

# TRIPS In Current GATT Negotiations

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*The trade-related aspects of intellectual property — TRIPS in Uruguay Round of GATT Negotiations*

The inclusion of intellectual property in the GATT negotiations is indicative of the dramatically increased importance that intellectual property issues have been receiving from governments. In Canada, this increased awareness of the economic importance of intellectual has manifested itself in legislative amendments: Bill C-22 amending the Patent Act, Bill C-60 amending the Copyright Act, Bill C-107 introducing Plant Breeders' Rights legislation, and the commitment under the Free Trade Agreement with the U.S.A. to implement a retransmission system in the Canadian Copyright Act.

The trade talks in the GATT may result in a requirement for Canada, and many other nations, to make even further changes.

## PRESENT INTERNATIONAL INTELLECTUAL PROPERTY REGIMES

Intellectual property laws set out the rules of the game for trade in ideas and technology. The ever-increasing growth of international trade, the globalization of many markets and the ease of appropriating intellectual property have given a new urgency to the establishment of a reliable international framework for the protection of intellectual property.

However, the need to have generally agreed upon international standards for the protection of trade in intellectual property is not a new concept. This need was recognized more than 100 years ago with the establishment of the Paris Conven-

tion for the Protection of Industrial Property in 1883 (covering inventions, trademarks, industrial designs, unfair competition, etc.), and the Berne Convention for the Protection of Literary and Artistic Works in 1886 (covering literary, artistic, musical and dramatic works). These major international intellectual property conventions have been signed and adhered to by almost all of the world's major trading nations.

In spite of these and several other substantive and administrative conventions regulating international intellectual property protection, substantial losses to industries throughout the world are occurring as a result of patent infringement, trademark counterfeiting, copyright piracy and misappropriation of trade secrets. U.S. estimates have put losses to U.S. firms from inadequate protection of intellectual property as high as \$40-\$60 million per year.<sup>1</sup>

While the major intellectual property conventions, administered by the (World Intellectual Property Organization WIPO) do have several strong features, in particular the principle of national treatment, there are also many weaknesses that limit their effectiveness. This is especially true for the Paris Convention covering industrial property, which lays down only a few general rules for contracting states to follow. As a result the laws of various countries differ from each other on several important points. Fundamental aspects of patent and trademark law protection that are not dealt with at all in the Paris Convention include the following:

### Patents

— No definition of subject-matter to be covered (e.g. what exclusions from patent protection are permitted?).

— No requirement regarding minimum term.

— Lack of norms governing compulsory licensing.

— No requirement to provide specific remedies or enforcement obligations.

### Trademarks

— No definition of a trademark is provided.

— No requirement on what rights are to be covered.

— No requirement regarding minimum term.

— No clear criteria on how marks are to be obtained.

In addition, the WIPO conventions do not provide any effective means for countries to resolve disputes about whether they are living up to their obligations to protect the interests of intellectual property owners.

These gaps in the present regimes for the protection of intellectual property underscore the need in the view of several countries and in particular the United States for renewed international efforts to improve such protection.

Efforts to amend the Paris Convention have been underway since the mid-1970s. These negotiations appear, however, to be indefinitely stalled because of inherent differences in the view of developed and developing countries. Because of this, and because it argued that the failure of many of its trading partners to provide adequate and effective protection for intellectual property was a growing problem that distorted trade, the U.S., with

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strong support from Japan and the European Community, successfully pushed to have intellectual property issues included in the current Uruguay Round of multilateral trade negotiations taking place under the auspices of the General Agreement on Tariffs and Trade (GATT).<sup>2</sup> Prior to the current Uruguay Round of GATT negotiations all significant international intellectual property negotiations had occurred in WIPO.

## OBJECTIVES OF THE GATT NEGOTIATIONS ON TRIPS

The GATT grew out of the post-World War II desire to avoid the debilitating trade protectionist policies that had restricted trade flows and contributed to economic stagnation in the pre-war period. The first agreement was signed in 1948. Successive GATT rounds have achieved the gradual elimination of tariffs on most traded products. Increasingly, however, other so called non-tariff barriers such as import quotas, differing product quality standards, government subsidies and the like have replaced tariffs as the prime protectionist measures that distort trade patterns. The new challenge of the GATT is how to remove these non-tariff barriers. The nonexistence or ineffective application of intellectual property protection can also be a non-tariff barrier to trade since it distorts trade flows away from legitimate to infringing products.

TRIPS is one of 14 separate negotiating groups on goods, in addition to a separate group of negotiations on services that has been established under the current Uruguay Round which began in September 1986. The specific mandate for the TRIPS negotiating group as decided upon by Ministers at Punta del Este, Uruguay, is as follows:

### "Negotiating Objective"

"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.

Negotiations shall aim to develop a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods, taking into account work already undertaken in the GATT.

