) [Protection of Layout-Designs (Topographies) Existing at Time of Entry Into Force]**

Any Contracting Party shall have the right not to apply this Treaty to any layout-design (topography) that exists at the time this Treaty enters into force in respect of that Contracting Party, provided that this provision does not affect any protection that such layout-design (topography) may, at that time, enjoy in the territory of that Contracting Party by virtue of international obligations other than those resulting from this Treaty or the legislation of the said Contracting Party.

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