



WIPO-WTO COLLOQUIUM PAPERS VOLUME 10

RESEARCH PAPERS FROM THE WIPO-WTO COLLOQUIUM
FOR TEACHERS OF INTELLECTUAL PROPERTY LAW 2019



WTO OMC





WIPO-WTO COLLOQUIUM PAPERS VOLUME 10 (2019)

**RESEARCH PAPERS FROM THE 2019 WIPO-WTO COLLOQUIUM
FOR TEACHERS OF INTELLECTUAL PROPERTY LAW**

*Compiled by the WIPO Academy and
the WTO Intellectual Property, Government Procurement and Competition Division*

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ISBN 978-92-870-5122-6

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FOREWORD



Mr Francis Gurry



Mr Roberto Azevêdo

This journal represents two significant milestones – it is the tenth edition in a ground-breaking series of scholarly publications, and its publication in 2020 fittingly marks the 25th anniversary of the 1995 bilateral agreement between the World Intellectual Property Organization (WIPO) and the World Trade Organization (WTO). This bilateral agreement forms the foundation for cooperation between the two organizations in providing technical assistance to the developing world.

This year also marks the 50th anniversary of WIPO's establishment, but the institutional roots of WIPO go back to an earlier era of globalisation and burgeoning international trade. The WIPO-administered Paris and Berne Conventions – still central pillars of the international intellectual property (IP) system – were first negotiated in the 1880s and figure among the first multilateral conventions on any subject. Cross-border trade, investment, technology flows and cultural exchanges in the 19th Century had made international rules on IP a practical necessity. The link between IP and international trade was further reinforced and consolidated 25 years ago when the TRIPS Agreement came into force with the establishment of the WTO, introducing IP rules into the multilateral trading system for the first time.

Over the past 25 years, we have learned much about the evolving interaction between the IP system and international trade, and the significance of innovation and flows of technological knowledge for economic and social development. And these insights continue to inform our cooperation on technical assistance which has focused increasingly on strengthening the policy capacity of member governments to work with the complex and challenging linkages between the IP system, trade and innovation policy, and other related fields of public policy.

Our joint technical assistance programmes are therefore guided by the understanding that nations can fully and sustainably reap the expected developmental benefits from the IP system and its interaction with international trade only if these policy tools are adapted to national circumstances and are judiciously used by informed practitioners. That means basing national policy development on skilled, informed and nuanced analysis, tailored to the evolving and diversifying needs of societies. It also means cultivating the necessary skills and understanding among future policymakers, practitioners and analysts. But, in turn, this enhanced ability to shape and to make effective use of the IP system and related trade policy requires sustained national capacity to teach and to conduct research – in short, building each nation's human capital in the law, practice, policy and economics of IP and associated fields.

That imperative led to the launch, in 2004, of the annual WIPO-WTO Colloquium for Teachers of Intellectual Property as a vital element of the joint capacity-building programmes of our two organizations. The Colloquium series was launched with the goal of building the capacity of those best placed to ensure truly sustainable, long-term benefits from the adept use of a well-tailored IP system – academic teachers and researchers. Since its inception, more than 400 academics have taken part in the annual Colloquia. They have come, primarily, from developing countries and least developed countries across the globe, and they have spanned an ever more diverse range of scholarly expertise and teaching responsibilities. Members of this impressive alumni network are now making invaluable contributions to their field, through academic publications, participation in national and international policy debates, teaching, and capacity-building in the developing world.

Over the years, participants in the Colloquium have demonstrated a remarkable range of scholarship, responding to the diverse challenges countries around the world have confronted in seeking to chart how to adapt and implement the broad

principles of IP law, and to put the IP system to work for their social and economic development. It became clear that a more effective medium was needed to capture and disseminate this important research and analysis, leading to the launch of the *WIPO-WTO Colloquium Papers* as a peer-reviewed academic journal.

Since 2010, the annual editions in this series have drawn together participants' insights into IP issues in their countries and given greater substance to the network of mutual learning and intellectual exchanges. The *Colloquium Papers* epitomize the trend towards more diverse and yet more rigorous capacity building in IP law and policy. Responding to the demand for more diverse perspective, these annual publications have been supplemented by regional editions, focusing so far on African and Asian scholarship.

This tenth edition, a selection of papers from the 2019 Colloquium, offers a close look at the diverse legal, policy and practical challenges posed by the IP system for individual developing countries, together with thoughtful analysis of such issues as access to medicine, artificial intelligence, traditional knowledge and plant breeder's rights and the challenges for various knowledge-based industries. The range of scholarship and the focus on concrete challenges faced by emerging IP jurisdictions confirm this journal's distinctive contribution to scholarly discourse.

We warmly congratulate the contributing scholars for their first-rate research, and we thank the Editorial Board – a highly distinguished group of senior IP scholars – for their invaluable support and engagement, which has helped establish the *Colloquium Papers* as a credible academic publication. Our colleagues in the WIPO Academy and the WTO Intellectual Property, Government Procurement and Competition Division have exemplified the cooperative spirit between our two organisations in working tirelessly and collegially to organize the Colloquium series and to produce this unique scholarly resource. Finally, we commend the *Colloquium Papers* as an important source for academic research to what we trust will be a wide and ever more diverse readership, and we look forward to the insights from future editions.



Francis Gurry
Director General
World Intellectual Property Organization



Roberto Azevêdo
Director-General
World Trade Organization

PREFACE

We feel privileged to set before you this volume, the tenth in the journal series of peer-reviewed academic papers, authored by scholars taking part in the WIPO-WTO Colloquium. This journal has provided a uniquely representative and diverse showcase for emerging scholarship from across the developing world. It encapsulates much that is challenging, significant and fascinating in the field of intellectual property (IP) today. As we celebrate the 25th anniversary of the bilateral agreement that launched a rich and diverse programme of technical cooperation between WIPO and the WTO, the *WIPO-WTO Colloquium Papers* underscores why this bilateral cooperation is as valuable as ever.

Always with a strong international dimension, the IP system is undergoing an unprecedented phase of globalization and a building of international institutions, bringing with it a deepened understanding of the centrality of a balanced and effective IP system in economic and social development. Yet this same period has precipitated an intensive, wide-ranging process of inquiry about how to adapt and apply IP principles to ensure economic growth, sound public policy, and sustainable development in diverse settings across the globe, recognizing the diversity of economic, social and technological settings, national developmental priorities, and legal and commercial systems.

Intellectual property is seemingly ubiquitous in contemporary life, but its role and impact are both highly diverse and in need of careful analysis and informed debate. An IP dimension is present in many challenging public policy issues today. For instance, we see growing attention to its role in promoting public health, addressing climate change, and achieving food security, as well as its interaction with human rights and social and economic development. The impact of new technologies – most recently, artificial intelligence and the impact of ‘big data’ – poses additional challenges for law and policy. And the field of IP is no longer a narrow specialist field. IP has been the subject of complex, multifaceted debates at the multilateral, regional and national levels over such matters as the rights of indigenous people, the conservation of biodiversity, the ethics and use of genetic resources, internet governance, climate change technology, access to education and medicine, cultural policy, sustainable agriculture, and support for the disabled. Behind these debates lay essential questions. How to come to grips with the significant responsibility of IP systems in the current world economy, in international trade, and in national policy environments? How can IP systems be designed or adapted to promote economic development, stimulate innovation, and disseminate knowledge in a manner that balances the rights of all stakeholders?

The contemporary field of IP is therefore characterized by profound and searching debates on questions of essential public policy; an approach to policy-making that emphasizes empirical research, theoretical clarity, and achieves coherence with other areas of law; and the harvesting of practical experience from an ever-widening base of national IP systems and participants in the policy and practice of IP. It is, therefore, a field in need of deeper and wider research efforts; sophisticated, informed and carefully tailored approaches to education and practical capacity building; and, above all, dialogue and debate founded on a richer base of information, theoretical understanding, practical experience, and knowledge of its implications in other areas of law and policy.

Both WIPO and the WTO have been called upon to play a role in strengthening capacity to deal with the intellectual challenges of these policy debates. This increasing diversity of demand for capacity-building support has had a profound impact on programme design and delivery. The WIPO Academy has developed a wide range of specialist courses and training activities to respond to this evolving pattern of demand, and to reach out to and support an ever-widening range of stakeholders.

The WTO Intellectual Property, Government Procurement and Competition Division (IPD) continues to broaden and tailor its technical cooperation and policy support activities, developing a wider engagement with current international issues and with a broader base of stakeholders, exemplified by work on public health issues. However, none of these outcomes can be possible without partnerships – the sharing of ideas, pooling of resources, and coordination of practical activities – so that the necessary wide range of experience and expertise can be drawn on to meet diverse needs.

Both the WIPO Academy and the WTO IPD therefore enjoy many valuable partnerships as a central strategy in ensuring programme delivery. The Colloquium has exemplified and promoted current trends in technical assistance and capacity building, and builds upon and extends the existing partnership between WIPO and the WTO. It responds to the need for stronger, broader dialogue and a greater involvement of voices from all perspectives in contemporary debates. It recognizes the central role of indigenous capacity building and of the key contribution of IP teachers and researchers as the mainstay of sustainable development of the necessary IP expertise in developing countries. The Colloquium transcends traditional boundaries between regions and between ‘north’ and ‘south’ to allow fruitful discourse on the future of IP systems. Most importantly, it recognizes the importance of extending beyond an educational function to one of bringing together a diverse group with the aim of reviving and refreshing dialogues on IP and its cognate fields.

The Colloquium has in particular, laid emphasis on the role of participants as active players, as informed, stimulating teachers and researchers who bring to the two-week dialogue as much as they take away from it. Past feedback from participants stressed the need to capture many insights gleaned from these few days of intensive and vigorous discussion, in more

permanent form. Participating teachers and researchers are able to offer important new ideas and insights to global debates that could enrich and inform exchanges among policymakers, the academic community, and the public at large.

These thoughts, guided very much by the participating teachers and researchers themselves, are what gave rise to the present publication, which is in a way a tribute to the intellectual energy and curiosity of the many alumni of the past Colloquia, with whom we continue to enjoy a range of partnerships and dialogue. Participants, too, have provided valuable peer review input to the papers published in this journal, which are presented to the Colloquium at an earlier stage in their development.

WIPO and the WTO both host numerous meetings every year, in Geneva and in many locations elsewhere, and under numerous headings: committees, seminars, workshops, roundtables, symposia, and so on. But amidst all this activity, the idea of a 'colloquium' has a special ring to it – for the WIPO-WTO Colloquium, it connotes a spirit of academic enquiry, a search for new ideas and new ways of analysing IP and related fields, through open debate, rigorous research, and new ways of communicating the complexities of IP law, practice and policy, and providing a vibrant forum for peer review of current research. We trust that this publication will bring to a wider community of researchers, policymakers and teachers some of the colloquium spirit that we have valued so much in this unique programme.

All of us who have participated in the Colloquium have benefited from the hard work and dedication of many colleagues within WIPO and the WTO Secretariat – notably, the WIPO Academy and the WTO IPD. All have contributed valuably to the design and delivery of this programme, and their spirit of collegiality makes a demanding programme a pleasurable one.

We owe a particular debt of gratitude to the Editorial Board and the editors of the *Colloquium Papers*: they have been indispensable in ensuring that the Papers can be used as a trusted, academically sound and readable source of cutting-edge IP scholarship from an impressive group of emerging scholars from across the developing world. Finally, we record our deep appreciation for the contributions made by individual scholars to this, and the preceding, volumes. We have come to know and respect their contributions to policy and legal scholarship, and are sure that this active, informed and thoughtful participation in many of the key public policy debates of today will continue, exemplifying the important public service role performed by the scholarly community today.



Sherif Saadallah
Executive Director
WIPO Academy
World Intellectual Property Organization



Antony Taubman
Director
Intellectual Property, Government Procurement and
Competition Division
World Trade Organization

ACKNOWLEDGEMENTS

We thank the staff of the WIPO Academy and the WTO Intellectual Property, Government Procurement and Competition Division for their strong support for the project, and in particular to Martha Chikowore and Xiaoping Wu for their work in organizing the Colloquiums annually from 2010 to 2019, and coordinating this publication. Thanks are extended to Yogesh Pai and his team comprising Aditya Agarwal, Akanksha Dutta, Anoosha Panwar, Devangana Shah, Harshvardhan Singh Gaur, Rupam Chaudhary, Saral Minocha, Saumya, Shashank Maheshwari and Nishant Anurag for the editorial work they have conducted. Gao Hang and Jayashree Watal played a key role in the conception and development of the Colloquium initiative. We extend strong appreciation to all for their contributions, and to the many other colleagues not mentioned here, who have done so much to make the Colloquium initiative a success.

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WIPO-WTO COLLOQUIUM FOR TEACHERS OF INTELLECTUAL PROPERTY LAW

Class of 2019



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Participants of the WIPO-WTO Colloquium for Teachers of Intellectual Property (2019) with Mr. Xiaozhun Yi, Deputy Director General, WTO (centre-left) and Mr. Mario Matus, Deputy Director General, WIPO (centre-right). Also pictured are Ms. Xiaoping Wu and Mr. Hannu Wager of the WTO Intellectual Property, Government Procurement and Competition Division; Ms. Martha Chikowore, Mr. Mohamed Abderraouf Bdioui and Ms. Carolina Tobar Zarate of the WIPO Academy.

1. THE GATEKEEPER DOCTRINES: ORIGINALITY AND AUTHORSHIP IN AUSTRALIA IN THE AGE OF ARTIFICIAL INTELLIGENCE

Dilan Thampapillai*

ABSTRACT

Copyright law in Australia has long recognised that authorship and originality are companion doctrines. Within Australian copyright law, and that of many other jurisdictions, authorship and originality serve a function of demarcating the boundaries of copyright protection. They designate who and what works are entitled to protection. Where this has been most controversial is in relation to phone directories, television-listings and other compilations that raise the fact-expression dichotomy. Yet what has now occurred in light of the advances in technology is that artificial intelligence can produce works that should lie at the heart of creative expression. Their one deficiency is the lack of a human author. If copyright can look past this deficiency - a huge ask considering that copyright operates on the fundamental premise that human beings have a monopoly on creativity - the law will enter into uncharted waters. Whether this should

happen at all is open to some debate. In this paper, I offer a cautious argument in favour of extending copyright protection to works of non-human authorship.

Keywords: *artificial intelligence, authorship, originality, copyright, Australia, IceTV, Phone Directories*

1. INTRODUCTION

Copyright law has long operated on the fundamental assumption that human beings have a monopoly on creativity.¹ It is on this basis that the incentive theory informs many of the domestic laws of copyright.² However, the emergence of artificial intelligence (AI) as a serious player in the field of creativity appears to have the potential to dramatically undermine this assumption.³ Moreover, AI looms as a credible replacement for the human author in a number of fields. For example, the rise of automated journalism has resulted in the displacement of human authors in a field where copyright law often served as an ancillary means to protection for productive outputs.⁴ Likewise, the Jill Watson technology,⁵ which served a teaching and administrative function in courses at Georgia Institute of Technology (Georgia Tech) in the United States, highlights the

* Dilan Thampapillai, BA, LLB (ANU), M.Com (USyd), LLM (Cornell), PhD (Melbourne). Dilan is a Senior Lecturer at the ANU College of Law. Dilan lectures in contract law, commercial law, intellectual property and advanced contracts at an undergraduate and postgraduate level. Dilan's primary areas of research interest is in the areas of copyright law and artificial intelligence. Dilan has co-authored several textbooks and written peer reviewed journal articles published in Australia and Europe.

¹ Daniel Gervais, 'The Machine as Author' (2019) 105 Iowa Law Review 2, 4. As Gervais notes, 'machines are increasingly good at emulating humans and laying siege to what has been a strictly human outpost: intellectual creativity.'

² *IceTV Pty Ltd v Nine Network Pty Ltd* (2009) 239 CLR 458, 474 (French CJ, Crennan and Kiefel JJ) (*IceTV*). See also *Global Yellow Pages Ltd v Promedia Directories Pte Ltd* [2017] SGCA 28.

³ See Gervais (n 1). See Andre Guadamuz, 'Do Androids Dream of Electric Copyright? Comparative Analysis of Originality in Artificial Intelligence Generated Works' (2017) 2 Intellectual Property Quarterly 169. See also Jane Ginsburg and Luke Budiardjo, 'Authors and Machines' (2019) 34 Berkeley Technology Law Journal 1, 2. See

further, Annemarie Bridie, 'Coding Creativity: Copyright and the Artificially Intelligent Author' (2012) 5 Stanford Technology Law Review 5.

⁴ See Matt Carlson, 'The Robotic Reporter' (2015) 3(3) Digital Journalism 416. See also David Caswell and Konstantin Dorr, 'Automated Journalism 2.0: Event-driven narratives' (2018) 12(4) Journalism Practice 477. Caswell and Dorr describe the evolving use of natural language generation (NLG) technology within journalism to produce useful text with commercial applications within the news industry. What emerges from this process is a state of augmentation and supplementation within the market for journalistic labour.

⁵ Bobbie Eicher, Lalith Polepeddi and Ashok Goel, 'Jill Watson Doesn't Care if You're Pregnant: Grounding AI Ethics in Empirical Studies' (2018) Proceedings of the 2018 AAAI/ACM Conference on AI, Ethics and Society 88. See also Ashok Goel and Lalith Polepeddi, 'Jill Watson: A Virtual Teaching Assistant' (2016) Georgia Institute of Technology Discussion Paper <https://smartech.gatech.edu/bitstream/handle/1853/59104/goel_polepeddi-harvardvolume-v7.1.pdf> accessed 11 December 2019.

potential for AI technology to take on roles that were previously performed by human beings.⁶ Similarly, the 'Next Rembrandt' project demonstrates the capacity for AI technology to generate art that can attract significant interest from prospective buyers.⁷

Using Australian copyright law as its basis, this paper considers whether advances in AI technology mean that authorship and originality should no longer play a gatekeeper function within copyright law. This idea is self-evidently controversial. There is resistance to the idea that copyright can accommodate works of non-human authorship.⁸ Moreover, the entrenched position of Australian copyright law, as drawn from the *Copyright Act 1968* (Cth),⁹ clearly precludes extending protection to works of non-human authorship.

What is then required is a radical redrawing of the rules of copyright. This is permissible, but only on the basis that the rules of international copyright law – namely, the Berne Convention for the Protection of Literary and Artistic Works 1886¹⁰ (the Berne Convention) and the Agreement on Trade-Related Aspects of Intellectual Property Rights¹¹ (TRIPS Agreement) – do not prohibit extending copyright protection to works of non-human authorship. Professor Ricketson's masterful analysis of the Berne Convention has clearly set out

that the Berne Convention does not contemplate non-human authorship.¹² To the extent that the TRIPS Agreement incorporates the relevant articles of the Berne Convention, this position holds true as well for the primary intellectual property treaty under the World Trade Organization treaties. However, the fact that Berne and TRIPS do not contemplate non-human authors does not necessarily preclude domestic law from including non-human authorship within the umbrella protection of copyright.

There is then a free space for jurisdictions, such as Australia to rethink their copyright laws given the rapid advances in AI technology. However, this will have dramatic consequences for the doctrines of originality and authorship. Even within a bifurcated copyright system – with one set of rules for human authors and another for AI authors – many of the key precepts of originality and authorship will fracture. Copyright in this context would be unrecognisable. At the very least, it would risk returning copyright in Australia to a state of existence predating the Copyright Act 1911 (UK) within which originality was not a stated requirement of protection.¹³ The path forward is therefore less than certain. Already, there are significant voices emerging in opposition to the prospect of AI authorship within copyright law.¹⁴

⁶ Todd Leopold, 'A professor built an AI teaching assistant for his courses — and it could shape the future of education' *Business Insider* (New York, 23 March 2017)

<<https://www.businessinsider.com/a-professor-built-an-ai-teaching-assistant-for-his-courses-and-it-could-shape-the-future-of-education-2017-3?IR=T>> accessed 11 December 2019. The Jill Watson technology took on online work that would otherwise have had to have been done by a human being.

⁷ See Shlomit Yanisky-Ravid, 'Generating Rembrandt: Artificial Intelligence, Copyright, And Accountability in the 3A Era – the Human-like Authors Are Already Here – A New Model' (2017) *Michigan State Law Review* 659, 662. See also 'The Next Rembrandt' (2019) <<https://www.nextrembrandt.com/>> accessed 11 December 2019.

⁸ See Gervais (n 1). See also Ginsburg and Budiardjo (n 3).

⁹ For further discussion see below n 16-19.

¹⁰ Berne Convention for the Protection of Literary and Artistic Works 1886 (adopted 9 September 1886, entered into force 5 December 1887) 1161 UNTS 3.

¹¹ Agreement on Trade-Related Aspects of Intellectual Property Rights (entered into force 1 January 1995) 1869 UNTS 299.

¹² Sam Ricketson, 'People or Machines: The Berne Convention and the Changing Concept of Authorship,' (1991) 16(1) *Columbia VLA Journal of Law and the Arts* 1.

¹³ Australia only gained its own copyright legislation in 1968. Prior to this time the UK statutes served as the imperial copyright laws within the colonies. The most notable 'originality' case preceding the 1911 Act is *Walter v Lane* [1900] AC 539. Originality had been recognised within the common law before entering into the statute book in the 1911 Act. See *IceTV* (n 2) 33.

¹⁴ See above n 7. It is beyond the scope of this article to provide a substantial response to the objections raised by other authors. Instead, in this piece, noting the existence of counter-arguments

In the author's view, the only feasible response to the objections raised by other authors is to offer a truncated copyright model that might serve AI technologies. This model, sketched out in slightly more detail below, would offer a minimal level of disruption to the existing copyright law. Yet it would serve as a recognition that the balance of power between the human author and the intelligent algorithm is shifting. While the decisive event or technology that substantially replaces human labour in the field of creativity has yet to come, it is increasingly likely that it will happen and that such a development will provide ample economic and productive opportunities for some. It makes sense then that copyright should shift its rules – or at least re-examine them – lest it lose its primacy in the sphere of creative outputs to other forms of law such as contract and unfair competition.

Part I of this paper has set out the basic context and aims of this paper. Part II addresses the originality and authorship doctrines as they presently stand in Australia. From this, four propositions arise. Each of these has differing implications for works generated by AI programs. Part III of this paper considers the scope of a proposed scheme and the arguments in favour of extending protection to works of non-human authorship. Part IV considers whether those arguments can prevail in light of the difficult policy and doctrinal questions that would then arise. In brief, I conclude that we should seek to find a path forward that includes AI within the parameters of copyright.¹⁵

and their basic nature, I will put forward the case for including AI works within the rubric of copyright protection.

¹⁵ There is a further choice to be made here, which is beyond the scope of this paper to address in detail. Namely, the outputs of AI could be protected under Part III of the *Copyright Act* as works, or under an analogous scheme, in which case originality and authorship must be addressed as they are here in this paper. Alternately, the Australian *Copyright Act* does protect subject matter, wherein a human 'maker' directs a mechanical process that results in a sound recording, cinematograph film or broadcast under Part IV of the Act. The concept of 'maker' is surprisingly under-explored in Australian copyright law, but as it involves driving control of the enterprise, something that does not occur in an AI context for any human, and, as AI produces outputs that are exactly

2. ORIGINALITY AND AUTHORSHIP UNDER AUSTRALIAN COPYRIGHT LAW

Two cases cumulatively represent the current Australian position on originality and authorship. These are the decision of the High Court of Australia in *IceTV Pty Ltd v Nine Network Pty Ltd*¹⁶ and the decision of the Full Court of the Federal Court in *Telstra Corporation Limited v Phone Directories Company Pty Ltd*.¹⁷ As *IceTV* was a case concerned with infringement, rather than subsistence per se, there is an element of doubt as to whether the statements of the High Court in *IceTV* definitively represent the Australian position on originality.¹⁸ However, as originality must have a unified and consistent meaning under the *Copyright Act*, it stands to reason that *IceTV* is binding with regard to subsistence.