These negotiations shall be without prejudice to other complementary initiatives that may be taken in the World Intellectual Property Organization and elsewhere to deal with these matters."

Throughout the course of 1987, several meetings of the negotiating group were held to identify more precisely the issues for negotiation, to review background factual information and to examine participants' suggestions for achieving the negotiating objectives. More concrete negotiations began in 1988. A mid-term review is to be held in Montreal in December 1988, at which time Ministers will review progress to date and agree to measures, if any, which might have been substantively negotiated.

Given the history of long, contentious negotiations on intellectual property that have occurred in WIPO (e.g. Paris Convention revision), it is unlikely that an early harvest will occur in the TRIPS negotiations. There is hope, however, that the ability to bring other trade considerations into the negotiations may lead to positive results by the end of the Uruguay Round scheduled for 1990.

## TRIPS ISSUES

For the purposes of defining trade in goods and services protected by intellectual property a broad approach covering all important intellectual property subject matter is being adopted by industrialized countries for the TRIPS negotiations. Thus, trade in intellectual property covering patents, copyrights, neighboring rights, trademarks, appellations of origin, industrial design, layout designs of integrated circuits, and trade secrets is included.

Significant industry sectors that rely on each form of intellectual property include:<sup>3</sup>

**Patents** — A wide variety of tech-

nologically innovative sectors including pharmaceuticals, chemicals, computers and electronics.

**Copyright** — Printing and publishing, filmmaking, audio and video recording, broadcasting, musical and other performances, computer software, character merchandising.

**Neighboring rights** — Performers, recording and broadcasting.

**Trademarks** — All product sectors; trademark recognition tends to be highest in consumer goods sectors such as clothing, footwear, cosmetics, watches, sporting goods, wines and spirits, tobacco products.

**Appellations of origin** — Wine and cheese.

**Industrial designs** — Textiles, ceramics, watchmaking, furniture.

**Designs of integrated circuits** — Semiconductor chips.

**Trade secrets** — Most high-technology sectors, and especially those with product life cycles shorter than the acquisition time for patent protection.

Trade related problems/issues have been cited with respect to all these intellectual property areas. I shall outline examples of the trade issues that are likely to be discussed in the TRIPS negotiations to give an idea of the breadth of the matters under consideration. Based on the submissions made by countries to the TRIPS negotiating group to date such trade issues have been categorized as follows:

1. Enforcement of Intellectual Property Rights.
2. Availability and scope of intellectual property rights.
3. Use of intellectual property rights.

### *Enforcement of Intellectual Property Rights*

Issues in connection with the trade effects of enforcement measures can be separated into border enforcement issues against imports, and internal enforcement issues against the domestic production and sale of infringing goods.

**1. Enforcement at the Border** — Two types of issues have been cited regarding enforcement at the border:

— Inadequate procedures and remedies, and

— Discriminatory procedures.

**2. Inadequate Procedures and Remedies** — The main problem under this heading would be the unavailability or difficulty for intellectual property owners to avail themselves of the assistance of customs authorities in excluding the importation of infringing products. Failure to effectively prevent the importation of infringing products can have direct trade effects on legitimate intellectual property goods that may be displaced or have their reputation harmed by lower quality infringing/counterfeit product.

**3. Discriminatory Procedures** — Enforcement measures at the border can be discriminatory and trade restricting. Legal or administrative systems or procedures that apply only to imports of goods protected by intellectual property but not to domestic products can act as barriers to legitimate trade. Defendants before such proceedings, for example, may not have recourse to the same defenses or counterclaims that would be available to domestic defendants before the courts. Some features of the proceedings before the U.S. International Trade Commission under S.337 of their Tariff Act have been cited in this connection.

#### *Availability and Scope of Intellectual Property Rights*

The issues covered under this heading concern trade problems considered to arise from either inadequacies in the availability and scope of intellectual property rights or from excessive or discriminatory protection. Examples of intellectual property protection perceived to be inadequate include:

##### **Patents**

— overly wide exclusions from patentable subject matter, e.g. chemicals and pharmaceuticals.

— term of protection which is too short.

— procedural problems with obtaining patents.

— over-reliance on compulsory licensing.

##### **Copyright**

— in some countries there is no protection for foreigners.

— terms of protection which are too short.

— over-reliance on compulsory licensing.

— no protection for computer software.

##### **Trademarks**

— difficulty in obtaining marks.

— difficulty in meeting use requirements in some countries because of high tariffs and/or import restrictions.

##### **Industrial Designs**

— no protection available in some countries.

##### **Integrated Circuits**

— no protection available in many countries.

