

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

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Group of Negotiations on Goods (GATT)
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Aspects of Intellectual Property Rights
Including Trade in Counterfeit Goods

MEETING OF NEGOTIATING GROUP OF 16 AND 20 SEPTEMBER 1991

Chairman: Ambassador Lars E.R. Anell (Sweden)

Note by the Secretariat

1. The Group adopted the agenda proposed in GATT/AIR/3226. The Chairman referred to his informal note of 13 August 1991, in which he had set out the proposed organisation of the meeting: a formal meeting at the beginning of the week, which would provide an opportunity for delegations to make any general statement on the state of negotiations on TRIPS and also for an examination of the proposal put to the Group by the delegation of Korea in document MTN.GNG/TRIPS/W/1; three days of informal consultations on the questions of Article 73 of the draft text, dispute settlement and the other outstanding issues in the TRIPS negotiations, focusing in particular on the work undertaken in Brussels; and finally, at the end of the week, another formal session at which delegations would be informed on the informal consultations, and for consideration of the organisation of the further work of the Group. He emphasised the Group's responsibility to ensure that, both at this and at subsequent meetings, it did everything possible to increase the chances of a successful conclusion of the Uruguay Round in the coming months.

2. The Group met in a formal session in the afternoon of 16 September and the morning of 20 September, leaving the period in between for the informal consultations.

A. Status of the negotiations on TRIPS

3. Introducing the proposal from his delegation, the representative of the Republic of Korea said that the successful conclusion and implementation of an agreement on TRIPS would be dependent, among other things, on whether such agreement, if adopted, would help facilitate the international transfer of technology; and whether it would provide rules by which the game of international transfer of technology was to be played. In that respect, it would be an omission if it did not commit all PARTIES to it to jointly formulate and establish a supra-national norm and system capable of regulating or discouraging anti-competitive practices which might occur in connection with the international transfer of technology. An agreement on TRIPS might provide such a regime to facilitate the

international transfer of technology. He recalled that Article 8, paragraph 2 of the current TRIPS draft contemplated the adoption of "appropriate measures 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" and said that his delegation's proposal should be seen as a concrete form of such appropriate measures. The proposal intended to provide a possible supranational mechanism for the prevention and regulation of abusive practices which might occur in connection with the international transfer of technology by way of establishing a dispute prevention system within the ambit of an agreement on TRIPS. It first envisaged the establishment of a Licence Review Board within the TRIPS Committee. It also required that the Committee, within two years from its establishment, should formulate and promulgate Guidelines for the Prevention of Abusive Practices in Licence Agreements Involving Patents and/or Know-how. The formulation of such Guidelines could be modelled on certain existing national regimes. He then stressed the basic ideas and key elements of his delegation's proposal. First, inasmuch as the international transfer of technology and the question of abusive practices which might occur in connection therewith took place between private parties of different countries, the solution should be found at the source, i.e. private level. Accordingly, when private parties of different countries engaged in the negotiation of a voluntary licence agreement involving patents and/or know-how encountered a disagreement as to the legality or abusive nature of a provision in the proposed licence agreement, they might, through their respective government, request the TRIPS Committee for an advisory opinion with regard to whether such licence agreement, either in part or as a whole, constituted an abuse of the patents and/or know-how or had an adverse effect on competition in international trade. Second, upon receipt of such request, the Committee should commission the Licence Review Board, i.e. a panel of experts selected from the roster as contemplated in the draft TRIPS agreement, to review the request and render its advisory opinion in accordance with the Guidelines. Third, the Licence Review Board should issue within six months from the referral of the request a written opinion accompanied by the reasons therefor. The opinion would not be binding upon any government, but this would not prevent private parties from agreeing to be bound by it. He said that in his delegation's view opinions issued by the Licence Review Board, despite their non-binding character, would provide valuable and constructive guidelines to the contracting parties and their private undertakings, and might eventually lead to the constitution of a body of international law governing anti-competitive practices involved in the international transfer of technology.