In *IceTV*, an Australian television network, Channel Nine, sued a company that was producing aggregate guides of its television guides. Channel Nine was unable to demonstrate that *IceTV* had taken an original part of the guides that it had reproduced. In *Phone Directories*, an Australian telecommunications company, Telstra, sued over the reproduction of their white pages and yellow pages phone directories. Telstra was ultimately unsuccessful in *Phone Directories* on the basis that its directories were produced primarily by the operation of computer programs with human input taking place only at the initial stages of production. The existence of some human curation of the directories at the later stages was not sufficient to amount to authorship. As

like Part III works, I have directed my analysis at authorship and originality in the context of works.

¹⁶ *IceTV* (n 2).

¹⁷ *Telstra Corporation Limited v Phone Directories Company Pty Ltd* [2010] FCAFC 149 (*Phone Directories*). I have addressed both the *IceTV* and *Phone Directories* in substantially more detail in another publication. See Dilan Thampapillai, 'If Value Then Right?' Australian Intellectual Property Journal (forthcoming). In this paper, I offer a shorter summary of both decisions so as to explore their implications in the context of the emerging AI technologies.

¹⁸ Sam Ricketson, 'Common Law Approaches to the Requirement of Originality' in Ng, Bently and D'Agostino (eds), *The Common Law of Intellectual Property* (Oxford University Press, 2010) 246.

Gordon J noted in her decision at first instance, the entire system was designed to minimise human involvement.¹⁹

For present purpose, the significance of both *IceTV* and *Phone Directories* lies in the series of propositions that emerge from the judgments. There are four propositions that warrant attention in the context of AI.

First, originality exists in order to serve the social contract that is contained within copyright protection.²⁰ In the lead judgment in *IceTV*, French CJ, Crennan and Keifel JJ stated:

In both its title and opening recitals, the Statute of Anne of 1709 echoed explicitly the emphasis on the practical or utilitarian importance that certain seventeenth century philosophers attached to knowledge and its encouragement in the scheme of human progress. The 'social contract' envisaged by the Statute of Anne, and still underlying the present Act, was that an author could obtain a monopoly, limited in time, in return for making a work available to the reading public.²¹

The lead judgment in *IceTV* made further reference to this social contract in addressing the expression-fact dichotomy. There, their Honours stated:

Copyright, being an exception to the law's general abhorrence of monopolies, does not confer a monopoly on facts or information because to do so would impede the reading public's access to and use of facts and information. Copyright is not given to reward work distinct from the production of a particular form of expression.²²

These statements were cited with approval in *Phone Directories*, and formed the basis for the Federal Court of Appeal's reasoning vis-à-vis authorship and originality.²³ This does beg the question of whether the concepts of authorship and originality would have any value unless they were in place to serve as qualifying (or gatekeeping) requirements with respect to the social contract of copyright. Where AI is concerned, society would still have the benefit of the creative output, but without any immediate human author to reward.²⁴

Second, originality requires independent intellectual effort,²⁵ but is not solely defined by a high degree of skill and labour.²⁶ *IceTV* represented a turning point in Australian copyright law. Whereas the US Supreme Court in *Feist Publications Inc v Rural Telephone Service Co Inc*²⁷ decisively rejected the sweat of the brow theory of copyright protection, the High Court in *IceTV* merely downgraded the role of originality within the context of originality. However, in addressing the element of independent intellectual effort, the High Court in *IceTV* tied it to the creation of an output within which copyright could exist. As such, the preparatory work for the creation of a copyright work, such as the development of skill or the application of labour, is of diminished importance in relation to originality. Instead, what matters is that a human being is engaging in some intellectual endeavour, but not slavishly copying another work,²⁸ in order to produce a copyright work.

Third, as a doctrinal concept within copyright, authorship denotes human authorship. This much was implicit in *IceTV* where the lead judgment referred to 'the classical notion of an individual author.'²⁹ Similarly, the concurrence in *IceTV*

¹⁹ *Phone Directories* (n 17) 92.

²⁰ See Trotter Hardy, 'Property (and Copyright) in Cyberspace' (1996) University of Chicago Legal Forum 217, 220-228. Hardy describes the granting of copyright as being not so much the conferral of a property right, but rather the assurance that unauthorised copying will be limited.

²¹ *IceTV* (n 2) 25.

²² *IceTV* (n 2) 28.

²³ [2010] FCAFC 149, 134.

²⁴ This is explored below. See the discussion below nn 34-50.

²⁵ *IceTV* (n 2) 47.

²⁶ *ibid* 48.

²⁷ *Feist Publications Inc v Rural Telephone Service Co Inc* (1991) 499 US 340.

²⁸ *IceTV* (n 2) 33. *Robinson v Sands & McDougall Pty Ltd* (1916) 22 CLR 124, 132-133 (Barton J); *Autodesk Inc v Dyason* (1992) 173 CLR 330, 347 (Dawson J); *Data Access v Powerflex Services* (1999) 202 CLR 1, 16 (Gleeson CJ, McHugh, Gummow and Hayne JJ).

²⁹ *IceTV* (n 2) 23.

made repeated reference to individual and ‘person.’³⁰ The requirement of human authorship was explicitly addressed in *Phone Directories*, where Yates J stated:

In relation to works, an author is, under Australian law, a human author. So much is made clear (if it be doubted) by Section 33 of the Act, which conditions the duration of copyright on the year of the author’s death. Section 34, which deals with the duration of copyright in anonymous and pseudonymous works, and which conditions duration on first publication (rather than the death of an author), does not compel a different conclusion. See also the presumptions created by Section 129 of the Act which make plain that the concept of authorship in respect of works means human authorship.³¹

Self-evidently, a requirement of human authorship is an impermeable barrier to copyright protection for works created by AI under the Australian *Copyright Act* in its present form.

There is one slightly discordant note within this sphere. In *Data Access v Powerflex Services*,³² a decision that predates *IceTV*, the High Court of Australia held that copyright, as applied to a literary work, existed in a data table known as the Huffman Compression Table even though the Huffman algorithm authored the table itself. In *Data Access*, Gleeson CJ, Gummow, McHugh and Hayne JJ stated:

The skill and judgment employed by *Dataflex* was perhaps more directed to writing the program setting out the Huffman algorithm and applying this program to a representative sample of data than to composing the bit strings in the Huffman table. Nevertheless, the standard *Dataflex* Huffman table emanates from *Dataflex* as a result of substantial skill and judgment.³³

The argument here appears to be that as originality existed in the *Dataflex* program, there would then be originality in the outputs emerging from its operation. The reasoning of the Court in *Data Access* would appear to be at odds with the later decisions of *IceTV* and *Phone Directories*.

Fourth, in *Phone Directories*, human authorship in the context of originality was tied to control.³⁴ In the Full Court, Perram J stated:

... there will be cases where the *person* operating a program is not controlling the nature of the material form produced by it and in those cases that person will not contribute sufficient independent intellectual effort or sufficient effort of a literary nature to the creation of that form to constitute that person as its author: a plane with its autopilot engaged is flying itself. In such cases, the performance by a computer of functions ordinarily performed by human authors will mean that copyright does not subsist in the work thus created.³⁵

This is a relevant point given the emergence of collaborative works involving human authors and AI. The argument that human authors and AI technologies could be joint authors begins to flounder here. The problem is simply that AI operates without control from human beings, thereby obviating the potential for any collaboration. Moreover, a black box problem emerges that frustrates any attempt at control of AI.³⁶ As Rich notes, ‘machine learning tends to create models that are so complex that they become ‘black boxes,’ where even the original programmers of the algorithm have little idea exactly how or why the generated model creates accurate predictions.’³⁷

³⁰ *ibid* 95 - 105.

³¹ *Phone Directories* (n 17) 134.

³² *Data Access* (n 28).

³³ *ibid* 123.

³⁴ *Phone Directories* (n 17) 118.

³⁵ *ibid* (emphasis added).

³⁶ See Michael Rich, ‘Machine Learning, Automated Suspicion Algorithms, and the Fourth Amendment’ (2016) 164 *University of Philadelphia Law Review* 871, 886.

³⁷ *ibid*. See also Ginsburg and Budiardjo (n 3) 61.

3. EXTENDING COPYRIGHT PROTECTION TO WORKS OF NON-HUMAN AUTHORSHIP?

Having established that the current state of the law does not support copyright protection in works of non-human authorship, it is pertinent to consider whether there are compelling reasons to change the law. Two necessary steps must be undertaken here. The first step is to map out the rough parameters of a protection scheme. The second is to assess that scheme against (i) the purpose of copyright law and (ii) the emerging arguments in support of protecting works of non-human authorship. As noted above, what emerges from that process is not a compelling case for protection, but rather an argument grounded in inevitability. What is missing here is the threshold event that would give rise to a paradigm shift in our thinking about AI. That is, a technological development has yet to occur that would represent a tipping point wherein AI moves from being a mere tool to being something akin to the master, thereby comprehensively replacing a substantial tranche of human labour. In the absence of such an event or development, the argument for extending copyright protection to works of non-human authorship is somewhat speculative. We cannot be entirely sure what will transpire. Instead, we have to assess the trajectory of AI and position copyright law accordingly. This approach seems sensible in theory, but it is not without risks.³⁸

As it stands, all works of non-human authorship are presumptively in the public domain in Australia. Protection under copyright can take a number of different forms. First,

³⁸ Namely, that the law is designed for technology or a market that never comes to pass.

³⁹ See Robert Yu, 'The Machine Author: What Level of Copyright Protection is Appropriate for Fully Independent Computer Generated Works' (2017) 165 *University of Pennsylvania Law Reports* 1241, 1268-1269. Yu suggests that infringement should only occur in the context of AI works where there is direct copying.

⁴⁰ For a discussion of comparative law on this topic see Andres Guadamuz, 'Artificial Intelligence and Copyright' (*WIPO Magazine*, October 2017) <http://www.wipo.int/wipo_magazine/en/2017/05/article_0003.html> accessed 11 December 2019.

the duration period can be shorter or the same as it is for human beings. The duration period could be set as low as five to ten years. This would calibrate to immediate market value, but little more. The benefit of a short duration period is that the new model of AI copyright protection would give rise to significantly less interference with the existing norms of copyright law. There would be lesser potential for AI authors to crowd out human authors in creative markets, as the former would soon lose their copyrights. Second, protection gives rise to the question of liability for infringement. In turn, the rules on infringement could be modified to take into account the existence of non-human authorship. I would suggest that only direct copying and substantively exact duplication should give rise to liability for infringement.³⁹ Altogether, this would be a very thin model of copyright protection.

As it stands, some jurisdictions have already allocated copyright protection to the programmer in instances where a computer program generates a work. This is the case in India, Ireland, New Zealand, Hong Kong (SAR) and the UK.⁴⁰ Notably, a court in Shenzhen has ruled that AI-generated news articles may obtain copyright protection under Chinese law.⁴¹ There is then at least some support from other jurisdictions for consider an AI copyright scheme.

Copyright law's purpose is open to some debate.⁴² It would appear that in the context of works it is a law to protect authorship.⁴³ However, as plurality observation in *IceTV*

⁴¹ See *Shenzhen Tencent v Yinxun* reported in Kan He, 'Another decision on AI-generated work in China: Is it a Work of Legal Entities?' (29 January 2020)

<<http://ipkitten.blogspot.com/2020/01/another-decision-on-ai-generated-work.html>> accessed 11 December 2019.

⁴² Gervais (n 1) places that purpose solely in the realm of authorship. Other commentators have noted the dominant presence of the publishing industry. See David Brennan, 'The Root of Title to Copyright in Works' (2015) *Intellectual Property Quarterly* 289. See also Ronan Deazley, *On the Origin of the Right to Copy* (Hart Publishing, 2004).

⁴³ *Phone Directories* (n 17) 134.

suggests,⁴⁴ this is motivated by a reciprocal exchange. The utilitarian bargain that copyright seeks to foster – monopoly rights in exchange for creative and useful works – would appear to be the driving purpose of the law. Whether expanding copyright protection to include works of non-human authorship would frustrate that purpose is considered below. Here, however, that utilitarian bargain is a useful starting point for the two arguments that support protection of AI copyright.

The first argument centres on investment. The basic idea is that copyright in code is insufficient and that unless developers are given copyright in the outputs created by AI technologies, there will be insufficient motivation for them to invest in AI itself. This investment and incentives argument stands one step removed from the putative copyright work. As is well known, under the existing incentive theory, the author is incentivised to create a work in exchange for a temporary monopoly. In the context of AI, the technology developer is incentivised to invest in creating new forms of AI because the developer or end user may want copyright protection in the outputs that then emanate from the operation of the AI. Here, copyright becomes something of an ‘investment protection scheme.’⁴⁵

The investment argument is tenuous. The Jill Watson technology was not developed to secure copyright in her output. Instead, she was designed as a labour-saving device to attend to routine queries. Even in the field of journalism, QuakeBot,⁴⁶ used by the LA Times, and, ReporterMate,⁴⁷ used by the Guardian Australia, were designed to attend to formulaic stories. Copyright matters here, in that the newspapers would presumably be affronted if their content was simply taken by a third party, but it is a by-product of the

operation of the system rather than an end in itself. The investment in the technology was designed to free up existing resources for more productive purposes in circumstances where functionality of journalistic endeavour was the primary concern and copyright protection was a significantly lower order priority. Notably, in the account of ReporterMate, the Guardian Australia describes the technology as an efficiency-promoting device.⁴⁸ At best, copyright is an ancillary concern. Nonetheless, there is significant potential for copyright to serve as a useful regime once the content generated by AI proves to be of value.

The second argument for protecting works of non-human authorship is that copyright serves as a base property to facilitate useful exchanges. For example, the use of Creative Commons licences by the Australian Government to licence out datasets to the public via the government entity Data.gov.au⁴⁹ relies solely on the presence of copyright in the datasets. However, as the datasets are produced using big data analytics, it is unlikely that any copyright exists in them at all. As such, any attempts by the Australian Government to control licensee behaviour would likely be frustrated by the unenforceability of the licences.⁵⁰ Extending copyright here cures an immediate problem. Likewise, where automated journalism and other creative endeavours are concerned, copyright serves as the muscle to enforce contractual obligations.

⁴⁴ *IceTV* (n 2) 25.

⁴⁵ Gervais (n 1) 30.

⁴⁶ Yu (n 39) 1246-1247.

⁴⁷ Nick Evershed, ‘Why I created a robot the write news stories’ *Guardian Australia* (Sydney, February 1, 2019) <<https://www.theguardian.com/commentisfree/2019/feb/01/why-i-created-a-robot-to-write-news-stories>> accessed 11 December

2019. Evershed describes ReporterMate as ‘a system that can automate the analysis and writing of these formulaic stories.’

⁴⁸ *ibid.*

⁴⁹ See further: Data.gov.au, ‘data.gov.au – beta’ (2019) <www.data.gov.au> accessed 11 December 2019.

⁵⁰ If there is no copyright, then on a contract level there is no consideration. See *Placer Development Ltd v Commonwealth* (1969) 121 CLR 353.

4. WHITHER THE GATEKEEPERS?

Even if one were to accept the case for extending copyright protection to works of non-human authorship, some particularly tricky questions remain. Three will be addressed here. First, would the purposes underpinning copyright law be frustrated by the removal of the authorship and originality requirements in relation to works? Second, can copyright law withstand the doctrinal incoherency of having one scheme in place for human beings and an entirely different scheme running for AI technology? Third, to what extent should it even matter that AI technology, with or without copyright protection, will continue to increasingly chip away at the role of human beings in the labour market for copyright works?

The plurality's statement in *IceTV*, clearly indicates that the statutory monopoly conferred by copyright protection is a result of a social contract rather than the cause for one. That is to say, that the interests of the author are only accommodated because he or she provides something of value to the society, which provides the protection through its laws.⁵¹ Copyright under the Act might be termed an 'opt-out system' wherein the owner presumptively has protection under the law, but this position is the result of Parliament recognising that authors can enhance the welfare of society and thereby putting the default position of the law in a shape to reflect this view. Put simply, copyright protection is not a naturally occurring thing, it is a deliberate policy choice.

If works of non-human authorship can deliver similar value to society then it makes sense that some measure of protection should be afforded. The difference lies in the way in which the incentive argument works as between human and non-human authors. The traditional incentive theory posits that human authors are incentivised to create more works that are useful by the lure of copyright protection.⁵² However, an algorithm requires no incentive. The technology developer stands one-step removed from the production of the creative work that AI produces.

A further problem arises around control in the context of originality. Authorial decisions, at least all of the decisive ones, are taken by the AI program as part of its normal operation. Further, this function is unintelligible to the technology developer or the user because of the black box problem.

A decision has to be made here. Do we accept the function of the AI program, replete with the black box problem, as a routine feature of the running of AI technologies and thereby no barrier to copyright protection? Alternately, is the lack of transparency with regard to authorial decisions too problematic to warrant copyright protection?

The importance of control within originality, and the definable nature of authorial activities, would be undermined by AI's black box problem. In *IceTV*, Gummow, Hayne and Heydon JJ observed, '[t]he subject matter of the Act now extends well beyond the traditional categories of original works of authorship, but the essential source of original works remains the activities of authors.' Consequently, anything that can be protected by copyright within the confines of Part III of the Act must adhere to this authorship requirement. In Australia, the *Copyright Act* does observe a distinction between Part III works and Part IV subject matter. Where Part IV subject matter is concerned, a human being as 'maker' creates either a sound recording, a cinematograph film or a broadcast. There is here a utilisation of mechanical means to create copyright protected subject matter, but the human being is driving the process. Control thus remains a concept within Part IV subject matter as well. The same is just not true of AI technologies. Where AI is concerned, the human being may have a causative role, but they do not drive the process and make the key authorial choices. It follows then that AI has the potential to put doctrinal strain on both Part III works and Part IV subject matter.

Taken as a whole, the emergence of a parallel scheme within the *Copyright Act* for works of non-human authorship has the clear potential to render vast tracts of the existing law on

⁵¹ *IceTV* (n 2) 25.

⁵² This idea itself is highly contested. See Sara Stadler, 'Incentive and Expectation in Copyright,' (2006) 58 *Hastings Law Journal* 433.

originality and authorship otiose. The decisions in *IceTV* and *Phone Directories* would be practically redundant. The plaintiffs in those or similar cases could simply rely on a work-around scheme involving AI. In turn, this would further strain the application of the law on human subjects. Whether a shorter version of duration would ameliorate, this problem is unclear.

A further problem lies in the way that AI will supplant some human labour. Indeed, even if automated journalism is labour saving, it takes away the need to employ a journalist to do routine tasks. The same can be said for the Jill Watson technology. Copyright has never been entirely divorced from the realities of the industries that rely upon it, but never has it been entirely subservient to them. Yet, the base objection that some might raise is that a copyright law that encompasses AI technology could become both a de facto unfair competition law and a tool for furthering human inequality.

5. CONCLUSIONS

Any moves to extend copyright protection to works of non-human authorship will have significant ramifications for authorship and originality. The qualifying role that these doctrinal concepts currently serve under sections 32, 33, 35 and 36 of the *Copyright Act* will cease to function as it once did. What lies beyond that is extremely uncertain. Nevertheless, the continued emergence of AI technologies, and the commercial and productive potential that they offer, demands a rethink of the rules of copyright law. The questions which are difficult to resolve are whether the doctrinal incoherency that might result can be overcome and whether, when the law becomes a tool by which some human authors are tacitly supplanted, it can retain its place and purpose. Even so, it is important that the law should not lag behind the rapid advances of technology. If copyright law fails to seize the moment and to respond to advances in AI, then those actors who are concerned with the creative use of AI will likely revert to other legal mechanisms such as contracts or technology protection measures to secure some return on their investments. Copyright law has to maintain its relevance

in this area, but it must strive to do so in a manner that addresses many of the issues raised in this paper.

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2. PROTECTING INDUSTRIAL DESIGNS IN THE COMMONWEALTH CARIBBEAN: A CRITICAL ANALYSIS

Jason Haynes*

ABSTRACT

Industrial designs are increasingly becoming an important revenue stream for innovators. Innovators in the Commonwealth Caribbean have been no exception in this regard. Nonetheless, in practice, most of the region's legislation on industrial designs is out of date, parochial in its orientation and fundamentally out of sync with modern day realities. This paper seeks to explore the protection of industrial designs in the region, with the aim of identifying areas of convergence and divergence between Caribbean countries, as well as opportunities for reform where lacunae are found to exist.

Keywords: *registered design, unregistered design, commonplace, novelty, originality*

* Jason Haynes is Lecturer in Law, University of the West Indies, Cave Hill Campus, Barbados. He previously served as Secretary General of the Arbitration and Mediation Court of the Caribbean, and as Senior Legal Officer at the British High Commission, Bridgetown, Barbados. He is a graduate of the University of the West Indies, Cave Hill Campus, Barbados (Bachelor of Laws, First Class Honours); the University of Nottingham (Master of Laws, Distinction); the University of Durham (PhD in Law); and the Norman Manley Law School (Legal Education Certificate). He is a barrister-at-law and solicitor admitted to practise in the State of St Vincent and the Grenadines and an attorney-at-law admitted to practise in Barbados. Jason received the Durham University Learning and Teaching Award (DULTA) and was the recipient of the Postgraduate Certificate in Academic Practice from Durham University. He is also a Fellow of the UK Higher Education Authority. He has taught law at undergraduate and postgraduate levels at Durham Law School and the University of the West Indies, Mona Campus, Jamaica, and Arden University, UK. He is a former National Scholarship recipient from the State of St Vincent and the Grenadines; a former British Chevening Scholarship recipient; and a former Commonwealth

1. INTRODUCTION

The Commonwealth Caribbean is a pluralistic society, whose eclectic cultural and traditional heritage permeates the region's artistic and creative industries. Whether it be items of jewellery, carpets, footwear or clothing apparel, Caribbean people have demonstrated tremendous acumen toward their design of items of industry or handicraft. It should therefore come as no surprise that the vast majority of Commonwealth Caribbean countries have enacted legislation,¹ modelled after WIPO's Model Law for Developing Countries on Industrial Designs² that allows for the registration and attendant protection of industrial designs. Additionally, some Caribbean countries allow for the protection of unregistered designs in a similar vein to the system created by the UK's Copyright Designs and Patents Act (CDPA). Yet still, in other countries such as Grenada,³ Montserrat⁴ and, to a limited extent, the Cayman Islands,⁵ while there exists no system of design right protection for local designs, designs which have been registered in the United Kingdom automatically gain protection in these islands, and the rights attached to these designs can accordingly be enforced in said countries. Guyana, by contrast, has a hybrid system in place in which

Scholarship recipient. Jason has published widely in a number of leading peer-reviewed journals, including the *European Intellectual Property Review*, and is co-author of *Commonwealth Caribbean Intellectual Property* (Routledge, London, Forthcoming), *Commonwealth Caribbean Sports Law* (Routledge, London, 2018) and *Foreign Investment Law in the Caribbean* (Routledge, London, Forthcoming).

¹ Anguilla Industrial Designs Act 2002; Antigua and Barbuda Industrial Designs Act 2003; The Bahamas Industrial Property Act CAP 324; Barbados Industrial Designs Act CAP 309A; Belize Industrial Designs Act CAP 254; Dominica Industrial Designs Act 1998; Guyana Patents And Designs Act CAP 90:03; Jamaica Designs Act 1937; St Lucia Industrial Designs Act 2001; St Vincent and the Grenadines Industrial Designs Act CAP 312; Trinidad and Tobago Industrial Designs Act CAP 82:77.