Lack of intellectual property protection or unavailability of adequate protection have trade effects because they can reduce the value of rights to the point where it is no longer possible for the inventor/creator to recover the costs of investment in research, development and production. This leads to the creation of fewer new goods and services in all parts of the world and hence to fewer trading opportunities, and higher costs to ultimate consumers. In addition, the absence of effective protection leads to trade distorting activities such as piracy and counterfeiting.

#### *Use of Intellectual Property*

Trade effects regarding the use of intellectual property rights relate to aspects of licensing agreements, and in particular any restrictions on trade contained in these. Such restrictions can arise from government-imposed conditions (e.g. excessive requirements for the disclosure of technology) or from abusive features required by the rights owner (e.g. tie-in commitments on non-patented articles).

In addition, there is a more general issue of how far control should extend over international trade as a result of exclusive rights given under national intellectual property laws. That is, what rights should intellectual property rights owners have to control trade in so-called parallel import goods? Consideration of the effect of the exhaustion of import rights against goods put into commerce in another country, with the authorization of the rights holder, has not yet taken place in a multilateral trading context. The MTN-TRIPS negotiations may provide the forum for such consideration.

As can be seen from this list, the trade issues being considered are many and varied. Many industrialized countries hope, through the GATT, to set minimum international standards for the protection of intellectual property as well as obligations to enforce these. In addition they want to ensure that provisions, especially border measures, to enforce intellectual property rights, do not themselves become barriers to trade in legitimate goods.

Any comments or examples from LES members of specific incidents (e.g. reluctance to enter into licensing agreements in certain markets because of intellectual property inadequacies) would be welcomed to assist us in building an information base for the negotiations.

#### CANADIAN OBJECTIVES

Canada recognizes the benefits of clear, effective intellectual property protection. Recent legislative amendments to our patent and copyright legislation have significantly strengthened intellectual property protection in key sectors such as pharmaceuticals and computer software. Further action in the area of plant variety protection and semiconductor chips is hoped for in the near future.

In addition to these legislative initiatives, Canada has made a commitment, under the Free Trade Agreement with the United States, to revise our copyright law to provide protection for the retransmission of broadcast programs, to take effect no later than January 1, 1990. Further, Canada and the United States agreed to cooperate to improve the protection of intellectual property in the Uruguay Round of multilateral trade negotiations under the GATT and in other international forums.<sup>4</sup>

The Canadian Government commitment to intellectual property protection is therefore clear. However, Canada's interests are not identical to those of the U.S. We are a much smaller international player, relying very heavily on international trade for export earnings and for many imported consumer and industrial products.

Canada is strongly oriented to one trading partner — the U.S. (note that in the patent field more than 50% of Canadian patents granted go to U.S. inventors) but recognizes the need to expand our export markets to other GATT trading partners in Europe, Asia and Latin America. Our basic objective with respect to all GATT negotiations is to ensure that our trading partners open their markets to our exporters through trade laws that are non-discriminatory and easy to understand and use.

Specifically, in the field of intellectual property Canada seeks to strengthen the international system to provide a rigorous framework for the export and licensing of Canadian technology, and intellectual property protected goods and products abroad. To do this we will encourage the development of new multilateral instruments where they now do not exist (e.g. a treaty on semiconductor chip protection) and

the participation of as many of our trading partners as possible. It is equally important for us to remove or reduce trade barriers related to intellectual property such as border measures which disrupt trade in legitimate imports.

#### *Conclusion*

I trust that you will take up the invitation to provide information to the government regarding the business and economic problem you face from gaps or excesses in intellectual property laws.

Consumer and Corporate Affairs Canada is planning to establish a government-private sector intellectual property advisory committee to exchange views on the complete range of domestic and international intellectual property issues. Our hope is that LES U.S.A./Canada will be an important player on that committee and that through it you will share your expertise with government.

#### REFERENCES

1. A study released by the United States International Trade Commission in February 1988, *Foreign Protection of Intellectual Property Rights and the Effect on U.S. Industry and Trade* (hereafter referred to as the ITC study) provides information on those U.S. industries which claim to be most affected by inadequate foreign protection of intellectual property.

2. The following recent studies provide detailed background on the TRIPS issues from a U.S. perspective.

Gadbaw, R. Michael and Timothy J. Richards, eds. *Intellectual Property Rights - Global Consensus, Global Conflict?* Boulder, Co: Westview Press, February 1988.

Stalson, Helena, *Intellectual Property Rights and U.S. Competitiveness in Trade*, Washington, D.C.: National Planning Association, 1987.

*Basic Framework of a GATT Agreement or Intellectual Property* — proposals of the U.S. Advisory Committee on Intellectual Property.

3. ITC Study.

4. For an interesting discussion of what else may have been discussed in the Canada-U.S.A. free trade negotiations on intellectual property see: Nick Fyfe, *Agreements Not Reached: Intellectual Property*, paper presented to the American Bar Association, National Institute on United States/Canada Free Trade Agreement, Washington, January, 1988.