4. Responding to questions, the representative of the Republic of Korea stressed the voluntary nature of the procedure laid down in his delegation's proposal. In effect, there would be four filtering processes before a difference would come before the Licence Review Board, since both of the private undertakings engaged in the negotiation of the relevant licensing agreement would have to request their respective governments to seek an advisory opinion, after which also both governments would have to agree that an application for such an advisory opinion be submitted. A

participant was concerned that the effects of the system might be to delay or impede the transfer of technology, especially if licensing negotiations were to be suspended pending the issuance of the advisory opinion. In response, the representative of the Republic of Korea said that private parties might agree to suspend their licensing negotiations, but might also conclude the licensing agreement subject to its revision, if they agreed to be bound by the opinion of the Licence Review Board. In his delegation's view, however, delay would not be likely to occur, because in respect of major international licensing agreements usually more than a year and a half would normally pass between the receipt of the draft of a licensing agreement and its conclusion.

- Article 67 bis, paragraph 1. Responding to a question on the phrase "has an adverse effect on competition in international trade" and its relationship with the phrase "unreasonably restrain trade" in Article 8 of Part I of the draft TRIPS agreement, the representative of the Republic of Korea said that the language would eventually have to be adjusted according to what the Group finally decided on what constituted abusive practices. He said that the definition of know-how for the purposes of the proposed dispute prevention system was more limited than that of undisclosed information as defined in Part II of the draft TRIPS agreement, being limited to industrially applied undisclosed information. The reason for this was to minimise any burdens created by the procedure by confining possible cases to be decided by the Licence Review Board to those related to subject matter most necessary for the industrial development of countries.
- Article 67 bis, paragraph 2. In response to a question about which WIPO bodies might be asked to cooperate in the drawing up of Guidelines and what would happen if they were unwilling to engage in such a process, the representative of the Republic of Korea said that the language on cooperation with WIPO was drawn from that already in Article 71 of the draft agreement. If WIPO was not willing, only the Committee would be involved in drawing up the Guidelines.
- Article 67 bis, paragraph 5. A participant said that her delegation believed that it was difficult to consider the Korean proposal properly without first having discussed the general procedures for the envisaged Licence Review Boards, including the possibility of review of their decisions. The representative of the Republic of Korea said, in response, that such procedural aspects should be worked out by the TRIPS Committee.
- Section II.A. A participant wondered what would be the interface between the dispute settlement mechanism, envisaged under Article 67 of the draft TRIPS text and the dispute prevention system envisaged in the Korean proposal. The representative of the Republic of Korea responded that the former was primarily to enforce the fulfilment of obligations to be undertaken by PARTIES to the TRIPS agreement, which in his delegation's view clearly differed from the objective underlying the present proposal, which was to facilitate the transfer of technology.

5. A participant said that his authorities had studied the Korean proposal with care and, considering its implications when it came to the draft TRIPS agreement as a whole, could support the proposal. He emphasised that any global agreement on intellectual property in the Uruguay Round would need to refer explicitly to the developmental aspects related to the transfer of technology. He also stressed that countries like his should be entitled to have instruments at their disposal enabling them to achieve consultations and discussions on possible abuses in the field of intellectual property. Furthermore, his delegation believed that a system of an advisory character as in the Korean proposal, if adopted, would not prevent any PARTY to an agreement on TRIPS from implementing national legislation to deal with such illicit behaviour, and would be in line with the principles underlying Articles 8, 43 and 71 of the draft TRIPS agreement. He was supported by another participant, who added that the statement reflected the position of the Andean countries on the subject matter at a recent meeting of the Cartagena Agreement, aimed at reaching a joint position on various items to be embodied in a TRIPS agreement. Another participant said that the Korean proposal deserved thorough examination, and that his delegation would present its views on it in due course.

6. The Chairman concluded that participants were still reflecting upon the Korean proposal and that the Group should revert to it on a future occasion.

7. When the Group reconvened on 20 September, the Chairman reported to the Group on the informal consultations he had held. He said that the first issue that had been the subject of these consultations had been Article 73 of the TRIPS text, which concerned the extent to which PARTIES would be obliged to apply the new obligations on TRIPS to existing intellectual property. The first day of the consultations had been devoted to a discussion of this matter, having as a basis the draft text the Chairman had circulated in his informal note of 13 August 1991. This discussion initially had taken the form of a general consideration of the issues, with a number of delegations proposing general principles that they would like to see reflected. A more detailed IPR-by-IPR examination had then been undertaken, during which it became clear that many delegations had found the draft of 13 August too dense and difficult to understand and would favour a more straight-forward text. He believed that the discussion had fulfilled its main objective, namely to clarify the rather complex technical issues involved and to enable him and the secretariat to be able to present to the Group in the near future a redraft. The discussion had also served to clarify the positions of participants on substance, although important differences remained. In this regard, he said that he intended to reflect in the next text the options put forward, rather than to attempt a compromise proposal.