² (1990) WIPO Publication No. 808 (E).

³ United Designs Protection Act Cap 331.

⁴ United Kingdom Designs (Protection) Act (1/1/2002).

⁵ The Design Rights Registration Law (2016), s 2(1) (b).

local designs are protected upon registration,⁶ as well as designs which have been registered in the UK.⁷ Finally, in other countries like St Kitts and Nevis, no sui generis legislation exists to protect designs, which necessitates reliance upon the Copyright Act in respect of original artistic works.⁸

This paper seeks to assess the adequacy of regional protection afforded to industrial designs, having regard to developments at the level of the European Union and the United Kingdom. This paper concludes by analysing the provisions of the Cayman Islands Industrial Designs Bill 2019 in light of the discussion around the reform of industrial designs legislation in the Commonwealth Caribbean.

2. SUBJECT MATTER OF PROTECTION

Under the respective regional registered designs legislations, barring minor vernacular variations, a 'design' is defined. This definition typically reads as follows:

a composition of lines or colours, a three dimensional form or a material, whether or not associated with lines or colours, is deemed to be an industrial design where such composition, form or material gives a special appearance to a product of industry or handicraft, can serve as a

pattern for a product of industry or handicraft and appeals to and is judged by the eye.⁹

There are several points that are worth noting from this definition. The first is that both two-dimensional (lines or colours) and three-dimensional forms (shapes and configurations) are, in principle, protected. By implication, it would thus appear that surface decorations are protected. These designs must, however, be applied to a product of industry or handicraft, and must remain visible, since they have to appeal to the eye. The only exception to the requirement for a registered design to have 'special appearance' or 'eye appeal' is Section 2 of the Jamaica Designs Act 1937, which provides that:

'design' means any design applicable to any article of manufacture, or to any substance artificial or natural or partly artificial and partly natural, whether the design is applicable for the pattern, or for the shape or configuration or for the ornament thereof or for any two or more such purposes, and by whatever means it is applicable, whether by printing, painting, embroidering, weaving, sewing, modelling, casting, embossing, engraving, staining, or any other means whatever, manual, mechanical or chemical, separate or combined.

⁶ Patents and Designs Act Chapter 90:03, s 62(1) The Registrar may, on the application made in the prescribed form and manner of any person claiming to be the proprietor of any new or original design not previously published in Guyana, register the design under this Part.

⁷ *ibid*, s 76. Subject to the provisions of ss 77 and 78 of this Act, the registered proprietor of any design registered in the United Kingdom under the Patent and Designs Acts, 1907 to 1932, of the United Kingdom or any Act amending or substituted for those Acts shall enjoy in Guyana the like privileges and rights as though the design had registered in Guyana under this Act.

⁸ 'A Guide to Intellectual Property: St. Christopher (Kitts) & Nevis' (Daniel Brantley Attorneys-at-Law, St. Kitts Nevis, April 27, 2016).

⁹ Anguilla Industrial Designs Act 2002, s 2(1); Antigua and Barbuda Industrial Designs Act 2003, s 3(1); The Bahamas Industrial Property Act CAP 324, s 30(1). ('design' shall mean features of shape, configuration, pattern or ornament of an article or features of

pattern or ornament applicable to articles in so far as such features appeal to and are judged solely by the eye); Barbados Industrial Designs Act CAP 309A, s 4; Belize Industrial Designs Act CAP 254, s 2; Dominica Industrial Designs Act 1998, s 2; Guyana Patents And Designs Act CAP 90:03, s 2; Jamaica Designs Act 1937, s 2. ('design' means any design applicable to any article of manufacture, or to any substance artificial or natural or partly artificial and partly natural, whether the design is applicable for the pattern, or for the shape or configuration or for the ornament thereof or for any two or more such purposes, and by whatever means it is applicable, whether by printing, painting, embroidering, weaving, sewing, modelling, casting, embossing, engraving, staining, or any other means whatever, manual, mechanical or chemical, separate or combined); St Lucia Industrial Designs Act 2001, s 3(1); St Vincent and the Grenadines Industrial Designs Act CAP 312, s 3(1); Trinidad and Tobago Industrial Designs Act CAP 82:77, s 3(1).

A. EYE APPEAL

According to WIPO's Commentary on the Model Law for Developing Countries on Industrial Designs, reference to 'special appearance' is synonymous with a design appealing to and being judged by the eye. Thus, although some pieces of regional legislation, like Barbados' Industrial Designs Act,¹⁰ refer only to 'special appearance', this notion is to be construed in similar vein to legislation that speak to designs appealing to the eye.¹¹ However, what exactly does it mean for a design to appeal to the eye?

Although the current UK Registered Designs Act (1949), as amended, and the CDPA do not impose a requirement for eye appeal,¹² this was not always the case. In fact, under the previous iteration of the Registered Designs Act, there was explicit reference to 'eye appeal', which was interpreted in divergent ways by a number of cases, albeit in a controversial manner.

In one of the leading cases on this particular issue, *AMP Incorporated v Utilux Proprietary Limited*,¹³ the majority opinion of the House of Lords was that AMP Incorporated terminals which were designed for washing machines did not enjoy design right protection because they failed to meet the threshold of eye appeal. Because the discussion engaged in by the House of Lords on the issue of eye appeal was so profound, and, indeed, likely instructive in respect of the interpretation of applicable Caribbean design rights legislation, key passages from their Lordships will be quoted in full. In *AMP Incorporated*, Lord Reid was of the view that:

Then there come the words 'being features which in the finished article appeal to and are judged solely by the eye.' This must be intended to be a limitation of the foregoing generality. The eye must be the eye of the customer if I am right in holding that the policy of the Act was to preserve

to the owner of the design the commercial value resulting from customers preferring the appearance of articles, which have the design to that of those, which do not have it. Therefore, the design must be one that appeals to the eye of some customers (*Emphasis added*). In addition, the words 'judged solely by the eye' must be intended to exclude cases where a customer might choose an article of that shape not because of its appearance but because he thought that, the shape made it more useful to him.

In the case of finished articles sold to members of the public for use by them, one doubts whether this limitation is of much importance. The onus is on the person who attacks the validity of the registration of a design. So he would have to shew on a balance of probability that an article with the design would have no greater appeal by reason of its appearance to any member of the public than an article which did not have this design (*Emphasis added*). Looking to the great variety of popular tastes this would seem an almost impossible burden to discharge.¹⁴

In Lord Reid's estimation, to obtain protection, a design must represent a blend of industrial efficiency with visual appeal. In other words, if a shape is not there to appeal to the eye, but solely to make the article work, then this provision excludes it from statutory protection.

A similar view was taken by Lord Morris, who proffered that:

The features must be such that in the finished article they appeal to and are judged solely by the eye. It follows that in the finished article they must at least be noticeable.

The question is raised as to the sense in which the features in a finished article are to appeal to and are to be judged solely by the eye. I think that it is clear that the particular feature which is in question or under consideration must

¹⁰ Barbados Industrial Designs Act CAP 309A, s 3(1). See also Antigua Industrial Designs Act 2003, s 3(1).

¹¹ Anguilla Industrial Designs Act, s 2(1); The Bahamas Industrial Property Act CAP 324, s 30(1); Belize Industrial Designs Act CAP 254, s 2; Dominica Industrial Designs Act 1998, s 2; Guyana Patents And Designs Act Chapter 90:03, s 2; St Lucia Industrial Designs Act 2001,

s 3(1); St Vincent and the Grenadines Industrial Designs Act CAP 312, s 3(1).

¹² In fact, the CDPA is said to be capable of protecting purely functional designs.

¹³ [1971] FSR 572.

¹⁴ *ibid* 577.

be seen when the finished article is seen. However, the words of the definition point, in the author's view, to considerations other than that of merely being visible. The phrases 'appeal to' and 'judged solely by the eye' denote features that will or may influence choice or selection. The eye concerned will be the eye, not of the court, but of the person who may be deciding whether, or not, to acquire the finished article possessing the feature in question (*Emphasis added*). This does not mean that the 'appeal' or the attraction must be to an aesthetic or artistic sense - though in some cases it may be. The features may be such that they gain the favour of or appeal to some while meeting with the disfavour of others. Beyond being merely visible, the feature must have some individual characteristic. It must be calculated to attract the attention of the beholder (*Emphasis added*).¹⁵

Lord Pearson endorsed the foregoing sentiments, finding that:

There must be in some way a special, peculiar, distinctive, significant or striking appearance - something which catches the eye and in this sense appeals to the eye.

Meanwhile, Viscount Dilhorne was of the view that:

I do not think it impossible that an electrician looking at the respondents' terminal would say that it appealed to his eye. He might say that it looked to him a cleaner and stronger type of terminal than any of the others which were shown to us. He might say that looking at it; it appeared to him the most useful for his purpose. I therefore think that the designs of the terminals registered by the respondents satisfy the first part of the definition of design, and if that stood alone, the registrations would be valid.

Although Viscount Dilhorne disagreed with his learned colleagues on the question of eye-appeal, the other judges were unanimous in holding that on being merely looked at,

the Claimant's terminal did not make any appeal to the eye. In their view, it had no feature of shape or configuration, which was special, peculiar, distinctive, significant or striking. There was nothing in its appearance that caught the eye. In fact, their view was that the terminal was not intended to be looked at; rather, it was to form part of the interior mechanism of the washing machine and would not normally be seen by anyone, except a maintenance engineer. Quite radically, their Lordships expressed that if, in any event, the terminal had eye appeal, 'that would be wasted.'¹⁶

The views expressed by the majority of their Lordships in *AMP Incorporated v Utilux Proprietary Limited* were reiterated in *Interlego A.G v Tyco Industries Inc & Ors (Hong Kong)*.¹⁷ Here, their Lordships affirmed that before a shape can be registered as a design, it should have eye-appeal; in this context, the eye is that of the prospective customer and the appeal is that created by a distinctiveness of shape, pattern or ornamentation calculated to influence the customer's choice. In other words, courts must ask, when looking at the design, 'do these features of shape or configuration, taken as a whole and in combination, appeal to the eye?'¹⁸

B. SPECIAL APPEARANCE IN RELATION TO THE WHOLE OR PART OF A PRODUCT

Aside from eye appeal, another important issue which arises from the regional statutory definitions of a 'design' is that of whether the features (lines or colours, a three dimensional form or a material) have to give a special appearance to a product as a whole or part of a product. Although this issue has not been expressly addressed in the existing jurisprudence, it is apposite to bear in mind that under the UK Registered Designs Act and CDPA and the Bermuda Copyright and Designs Act 2004, respectively, design right subsists in the appearance (shape or configuration) of the whole or part of an article. By contrast, regional statutes, in general, speak to the 'special appearance to a product', without specifying whether a person can claim design right in the features of a part, rather than the whole, of a product. It would seem, on a

¹⁵ *ibid* 583.

¹⁶ *ibid* 597.

¹⁷ [1988] UKPC 3.

¹⁸ *ibid* 246.

plain textual reading of the regional provisions, that design right can only be claimed in respect of the appearance of a product as a whole, rather than in respect of a part of a product.

A related issue concerns the fact that whereas Bermuda's Copyright and Designs Act 2004 indicates that design rights subsist in 'any aspect' of the shape or configuration of an article (whole or part thereof), other islands' legislation are silent on this issue. As indicated earlier in the article, reference to 'any aspect' is a relic of the UK's pre-2014 CDPA, which, according to the Court in *Neptune (Europe) Limited v Devol Kitchens Limited*,¹⁹ protected designs which were not embodied in all or part of an article, meaning that abstract designs were protected. In short, in Bermuda, but seemingly not in the other jurisdictions, protection may be extended to a combination of the end portion of the sprout or the top portion of the lid of a tea pot, albeit that they are disembodied from each other and from the sprout and lid, respectively. It is submitted that offering protection to these small, arbitrary aspects of an article is unacceptable, as such protection, based on the judgement of Laddie J in *Ocular Sciences Ltd. & Anr. v Aspect Vision Care Ltd. & Ors*,²⁰ inevitably creates uncertainty since a claimant could trim down his claim to the design of just part of the lid. In such a situation, a defendant accused of infringement would simply not know the scope of claimant's design right until the time of the action being heard.

Although the English decisions cited above are merely persuasive in the Commonwealth Caribbean, they nonetheless have a number of practical implications, namely that, if countenanced, design protection only extends in so far as an article has eye appeal, and, that, in general, protection

will be only afforded to aspects of an article to the extent that those aspects are not small and arbitrary.

3. SUBSTANTIVE REQUIREMENTS FOR PROTECTION

A. NEW

The vast majority of registered design legislation in the Commonwealth Caribbean require, as a basis for design protection, that the design be 'new.'²¹ For example, Section 4 the St Lucia Industrial Designs Act provides that:

(1) An industrial design is registrable if it is new.

(2) An industrial design shall be new if it has not been disclosed to the public, anywhere in the world, by publication in tangible form or by use or in any other way, prior to the filing date or, where applicable, the priority date of the application for registration.

Other countries' laws are slightly nuanced, however. For example, Section 62(1) Guyana's Patents and Designs Act²² provides that the design in question must be new *or* original:

The Registrar may, on the application made in the prescribed form and manner of any person claiming to be the proprietor of any new or original design not previously published in Guyana, register the design under this Part.

Meanwhile, Section 4 of Jamaica's Designs Act²³ legislation makes reference to new and original designs:

The author of any new and original design shall be deemed to be the proprietor thereof.

It is apparent that these pieces of legislation are based on the pre-1988 UK Registered Designs Act, which provided that:

¹⁹ [2017] EWHC 2172 (PAT).

²⁰ [1997] R.P.C. 289.

²¹ Anguilla Industrial Designs Act 2002, s 3(1)-(2); Antigua and Barbuda Industrial Designs Act 2003, s 4(1)-(2); Barbados Industrial Designs Act CAP 309A, s 9 and 11(1); Belize Industrial Designs Act CAP 254, s 3(1)-(2); Dominica Industrial Designs Act 1998, s 3(1)-(2);

St Lucia Industrial Designs Act 2001, s 4(1)-(2); St Vincent and the Grenadines Industrial Designs Act CAP 312, s 4(1)-(2); Trinidad and Tobago Industrial Designs Act CAP 82:77, s 4(1)-(2).

²² Guyana Patents and Designs Act 1973 (Cap. 90:03).

²³ Jamaica Designs Act 1937 (Act No. 32).

Subject to the provisions of this Act, a design shall not be registered thereunder unless it is new or original and in particular shall not be so registered in respect of any article if it is the same as a design which before the date of the application for registration has been registered or published in the United Kingdom in respect of the same or any other article or differs from such a design only in immaterial details or in features which are variants commonly used in the trade.

In *AMP Incorporated v Utilux Pty. Limited and Another*,²⁴ the Court of Appeal, in interpreting this provision, considered that in order for design right to subsist in an article, there must be substantial novelty or originality, having regard to the nature of the article in question. Differences between the design in question and the prior art which are immaterial would result in a rejection of the design for which registration is sought. The court was also minded to compare the words 'new or original' with the prior iteration of the 1949 Act which made reference to 'not previously published.'²⁵ In this connection, it accepted that 'new or original' did not alter the law, since the then new wording was apt to bear out the principles to be applied in judging novelty or originality as expressed in the authorities before 1949. For this reason, the Court's conclusion was that to qualify as 'new or original', a design must, when compared with the design of prior articles and other registered designs and published matter, show a substantial difference.

On the face of it, it might be argued that the same line of reasoning can be applied to regional registered legislation which make reference to novelty and/or originality as pre-conditions for the subsistence of a design right. In short, in comparing the registered design with the prior art and in the examination of novelty and originality, the design must be looked at as a whole. The eye is the sole judge and the eye must be an instructed eye, that is, with a knowledge of the

technicalities, if any, involved and in the light of the nature of the devices shown in the prior art. If the circumstances are such that the registered design shows a substantial difference from the prior art, it is novel and/or original, and can thus be protected. This would mean that if the decision of *In The Matter of Registered Design No 4040424 Owned by Stuart Maguire and An Application (No. 20/15) by H Stebbings to Invalidate the Registered Design*²⁶ were rendered in the Caribbean, regional courts would equally have come to the conclusion that the proprietor's design of a wedding heart box, with a distinct rounded, fluid feel and a much longer slot cover, with two angled cut-outs, was new on the ground that it was not identical or too close to the applicant's design.

Despite the foregoing, however, a strong argument exists for the proposition that the English jurisprudence, discussed above, should not be uncritically accepted. In fact, it can be argued that there is seemingly a distinction between 'new' and 'original', and that legislation, like Jamaica's, which speak to 'new and original' introduce a higher threshold for obtaining protection compared with other jurisdictions whose legislation use 'new' or 'original' (like the legislation in Guyana, and the UK Registered Designs Act). It is arguable that while 'new' ought to be interpreted as a design that is substantially different from the prior art, 'original', as discussed below, means that a design must be the expression of the author's own intellectual creation; that is, the author has not slavishly copied another's design.

B. ORIGINALITY: REGISTERED DESIGN

Curiously, the Bahamas' Industrial Designs Act,²⁷ which introduces a system of registered design rights, speaks simply to the protection of original designs:

Section 30(2) Subject to the provisions of this Act, design copyright shall be obtainable in every *original design* by the

²⁴ See n 13 above. Note that the House of Lords overruled this decision, but only on the question of eye appeal and featured dictated solely by technical function. As such, it appears that the dicta of the Court of Appeal in relation to novelty and originality still stands as an accurate description of the law.

²⁵ This phraseology is used in most of the regional registered designs legislation.

²⁶ Designs decision O/252/16.

²⁷ Bahamas Industrial Property Act 1965 (No. 85 of 1965).

person claiming to be the proprietor thereof by depositing a claim for design copyright at the Industrial Property Office.

Section 31. (1) A design shall be deemed to be original in so far only as it is the original work of the author.

(2) Subject to the right of priority provided for by section 63 of this Act, a design shall not be deemed to be original if it is the same as a design of or for the same or any other article by the same author which has been previously published in The Bahamas or elsewhere or has been deposited under this Act by or on behalf of or with the consent of the author or any proprietor thereof or differs from such design in modifications or variations not sufficient to alter the character or substantially affect the identity thereof.

The definition of originality, as introduced by the Bahamian Act, is, on the face of it, rather complex, but is in principle reminiscent of the threshold of originality introduced by the CDPA, albeit that the CDPA applies only to unregistered designs, whereas the Bahamian Act applies to registered designs. As indicated above, and repeatedly emphasized in a number of cases decided upon to date, including *Thelma Madine (t/a NICO)*, *Camal Enterprises Limited T/A the English Ladies Co v Leanne Phillips (T/A Leanne Alexandra)*, *Pauline Phillips & others*,²⁸ which concerned the originality of wedding dresses, and *Farmers Build Ltd v Carier Bulk Materials Handling Ltd*,²⁹ which concerned the originality of slurry separators, a design will be original if it is the expression of the author's own intellectual creation; that is, the author has not slavishly copied another's design (*Emphasis added*).³⁰ Additionally, originality is measured by reference to the test of whether sufficient skill, effort and aesthetic judgment has been expended on the new design to make it original compared to designs in the existing design corpus. Protection will be denied if the design is not the author's own intellectual

creation. This is synonymous with the applicable test used in the cognate area of copyright law. Equally, although novelty is not mentioned in the legislation, it may be argued that protection will be denied if one's design is not materially different from a design that already forms part of the existing design corpus.

C. ORIGINALITY AND COMMONPLACE: UNREGISTERED DESIGN

Of all the Caribbean designs legislation, only the Cayman Islands and Bermuda Industrial Designs³¹ legislations, respectively, address originality in the context of unregistered designs, in similar vein to the CDPA. For example, Section 2(1)(a) of the Cayman Islands Design Rights Registration Law³² provides that:

(...) design right means a property right currently held in the United Kingdom that -

(a) subsists in an original design in accordance with Part III of the Copyright, Designs and Patents Act 1988.

Meanwhile, the Bermudan legislation, in Section 292(4), only extends protection to original designs, such designs being identified as not being 'commonplace' in the design field in question at the time of its creation. Given that both the Cayman Islands and Bermuda are British Overseas Territories, it is submitted that given the legislative context of these provisions (that is, their derivation from the CDPA), the definitions of 'originality' and 'commonplace' found in UK case law which interprets the CDPA are instructive. In this connection, the case of *Whitby Specialist Vehicles Limited v Yorkshire Specialist Vehicles Limited, Amer Rubani, Omar Rubani, Ghulam Rubani*,³³ which concerned the originality of ice cream vans, is apposite on the question of originality:

In order for design right to subsist, a design must be 'original' in the copyright sense of originating with the

²⁸ [2017] EWHC 3268 (IPEC).

²⁹ [1999] RPC 461.

³⁰ *ibid* 482.

³¹ Bermuda Copyright and Designs Act 2004 (No. 5/2004), s 292(4).

³² The Cayman Islands Design Rights Registration Law 2016 (Law 29 of 2016).

³³ [2014] EWHC 4242 (Pat).

author, and not being copied by the author from another: see *Farmers Build Ltd v Carrier Bulk Materials Handling Ltd* [1999] RPC 461 at 475, 482. In *Magmatic v PMS* at [84] I expressed the view that the test is whether sufficient skill, effort and aesthetic judgement has been expended on the new design to make it original.³⁴

Meanwhile, Laddie J's sentiments in *Ocular Sciences Ltd. & Anr. v Aspect Vision Care Ltd. & Ors. Geoffrey Harrison Galley v Ocular Sciences Ltd*³⁵ on the question of 'commonplace' designs are worth repeating:

'commonplace' covered designs which were ordinary, nothing more than banal, and trivial.

Any design which is trite, trivial, and common-or-garden, hackneyed or of the type which would excite no peculiar attention in those in the relevant art is likely to be commonplace. This does not mean that a design made up of features which, individually, are commonplace is necessarily itself commonplace. A new and exciting design can be produced from the most trite of ingredients. But to secure protection, the combination must itself not be commonplace.³⁶

In this case, the design of the soft contact lens in issue were held to not be unique, and thus commonplace in the design field in question.

A more nuanced pronouncement on the notion of commonplace can be found in the decision of Mummery LJ in *Farmers Build Ltd v Carrier Bulk Materials Handling Ltd*.³⁷ Here, his Lordship explained that the Court must compare how similar the proprietor's design is to the design of similar articles in the same field of design made by persons other than the parties or persons unconnected with the parties. In this connection, the closer the similarity of the various designs to each other, the more likely it is that the designs are commonplace, especially if there is no causal link, such as

copying, which accounts for the resemblance of the compared designs. If, however, there are aspects of the plaintiff's design of the article, which are not to be found in any other design in the field in question, and those aspects are found in the applicant's design, the court would be entitled to conclude that the design in question is not 'commonplace.'

D. IS 'INDIVIDUAL CHARACTER' A SUBSTANTIVE REQUIREMENT UNDER CARIBBEAN REGISTERED DESIGN LEGISLATION?

Although Section 1B of the UK's Registered Design Act, as amended, provides that novelty and individual character are the substantive requirements for registered designs to obtain protection, the question arises as to whether the individual character requirement equally applies in the Caribbean, in the absence of explicit mention of such in regional designs legislation. Individual character is related to novelty, but it is not the same thing as novelty. More pointedly, individual character, in the UK and, indeed, EU context, refers to a circumstance where the overall impression which a design produces on the informed user differs from the overall impression produced on such a user by any design which has been made available to the public before the relevant date. By contrast, regional registered design legislation simply make reference to either novelty alone or in combination with originality, thereby seemingly excluding the requirement for individual character. Against the backdrop of Laddie J's sentiment in *Ocular Sciences Ltd. & Anr. v Aspect Vision Care Ltd. & Ors. Geoffrey Harrison Galley v Ocular Sciences Ltd*³⁸ that 'it cannot necessarily be assumed that similar expressions have similar meanings in the two statutes', an argument for implying a requirement of individual character in regional legislation is highly problematic. This view is seemingly augmented by WIPO's Model Law for Developing Countries on Industrial Designs, which does not explicitly introduce an 'individual character' requirement, although it speaks to novelty. Against this backdrop, when interpreting

³⁴ *ibid* 43.

³⁵ [1997] RPC 289.

³⁶ *ibid* 430.

³⁷ [1999] RPC 461.

³⁸ [1997] RPC 289.

regional registered design legislation, it would seem that novelty, in the sense of an identical or substantially similar design not having previously been disclosed to the public, is the threshold requirement, and nothing more.

4. EXCEPTIONS

Regional legislation outlines circumstances that would prevent the registration of a design.

A. PUBLIC ORDER/MORALITY

The majority of Caribbean legislation, like their UK counterparts, do not protect designs that are contrary to public order / morality.³⁹

B. FEATURES DICTATED SOLELY BY TECHNICAL FUNCTION

Regional legislation, with the exception of Jamaica and Bermuda, exempt from protection, features of a design that are dictated solely by technical function. A typical provision of this nature reads as follows:

The protection under this Act does not apply to anything in an industrial design which serves solely to obtain a technical result and to the extent that it leaves no freedom as regards arbitrary features of appearance.⁴⁰

As far as the interpretation of this provision is concerned, the important point to remember from *Dyson Limited v Vax Limited*⁴¹ is that as long as functionality is not the only relevant factor, the design is, in principle, eligible for protection. It is only when aesthetic considerations are completely irrelevant that the features of the design are solely dictated by the need to achieve a technical solution. In

other words, where the designer had 'no freedom as regards arbitrary features of appearance' of the article, there can be no protection. However, where, in respect of a particular product, the designer is concerned with both functional and aesthetic elements, there is no objection in principle to granting design protection to such a design whose overall appearance is determined largely, but not exclusively, by functional considerations.

The exclusion applied in the case of *AMP Incorporated v Utilux Proprietary Limited*⁴² in which the Court considered that all the features of the terminal's shape were attributable to or caused or prompted by the terminal's function of forming an electric connection between the two electric conductors, the tab and the wire in respect of washing machines. In other words, its shape possessed no features beyond those necessary to enable it to fulfil its function.

On another note, it should be remembered that not all regional legislation is drafted in the same manner, so it cannot be automatically assumed that the technical function exclusion applies across all of the islands. For example, because the Bermudan Copyright and Designs Act introduces a system of unregistered design protection, purely functional designs can be protected, as expressed by the England and Wales court in the case of *Landor & Hawa International Ltd v Azure Designs Ltd*.⁴³

C. METHOD OR PRINCIPLE OF CONSTRUCTION

In a similar vein to the CDPA, Section 35(2) of the Bahamas Industrial Property Act and Section 2 of the Guyana Patents and Designs Act exclude a method or principle of construction from design protection. The other islands' legislation are

³⁹ Anguilla Industrial Designs Act 2002, s 3(4); Antigua and Barbuda Industrial Designs Act 2003, s 4(4); Barbados Industrial Designs Act CAP 309A, s 10 ('breach of the peace'); Belize Industrial Designs Act CAP 254, s 3(3); Dominica Industrial Designs Act 1998, s 3(3); Jamaica Designs Act 1937, s 14; St Lucia Industrial Designs Act 2001, s 4(4); St Vincent and the Grenadines Industrial Designs Act CAP 312, s 4(4); Trinidad and Tobago Industrial Designs Act CAP 82:77, s 4(4).

⁴⁰ Anguilla Industrial Designs Act 2002, s 2(2); Antigua and Barbuda Industrial Designs Act 2003, s 3(2); Barbados Industrial Designs Act

CAP 309A, s 8(b); Belize Industrial Designs Act CAP 254, s 2; Dominica Industrial Designs Act 1998, s 2; St Lucia Industrial Designs Act 2001, s 3(2); St Vincent and the Grenadines Industrial Designs Act CAP 312, s 3(2); Trinidad and Tobago Industrial Designs Act Chapter 82:77, s 3(2).

⁴¹ [2010] EWHC 1923 (Pat).

⁴² [1971] FSR 572.

⁴³ [2006] EWCA Civ 1285.

silent on this issue; as such, it could be assumed that methods or principles of construction might obtain protection in these islands, since it is arguable that if the respective legislatures wished to exclude methods or principles of construction, they would have said so explicitly.

For interpretative purposes, the decision of *Bailey v Haynes*,⁴⁴ which excluded from protection the design of a fishing mesh which was apparently generated by the Atlas Warp Stitch method, is instructive. In that case, the court considered that a designer could not obtain a monopoly over a process or operation by which a shape is produced, though the shape itself is not, *per se*, excluded from protection. In other words, if a particular method or principle of construction exists, competitors are not to be prevented from using this process to produce articles, provided that these competing designers do not produce the same shape or configuration as the design right owner's.

D. MUST MATCH & MUST FIT EXCEPTIONS

The Bermudan Copyright and Designs Act⁴⁵ is the only piece of regional legislation that expressly includes the 'must match' and 'match fit' exceptions.

Under section 292(3)(b) of that Act, 'design right does not subsist in features of shape or configuration of an article which are dependent upon the appearance of another article of which the article is intended by the designer to form an integral part.' The effect of this 'must match' provision was considered in *Dyson v Qualtex*,⁴⁶ a case in which the Court considered that for the exception to apply, the features of an article (A1) (for example, spare parts) must be dependent upon that of a larger article (A2) (for example, a vehicle) of which A1 forms an integral part, such that the designer had little freedom but to build A1 in the manner in which he did. On the basis of the *Dyson* decision, if it is the case that the designer of A1 had design freedom, for example in designing his A1 spare parts to form an integral part of A2, and those

parts are ultimately identical to the main designer's parts, the exception will not apply, and the designer of A1 is likely to be liable to be sued by A2 for infringing his design right.

Unlike the UK's Registered Designs Act, no provision is made in regional legislation for component parts (for example, spare parts) of a complex product (for example, a vehicle), wherein those spare parts could obtain design protection if they remain visible during normal use, are new and have individual character.

The 'must fit' exception can be found in section 292(3)(b)(i) of the Bermudan Copyright and Designs Act. Where this exception applies, design right would not subsist in features of shape or configuration of an article which enable the article to be connected to, or placed in, around or against, another article so that either article may perform its function. The interpretation of this provision was considered by Laddie J in *Ocular Sciences Ltd. & Anr. v Aspect Vision Care Ltd. & Ors. Geoffrey Harrison Galley v Ocular Sciences Ltd*,⁴⁷ when he expressed that even where an article is decorative, if the design of that article (A1) was chosen by the designer as a way of achieving a fit between the subject article and the article to which it fits or with which it interfaces (A2), then it does not attract design right protection. In *Ocular Sciences Ltd*, because the features of the soft contact lens in question were designed the way they were so as to enable the lens to fit on the eye and under the eyelids so as to achieve better focus and greater eye stability, no design right subsisted in the design of said lens.

E. SURFACE DECORATIONS

The Bermudan Copyright and Designs Act is the only piece of regional legislation that explicitly exempts from design protection 'surface decorations.'⁴⁸ The term 'surface decorations' is not expressly defined by the Act, but the case of *Neptune (Europe) Limited v Devol Kitchens Limited*⁴⁹ appears to suggest that it primarily contemplates 2

⁴⁴ [2007] FSR 10.

⁴⁵ Copyright and Designs Act 2004 (Bermuda).

⁴⁶ [2004] EWHC 2981.

⁴⁷ [1997] RPC 289.

⁴⁸ Copyright and Designs Act 2004 (Bermuda) s 292(3)(c).

⁴⁹ [2017] EWHC 2172 (PAT).

dimensional features of a design, such as decorations lying on the surface of an article (for example, a painted finish). On the facts of *Neptune*, however, the Court rejected the argument that the cock-beading and moulding on the Claimant's Chichester kitchen units were excluded from design right protection because they were surface decorations. Instead, the Court found that they were truly three dimensional in nature, and formed a prominent and striking part of the shape of the doors in question.

On another note, it is submitted that an important consideration to bear in mind when interpreting the Bermudan statute is that even if surface decorations are excluded from protection by virtue of design law, copyright law may nonetheless afford them the requisite protection, if they, indeed, amount to original artistic works.

5. RIGHTS CONFERRED

The owner or joint owner or employer or the person who commissions the design of an article, as the case may be, has exclusive rights in respect of the 'exploitation' of the design in question. This includes, but is not limited to, making articles bearing or embodying the design in question or exhibiting, selling or importing articles bearing or embodying the design.⁵⁰ Curiously, under Section 8 of the Jamaica Designs Act, should an individual wish to claim exclusive rights in his

design, he must, before putting the article embodying the design on sale, ensure that the article in question is marked with the prescribed mark (that is, ®) or with the prescribed word or words or figures, denoting that the design is registered.⁵¹ Interestingly, if he fails to do so, then his right in the design ceases, unless the proprietor can show that he took all proper steps to ensure the marking of the article.

More generally, under the respective regional designs legislation, the owner of a design right may also grant a license to another person to exploit the rights inherent in the design,⁵² and the licensee may take appropriate action to enforce these rights where there has been a breach by way of a court action.

6. DURATION

Legislation in the vast majority of Caribbean countries stipulate that design right subsists in increments of five years, and, pending renewal, can be extended to up to 15 years from the filing date of the application for registration.⁵³ In St. Vincent and the Grenadines, however, the maximum period for the subsistence of design rights is 10 years.⁵⁴

In so far as Bermuda's unregistered design right is concerned, under Section 295(1) of the Copyright and Designs Act,⁵⁵ this right subsists for a period of 15 years from the end of the calendar year in which the design was first recorded in a

⁵⁰ Anguilla Industrial Designs Act 2002, s 4 and 8; Antigua and Barbuda Industrial Designs Act 2003, s 5 and 10; The Bahamas Industrial Property Act CAP 324, s 35; Barbados Industrial Designs Act CAP 309A, s 5, 6 and 7; Belize Industrial Designs Act CAP 254, s 4 and 10; Bermuda Copyright and Designs Act 2004, s 310; Dominica Industrial Designs Act 1998, s 4 and 10; Guyana Patents and Designs Act CAP 90:03, s 74; St Lucia Industrial Designs Act 2001, s 5 and 9; St Vincent and the Grenadines Industrial Designs Act CAP 312, s 5 and 9; Trinidad and Tobago Industrial Designs Act CAP 82:77, s 5 and 9.

⁵¹ Jamaica Designs Act 1937, s 8.

⁵² Anguilla Industrial Designs Act 2002, s 13; Antigua and Barbuda Industrial Designs Act 2003, s 15; Barbados Industrial Designs Act CAP 309A, s 29 and 33; Belize Industrial Designs Act CAP 254, s 4 and 16; Bermuda Copyright and Designs Act 2004, s 301 and 313; Dominica Industrial Designs Act 1998, s 4 and 16; Jamaica Designs

Act 1937, s 16; St Lucia Industrial Designs Act 2001, s 14; St Vincent and the Grenadines Industrial Designs Act CAP 312, s 14; Trinidad and Tobago Industrial Designs Act CAP 82:77, s 14.

⁵³ Anguilla Industrial Designs Act 2002, s 9; Antigua and Barbuda Industrial Designs Act 2003, s 11; The Bahamas Industrial Property Act CAP 324, s 36; Barbados Industrial Designs Act CAP 309A, s 26; Belize Industrial Designs Act CAP 254, s 11; Bermuda Copyright and Designs Act 2004, s 295(1); Dominica Industrial Designs Act 1998, s 11; Guyana Patents and Designs Act CAP 90:03, s 66; Jamaica Designs Act 1937, s 7; St Lucia Industrial Designs Act 2001, s 10; St Vincent and the Grenadines Industrial Designs Act CAP 312, s 10; Trinidad and Tobago Industrial Designs Act CAP 82:77, s 10.

⁵⁴ Industrial Designs Act 2009 (CAP 312) (St. Vincent and the Grenadines).

⁵⁵ Copyright and Designs Act 2004 (Bermuda).

design document or an article was first made to the design, whichever first occurred. However, where articles made to the design are made available for sale or hire within 5 years from the end of that calendar year, the application period of protection is 10 years from the end of the calendar year in which that first occurred.

7. INFRINGEMENT

The majority of registered design legislation in the Commonwealth Caribbean provide for two forms of infringements,⁵⁶ namely primary and secondary infringements. Primary infringements arise where a person, other than the design owner and without the design owner's permission, makes an article bearing or embodying the design. More pointedly, primary infringement would arise where the third party's design differs only in minor respects from the design owner's design. It would even extend to circumstances where the third party's article, embodying the design owner's design, is a different article from what the design owner had claimed design rights under.

Although the foregoing is the general approach countenanced by the majority of the region's design legislation, Section 35 of the Bahamian Industrial Property Act⁵⁷ is slightly nuanced in that it explicitly requires, first, the copying of the proprietor's design, and, second, the making, in the Bahamas, of an article according to that design or a design not substantially different therefrom. This provision is similar to section 226(2) of the UK CDPA, which provides that reproduction of a design means 'copying the design so as to produce articles exactly or substantially to that design.' The case of *C & H Engineering v F. Klucznik & Sons Ltd*⁵⁸ is instructive in its discussion of the test for infringement where a provision such as that which obtains in the Bahamian legislation exists. In that case, the court explained that the

alleged infringing article or articles must be compared with the document or article embodying the design. Thereafter, the court must decide whether copying took place and, if so, whether the alleged infringing article is made exactly to the design or substantially to that design. Whether or not the alleged infringing article is made substantially to the plaintiff's design is an objective test to be determined through the eyes of the person to whom the design is directed. In that case, the claimant alleged that the defendant infringed its copyright in drawings for lamb creep feeders. The defendant counterclaimed that claimant had infringed its design right in the design of a pig fender. The defendant's pig fenders were designed to meet an order by a pig farmer, B. B required top edge that did not scratch the sows' teats as they stepped over the pen. This was achieved in the defendant's design by placing a two-inch metal tube around the top edge. The claimant was also asked to supply pig fenders for B. An employee of the claimant saw the defendant's design and was told that a round tube was required around the top edge. The claimant made its pig fenders to this design but also made it possible to stack them by flaring out the sides. It was held that, taken as a whole, the pig fenders of the claimant and the defendant were not substantially the same, notwithstanding the use of the two-inch tube in both. An interested man would be struck by the design features that enable the claimant's pig fender to be stacked. Those features not only attracted the eye, but would also be seen by an interested person as functionally significant.

On another note, secondary infringement arises where a third party, for a commercial purpose and without the design owner's permission, exhibits, imports or sells an article bearing or embodying the design. The standards for claiming secondary liability are that the person has engaged in the foregoing acts for a 'commercial purpose' and that he had knowledge or has reason to believe that the article in

⁵⁶ Anguilla Industrial Designs Act 2002, s 9 and 21; Antigua and Barbuda Industrial Designs Act 2003, s 10; The Bahamas Industrial Property Act CAP 324, s 35; Barbados Industrial Designs Act CAP 309A, s 5; Belize Industrial Designs Act CAP 254, s 10 and 24; Bermuda Copyright and Designs Act 2004, s 305(3); Dominica Industrial Designs Act 1998, s 24; Guyana Patents and Designs Act

CAP 90:03, s 74; Jamaica Designs Act 1937, s 12; St Lucia Industrial Designs Act 2001, s 9 and 22; St Vincent and the Grenadines Industrial Designs Act CAP 312, s 9 and 21; Trinidad and Tobago Industrial Designs Act CAP 82:77, s 9 and 22.

⁵⁷ Industrial Property Act 1965 (Bahamas).

⁵⁸ [1992] FSR 421.

question is an infringing article. On the court's approach to the question of secondary infringement, the judgment of *Action Storage Systems Limited v G-Force Europe.Com Limited, Fletcher European Containers Limited*⁵⁹ is instructive. In that case, the Claimant, who had designed 'eXtreme Lockers', succeeded in an action for secondary infringement against the defendant who had sold 'SuperTuff' lockers, which were created by copying the design of the eXtreme lockers, and were unsurprisingly made substantially to the overall design of the eXtreme lockers.

As far as unregistered design rights are concerned, under Section 305(3) of the Bermuda Copyright and Designs Act, if a third party, without permission and for a commercial purpose, copies the proprietor's design to produce articles exactly or substantially to that design, there is an infringement. Again, this provision is similar to section 226 of the CPDA, and thus cases such as *C & H Engineering v F. Klucznik & Sons Ltd* and *Landor & Hawa International Ltd v Azure Designs Ltd*⁶⁰ are instructive. In *Landor*, in particular, the court held that the defendant had infringed the claimant's unregistered design right in the expander section of its suitcase by designing its own expander section substantially to the claimant's design. The court found that copying by the defendant's designer did take place, and that when the designs were compared to each other, there was no difference of substance as between them. Accordingly, the claimant's claim of infringement succeeded.

8. AREAS REQUIRING APPROXIMATION

The foregoing discussion highlights clearly, that the current legislative landscape with respect to design protection in the Commonwealth Caribbean represents a mismatch of approaches in a number of areas, which signal the pressing need for approximation of regional legislation.

First, there needs to be approximation around the question of whether 'eye appeal' should continue to be a precondition for obtaining design protection, as there is increasing recognition in some quarters that designs that perform a

largely functional purpose, and whose object is not necessarily to attract spectators, should nonetheless be protected on the basis of their dissimilarity from the prior art and/or their originality. Second, there is a need for approximation around the question of whether design right can only be claimed in respect of the appearance of a product as a whole or in respect of a part of a product. It is submitted that a common regional approach should be that design right could be claimed in respect of the appearance of a product as a whole and in respect of parts of said product, since the former approach, without more, is very restrictive in nature. Third, there needs to be approximation around the question of whether design right subsists in 'any aspect' of the shape or configuration of an article. It is submitted that the approach countenanced by the 2014 amendment to the UK CPDA should be adopted, such that a person cannot claim design protection for small and arbitrary aspects of an article. Fourth, there needs to be approximation around the question of whether, as a basis for obtaining protection, the design in question needs to be new or original. Given the disparity in approaches countenanced, it is submitted that the more practical and modern approach would be that of 'novelty' since its primary focus is on whether the design has been previously disclosed to the public, and not simply whether it is original in the sense of being the author's intellectual creation. Fifth, there needs to be approximation around the question of whether 'commonplace' is a necessary precondition for design protection. It is submitted that, in keeping with developments in the UK, and, by extension, in the EU, it is prudent that 'commonplace' be widely countenanced, so as to exclude protection for ordinary, banal, and trivial designs. Finally, it is prudent that there be approximation around the question of whether a person is required to use the prescribed mark ® before putting the article embodying the design on sale. It is submitted that this is an out-of-date requirement which only disincentives the registration of industrial designs, and thus should not be countenanced when regional design legislation are approximated.

⁵⁹ [2016] EWHC 3151 (IPEC).

⁶⁰ [2006] EWCA Civ 1285.

9. CAYMAN ISLANDS DESIGN RIGHTS BILL, 2019

Efforts to bring reform in the area of design rights protection in the Caribbean have been remarkably slow. The only island which has made any real effort to bringing reform to legislation on design protection is the Cayman Islands, which, at the time of writing, had tabled the Design Rights Bill, 2019⁶¹ (Bill).

Under the new Bill,⁶² 'design' is defined as 'the design of the shape or configuration (whether internal or external) of the whole or part of an article.' What is noteworthy about this definition is that it omits the words 'any aspect', which was in pari materia with the pre-2014 UK Copyright, Designs and Patents Act. The effect of this provision has already been discussed above in respect of the case of *Neptune v Devol*,⁶³ but it suffices here to note that there will be no protection for abstract designs; that is, features of designs that are disembodied from the design and are merely recognizable or discernible.

In so far as the substantive requirements for protection are concerned, the Bill, like the former Act, makes reference to the requirement of originality,⁶⁴ which has been interpreted to mean that the design is the designer's intellectual creation, and it is as a result of sufficient skill and judgment having been expended by the designer in the creation of the design. Designs which are 'commonplace'⁶⁵ in the design field will not attract protection; that is, designs which are trivial, hackneyed and which excite no particular attention will not obtain design right protection. In addition to the requirement for originality, it is noteworthy that a further prerequisite to protection is that the person in question must be a qualifying person; that is, the person must have some connection to the Cayman Islands, whether as a national or resident, a British citizen or a company having substantial business activity in

the islands. Compared to the rest of the Caribbean, the Cayman Islands' legislation seems to limit the range of persons who may benefit from design rights protection. On a separate note, the design must be recorded in a design document or an article must have been made to the design in order for it to obtain protection.⁶⁶

The new Bill outlines a number of features, which are expressly excluded from design protection. These include, a method or principle of construction; features of shape or configuration of an article, which enable the article to be connected to, or placed in, around or against, another article so that either article may perform its function ('must fit' exception); or which are dependent upon the appearance of another article of which the article is intended by the designer to form an integral part ('must match' exception); and surface decorations.⁶⁷

Provided that the design in question meets the threshold definition requirement and satisfies substantive conditions for obtaining protection, ownership of the design rests with the designer.⁶⁸ However, in the case of jointly created designs, the designers will jointly be regarded as the owners.⁶⁹ If a design is made in the course of employment, the employer will, under the Bill, be regarded as the designer.⁷⁰

Registered designs have a life of 15 years from the end of the calendar year in which said designs were first recorded in a design document or articles were first made to the designs, whichever first occurred.⁷¹ During this period, design right is transmissible by assignment, by testamentary disposition or by operation of law as personal or moveable property.⁷² The design may also be made subject to a license, which is granted by the owner of the design right and binding on every successor in title to the owner's interest in the right, except a

⁶¹ Design Rights Bill 2019 (Cayman Islands).

⁶² *ibid.*

⁶³ [2017] EWHC 2172.

⁶⁴ Cayman Islands Design Rights Bill (n 61), s 14(1).

⁶⁵ *ibid.*, s 14(3).

⁶⁶ *ibid.*, s 14(5).

⁶⁷ *ibid.*, s 14.

⁶⁸ *ibid.*, s 15(1).

⁶⁹ Cayman Islands Design Rights Bill (n 61), s 16(3).

⁷⁰ *ibid.*, s 15(2).

⁷¹ *ibid.*, s 16(1).