8. The Chairman said that the second issue that had been the subject of consultations was that of dispute settlement. The three texts annexed to the draft TRIPS agreement sent to Brussels had served as the basis for this discussion. The bulk of the discussion had focused on the first option, that originally put forward by Columbia, New Zealand and Uruguay; in

particular on the extent to which certain departures from the standard GATT dispute settlement mechanism might be warranted to take care of the special needs of TRIPS, for example the need to have available to panels sufficient expertise on IPR matters. There had also been considerable discussion on the extent to which cross-retaliation, perhaps more properly described as cross-compensation, should be permitted. This matter was considered both from the angle of the possible withdrawal of concessions under the GATT in the goods area if a country failed to rectify a breach found in its TRIPS obligations, and also from the angle of the possible withdrawal of obligations under the TRIPS agreement if a country failed to rectify a breach of its obligations in the goods area. Of course, the extent to which it had been possible to carry forward these discussions and to try to settle differences had been limited by the fact that for many participants the issue of dispute settlement was closely linked to that of institutional arrangements for implementation of the results of the TRIPS negotiations which, as agreed, was a matter to be decided at the end of the negotiations and which was also part of wider negotiations in the Negotiating Group on Institutions. A further difficulty had been that it was not yet clear what the revised GATT dispute settlement mechanism would look like in all respects and therefore to what extent it might already accommodate some of the concerns raised. Nevertheless, he believed that the discussion had been of considerable value in clarifying the implications of the different options and the positions of delegations on them. Also a new proposal had been put before the Group by the delegation of Chile, on which some delegations had given their preliminary comments. This proposal contained a number of suggested amendments to the first text reflected in the Annex to the draft TRIPS agreement.

9. The Chairman said that the third day of the consultations had been devoted to a review of the work undertaken in Brussels on the other outstanding issues on the basis of a description of that work presented by him, indicating the main subjects discussed, any new suggestions which had emerged and, where possible, where there had appeared to be some convergence of views. He said that he had agreed to make available to interested participants so requesting the detailed drafting language of these suggestions in written form. For clarification, he added that these would be non-papers with no status but simply aide-memoires. In his oral report to the Group, he would therefore not give the full text of the suggestions. He also made it clear that the mere fact that a suggestion was recalled carried no implication that it was acceptable to other participants. Further, no attempt was made to reproduce suggestions repeated in Brussels that had already been made in the work prior to Brussels and were widely known.

10. Continuing, the Chairman then went briefly through the description of the Brussels work. He said that little discussion had taken place on Part I. There had, however, been some discussion on the difficulties faced by a delegation on Article 2, arising from the reference to the Stockholm version of the Paris Convention. The last point that had been made in the discussion in Brussels was a question whether it would assist that delegation to include an explicit statement that this reference did not