⁷² *ibid.*, s 21(1).

purchaser in good faith for valuable consideration and without notice (actual or constructive) of the license or a person deriving title therefrom.⁷³ Licensees have rights and remedies, which are concurrent with those of the design right owner.⁷⁴

Design owners have the exclusive right to reproduce the design for commercial purposes by making articles to that design (that is, copying the design so as to produce articles exactly or substantially to that design); or by making a design document recording the design for the purpose of enabling such articles to be made.⁷⁵ The new Bill recognizes two forms of infringement. The first is primary Infringement, which arises where a defendant, without a license, makes, or authorizes another to make, articles to the owner's design or makes a design document recording the design for said purpose.⁷⁶ The second is secondary Infringement, which arises where a person who, without the license of the design right owner, imports an infringing article into the Islands for commercial purposes; has in his or her possession an infringing article for commercial purposes; or sells, lets for hire, or offers or exposes for sale or hire, in the course of a business, an infringing article.⁷⁷ It is particularly noteworthy that the new Bill distinguishes between design right infringement and copyright infringement. In this connection, only the former (making an article to the design) is actionable under the new Bill, and not the latter (i.e. copying of design drawings).⁷⁸

The remedies, which are available to design right owners upon an infringement having been established, are damages, injunctions or accounts of profits.⁷⁹ Additional damages may be awarded in appropriate cases, depending upon the flagrancy of the infringement; and any benefit accruing to the defendant due to the infringement. That said, no damages

might be awarded under the new Bill for innocent infringement, albeit other remedies remain available.⁸⁰ Other available remedies include an order for delivery up of infringing article (where the article is in custody, possession and control of the design right owner);⁸¹ and forfeiture or destruction of an infringing article.⁸²

Notwithstanding the existence of the exclusive right of owners and their ability to claim for infringement in appropriate cases where their right has been used for a commercial purpose without their permission, it is noteworthy that the new Bill makes provision for certain permitted uses, such as Crown use of design.⁸³ Crown use may arise, for example, during public emergencies such as war, or to protect essential services, productivity of industry, commerce and agriculture, fostering and directing exports and reducing imports, and assisting the relief of suffering.⁸⁴ That said, it should be borne in mind that compensation is payable for any loss resulting from the right owner or the exclusive licensee not being awarded a contract to supply the articles made to the design.⁸⁵ Other permitted uses include an act which is done privately and for purposes which are not commercial; an act which is done for experimental purposes; or an act of reproduction for teaching purposes or for the purpose of making citations provided that the act of reproduction is compatible with practice and does not unduly prejudice the normal exploitation of the design; and mention is made of the source.⁸⁶

One of the important features of the new Bill is that it places restrictions upon a design owner obtaining a monopoly over his registered design for the full period envisaged by the Bill. In this connection, under Section 35(1) of the Bill, any person is entitled as of right to a licence to do in the last five years of the design right term any act, which would otherwise infringe

⁷³ *ibid*, s 21(4).

⁷⁴ *ibid*, s 32.

⁷⁵ *ibid*, s 25(1).

⁷⁶ *ibid*, s 25(3).

⁷⁷ *ibid*, s 26(1).

⁷⁸ *ibid* s 34.

⁷⁹ *ibid* s 28(2).

⁸⁰ *ibid* s 31(1).

⁸¹ *ibid* s 31(1).

⁸² *ibid* s 30.

⁸³ *ibid* s 37.

⁸⁴ *ibid* s 41.

⁸⁵ Cayman Islands Design Rights Bill (n 61), s 40.

⁸⁶ *ibid*, s 42.

the design right. The Bill envisages that the parties will agree to the grant of the license, but in default, the dispute is to be settled by a Design Rights Tribunal, whose creation is provided for under the Bill. Where a person has acquired a license in this connection, where a person has used the design in an otherwise illegal way within the last five years of the design right term, the design right owner is precluded from bringing a claim for an injunction or delivery of the otherwise infringing article.⁸⁷ That said, damages or an account of profits may be recoverable, albeit that the same cannot exceed two times the amount which would have been payable by the defendant as licensee if such a license on those terms had been granted before the earliest infringement.

As intimated above, the new Bill introduces an interesting institutional mechanism referred to as the 'Design Rights Tribunal.' This body, when operationalized, will be responsible for making binding determinations on the subsistence of a design right; the term of design right; and the identity of the person in whom design right first vested.⁸⁸ Interestingly, all other courts or tribunals are precluded from making determinations on these specific issues, albeit that said other courts/tribunals can hear an appeal or reference from the Tribunal; and can deal with infringement or other proceedings in which the foregoing issues arise incidentally. The provision introducing the Design Rights Tribunal appears to have been adopted so as to streamline the institutional aspects of design registration, and protection from infringement in the Cayman Islands, thereby reducing the time and resources that would otherwise have been expended if multiple institutions had to be approached.

Finally, with regard to registration requirements, it is noteworthy that only a registered agent (a person legally and ordinarily resident in the Islands or a firm of attorneys-at-law) may carry on the business of acting as agent for others.⁸⁹ Such a person will apply to the Registrar to be enrolled as an agent. The Registrar may, where a request is made by a registered agent, issue a certificate of good standing.⁹⁰ Armed with this

certificate of good standing, the agent may then make an application to the Registrar for the registration of a design right, supported by payment of the prescribed application fee.⁹¹ Where the design meets the requisite conditions for registration, as described above, it will be registered in the Register of Designs.

10. CONCLUSIONS

This research paper provided a detailed articulation of the applicable rules, principles and guidelines relevant to the protection of registered and unregistered designs in the Caribbean, largely from a doctrinal and comparative perspective. The chapter identified a number of similarities as between the approaches countenanced in the United Kingdom and the Caribbean, whilst also outlining in a jurisprudentially grounded manner the differences that continue to exist between the two regions. The conclusion arrived at, in this connection, is that the protection of design rights is important for the development of cultural and creative industries in the Caribbean. In fact, Caribbean designers have benefited from design protection in respect of chairs, toothbrushes, jewellery, costumes and items fashion designs, as well as food containers, sports balls, coolers and spray caps for aerosol sprays. There has evidently been growth in the cultural and creative industries in the Caribbean, largely due to design protection.

This article has also highlighted the areas of convergence in respect of the applicable tests for infringement and invalidity, and pointed to the circumstances in which recourse to the courts to protect design rights might be possible. Nonetheless, it advanced the argument that there are several weaknesses in how regional legislation address industrial designs, which require amelioration. For example, it pointed to the divergent ways in which regional legislation posit the requirements for obtaining protection; namely, some legislation refer to 'novelty' alone, while others refer to 'originality', and yet still others refer to 'originality or novelty'

⁸⁷ *ibid*, s 36(2). In effect, a compulsory licensing system has been created.

⁸⁸ *ibid*, s 48(1).

⁸⁹ *ibid*, s 5(1).

⁹⁰ *ibid*, s 11.

⁹¹ *ibid*, s 6(1).

or ‘originality and novelty.’ It was argued that these terms bear their own nuances in how they are defined, and that English jurisprudence on these matters should not be unquestionably transplanted. Another point raised by the article is that there is arguably little room for the inclusion of ‘overall impression’ in the interpretation of regional designs legislation, though such an approach is countenanced in jurisdictions like the EU. The Cayman Islands’ proactive approach to design protection is advanced as a useful model that should inform the reform of regional designs legislation.

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3. IP REGULATIONS AND ENVIRONMENTAL AGREEMENTS: AN OVERVIEW OF THE BRAZILIAN GREEN PATENTS SERVICE

Ana Paula Gomes Pinto*

ABSTRACT

The Brazilian National Institute of Industrial Property launched a fast-track procedure for Green Technology named 'Green Patents' in 2012. Since then, seven Resolutions have been published to regulate the procedure until it became a permanent service. This paper provides, as a source, a brief description of those regulations, analysing them in order to expose the global progress of the examination procedure for environmentally sound technologies in Brazil, delivered by INPI. This fast-track policy correlated Industrial Property, Trade and Environment agreements, and treaties from World Intellectual Property Organisation (WIPO), World Trade Organisation (WTO) and the United Nation Environment Programme (UNEP), to promote the examination progress and the diffusion of Environmentally Sound Technologies. The Brazilian Green Patents Service (*Patentes Verdes*), is not only an accelerated examination patent procedure, but is also a tool to promote Environmentally Sound Technologies in Brazil. In this way, from 2012 to 2019, this service granted more than 200 patents exclusively classified as a green technology, able to contribute to mitigate the climate change (or climate emergency) issues.

Keywords: *Brazil; patent; procedure; fast-track; environmentally sound technologies; EST; climate change.*

* Ana Paula Gomes Pinto (Brazil) is enrolled into her second PhD Candidate at the Faculty of Law of the Maastricht University (UM), The Netherlands; she gained her PhD and Master's degrees in Intellectual Property and Innovation from Industrial Property Academy (ACAD- INPI), at the National Institute of Industrial Property, Brazil. She is a lawyer with a Bachelor's Degree in Law at the Federal University of the State of Rio de Janeiro (UNIRIO). Currently, she is the Chief of Cabinet of the Presidency at the National Institute of Industrial Property – INPI (Brazil). Also, this paper is part of a developing research at the Faculty of Law at the Maastricht University focused on 'Patent and Climate Change.'

1. INTRODUCTION

The Brazilian National Institute of Industrial Property¹ (INPI) launched a fast-track procedure for Green Technology named 'Green Patents' in 2012.² Since then, seven Resolutions have been published in Brazil to establish the project until it became a permanent service. Globally, the Brazilian Green Patent service is one of the pioneers to recognize and give consideration to the connection between patents and climate change. This paper is focused on a brief description and analysis of that National Regulation³ that could be able to explain to WIPO's Member States how INPI implemented and progressively adapted that until it turns to a permanent service.

The core of this paper⁴ is to explain the procedures and the rules created by the INPI to implement the Brazilian Green Patents (i.e. *Patentes Verdes*) service as a fast track procedure for green technology applications and reduce the time under examination as part of 'The Backlog Solution' Program. International Patent Classification Green (IPC Green) and Brazilian Industrial Property Law (BrIPL) limit the technology fields of those technologies, excluding nuclear power and administrative issues. The success of the service, so far, has been to grant patent applications within two years from the date of the request for entry into the service, according to the goal stipulated in its first phase. In the same way, the Green Patent Service provides a fast examination procedure for patent application capable of being classified as a green tech, a tool to improve the IP and Environmental Agreements signed by the Brazilian Government, as related to climate change.

¹ Named in Portuguese *Instituto Nacional da Propriedade Industrial* (INPI – Brazil).

² Although there are other Offices with the same abbreviation, such as France and Portugal, the trademark name 'INPI' was granted to the Brazilian Office. In this way, every time that INPI is mentioned, it refers to the Brazilian Office.

³ The complete study, of which this paper is a part, is a thesis that will be defended at the Faculty of Law of the Maastricht University – The Netherlands.

⁴ This paper is focused only in the technical fields related to green technologies, no other field is matter in this topic.

Moreover, each phase of this pilot project implemented a special feature. The issue addressed in this paper is to explain and to present it to WIPO's Member States what Brazilian law stages implemented and have allowed Brazil to become the pioneer in the application of industrial property policies mainly aimed at finding solutions to mitigate the consequences generated by climate change.

In brief, this paper has five sections, including this introduction and the conclusion. Section 2 introduces the concepts of green technologies, the technologies inside this classification and the difference between the Brazilian Service and the WIPO GREEN program. Section 3 describes the beginning of the fast track procedure in the Brazilian Patent System, summarizing the phases of Brazilian Green Patent and the creation of the service. It is important to highlight that in 2019, INPI launched a new rule in a set of priority rights including Green Patent service and updated it on 22 June 2020 with INPI Ordinance n. 247.^{5, 6} This paper does not focus on these regulations which require further study. Finally, the conclusion points for further discussions.

2. CONCEPTS

Concerning the definition of green technologies⁷, the first question to understand is: are there synonyms related to environmental technologies?

There are several words or expressions in the English language which refer to green technologies:⁸ (i) patenting green, (ii) green patent, (iii) green technology, (iv) Greentech, (v) clean technology, (vi) clean tech, (vii) green innovation, (viii) environmentally sound technologies (EST), and (x) environment benign, in addition to expressions such as 'clean energy technology' (CET).⁹

All these words or expressions represent technologies with environmental characteristics, which can be submitted to expenditure, negotiation or classification policies in specific platforms to improve the fight against pollution, and mitigate the issues regarding climate change.

Faced with that, a comparison among the terms applied by WIPO and INPI is possible.

WIPO GREEN^{10,11} understands 'Green Technology' as the same concept defined in Chapter 34 under Agenda 21 of the United Nations Program of Action from Rio, 1992. Green technologies, 'protect the environment, are less polluting, use all resources in a more sustainable manner, recycle more of their wastes and products, and handle residual waste in

⁵ It will be in force from 30 July 2020.

⁶ INPI Ordinance n. 247 of 22 June 2020

<<https://www.gov.br/inpi/pt-br/servicos/patentes/legislacao/legislacao/PrioritriosIIPortariaPR24722.06.20RPI258230.06.20.pdf>> accessed 25 July 2020.

⁷ 'Word of the Year 2019' (OxfordLanguages, 2020) Note that in 2019, Oxford Dictionary elected 'climate emergency' as the world of the year <<https://languages.oup.com/word-of-the-year/2019/>> accessed 25 July 2020.

⁸ Douglas Alves Santos, Patrícia Carvalho dos Reis, Cibele Cristina Osawa e Júlio César Castelo Branco Reis Moreira, *Relatório Técnico de Finalização do Programa Piloto de Patentes Verdes // Technical Report on the Finalization of the Green Patent Pilot Program* (INPI, Rio de Janeiro, 2016) [hereinafter P3V].

⁹ United Nations Environmental Program, European Patent Office and International Centre for Trade and Sustainable Development,

'Patents and Clean Energy: Bridging the Gap between Evidence and Policy - Final Report' (UNEP, EPO, ICTSD 2010)

<[http://documents.epo.org/projects/babylon/eponet.nsf/0/cc5da4b168363477c12577ad00547289/\\$FILE/patents_clean_energy_study_en.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/cc5da4b168363477c12577ad00547289/$FILE/patents_clean_energy_study_en.pdf)> accessed 8 April 2019.

¹⁰ 'WIPO Green - The Marketplace for Sustainable Technology' (WIPO) <<https://www3.wipo.int/wipogreen/en/>> accessed 25 July 2020.

¹¹ *ibid.* 'WIPO Green is an online platform for technology exchange. It supports global efforts to address climate change by connecting providers and seekers of environmentally friendly technologies. Through its database, network and acceleration projects, it brings together key players to catalyze green technology innovation and diffusion'

more acceptable ways than the technologies for which they were substitutes.’

At that time, INPI publicised its legal measures with rules, called ‘Resolutions.’ On 2 April 2012, Resolution n. 283 ‘Discipline the priority exam of green patent applications in the framework of the INPI, the procedures relating to the Pilot Program on the theme and gives other legal measures’ was issued. Under this regulation, the INPI green technology concept is explained as follows.

Green patent applications are defined as patent applications with a focus on environmentally friendly technologies or green technologies, and such technologies are arranged and presented in an inventory published by the World Intellectual Property Organization (WIPO) - excluding areas: a) administrative, regulatory or design aspects; and b) nuclear power generation. Green technologies are listed in Annex I of this resolution.¹²

Such concept did not fully encompass the definition of ‘Green Technologies’ of WIPO GREEN in view of legal restrictions on patentability. To clarify the understanding, the following table compares¹³ the sectors included as green technologies by INPI and WIPO GREEN.

Table 1. Green technologies according to the classification of Resolution n. 283-2012 and the IPC Green Inventory

	INPI – BR	WIPO GREEN
Green Technology	Alternative Energy Production	Alternative Energy Production
	Transportation	Transportation
	Energy Conservation	Energy Conservation
	Waste Management	Waste Management
	Agriculture	Agriculture and forestry
	-	Administrative, Regulatory Aspects or Designs
	-	Nuclear Power Generation

Source: INPI, 2012 and WIPO, 2015 (IPC Classification)

The WIPO GREEN program and the Brazilian service have three specific aspects that differentiate them:

- (a) Legal nature: an International Organization *versus* a National Industrial Property Office;
- (b) Examination Procedure: naturally linked to the first concern, secondly is the fact that the international organisation does not grant or revokes patent applications¹⁴, while examining and granting are the basic obligation of a patent office.
- (c) Technology fields: the Brazilian project differs from WIPO GREEN by excluding two specific sectors: (a) Administrative, Regulatory or Design Aspects’ and; (b) Nuclear Power Generation.’ These fields are excluded due to the prohibitions expressed by the Brazilian Industrial

¹² INPI Resolution n. 283 of 02 April 2012 [hereinafter Resolution n. 283 of 2012], art 2

<http://www.inpi.gov.br/images/stories/downloads/patentes/pdf/Resolucao_283_Patentes_Verdes.pdf> accessed 13 April 2019.

¹³ Classification issue is a complex topic. It requires further studies, developed by the Thesis author.

¹⁴ Although all the PCT procedures are provided by WIPO, the examination procedure to grant or refuse a patent application is provided by National or Regional Offices, *per se*. Also the procedures related to PCT is not matter of study in this paper. PCT procedures are available: PCT. The International Patent System <<https://www.wipo.int/pct/en/>> accessed 25 July 2020.

Property Law - BrIPL¹⁵ and the Brazilian Federal Constitution.¹⁶

(d) The first exclusion results from the comparison among technology fields described on the International Patent Classification - IPC and BrIPL. BrIPL prohibited those fields to be protected, according to Articles 10 and 18:

Art. 10 The following are not considered to be inventions or utility models:

[...]

III. commercial, accounting, financial, educational, advertising, raffling, and inspection schemes, plans, principles or methods;

Art.18 The following are not patentable:

[...]

II. substances, materials, mixtures, elements or products of any kind, as well as the modification of their physical-chemical properties and the respective processes for obtainment or modification, when resulting from the transformation of the atomic nucleus; and [...].¹⁷

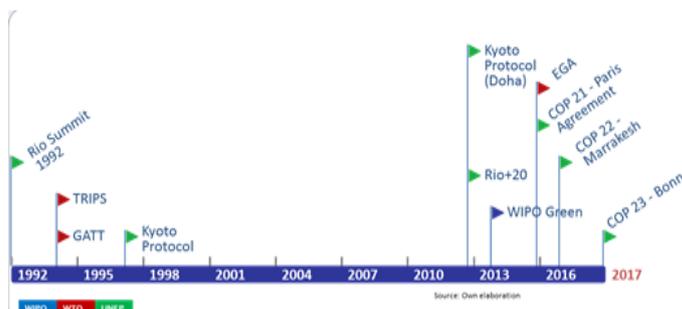
(e) The Brazilian Federal Constitution mentions the second reason: the matters involving nuclear power generation always must be within the exclusive competence of the Federal Government.¹⁸

These differences and similarities between WIPO GREEN and Resolution n. 283-2012 determine which type of technology shall be considered as green technology. Mainly due to WIPO GREEN being focused on the post-grant procedure, while the Brazilian Service focuses on the procedure *per se*.

Globally, WIPO, WTO and UNEP, via United Nation Framework Convention on Climate Change (UNFCCC), have environmental concerns within their treaties, agreements

and conventions that need to be mentioned in order to promote the green technology. This is not a simple correlation to be made. The researcher needs to know the legal instruments (see Figure 1) interconnected to trade, intellectual property and environmental issues in order to study and apply other measures inside them to provide technology transfer to mitigate the issues of climate change.

Figure 1. Timeline on WIPO, WTO and UNFCCC treaties and agreements correlated to green technologies



Source: Author's own elaboration based on WTO, WIPO and UNFCCC Agreements and Treaties

Following the United Nations Conference on Sustainable Development in Rio de Janeiro, Brazil on 20-22 June 2012 (Rio+20) and international regulations, Resolution n. 283-2012 launched the Brazilian Green Patent Project as a tool to understand what kind of patent applications the INPI receives, whether this kind of project would be useful to the applicant, and if it would work. This includes determining if it is effective for, the Brazilian Office (reducing pending applications); for industrial development (providing new clean technologies to the market); and for environmental protection (promoting technologies able to reduce the climate emergency).

Moreover, this is the first executive legal measure that combines ideas under the treaties and conventions from WIPO, WTO and UNFCCC. The following section briefly

¹⁵ Brazilian Industrial Property Law (Law n. 9.279) of 14 May 1996 [hereinafter BrIPL] <<http://www.wipo.int/wipolex/en/details.jsp?id=515>> accessed 8 October 2018.

¹⁶ The IPC comparative study related to green technologies is under construction on the PhD Thesis at Faculty of Law of Maastricht University.

¹⁷ BrIPL (n 15).

¹⁸ Brazilian Federal Constitution, art 21, 22 item XXIII, XXVI <http://www.stf.jus.br/repositorio/cms/portalStfInternacional/portalStfSobreCorte_en_us/anexo/Constitution_2013.pdf> accessed 8 October 2018.

analyses the period from 2012 to 2016, i.e. from the beginning until it became a service, in 2016. This paper does not focus on the preliminary results of the Resolution n. 239 of 4 June 2019 and INPI Ordinance n. 247 of 22 June 2020 that only entry into force on 30 July 2020.¹⁹

3. THE GREEN PATENT PRIORITY EXAMINATION PROCEDURE

The fast-track procedure for green patents began in Brazil as a pilot project in 2012, restarted in 2016 as a permanent service, and was updated in 2020. Objectively, this paper describes and analyses the Brazilian Resolutions, and explains their phases and results from 2012 to 2016. In addition, it focuses on the compilation of the main features and results available, in a unique source.²⁰

The origin of this service is associated with internal and external facts related to the Brazilian Office. Externally, Brazil is a signatory to several international rules concerning the environment²¹ and intellectual property.²² Furthermore, the Brazilian set of environmental national laws have provisions to support climate change mitigation. It creates obligations for the country to promote the validity of those regulations.

Internally, the INPI decision is seeking solutions to internal needs, by combating backlog. In 2011, INPI structured the 'Backlog Solution Program'^{23, 24} in order to diminish the time of examination of a patent application.²⁵ At that time, the Green Patents Project was negotiated internally as part of that program.

The Brazilian project was released on 17 April 2012, followed by three phases and one extension, resulting in a service.²⁶ The results of this fast-track procedure contribute to reduce the time and number of patent applications under examination. Technologies classified as environmentally friendly were identified under this system. More importantly, it started to contribute to the fight against climate change as an industrial property tool.

A. PHASES OF THE BRAZILIAN GREEN PATENT PROJECT

The INPI is a Brazilian autarchy, established by Law n. 5648 of 11 December 1970²⁷ and linked to the Ministry of Economy. The INPI is competent to conduct examination procedures for industrial property rights. As a patent office, it is responsible for patent examination procedures, and has backlog issues.

¹⁹ Studies related to these rules are under development.

²⁰ From 16 November 2016, this information was no longer available. Nowadays, the data is compiled in a different manner including all the set of priority rights. See 'Priority Procedure' (INPI, Brazil, 17 April 2015) <<https://www.gov.br/inpi/pt-br/servicos/patentes/tramite-prioritario/accelere-seu-exame>> accessed 25 July 2020.

²¹ Such as those adopted during the 1992 United Nations Conference on Environment and Development - Rio de Janeiro Earth Summit (ECO92), the 2012 UN Conference on Sustainable Development (RIO+20) and the 2015 United Nations Climate Change Conference 2015 (COP 21).

²² Since 1809, Brazilian laws have regulated the IP system. WIPO provides the list of Treaties and Conventions to which Brazil is a Contracting Party. <https://www.wipo.int/treaties/en/ShowResults.jsp?country_id=23C> accessed 23 July 2020.

²³ 'Plano de combate ao Backlog de Patentes' // 'The Fight of patent backlog Plan' (INPI) [hereinafter 'Backlog Plan'] <<https://www.gov.br/inpi/pt-br/servicos/patentes/plano-de-combate-ao-backlog-1/plano-de-combate-ao-backlog>> accessed 25 July 2020.

²⁴ INPI Resolution n. 241 of 3 July 2019 [hereinafter Resolution n. 241 of 2019]

<https://www.wipo.int/news/en/wipolex/2019/article_0011.html> accessed 25 July 2020.

²⁵ Published by means of Resolution n. 262-2011, which after internal auditing in 2013 became Resolution PR No. 10 of 18 March 2013, Whose purpose is to 'Define the strategic priority projects of the INPI and its structure basic management?'

²⁶ Patrícia Carvalho dos Reis, Cibele Cristina Osawa, Júlio César Castelo Branco Reis Moreira e Douglas Alves Santos, 'Programa das Patentes Verdes no Brasil: Aliança Verde entre o Desenvolvimento Tecnológico, Crescimento Econômico e a Degradação Ambiental' // 'Green Patents Program in Brazil: Green Alliance between Technological Development, Economic Growth and Environmental Degradation' (2013) J. L. Innovation, IP & Competition <http://www.altec2013.org/programme_pdf/1518.pdf> accessed 20 October 2017.

²⁷ Brazilian Law 5.678 of 11 December 1970. Creates the National Institute of Industrial Property and makes other provisions. <http://www.planalto.gov.br/ccivil_03/Leis/L5648.htm> accessed 25 July 2020.

The evolution of the Green Patent pilot project was described by the resolutions listed below. It was divided into three phases and in a service. The table below presents the phases and the number of the resolutions, which are only provided in the Portuguese Language.²⁸

Table 2. Resolutions governing Brazilian Green Patent Policy

Phase	Resolution
First Phase	Resolution PR n. 283 of 2 April 2012
	Resolution PR n. 75 of 18 March 2013
Second Phase	Resolution PR n. 83 of 4 April 2013
	Resolution PR n. 122 of 29 November 2013
Third Phase	Resolution PR n. 131 of 15 April 2014
	Resolution PR n. 145 of 17 March 2015
Service	Resolution PR n. 175 of 5 November 2016
	Resolution PR n. 239 of 4 June 2019
	INPI Ordinance n. 247 of 22 June 2020

Source: Author's own elaboration based on INPI rules.

The INPI Patent Board, DIRPA, developed this project.²⁹ They had considerable problems to solve. One is a national issue, related to the internal and administrative solution to decrease³⁰ the time patents are under examination. At the same time, they analysed the process as a global trend to promote the technology transfer of ESTs. Following subsections constitute a legal analysis of the rules.

(i) The First Phase of the Brazilian Green Patent Project

The first phase of the project was composed of two Resolutions: (a) Resolution n. 283 of 02 April 2012; and (b) Resolution n. 75 of 18 March 2013. The core of this subsection

is the content of Resolution n. 283-2012. This was drafted as an internal INPI Rule with seventeen (17) Articles and an Annex. As previously mentioned, the first concept of green technology was described by Article 2 of the Resolution n. 283-2012, following the concepts of WIPO, UNFCCC and limitations within the BrIPL and Brazilian Federal Constitution.

In addition, the Resolution n. 283-2012 defined the criteria for 'Eligibility' (Articles 3 to 10) and 'Participation' (Articles 11 to 16) of the requests. This standard remains the same today, as a positive result of the project.

As regards the eligibility criteria, it is necessary to highlight the following points. Article 3 provides the responsibility of DIRPA for the pilot project, as previously defined by Resolution n. 10-2013, which was referring to INPI's strategies. In addition, this regulation creates 'a Technical Commission from Working Group of Green Patent Project,' to analyse every application requiring the entrance to the project. They decide which patent applications are capable of being granted as a green technology, avoiding 'free riders' into the procedures.

In the same way, the Technical Commission needed to follow the rules³¹ that defined the criteria for admission to the priority examination. The wording of that article answers some questions: 'What kind of technologies may be protected?', 'For whom this will be protected?' In the end, to respond to all those answers, the project was maintained, considering it was a pilot.

'What kind of technologies may be protected?' The answer defined that the technology fields would be analysed at the time of the pilot project. Article 4 mentioned 'invention', and excluded 'utility model' and the 'certificate of addition.' Thus, only those applications that fulfil the concept and patent requirements (according to Article 8 of the BrIPL - for holders;

²⁸ Probably, this is the first study published in English, which correlates all the Brazilian Resolutions about Green Patents procedures.

²⁹ Brazil Decree n. 8.854 of 2016, art 12. 'Patent Office, Computer Programs and Topographies of Integrated Circuits.'

³⁰ See Backlog Plan (n 23). Since 2018, the plan has been in progress.

³¹ Resolution n. 283 of 2012 (n 12) art 4. The Pilot Program will be conducted with the patent applications for invention, filed by residents or non-residents, by means of the Paris Convention and having a technology listed in Annex I of this Resolution. In addition, applications submitted to this pilot program should contain a maximum of 15 (fifteen) claims, of which up to 3 (three) independent claims.

and Article 27.1 of TRIPS Agreement - for WTO Members). Additionally, it mentioned that the request must 'contain a maximum of 15 (fifteen) claims, of which up to 3 (three) are independent claims.'³²

'For whom this will be protected?' It is directed to applicants, resident or non-residents, through the Paris Convention, whose technologies were described in one of five categories, mentioned which Brazil accepted as green technology.

The sole paragraph of Article 4 was the first rule to list the possibility of denying the priority examination if the request is not classified as green technology, the same as described in Annex I of Resolution n. 283-2012. Further, the requirement must use the form described in Annex I, named 'Request for green patents program.' Consequently, Articles 6 to 9 brought additional requirements for the patent application to be adequate in the pilot 'Green Patent.'

These articles stated that 'for an application for the patent may be made to the Green Patent Pilot Program and found to participate':

(a) Article 6: Applicant must prove the publication by Brazilian Official Journal named, 'Revista de Propriedade Industrial' (RPI), pursuant to Article 30 of the BriPL, or the publication of the application should be anticipated at the request of the applicant, pursuant to paragraph 1 of Article 30 of the BriPL.

(b) Article 7: The examination of the patent application must be requested by the applicant or any interested party, as provided in Article 33 of BriPL.

(c) Article 8: Applicants need to request a specific participation on the priority examination procedure.

Both Articles 7 and 8 deal with the applicant reaction. Article 7 highlighted the rule that the examination should be requested in a timely manner (36 months) in order to avoid dismissal of the application. Likewise, Article 8 referred to

how applicants conduct themselves to express their interest to join the Project. Both indicated a proactive behaviour of the applicant to get their application fast-tracked. Otherwise, the delay or passive conduct of the applicant would not contribute to the diffusion of their technology, unless, the waiting -occurred or provoked - is a strategic option of the applicant.

The INPI remains inert in both cases (request for examination and application for admission), until the expiration of the deadline for examination requirement (36 months), or the end of the conditions for the priority request (1 year or 500 orders) as green. The similarity between both conditions is evident, but they are two different procedures regarding the entrance in the Project and the examination procedure. Furthermore, both applicants should express interest in the priority examination, and in their entrance into the project. If there were no interest from the patent applicant, the examination would take place in the traditional way without the priority request.

(d) Article 9: The 'technical examination itself' may not have been published in the RPI. The question is; which phase of the examination procedure is considered as a technical examination *per se*, since the Patent Examination Guidelines of 2002³³ divided it into four basic steps? To clarify this issue, the wording of the article was changed in the subsequent phases of the pilot project, and written in a technical way, in order to identify the code of the specific order of the administrative procedure.³⁴

(e) Only applications filed after 2 January 2011 could apply for participation (Article 10). This defined the time lapse for requests under examination. Thus, this provision ends the first section of Chapter I of Resolution n. 283-2012. The points mentioned above add formal conditions to the traditional patentability requirements contained in Article 27.1 of TRIPS

³² In 2012, the manner in which the claims should be described were defined by the Patent Examination Guidelines (December 2002) in items 1.10.5.1 and 1.10.5.2 and, in items 15.1.3.2.1 Independent Claims and 15.1.3.2.2 Dependent Claims, of Normative Act n. 127 of 1997. This standard has been revoked and replaced by Resolution no. 64 of 18 March 2013 and Normative Instruction n. 17 of 2013.

However, both have been changed in 2017 to Resolutions n. 124-2013 and n. 169-2016.

³³ The legal parameter at that time.

³⁴ This research did not verify whether this determination generated any administrative appeal in the INPI.

and in Article 8 of BrIPL. *Patentes Verdes* required the five criteria mentioned in Resolution n.283-2012 in order to consider applications eligible for the priority examination.

Article 11 to 16 of Resolution n. 283- 2012 defined the 'Participation' of patent applicants. In that sense, Articles 11 and 12 described how the project pilot dealt with the notification to the applicant through by RPI. If the notification was positive or negative for participation, the patent applicant would be notified by the RPI.³⁵

The time of the request for admission to *Patentes Verdes* was another essential formality. It is considered as one of the filing requests described by Article 5 of Resolution n. 283-2012. The relevance of this formality is also linked to the assessment of the anteriority.

Following this, Articles 14³⁶ and 15³⁷ dealt with two possibilities to close the first phase: (a) the number of applications accepted; or (b) the time limit to submit the application to the priority examination. INPI decided to establish the number of 500 applications or one year after the rules' publication based on the methodology described in the process of prospecting the number of green technologies observed by previous research carried out by the Project Coordinators.³⁸ In the end, Article 15 answers the question of, 'how long it will be examined under the Green Patent Procedure?' Only one year (as a pilot project).

The surplus applications³⁹ predicted by Article 16 were not applied since the number of applications has not reached 500

requests. For example, when the USPTO implemented its priority examination for green technologies and allowed the entry of 3,500 patents, all vacancies were filled.⁴⁰

Other formalities are affirmed: The obligation of powers of attorney for acts not committed by applicant (Article 17), with reference to BrIPL (Article 216, paragraph 1) was included as 'General Provisions' of procedural nature. In the end, Article 18 determines the validity of the Resolution from the publication in the RPI.

From 18 March 2013, the Resolution PR n. 01-2013, published in the RPI n. 2202, revoked all normative acts published until 31 December 2012, becoming Resolution n. 283-2012 to Resolution n. 75- 2013, published in the same RPI on 19 March 2013.⁴¹ That information needs to be highlighted due to its availability only in the Portuguese language. The result of the first phase of the priority examination granted three patents, with an average of 304 days under examination.

(ii) The Second Phase of Brazilian Green Patent Pilot

The study of the second phase of the program is similar to the first one. This is a legal analysis of the rules that regularized the first results. The debate in this subsection will emphasize on differences and changes that allowed the project to expand. Moreover, the topics not mentioned in the following paragraphs means that it was maintained by INPI as a result of the success from the first phase. The second phase was composed of two Resolutions: (a) Resolution n. 83 of 04 April

³⁵ Through codes 27.2 Application Granted: The application is eligible to participate in the Green Patent Program and 27.3 Request Denied.

³⁶ Resolution n. 283 of 2012 (n 12) art 14. The number of requests considered able to participate in the Pilot Program, under the scope of this Resolution, is limited to the maximum number of 500 (five hundred) requests granted, subject to the provisions of Article 15. (*Free translation*)

³⁷ Resolution n. 283 of 2012 (n 12) art 15. The application for entry into the Pilot Patent Program Greens to the INPI must be presented within a period of up to 1 (one) year from 17 April 2012, observing the provisions of Article 14. (*Free translation*)

³⁸ Carvalho dos Reis, et al (n 26).

³⁹ See *Revista da Propriedade Industrial n. 2408* (INPI, Brazil, 1 March 2017) Represented by Code 27.4, Surplus request. The application exceeded the limit of the applications granted in the Green Patent Program (INPI, 2017, RPI 2403, page 14), which was not applied. <<http://revistas.inpi.gov.br/pdf/Comunicados2408.pdf>> accessed 18 June 2019.

⁴⁰ 'Green Technology Pilot Program – CLOSED' (USPTO, 15 December 2009) <<https://www.uspto.gov/patent/initiatives/green-technology-pilot-program-closed>> accessed 9 October 2018.

⁴¹ INPI Resolution n. 75 of 19 March 2013 [hereinafter Resolution n. 75 of 2013] <https://www.gov.br/inpi/pt-br/backup/legislacao-arquivo/docs/resolucao_7F5-2013_-_patentes_verdes_1.pdf> accessed 23 July 2020.

2013,⁴² implementing the new phase of the project; and (b) Resolution n. 122 of 29 November 2013, expanding it to allow utility models and certificate of addition to be included in the priority examination policy. Thus, the discussion will set out chronologically, the legal norms.

INPI elaborated new rules based on the previous ones after their term expired. As a consequence, Resolution n. 83-2013, which became effective since 17 April 2013, extended and expanded the pilot project. It is considered the time frame for the beginning of the second phase of the project. Moreover, it had the same legal structure of the previous one, which represents one positive point: patent applicants were suited to the information requested on the form, and they were able to supply the necessary information for examiners.

In this way, the Preamble and Articles 1 to 8 maintained the provisions described in the first phase. Only eight months after the second phase had begun, inventions, as utility models and as certificate of addition, were included in the project by Resolution n. 122-2013. During the first phase, the reading of Article 4 was limited only for inventions.

Furthermore, some significant differences are seen in Article 9 of Resolution n. 83-2013.⁴³ Item I replaced 'exam itself' by 'regular technical examination.' The use of that specific expression defined the timeframe to join request in the project at the administrative level. There are several stages to fulfil administrative requirements, especially during the examination procedure. This is why the Item II does not allow

patent applications in a pending solution (already in the exam) and in that case, the applicant wants to take this opportunity to enter into the procedure, to join the exam without additional requirements.

This point could be regarded as a negative externality for the patent system. A patent applicant could take its advantage to join with some kind of opposition, or simply fail to comply with documentary formalities intentionally, only to join the project, even with the examination already started. At first glance, this rule prevents the inclusion of free riders in the system.⁴⁴

In the same way, Item III avoids bad faith, with the recurrence of requests already appreciated in other priority programs. At the end of the Resolution, Section IV deals with a formality: the payment of annual fees from the beginning of the third year of the filing date.⁴⁵ This provision leads to the conclusion that there are applications with payment in arrears who applied for participation in the first phase. Time limits, the payment of annual fees and the request for examination remained as in the first phase.

However, Article 10 of Resolution n. 83-2013 is different from the previous phase, due to two different characteristic changes: (a) temporal, and (b) in relation to access to genetic patrimony.

The first change had a temporary nature: the pilot project no longer limits interested applications to only those filed after 2 January 2011, extending it to all kind of applications that fulfil

⁴² INPI Resolution n. 83 of 4 April 2013 [hereinafter Resolution n. 83 of 2013] <https://www.gov.br/inpi/pt-br/backup/legislacao-arquivo/docs/resolucao_83-2013_-_prorrogacao_patentes_verdes.pdf> accessed 23 July 2020.

⁴³ *ibid* art 9. 'Patents applications invention are able to participate in this pilot program, in addition to comply with the provisions in all previous articles in this section: (I) may not have suffered regular technical examination duly published in the RPI; (II) may not refer to the patent application which examination is suspended for compliance with technical requirements previously formulated by DIRPA; (III) may not refer to the patent application, which has been the subject of an earlier application of prioritization that the examination is granted and already published in the RPI; and (IV) may only refer to the patent application, if applicable, which is in

accordance with the annuities payment obligations referred to in Article 84 of the BriPL.' (*Free Translation*)

⁴⁴ Guido Calabresi, A. Douglas Melamed, 'Property Rules, Liability Rules, and Inalienability: One View of the Cathedral' (1972) *Harvard L. Rev.* 1089-1128.

⁴⁵ Resolution n. 83 of 2013 (n 42) art 84. 'The applicant and the patent holder are subject to payment of annual fee since the beginning of the third year after the filing date. (1) Anticipated payment of the annual fee shall be regulated by the INPI. (2) Payment shall be made within the first 3 (three) months of each annual period, but it may also be made within the following 6 (six) months, independently from any notification, upon payment of an additional fee.'

the previous criteria. This provision reduced the chances of creating new lawsuits against the INPI once patent applicants, with a patent application pending longer than those eligible in the first phase, were also able to choose the priority examination. The second characteristic — the access to genetic patrimony and traditional knowledge — are obtained through the request at Genetic Heritage Management Council⁴⁶ under the Ministry of Environment in Brazil, regulated by Resolution n. 69 of 18 March 2013.⁴⁷

In a comparison of previous Resolution n. 75-2013, Article 11 of Resolution n. 83-2013 regulated the number of claims that an application should have. It relates to the quantity of independent and dependent claims described in Article 4. That proviso has been made in correlation to Article 32 of the BriPL.⁴⁸ Such a determination enabled applicants to tailor their claims to the number of claims required, without expanding the content already filed. This article is a positive point of the project because it increased the credibility of the project among applicants, avoiding strictly technical issues submitted to judicial decisions.

In the same way, Articles 12-15 of Resolution n. 83-2013⁴⁹ are the same as in the first phase (Resolution 75-2013). The main difference is the provision of Article 16, which started the new phase of the project on 17 April 2013 and remained in force until 15 April 2014. Similar to what happened before, this phase did not reach the maximum number of applications permitted to enter into the project.

Thus, the second phase of the Brazilian Green Patent closed due to the deadline. The Resolutions ended with a reference

to the use of an instrument of power of attorney and a repeal of the Resolution n. 75-2013, the updated numbering of the Resolution which created the 'Green Patent' in Brazil.

In order to take this into account, INPI extended the project through the Resolution n. 122-2013. This occurred with the inclusion of utility models and certificate of addition of invention, incorporated in Article 4. The replacement of the term 'invention' for 'patent applications' allows for that inclusion.

This resolution permitted all types of patents described in Article 2, Item I;⁵⁰ Article 6;⁵¹ and Article 55 of BriPL.⁵² On the other hand, INPI maintained that applicants should submit their requests until 16 April 2014 (Article 16), and Resolution n. 83-2013 was revoked. The second phase resulted in 16 'Green Patents' being granted, with an average of 400 days under examination, between a minimum of 131 days and a maximum of 627 days.

(iii) The Third Phase of Green Patents Project and their Extension

The third phase of the Green Patents pilot project remained in force from 15 April 2014 to 15 April 2015, through Resolution n. 131 of 15 April 2014.⁵³ The project maintained the same format and legal structure as the previous ones. Some changes were made and others aspects were retained. The highlights are the analysis of regulatory changes and their results.

⁴⁶ 'Conselho de Gestão do Patrimônio Genético' // 'Genetic Heritage Management Council' (Ministry of Environment, Brazil) <<http://www.mma.gov.br/patrimonio-genetico/conselho-de-gestao-do-patrimonio-genetico>> accessed 10 October 2018.

⁴⁷ Subject: Regulates the procedures for the patent applications for an invention whose object has been obtained as a result of an access to the national genetic heritage components of the sample.

⁴⁸ BriPL (n 15) art 32. 'In order to better clarify or define a patent application, the applicant may make changes until the time of the request for examination, provided these are limited to the subject matter initially disclosed in the application.'

⁴⁹ Resolution n. 83 of 2013 (n 42).

⁵⁰ BriPL (n 15) art 2 'The protection of industrial property rights, considering the social interest and the technological and economic development of this country, is afforded by means of I. the granting of invention and utility model patents.'

⁵¹ BriPL (n 15) art 6. 'It shall be assured to the author of an invention or a utility model the right to obtain a patent that guarantees his property, under the conditions established in this Law. (...).'

⁵² BriPL (n 15) art 55. 'The provisions of this Section apply, where applicable, to certificates of addition.'

⁵³ See *Revista da Propriedade Industrial n. 2260* (INPI, Brazil, 29 April 2014) 9-17 <<http://revistas.inpi.gov.br/pdf/patentes2260.pdf>> accessed 18 June 2019.

As in previous phases, the project has been expanded and extended. The format of Resolution n. 131-2014 is similar to the previous ones.

However, a formality needs to be mentioned. There is a caveat to the Preamble to Resolution 131-2014. On the date of publication of the third phase of the project, its preamble still referred to Normative Instruction n. 17-2013, which had been revoked on 4 December 2013, by Normative Instruction n. 30-2013, of the same date.

On the normative text, the changes began in Article 4 of Resolution n. 131-2013, where INPI replaced the expression 'patents' to inform that 'the Pilot Project shall be conducted on a national application having the technology listed in Annex I.'⁵⁴ This amendment maintained patents, utility models and certificates of addition of residents and non-residents through the Paris Convention and added, through paragraph 1, applications which came through the PCT, since the technology was classifiable as 'green' or 'EST.'

Articles 5 to 12 and 14 to 19 retained wording from the second phase, described by Resolution n. 122-2013. However, Article 13 determined the date of the beginning of the project and its duration, until 16 April 2015; and Article 20 determined the revocation of Resolution n. 122-13. In December 2014, INPI listed 203 applications, with 500 spots for filed green application requests. 71 green patents were granted, with a minimum of 193 days and a maximum of 1010 days under examination.

The extension of the pilot project 'Green Patents' in 2015 started with a peculiarity. There was no publication of a Resolution as the previous ones, but only a Resolution that extended the previous phase under the conditions already determined, meaning one-year or 500 application requests. In this context, the extension of the project occurred by Resolution n. 145 of 17 March 2015, where under, Article 1 determined the amendment of the term provided by Article

13 of Resolution n. 131-2014 and extended it for a further 12 months.

Faced with this fact, the statistics of the Third Phase began after the publication, starting from 16 April 2014 and ending on 16 April 2016. Thus, all other determinations contained in Resolution n. 131-2014 were maintained. In the same way, the temporary suspension of the project to evaluate the results occurred.

Over two years of experience, only 293 of the 500 vacancies were determined filled by interested parties. Up to 12 April 2016, 238 applications were filed, and 99 patents were granted, with examination durations ranging between 169 and 1097 days.

B. THE CREATION OF THE SERVICE

After seven months of analysing results of the pilot project, Resolution n. 175 of 5 November 2016, converted the pilot project into a service, through consolidation of its previous phases. The results of this time contributed to its consolidation.

The pilot project was suspended from 17 April 2016 to 5 November 2016 in order to evaluate the previous results. The study about this time created the document entitled 'Technical Report on the Completion of the Green Patent Pilot Program' (P3V) which reports on the evolution of the project during the four years during which it was in force.⁵⁵

This document, prepared by the coordinators of the project, contextualized and described the results between 17 April 2012 and 12 April 2016, among which stand out the number of requests; the overall order status in April 2016; and critical points in the administrative procedure and the project per se.

Regarding statistical indices, these data were no longer available on the INPI website from November 2016. This

⁵⁴ INPI Resolution n. 131 of 15 April 2014 [hereinafter Resolution n. 131 of 2014], art 4. 'The Pilot Program will be conducted with a national application that has the technology listed in Annex I of this Resolution. In addition, applications submitted to this Pilot Program

must contain a maximum of 15 (fifteen) claims, of which up to 03 (three) independent claims.'

⁵⁵ See P3V (n 8).

limited the access to publicly disclosed official data. This is a negative point⁵⁶ after the pilot project became a service.

Likewise, the Technical Report listed the critical points observed in the administrative procedure that were compiled into two tables. First, it described the critical points broadly in the Brazilian patent system, especially in relation to other sectors of the office also linked to the Patent Board.

Table 3. Critical points observed and solutions adopted, referring to the administrative process

Critical points observed	Solution proposed by P3V
Code 2.10 ⁵⁷ - Delay in registration at INPI system and long waiting time for automatic publication of the code (time of 3 INPI Publication – RPI)	Reduction of publication deadline for the next open RPI
Delay into a formal examination	Routine proposed using SISCAP ⁵⁸ with a green marker.
Classification - Delay of Technical Divisions to classify the priority applications	Use of a marker of the SISCAP and request to the Patent Board for prioritization of the classifications
Code 3.2 ⁵⁹ - Delay in publication	Routine proposed using SISCAP with a green marker
The necessity to modify technical committees. Until October-2012, they were composed by volunteer examiners and	Make new training necessary. Orientation to the bosses at the time of the convocation.

⁵⁶ In 2019, the data restarted to be published together with other priority rights, only in Portuguese.

⁵⁷ P3V (n 8) Code 2.10. ‘Request of a patent application or Certificate of Addition of Invention application. This is the notification of the patent application requirement or certificate of addition of invention. The formal examination will be carried out in order to verify Art. 19 of the BIPL and NI 031-2013.’

⁵⁸ In general, the Production Registration System (named Sistema de Cadastramento de Produção - SISCAP), is the system responsible for

Critical points observed	Solution proposed by P3V
then by the heads of the technical divisions	

Source: P3V (INPI, 2016) p. 34 – Translation from Portuguese.