imply an obligation to sign the Stockholm Act. On Part II, Section 1, Copyright and Related Rights, a number of suggestions had been made on Articles 10 and 12 (Computer programs), Article 11 (Rental rights) and Article 16 (Rights of Performers, Phonogram Producers and Broadcasting Organisations). Nothing significantly new had transpired on the other outstanding issues in that section. On Part II, Section 2, Trademarks, the Chairman said that there had appeared to him to have been general support for a number of changes to Article 18. From discussions that had taken place among some participants in Brussels on Part II, Section 3, Geographical Indications, some possibly useful ideas on technical improvements to the Brussels text had emerged. On Part II, Section 4, Industrial Designs, nothing new had emerged. On Part II, Section 5, Patents, for the most part Articles 30.3 (Exclusions), 31 (Rights Conferred), 32 (Obligations of Patent Owners), 36 (Term) and 37 (Reversal of Burden of Proof) had not been discussed. On the remaining provisions, particularly those of Article 34 (Other Use without the Authorisation of the Right Holder), a good deal of discussion had taken place. Some of this discussion had taken the form of a collective drafting exercise in the Brussels drafting group; this had been the case for Article 34, paragraphs (a), (b), the first part of (g), (i) and (l). The texts on the table when this work had stopped would be made available in writing. In other cases, the discussion had been more general, prompted by suggestions from participants; this was the case for Article 30.1, 30.2, the last part of 34(g), 34(h) and 34(o). On Part II, Section 6, Layout-Designs of Integrated Circuits, suggestions had been made on Articles 39 and 40. On Part II, Section 7, the Protection of Undisclosed Information, there had appeared to be wide support for an amendment to the chapeau of paragraph 2A of Article 42 and to the footnote. Also some discussion on paragraph 4A had taken place. On Part II, Section 8, the Control of Abusive or Anti-Competitive Practices in Contractual Licences, some drafting work had taken place on paragraphs 2B and 3B of Article 43. On Part III, Enforcement, the work done in Brussels had yielded little new. Some suggestions had been made on paragraphs 1 and 5 of Article 44 concerning the allocation or distribution of resources. On Article 51 there had appeared to be wide support for a modified drafting and for a corresponding change to be made to Article 61. A small change to the definition of pirated copyright goods (footnote 3 of Article 54 and footnote 2 of Article II of the Draft Agreement on Trade in Counterfeit and Pirated Goods) had also been suggested. On Part IV, Acquisition and Maintenance of IPRs, a redrafting of the second part of paragraph 4 had been widely supported. On Part VI, Transitional Arrangements, several participants had expressed their preferences regarding the numbers that should appear in the various paragraphs. But the discussion of the other outstanding issues in Articles 68.2, 68.5 and 69.1 generally had followed the pre-Brussels pattern. For example, some participants had reaffirmed their opposition to the square bracketed phrase at the end of paragraph 2 of Article 68.

11. A participant said that in his delegation's view a TRIPS agreement should contain a mechanism which was practical at a multilateral level in order to facilitate the transfer of technology. In this regard, his delegation was disappointed that the relevant proposal of the Republic of Korea had not been discussed in detail and expressed the hope that this

would be done at the next meeting of the Group. As to the discussions on Article 73, he said that the time allocated to this issue had been spent trying to clarify the issues at stake and possibly more work was required on this. In any case, it seemed that the substantive points involved were: how to deal with rights acquired before the entry into force of the agreement by the PARTIES, and what would be the relationship between the provisions of the Article and the provisions on transitional arrangements for developing countries. His delegation's view was that acquired rights should not be impaired, and that transitional arrangements should not be emptied of their meaning. He said that with regard to dispute settlement, the centre of gravity of the discussion seemed to imply the development of a mechanism similar to the revised GATT dispute settlement mechanism, though with special features in keeping with the more specific nature of intellectual property. In this respect, the ideas put forward by the delegation of Chile should be taken into consideration and discussed further. He expressed his appreciation of the transparency of the negotiating process and said that the review of proposals for resolving technical issues developed at the Brussels meeting of last December had been useful. He stressed, however, that such proposals were only acceptable to the extent that they would resolve technical issues, and should not have an incidence on items which would require a political decision. As the different participants in the Round had said, the prompt conclusion of the negotiations was of high priority. He, therefore, reiterated his delegation's readiness to participate actively, but in doing so it would wish to ensure the respect of not only the globality of the Round but also the internal balance within the Negotiating Groups. In this regard, even so-called house-keeping matters became politically relevant, because it was through those issues that one could assess the degree of participation which would allow for this balance of the different principles as set out in the Punta del Este declaration. Finally, he announced that his delegation, together with some other countries, would shortly be putting forward a specific proposal on Part II of the draft TRIPS agreement.

12. A participant recalled that during the informal consultations option II of the Annex on dispute settlement had been discussed and in this context his delegation had expressed certain reservations on the concept of retaliation.

B. Other business

13. The Chairman suggested that the next meeting be held in the period 11-22 October, but asked that he be given authority to determine the exact duration and timing of this meeting in the light of developments in the management of the Round as a whole and the practical possibilities of holding meetings on these dates.