The second table summarises critical points and solutions within the *Patentes Verdes* scenario and it describes the general lack of common knowledge about the patent system that involved time-consuming correction of common user information.⁶⁰

Table 4. Observed critical points and proposed solutions for the *Patentes Verdes*

Critical points observed	Solution Proposed by P3V
Lack of information on ‘Brazilian Green Patents’ by applicants	<ul style="list-style-type: none"> • Creation of the email: patenteverdes@inpi.gov.br; • Training of the regional; • Submission of doubts from applicants to the examiners by SAESP⁶¹; • Information inclusion at INPI website; • Participation in the WIPO stand in RIO + 20; • Lectures.
Many general doubts about patents	Standard email response / basic patent guide

assisting the public servants in generating the opinions of the Patent Office, as well as the registration of the technical production of each servant.

⁵⁹ P3V (n 8) Code 3.2 Anticipated Publication. ‘Publication of the application filed, at the request of the applicant. The provisions of sub-item 3.1 shall apply.’

⁶⁰ This is one more general lack of industrial property system, not only the patent nor ESTs.

⁶¹ SAESP is the special information service of Patent Board.

Critical points observed	Solution Proposed by P3V
Search for applicants requesting after the deadline	Guidance to await the possibility of a new pilot
PCT: doubts about the possibility of requesting priority examination of green patents and ISA	A search of PCT Division to guide the filing ISA application
The green patent application which is also a priority in the ISA	Agreement with the PCT Division: the examiner who analysed ISA will analyse the green patent or the contrary.

Source: P3V (INPI, 2016) p. 34 – Translation from Portuguese.

Moreover, the Technical Report describes that even in a promising sector of the industrial property system; dealing with internal and external issues required the attention of researchers. Thus, the service to be implemented would overcome such barriers and produce an ideal scenario in relation to the externalities of the system. In addition, the Technical Report analysed the data in detail to conclude the project.⁶² Some of the data were relevant to this study as an indication of positive results.

The results provided in the Technical Report contributed to the expansion of the project and the migration from a project to a service. In this sense, Resolution n. 175-2016 came to regulate the Green Patents Service. However, the normative structure was arranged in a different format from previous versions.

Some points in the writing of this normative act deserve attention. Resolution n. 175-2016, composed of 10 articles, was presented in a reduced format in comparison to the previous others. It brought in the body of its text the brief concept of green patents (Article 2) and its exceptions linked to Articles 10 and 18 of the BriPL without expanding or including doctrinal considerations on the subject. In addition,

it remains linked to the list originally proposed by the Pilot Project based on the WIPO inventory.

Even after the restructuring of INPI, the Patent Board (DIRPA) remained with the technical responsibility for selecting, analysing and deciding the applications to be considered eligible for the priority examination (Article 3), without any other coordination or external division of the patent area being introduced in the process.⁶³

The Resolution confirmed the possibility for both foreign and national applications to apply (Article 4), as all of them were considered as national applications. The limit of 15 claims, with 3 independents (Article 5), proved successful in the previous stages. In the same way, the article wording remained linked with the determinations contained in Article 32 of the BriPL. It means that it is not possible to add new matter to the subject disclosure before the descriptive report or in the abstract when the examiner requests the clarification or adjustments (Article 8).

More relevant in that context, Article 6 described the conditions for participation in the examination, linked to the BriPL, and defined the publication criteria and the status of the application at the time of its request to join the *Patentes Verdes*.

From the time between the ends of the pilot phase until the institution of the service, another 20 new patent applications were granted, with a period of at least 228 and a maximum of 1567 days, between the entrance into the exam and its publication at RPI.

As a result of this brief study, the following table points, objectively, in a comparative way, the Brazilian scenario of Green Patent Technologies from 2012 to 2019.

⁶² P3V (n 8) pp 35-39.

⁶³ By means of Brazil Decree n. 8.854 of 22 September 2016. <http://www.planalto.gov.br/ccivil_03/_Ato2015-2018/2016/Decreto/D8854.htm> accessed 10 October 2018.

Table 5. Phases of the Brazilian Green Patent project

	First Phase		Second Phase		Third Phase	Third Phase extension	Between Phase 3 & Service	Service
Resolution	283-2012	75-2013	83-2013	122-2014	131-2014	145-2015	-	175-2016
Duration of the Phase	17 April 2012 to 16 April 2013		17 April 2013 to 16 April 2014		17 April 2014 to 16 April 2015	16 April 2015 to 16 April 2016	17 April 2015 to 5 Dec 2016	05 Dec 2016 to 1 July 2019
Applicants	Residents or non-resident: BR And Paris Convention CUP				Residents or non-resident: BR, Paris Convention and PCT			
Object	Invention		Invention, Utility Models and Certificate of addition					
Claims	Maximum 15 with no more than 3 independents							
Patent Granted ⁶⁴	3	16	22	77	20	77		

Source: Author's own elaboration based on INPI Resolutions, 2019

In 2019, another change was established the priority projects and services at INPI. The Patent Board provided to the President a new Resolution in order to unify the procedures and the rules about the priority services in Brazil. This is the Resolution PR n. 239, of 4 June 2019, which entry into force in 1 July 2019. Also it is regulated by Normative Instruction/INPI/ DIRPA n. 01 of 14 June 2019. The Resolution and the Normative Instruction were published at RPI n.2528 of 18 June 2019⁶⁵. Currently, INPI Ordinance n. 247-2020 update the set of priority system. Indeed, at a first glance, there are some relevant changes, but further studies is necessary and future work need to be done.

At the end, patents granted under the Brazilian procedure promoted the national industry allowing patent applicants to negotiate and transfer their technologies from SME to big companies. This is part of the further necessary studies to be developed.

4. CONCLUSIONS

This paper presented a brief overview of the fast track examination procedure of Green Patents promoted by INPI. The Brazilian scenario might be a case study for other countries with similar economic standards to apply a fast

track procedure on green technology patents. In this way, Section 2 described the main expressions and the concept applied by WIPO GREEN and INPI as green technologies. Also it is possible to note that the concept applied in Brazil do not include all the technology fields displayed by WIPO GREEN. However, Brazilian Green Patent was launched in attention to the regulations that evolved in WIPO, WTO and UNFCCC.

Section 3 disposed historically the evolution of the Brazilian regulation based into the stages of the program from 2012 to 2016. The Table 5 pointed the evolution of the rule and how the definitions inside the Regulations are extended and expanded during these years. From the first to the third phase of the project and in 2016, when it became a permanent service, green patent granted at least 215 patents in seven years, with maximum of two years under the examination procedure in comparison of 10 years from other fields as pharmaceutical area.

By means of these statistics it was possible to follow the evolution of each request, as well as to draw a map on the origin and which field classified as green is the predominant in the country. However, if there is interest in updating the data, the researcher must verify each request through RPI. Currently, the first conclusions in Brazil related to the Green Patents Pilot Project, transformed into Service, allows delineating that it is feasible to be applied by countries with pending applications. Currently, it is a service unified with other priority procedures applied to invention and utility models, Residents or non-resident: BR, Paris Convention and PCT applicants and nowadays, with Resolution n. 239-2019, there is no limit of claims.

In sum, Brazilian Green patent service is a case of successes to deal as a smart way to provide new environmentally sounds technology to the market. Furthermore, it is an effective way to improve the use of technological information and provide technology transfer under the WIPO GREEN

⁶⁴ This amount was extracted from the list published in the INPI regarding green patent applications granted in the time interval of the term of each phase or extension of the project. More accurate and update search at INPI database, probably, increased these numbers.

⁶⁵ *Revista da Propriedade Industrial n. 2528* (INPI Brazil, 18 June 2019) <<http://revistas.inpi.gov.br/pdf/Comunicados2528.pdf>> accessed 18 June 2019.

platform. Furthermore, green technology service provides alternatives to mitigate the climate change globally.

The full study presents relevant results about the service. It is also possible to develop other issues relate to this topic. This paper is a first glance around the background of a green patents fast-track procedure implemented at INPI. Moreover, this research could be extended to other offices, which deals with the backlog problem, in order to promote the examination procedure of technologies that fulfil the conditions and requirements of green technologies.

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4. VALORIZATION OF LOCAL PRODUCTS THROUGH THE PROTECTION OF GEOGRAPHICAL INDICATIONS IN BURKINA FASO: OPPORTUNITIES AND CHALLENGES

Habraham Somda*

ABSTRACT

This paper examines the opportunities and challenges available for local product valorization through the protection of geographical indications in Burkina Faso. It highlights that Burkina Faso has a limited human capacity and infrastructure to successfully implement a *sui generis* system of GIs protection 'à la Union Européenne.' The paper suggests that Burkina Faso can, alongside the *sui generis* GIs protection process, use an alternative system to protect many local products with national and international reputation in the short run through collective marks regime as provided for by the Annex 3 of the Bangui Agreement.

Keywords: *geographical indications, valorization, local products, labelling.*

*Habraham Somda is an economic Affairs Advisor at the National Centre of Industrial property, Ministry of Trade, Industry and Handicrafts in Burkina Faso and a part-time PhD candidate in innovation economics at the University of Johannesburg. He held a Master of Philosophy (MPhil) in industrial policy at the University of Johannesburg (South Africa) in 2019, a Master's degree in intellectual property laws at the University of Yaoundé II (Cameroon) in 2012, a Diploma of Economic Affairs Advisor at the National School of administration and magistracy in 2009 and a Masters in economics at the University of Ouagadougou (Burkina Faso) in 2005. Economist, he is specialized in intellectual property, industrial property management and technology transfer. Currently, he is Head of Technology Transfer Department at the National Centre of Industrial Property. Moreover, since 2015, Habraham Somda is a part time lecturer in Patent and Trademark for the Masters programme in health and medicine sciences at Joseph KI ZERBO University in Ouagadougou (Burkina Faso). He is also a lecturer in patent and trademark management for the Masters programme in economics and innovative enterprises' management at the New Dawn University (Burkina Faso). Habraham Somda is a tutor in innovation Management and Intellectual Property at the International Institute of Environment and Water

1. INTRODUCTION

Local products valorization can be done through many private and collective legal instruments such as certification marks, collective marks and specifically geographical indications as provided for by national and international legal instruments. Geographical indications (GIs) are indications that identify goods as originating in a specific location and where the quality, reputation or other characteristics of the goods are essentially attributable to its geographical origin.¹

The GI concept seems to be adequate to address actual issues relating to public policy. As such, evidence shows that GI protection has proven successful in the European Union.² There has been rising interest in the GI system among non-European countries³ including the *Organisation Africaine de la Propriété Intellectuelle*⁴ (OAPI) Member countries due to opportunities that GIs offer in terms of local social and economic development. The implementation of the PAMPIG (GIs promotion project) these last years with the financial and technical assistance of the AFD demonstrated the interest of

Engineering (2iE) in Ouagadougou (Burkina Faso). He participated in many intellectual property conferences and seminars organized by OAPI, WIPO and WTO over the last years.

¹ See Agreement on Trade-Related Aspects of Intellectual Property Rights (15 April 1994) 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994) [hereinafter TRIPS Agreement], art 22.1 <https://www.wto.org/legal_e27-trips> accessed on 6 December 2019.

² For instance, within the EU Member States, the number of registered geographical indication (Protected origin appellation, the source of origins) was 500 in 2000 according to Barjolle and Sylvander (2000) and, increased to more than 870 in 2011 according to DOOR (database on origin registration)(2011) <<http://ec.europa.eu/agriculture/quality/door/>> accessed on 6 December 2019.

³ Giovanni Belletti, Andrea Marescotti, Marguerite Paus, Angela Deppeler, Hansueli Stamm, Erik Thévenod-Mottet, *The Effects of Protecting Geographical Indications. Ways and Means of their Evaluation* (2nd revised ed, Swiss Federal Institute of Intellectual Property, 2011) 7.

⁴ English: African Intellectual Property Organization.

the OAPI Member countries to promote local products through the geographical indication system.

In this context, the paper underlines that protection through GIs have gotten greater political prominence and economic value with changes in the global economy.

There are however, controversial debates around the benefits gained from the GIs protection worldwide and the extent to which developing countries can benefit from them.⁵ An important piece of literature argues that existing levels of protection, as well as the European Union's current demand for greater protection⁶ cannot be justified for developing countries including the OAPI Members, especially Burkina Faso because of its complexity.

This paper highlights some opportunities available for local product valorization through the protection of GIs in Burkina Faso. It shows that developing countries including OAPI Member countries are likely to experience challenges that could constrain potential benefits of GI protection.⁷ The rest of the paper is organized as follows: Section 2 elaborates on the concept of GI. Section 3 reviews legal instruments that protect GIs. Sections 4 and 5 highlight opportunities for local product protection by the means of GIs and local initiatives taken in Burkina Faso to protect GIs, respectively. Section 6 analyses the challenges experienced by developing countries such as Burkina Faso in GI protection. Section 7 suggests an alternative for labelling of local products through collective marks in Burkina Faso. Section 8 provides the conclusion.

⁵ Cerkia Bramley, 'Paper prepared for presentation at the WIPO Worldwide Symposium on Geographical Indications' (Lima, Peru, 22-24 June 2011).

⁶ Kal Raustiala and Stephen R. Munzer, 'The Global Struggle over Geographic Indications' (2007) 18.2 *European Journal of International Law* 337, 365.

⁷ See Hankie Uluko, Adejoke Oyewunmi and George Mandewo, 'Protecting Geographical Indications in Malawi: Current Situation and Future Prospects' (May 2012) Vol.17 (3) *JIPR* 226, 234

2. CONCEPT OF GEOGRAPHICAL INDICATIONS

Designating food, agricultural or handicraft products by their place of origin is a universal and ancient practice. What is new is the possibility of officially recognizing and legally protecting them against imitation and counterfeiting.⁸ The term of geographical indication (GI) appeared recently in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) of the World Trade Organization (WTO),⁹ which entered into force in 1995 and sets out minimum standards and constraining conditions for protection.

Article 22(1) of the TRIPS Agreement defines GI as '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.'¹⁰ Therefore, other similar concepts, including appellation of origin was first coined to protect products for which the characteristics and qualities are intrinsically link to their origin according the Article 10 of the Paris Convention as amended in 1979. While different definitions exist at the national, regional and international levels, the TRIPS Article 22 definition of GI is considered as the reference.¹¹

Some studies indicate that market failures may explain the economic rationale for GI protection through two GI features.¹² First, one must bear in mind that between consumers and producers, there may exist a problem of asymmetric information, meaning that consumers are not equally informed of the availability of tradable products in the market payable for the market price. Second, GIs are public goods and without protection, anybody could use GI brands

<<http://nopr.niscair.res.in/handle/123456789/14079>> accessed 14 November 2019. '[...] developing countries seem to have a limited human capacity and infrastructure to successfully implement a *sui generis* system of GIs protection 'à la Union Européenne.'

⁸ *ibid.*

⁹ TRIPS Agreement (n 1).

¹⁰ *ibid.*, art 22.1.

¹¹ *ibid.*

¹² See Uluko *et al* (n 7).

to distinguish products that may not have any link with the origin of production.¹³ As such, the GI concept has various applications that are, *inter alia*, a mean of market differentiation, a tool to foster and evaluate local identity or an instrument to conserve biodiversity.¹⁴

3. LEGAL INSTRUMENTS TO PROTECT GEOGRAPHICAL INDICATIONS IN BURKINA FASO

Geographical indications have received greater political prominence and economic value with changes in the global economy. As such, the protection of GIs are linked to both international and national legal frameworks.

A. HISTORICAL CONTEXT OF GEOGRAPHICAL PROTECTION IN THE OAPI REGION

The recognition of GIs is an important issue for the recognition, promotion and protection of heritage as a tool for economic development. As such in 2005, the Ministerial OAPI Conference on Geographical indications hosted in Ouagadougou on 6-7 December was the starting point of GI promotion in the OAPI region. In this regard, the final Declaration of the conference urged OAPI to proceed with the GI promotion action plan financial evaluation and mobilize technical and financial partners for its implementation in a short run.

Following the conference of Ouagadougou, the Project for the Establishment of Geographical Indications (PAMPIG), strongly inspired by the European experience, was designed in 2008, with the technical and financial support of the *Agence*

Francaise de Développement with the mandate of helping for the protection GIs in the OAPI region.

One must bear in mind that the OAPI is the regional intellectual property Organization for 17 Member countries and the headquarters is located in Yaoundé, Cameroon. Each member country of OAPI hosts a local office. Since the Agreement Revising the Bangui Agreement of 2 March 1977 in 1999¹⁵ (The Revised Bangui Agreement), the OAPI has succeeded to register only three GIs originating from its Member countries including the Okou white honey and Penja pepper of Cameroon, and Ziama Macenta coffee of Guinea.¹⁶ However, eligible candidate products for GIs protection do exist in OAPI member countries. These include, *Faso Dan Fani*¹⁷ of Burkina Faso, Sweetbread from Benin, *Spirulina* of Chad and Boké palm oil of Guinea¹⁸ among others, and contribute to the socio-economic wealth in the respective OAPI Member countries.

B. INTERNATIONAL LEGAL FRAMEWORKS OF GEOGRAPHICAL INDICATION PROTECTION

Various international legal frameworks address the protection of GIs. The most important international instrument for the protection of GIs is the TRIPS Agreement. The Paris Convention for the Protection of Industrial Property (1883) however was the first international law providing for the protection of product origins against 'false indications' according to Article 10. Moreover, the Madrid Agreement Concerning the International Registration of Marks of 1891

¹³ *ibid.*

¹⁴ Giovannucci Daniele, Tim Josling, William Kerr, Bernard O'Connor, May T. Yeung, *Guide to Geographical Indications: Linking Products and Their Origins* (Geneva, International Trade Centre 2009) <<http://www.intracen.org/publications/>> accessed 30 October 2019.

¹⁵ Agreement Revising the Bangui Agreement of 2 March 1977 on the Creation of an African Intellectual Property Organization (adopted on 24 February 1999, entered into force 28 February 2002) TRT/OA002/002 [hereinafter, Revised Bangui Agreement].

¹⁶ See 'Recent Developments on OAPI' (WIPO)

<https://www.wipo.int/geoind/wipo_geo_yty_17/wipo_geo_yty_17_9> accessed 29 November 2019.

¹⁷ A kind of handmade cloth which becomes these recent years the raw material of all official and traditional garment in Burkina Faso. The *Faso Dan Fani* is nationally and internationally well-known today as a product originating from Burkina Faso.

¹⁸ Cécé Kpohomou, 'Le système des Indications Géographiques (IG) de l'OAPI' (IP4Growth-Developpement des Capacités en Propriété Intellectuelle pour le Développement de l'Agriculture, Burkina Faso, 14 -17 octobre 2014).

(Madrid Agreement)¹⁹ captures GI protection by providing for the repression of false or deceptive indications. Lastly, the Lisbon Agreement on Appellations of Origin of 1958 (Lisbon Agreement)²⁰ set the standard of protection until the conclusion of the TRIPS Agreement.

Currently, on the international level, the TRIPS Agreement supplies the definition of GIs and provides a minimal framework that obliges each WTO Member-State to enforce national level protection measures within its territory.²¹ In that vein, some authors argue that the protection of GIs under the TRIPS framework can be justified as it allows WTO Member-States to choose the regime of protection suitable for their economic context and which provides more advantages in terms of local products' valorization.²² It is important to recall that Burkina Faso is a Least Developed Country (LDC) and normally it was not supposed to implement the TRIPS Agreement. However, as an OAPI Member country, Burkina has been bound to the TRIPS Agreement since 1999, due to the obligation imposed to the developing Member countries of OAPI to enforce the TRIPS Agreement in due course before 2000.

It is relevant to highlight that international legal instruments recognize two approaches as part of the protection of GIs. The protection of GIs by a public approach, that is, the *sui generis* system²³ on one hand, and a separate system for the registration of origin products by means of trademark as collective certification marks on the other. There is a huge similarity between GIs and collective marks. In fact, collective marks are similar to GIs, given that a code of conduct is mandatory when filing an application of GI or collective marks.

However, there are differences in terms of their characteristics. While collective marks are filed and utilized by cooperative or collective groups in order to distinguish their services or products according to a code of conduct, GIs are indications that identify goods as originating in a specific location and where the quality, reputation or other characteristics of the goods are essentially attributable to its geographical origin.²⁴ As such, two tendencies for GI protection appear - the European *sui generis* protection of GIs and Appellations of Origin and the US' system of collective certification marks. Therefore, the Lisbon Agreement as revised in 2015 under high tensions between the European Union and US²⁵ is nevertheless rooted in European GI protection.

C. REGIONAL AND NATIONAL LEGAL PROTECTION OF GEOGRAPHICAL INDICATIONS

Burkina Faso is a member of the OAPI. The Revised Bangui Agreement is the regional and at the same time the national legal instrument for the protection of intellectual property rights (IPR) in all 17 Member countries. As such, the OAPI has a unique IPR protection system in the world whereby a single filing grants relevant intellectual property (IP) protection across all 17 Member countries.²⁶

According to the Revised Bangui Agreement, which is the primary IP legal instrument for each Member country, GIs are indications that are used to identify a product as being originated from a territory, or a region, or a locality of this territory, in the cases whereby a quality, reputation or other determined product characteristics can be attributed essentially to this geographical origin.²⁷ Regarding this definition, the protection of GIs in Burkina Faso is given under:

¹⁹ See Madrid Agreement Concerning the International Registration of Marks of 1891 [hereinafter Madrid Agreement], art 1(1).

²⁰ See Lisbon Agreement on Appellations of Origin of 1958 [hereinafter Lisbon Arrangement], art 2.

²¹ Bernard O'Connor, *The Law of Geographical Indications* (Cameroon, May 2004) 501.

²² *ibid.*

²³ *Sui generis* system is a specific protection of GIs.

²⁴ O'Connor (n 2) 1.

²⁵ *ibid.* 14.

²⁶ There is not a national protection title delivery because of the centralized procedure system: one office, one filing, one filing fees and one delivered title that covers all the 17 OAPI Member countries.

²⁷ See Revised Bangui Agreement (n 15), art 1.1 of annex 6.

- Annex 6 of the Revised Bangui Agreement, which provides for the protection of GIs through a *sui generis* protection that is strongly inspired by the European Union GI protection system;
- Annex 3 of the Revised Bangui Agreement, which provides for the protection of collective marks.
- Eligible GI applicants are groups or individual persons acting as a producer in the delimited area and the specified product or a group of persons, a group of consumers or any competent authority.²⁸ The Revised Bangui Agreement provides for the principle of national comity of GI protection which is supposed to supervise the identification of eligible products and design the code of specification.²⁹ While the decision of recognizing belongs to the competent Ministry,³⁰ and the OAPI is responsible for the registration.

However, the existing level of protection in the OAPI Member countries, deeply inspired by the European Union GI system as well as the current position of the European Union for even greater protection, cannot be justified because a burgeoning literature and evidence³¹ shows that its enforcement is challenging for OAPI Member countries, especially Burkina Faso, even though Burkina Faso has been a Member of the Lisbon Arrangement since 23 May 1975.

4. OPPORTUNITIES FOR PROMOTING LOCAL PRODUCTS BY THE MEAN OF GEOGRAPHICAL INDICATION

‘Evidence from the market and literature show that the promotion and protection of products under GI may result in higher economic gains, foster quality production and equitable distribution of profits for LDC rural communities.’³²

²⁸ See Revised Bangui Agreement (n 15), art 6 of annex 6.

²⁹ Bernard Bridier and Didier Chabrol, ‘Indications géographiques en Afrique de l’Ouest et du Centre: raisonner la diversité’ in *Savanes africaines en développement : innover pour durer*, 2009 Apr 20 (9), cirad.

³⁰ In Burkina Faso, the Ministry in charge of Industry is the competent authority to make the official recognition of GI on the national level.

³¹ See Uluko *et al* (n 7) 234

The GI concept is likely to fit in actual public policy design and enforcement including ‘the preservation of cultural heritage, landscapes, and biodiversity, the consumer trust in the food system, the promotion of sustainable agricultural practices and the protection and remuneration of traditional knowledge and genetic resources.’³³ As such, GI protection has been hugely successful in the European Union. Evidence shows that there is also a rising interest in GIs these last years in non-European countries, including in the OAPI region. The recognition of GIs is an important issue for both, recognition and protection of heritage as a tool for economic development. Several advantages of protecting GIs can be drawn as follows:

- Economic advantages are linked to the creation of added value.³⁴ Evidence shows that GI products more often generate income higher than those without GI protection. For instance, the price for Penja pepper in Cameroon increased from 9 US Dollars to overall 20 US Dollars and 130 US Dollars per kilogram in France after its protection by means of GIs.³⁵
- Legal advantages relate to protection against usurpation and counterfeiting.³⁶ The protection of GI can prevent consumers, who sometimes hope that they are buying authentic products, from being misled by imitations without any value. Moreover, the legitimated producers are protected against the prejudice linked to the loss of their commercial operation benefits and the dilution of the reputation of their products;
- Socio-cultural benefits: the protection of GIs contributes to the preservation of socio-cultural values.³⁷ GIs enhance traditional and cultural patrimony, know-how and the

³² ‘Why Geographical Indications for Least Developed Countries (LDCs)’ (UNCTAD, 2015).

³³ *ibid* 3.

³⁴ Irene Calboli and Daniel Gervais, ‘Socio-Economic Aspects of Geographical Indications’ (WIPO, 2016) <http://www.wipo.int/edocs/mdocs/geoind/en/wipo_geo_bud_15/wipo_geo_bud_15_9.pdf> accessed 14 November 2019.

³⁵ *ibid*.

³⁶ *ibid*.

³⁷ Calboli and Gervais (n 34).

standard of living in concerned regions. Furthermore, GI protection contributes towards strengthening local pride linked to the recognition of local identity;

- Environmental benefits and biodiversity conservation:³⁸ The procedure for recognition of GIs advocates for sustainable use of natural resources and traditional production methods unlike modern techniques that often have a negative impact on the environment. Moreover, GI protection procedures necessitate to take into consideration all traditional plant varieties and microorganisms by adapting them to local areas. Furthermore, the procedure of GI protection can limit the negative impact of specialization and economic rationing.

From the above, the importance of GI protection is evident. Thus, it is the responsibility of OAPI Members countries to take advantage of GI protection procedures in order to win niche markets worldwide so that they can generate substantial revenue for the members' national economies.

5. REGIONAL AND NATIONAL INITIATIVES OF LOCAL PRODUCTS' PROMOTION BY THE SYSTEM OF GIs

Like every country, Burkina Faso has products that are specific to it, stemming from its soil and attached to its identity that can be valued and promoted by the system of labelling. Potential candidate products for GIs Protection do exist and contribute to Burkina Faso's socio-economic wealth.³⁹

In order to promote GIs, the OAPI, with support and finance from the *Agence Française de Développement* (AFD), designed and implemented the Support Project for the Establishment of Geographical Indications (PAMPIG) in its Member countries over 2008-2012.

Burkina Faso's membership in OAPI has enabled it to benefit from the PAMPIG over 2008-2012. The achievements of this project were *inter alia*:⁴⁰

- Training of officials of OAPI member countries in charge of GI protection;
- Identification of candidate products for GI protection in all OAPI Member countries;
- Accompaniment of some candidate products towards GI protection procedures that being further the first geographical indications in the OAPI region, particularly in Cameroon (Okou white honey and Penja pepper) and Guinea (Ziama Macenta coffee).

In Burkina Faso, the identification campaign of candidate products for GIs was conducted within the framework of the GI National Committee's activities.⁴¹ The process of identification campaign has consisted of:

- Meeting producers, distributors, processors, local authorities in order to raise awareness on the importance of GI protection;
- Fieldwork visits with the actors.

Finally, the list of identified products selected by the OAPI at the end of the identification campaign that were likely to be protected by the mean of GIs are the following: the 'sweet peas of Comoé', the 'traditional wear of Dagara' from Dano, the 'hat of Saponé', the 'woven loincloths' of Koungny. However, up to now any of these products have not been protected by the mean of GI yet due to the complex procedures of GIs protection.

6. CHALLENGES OF GEOGRAPHICAL INDICATION PROTECTION

The concept of GI protection is well known and established in some cultures including Europe. Contrary to the European culture of GI protection, origin product protection does not have a long history in some developing countries, including Burkina Faso.

The march towards GIs uses:

³⁸ *ibid.*

³⁹ *Faso Dan Fani*, the hat of Saponé, the shea butter of Sissili, the leathers and skins of Kaya and the sweet peas of Kenedougou.

⁴⁰ *ibid* 18.

⁴¹ MICA/MASAH: 'Identification des produits candidats aux indications géographique' (2011).

- A legal procedure described in Annex 6 of the 1999 Agreement Revising the Bangui Agreement of 2 March 1977;
- A complex procedure compared to the procedures used for protecting other industrial property titles such as trademark or industrial design.

Let recall that the recognition of GI in the OAPI region is realized under two steps. The National phase for which the cooperative or association identifies the candidate products and delimitate the area, designs a Code of practice and adopt that code. Moreover, the National phase ends with the validation of GI by a National Comity of GI created in each OAPI Member. While the regional phase is about the filing of the application to OAPI by the applicant cooperative or association. It appears that the process is too long to be followed in order for producers to successfully file GI protection applications.

Evidence shows the paucity of GI protection in the OAPI region and in Burkina Faso. As such, despite the existence of many potential candidate products for GI protection in Burkina Faso, until now, no GI has yet received protection. For example, considering the 17 OAPI Member countries till now, only three products originating from these countries, including Penja pepper, Oku white honey and *Ziama de Macenta* coffee have been protected by the means of a GI.⁴²

From the above, one may argue that the existing level of protection measures implemented in some developing countries as well as the current option of the European Union for even greater protection⁴³ cannot be justified for developing countries⁴⁴ such as the OAPI Member countries, especially Burkina Faso. The current available GI protection

system in the OAPI member countries, especially in Burkina Faso, is not suitable for the local organizational context. Burkina Faso, like many other LDCs has limited human capacity, administrative organization, technical infrastructure and little expertise and financial resources⁴⁵ to successfully implement a *sui generis* system of GIs protection *à la Union Européenne*⁴⁶ that requires complex procedures. GI protection *à la Union Européenne* starts with products' Identification and zone delimitations, followed by the producer organization onto to cooperative and association, and the designing of the code of specification. This process necessitates some expertise in many fields such agriculture, handicraft, industry, trade and marketing.

7. WHAT IS THE ALTERNATIVE? LABELLING LOCAL PRODUCTS BY THE SYSTEM OF COLLECTIVE MARKS

Labelling agricultural, food and handicraft products with GIs, and thus protecting their names, contributes to regional development by facilitating participation of local entrepreneurs and producers in regional, national or international markets. Since the entry into force of the Revised Bangui Agreement, Burkina Faso has not yet filed any GI for protection to OAPI. However, many reputed products are facing unfair competition on regional and international levels. As such, Burkina Faso designed a pilot project of labelling certain local products through the system of collective marks in 2017.

Collective marks are signs used only by the members of a group, a cooperative or an association to identify their products or services and display the link connecting these products to the group, the association or the cooperative and their standards. The registration of collective marks is the

⁴² *ibid* 15.

⁴³ Surbhi Jain, 'Effects of the Extension of Geographical Indications: a South Asian Perspective' (2009) Vol. 16, No. 2, Asia-Pacific Development Journal. 'The European Union, in contrast, seeks to establish, through its regional/bilateral agreements, a *sui generis* form of GI protection that clearly prevails over conflicting trademarks. Thus, the European Union seeks to eliminate the exceptions available under article 24.5 of the TRIPS Agreement.'

⁴⁴ *ibid* 7.

⁴⁵ Gle Kodffi Emmanuel, 'Geographical Indications in Africa' (INTERGI 9, 9th international GI training, le Courtil, Switzerland, 21 October – 1 November 2013) Agricultural Policies and Sustainable Development Cooperation University of Lausanne-Switzerland/ REDD <https://agritrop.cirad.fr/document_571269> accessed 28 November 2019.

⁴⁶*ibid* 27.

same as for any trademark however, the regulation of use should be provided by the association or the cooperative that files that collective mark.⁴⁷ Collective mark is the mark whose terms of use are set by a code of practice and that only public or private law groups with legal personality and their members can use.⁴⁸

In that vein, the process of labelling local reputed products including handmade woven loincloth called *Faso Dan Fani*, the hat of Saponé, the leathers and skin of Kaya and the Sissili Shea butter was launched in December 2018. From the above, Decree⁴⁹ providing for the creation, mandate, organization, and operation of the National Committee for Geographical Indications and Collective Marks of Burkina Faso was enacted in April 2019. The mission of this committee is to promote local products through the protection of geographical indications and collective marks.

The labelling process of *Faso Dan Fani* was completed at the end of May 2019, by unveiling of the logo of the collective mark on 30 April 2019, and its filing at OAPI for registration as a collective mark. The patterns of woven loincloths have been filed to OAPI to be registered as industrial designs too.

8. CONCLUSIONS

GIs represent a huge opportunity for the valorization and promotion of the OAPI region local products despite the lack of culture and mastery of rules related to GI protection. The *sui generis* protection of local origin products by means of GI is a complex procedure that OAPI Member countries cannot afford.⁵⁰ Cases studies and literature suggest a good institutional and organizational structure to protect and monitor GI.⁵¹ Therefore, the paper suggests that Burkina Faso can, along with *sui generis* GI protection, use an alternative system to protect many local products with national and international reputations in the short run through collective

marks regime as provided for by Annex 3 of the Bangui Agreement. In terms of policy recommendations, the paper suggests that Burkina Faso should continue cooperation with well-known organizations and countries that have good experiences in *sui generis* GI protection procedures in order to promote local products by the mean of GI regime in the average and long runs as provided for by the revised Bangui agreement, while considering the evolution of the international debate on GI protection.

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⁴⁷ *ibid* 1.

⁴⁸ See Revising Bangui Agreement, art 2.2 of Annex III, providing for the protection of collective marks.

⁴⁹ Decree N°2019-0727/PRES/PM/MCIA/MINEFID/MEEVCC/MCAT/MRAH/MAAH providing for the creation, mandate, organization,

and operation of the National Committee for Geographical Indications and Collective Marks of Burkina Faso (Journal official, 11 July 2019) .

⁵⁰ *ibid* 8.

⁵¹ *ibid* 12.

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5. ARBITRATION OF INTELLECTUAL PROPERTY DISPUTES IN ETHIOPIA: EXPLORING THE LEGAL AND INSTITUTIONAL GAPS

Roza Siyum Getachew*

ABSTRACT

The protection of intellectual property rights (IPR) promotes investments in knowledge creation and business innovation. IPR protection also supports an increase in foreign direct investment (FDI) and technology transfer by providing legal protection for inventions. Ethiopian protection of IPRs is growing to promote technology transfer, trade and investment activities. Intellectual property (IP) legal disputes arise out of such trade and investment activities. In Ethiopia, IP disputes mostly arise out of trademarks and copyrights infringement. Ethiopia lacks an effective and efficient IP dispute resolution system, which is an important matter taken into consideration by foreign investors. IP disputes are becoming increasingly complex and involve highly technical issues. These disputes often require reliable and flexible dispute resolution mechanisms. Due to the complex and technical nature of IP disputes, arbitration is preferable to court litigation for trade related regimes. Arbitration gives parties the autonomy they need to tailor rules and procedure specific to their IP disputes. Unlike global trends, arbitration is an under-developed practice in Ethiopia. Litigation overburdens courts and due process suffers because of long-drawn-out litigation. As a result, trademark and copyright

litigation in Ethiopia suffers from delays and overcrowded court rolls. The legal and institutional challenges, as well as the dearth of IP professionals have an impact on the development of IP arbitration in Ethiopia. It also ultimately affects the attraction of investment and trade into the country.

Keywords: *intellectual property rights, trademark, copyright, arbitration, IP dispute, IP dispute arbitration*

1. INTRODUCTION

The global economy is increasingly based upon conceptual products, converged technologies and international networks.¹ Intellectual property rights (IPRs) continue to be the most valuable assets of many businesses.² Intellectual property (IP) has a commercial importance by allowing creators or owners of patents, trademarks, copyrighted works or other IPRs holders to derive financial reward from the use and exploitation of their work.³

Countries have laws to protect IP for two main reasons.⁴ One is to give legal protection to the moral and economic rights of creators in their creations.⁵ The second is to promote creativity and its accessibility.⁶ The legal protection of new creations encourages the commitment of additional resources for further innovation.⁷ The promotion and protection of IP encourages fair trading which would contribute to the economic growth and social development of the country.⁸ In Ethiopia, laws were promulgated and an

*Roza Siyum Getachew graduated with a law degree from Mekelle University in 2007. She obtained her Master's degree in Urban Management from the Civil Service University, Ethiopia in 2009 and an LL.M in Taxation and Investment Law from Mekelle University Ethiopia in the 2015. She has been working as a judge at Dessie Municipal Court since 2010. Now, she is a lecturer and Director of the Gender, Anti-HIV/AIDS and Special Needs Directorate at Wollo University Ethiopia since 2016. Present, Roza is teaching IP in the undergraduate program at Wollo University, Ethiopia and her research interests are focused on IP dispute settlement and IP for economic development.

¹ Lukas Vanhonnaeker, *Intellectual property rights as foreign direct investments: From collision to collaboration* (Edward Elgar, 2015) 1.

² *ibid.*

³ William Daley, 'In search of Optimality: Innovation, Economic Development, and Intellectual Property Rights', (GSDR Prototype Briefs, 2014) 1.

⁴ 'Balew Mersha and G/Hiwot Hadush, 'Concept, Scope and Nature of Intellectual Property Rights' (Abyssinia Law, 13 December 2019) 2 <<https://www.abysiniaw.com/online-resources/study-online/item/467>> accessed 22 July 2019

⁵ *ibid.*

⁶ *ibid.*

⁷ *ibid.* 5.

⁸ *ibid.* 2.

autonomous body called Ethiopian Intellectual Property Office (EIPO) was established to protect IPRs. However, the introduction of legal and institutional framework with regard to IP is immature and a recent phenomenon compared to other countries.⁹

The industrial and commercial activity stemming from IP may engender legal disputes. IP disputes may arise out of ownership, licensing, validity and infringement of rights concerning, among others, patents, trademarks, copyrights, trade names, integrated circuits, plant varieties, designs and utility models.¹⁰ In multiple jurisdictions, arbitration is increasingly being used in disputes arising from IPRs.¹¹ Disputes occurring out of IPRs often containing highly technical subject matter and can benefit by the distinctive nature of arbitration.

In Ethiopia, arbitration is not a well-developed practice for commercial and IPR disputes generally. This is in part, due to legal and institutional gaps and problems related to it. The main theme of this paper is to assess the challenges and problems associated with the legal and institutional aspects of arbitration to deal with IP disputes in Ethiopia. In this paper, the status of Ethiopia in protecting IPRs and the most IP disputes in Ethiopia will be discussed in brief. Arbitration as an alternative to court litigation for IP disputes and the major conundrum for effective utilization of arbitration in Ethiopia will also be explored.

2. INTELLECTUAL PROPERTY PROTECTION IN ETHIOPIA

The growing dependence on technology in the supply of goods and services, and the rise of high tech industries worldwide, has greatly increased the demand for patent protection.¹² Trademarks significantly secure and promote a market image across linguistic and cultural boundaries.¹³ The need to protect and encourage scientific, artistic and literary works has extended the application of copyright laws.¹⁴

The Government of Ethiopia clearly recognizes the importance and need for IP protection under its various policies. These policies promote local creative, inventive and innovative activities as well as facilitate the acquisition and exploitation of foreign technology.¹⁵ However, Ethiopia has no policy that specifically deals with IP.

The 1994 Constitution of the Federal Democratic Republic of Ethiopia (the FDRE Constitution) recognizes the protection of IP. The Constitution recognizes the right of every citizen to ownership of private property with certain restrictions. IP is recognized as a property right under the Constitution.¹⁶ Moreover, the Constitution expressly requires the Federal Government to protect patents and copyrights.¹⁷ However, neither a comprehensive legal framework nor laws accord protection to geographical indications, trade secrets, topography nor layout designs as required by TRIPS Agreement.¹⁸

⁹ Kiya Tsegaye, 'Copy Right Protection in Ethiopia: Shining law, Zero effect' (Addis Standard, 19 November 2012) 1.

<<http://www.abysinnialaw.com/blog-posts/item/1487>> accessed 14 August 2019.

¹⁰ William Grantham, 'The Arbitrability of International Intellectual Property Disputes' (1996) 14(1) Berkley Journal of International Law 197-200.

¹¹ *ibid.*

¹² Teklay Hailemariam, 'The Socio-Economic Impact of intellectual Property Rights Regime of Ethiopia' (MA thesis, University of Addis Ababa 2012) 26-29.

¹³ *ibid.*

¹⁴ *ibid.*

¹⁵ Getachew Mengistie, 'Intellectual Property as a Policy Tool for Development: The Ethiopian Fine Coffee Designations Trade Marking and Licensing Initiative Experience' (A case study commissioned by WIPO, World Intellectual Property Organization 2011) 17 <https://www.wipo.int/edocs/pubdocs/en/licensing/1029/wipo_pub_1029.pdf> accessed 22 July 2019.

¹⁶ Constitution of the Federal Democratic Republic of Ethiopia 1994, art 40(2).

¹⁷ *ibid.*, arts 51 (19) and 77 (5).

¹⁸ Agreement on Trade-Related Aspects of Intellectual Property Rights (15 April 1994) 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994) [hereinafter TRIPS Agreement]

<https://www.wto.org/english/docs_e/legal_e/27-trips.pdf> accessed 28 July 2019.

The specific IP laws that govern specific elements of IP in Ethiopia include Inventions, Minor Inventions and Industrial Designs,¹⁹ Copyright and Neighbouring Rights,²⁰ Trademark,²¹ Plant Variety Protection,²² Genetic Resources, and Community Knowledge and Community Rights²³ and Unfair Competition Law.²⁴ These laws were promulgated to encourage creativity; to support the advancement of technology in the country and to promote trade and investment in the country.

Ethiopia's involvement in international IP agreements is very limited.²⁵ Ethiopia is not a party to multilateral conventions or treaties on IP except the 1981 Nairobi Treaty on the Protection of the Olympic Symbol²⁶ and the Convention Establishing WIPO.²⁷ The main reason for the insignificant engagement of Ethiopia to the international IP system lies in the absence of a comprehensive national IP framework.²⁸ The nonexistence of IP policy that directs and envisages the relationship between international conventions and economic growth of the Country contributes to the minor involvement of Ethiopia to the international IP agreements.²⁹ The resulting serious lack of awareness of IP due to the absence of a proper consideration by the government is also

a ground for not being a party to the international IP system.³⁰

In 2003, the Ethiopian Intellectual Property Office (EIPO) was established by promulgation to administer and promote enforcement of IP and set out policy directives.³¹ The EIPO emerged as an autonomous public office.³² The office promotes the creation, protection and exploitation of local IP rights.³³ The EIPO sets out to acquire and exploit foreign technology either through licensing or mutual contractual regimes.³⁴

The protection of IPRs requires an independent and competent judiciary with due integrity.³⁵ The judicial protection of IPRs determines the extent to which individuals and legal persons are ensured access, proper interpretation, efficient adjudication and appropriate judgment to their claims, counterclaims and defenses whenever disputes are adjudicated in courts of law.³⁶ This envisages competence, integrity, efficiency, judicial independence, predictability and consistency in judicial decisions.³⁷ At present there are two court systems in Ethiopia: Federal and Regional courts. The

¹⁹ Inventions, Minor Inventions and Industrial Designs Proclamation No. 123 of 1995 (Ethiopia).

²⁰ Copyright and Neighbouring Rights Protection Proclamation No. 410 of 2004 and (Amendment) Proclamation No. 872 of 2014 (Ethiopia) [hereinafter CR (Amendment) Proclamation].

²¹ Trademark Registration and Protection Proclamation No. 501 of 2006 (Ethiopia) [hereinafter TM Proclamation].

²² Plant Breeders' Rights Proclamation No. 481 of 2006 (Ethiopia).

²³ Access to Genetic Resources and Community Knowledge and Community Rights Proclamation No. 482 of 2006 (Ethiopia).

²⁴ Trade Competition and Consumer Protections Proclamation No. 813 of 2014 (Ethiopia).

²⁵ Mengistie (n 15) 28.

²⁶ Nairobi Treaty on the Protection of the Olympic Symbol (adopted on 26 September 1981)

<<https://www.wipo.int/treaties/en/ip/nairobi/>> accessed 28 July 2019.

²⁷ Convention Establishing the World Intellectual Property Organization (signed on 14 July 1967 and as amended on 28 September 1979) <https://www.wipo.int/treaties/en/text.jsp?file_id=283854> accessed 18 July 2019.

²⁸ Mengistie (n 15) 28.

²⁹ *ibid.*

³⁰ *ibid.*

³¹ Ethiopian Intellectual Property Office Establishment Proclamation No. 320 of 2003 (Ethiopia).

³² *ibid.*, art 3(1).

³³ *ibid.*, art 5.

³⁴ *ibid.*

³⁵ Hailu Burayu, Elias N.Stebek, Murado Abdo, 'Judicial Protection of Private Property Rights in Ethiopia: Selected Themes' (2013) 7(2) Mizan Law Review, 351 <www.ajol.info/index.php/mlr/article/view/108310/98129> accessed 4 May 2020.

³⁶ *ibid.*

³⁷ *ibid.*

Federal Courts Proclamation³⁸ under Article 5 (8) grants the jurisdiction to entertain disputes involving IP to the Federal High court. Its decision can be appealed to the Federal Supreme Court whose decision is final.³⁹

3. INTELLECTUAL PROPERTY DISPUTES IN ETHIOPIA: TRADEMARK AND COPYRIGHT INFRINGEMENTS

In Ethiopia, foreign investment and international trade have been increasing rapidly over time.⁴⁰ Ethiopia's economic policy encourages private ownership rights.⁴¹ Ethiopia's access to preferential markets in Africa and other international markets contributes to the growing trade and investment in the country.⁴² Investors and businesspersons have concerns with suitable dispute settlement mechanisms to settle disputes arising out of IP issues, and to preserve their business relationships.⁴³ Most IP disputes in Ethiopia arise out of the trademark, copyrights and neighbouring rights infringements.⁴⁴

The owners of registered trademarks have exclusive rights to use their marks in trade and to exclude others from using the same or similar marks or symbols.⁴⁵ The infringement of a trademark relates to the unauthorized use of a registered trade mark by a third party on any goods or services identical with the goods or services specified in the register.⁴⁶ Ethiopian trademark law prohibits the registration and use of another's mark in relation to either similar or dissimilar goods to protect the interests of the trademark owner.⁴⁷ The law

provides for the protection of unregistered, well-known trademarks even though Ethiopia is not a member of WIPO standard setting treaties such as the Paris convention.⁴⁸ The legislation also provides for proceedings on trademark opposition, infringement, invalidation and cancellation issues.⁴⁹

Most trademark disputes in Ethiopia arise during the registration stage when the existing trademark holder lodges an opposition objecting to the application for registration on legal grounds.⁵⁰ Using similar trademarks without the authorization of the trademark owner is also another cause of a trademark dispute in Ethiopia.⁵¹ In *Ethio-Ceramic P.L.C v Ethiopian Intellectual Property office & Ovorgiga Technology Limited*⁵² case, the petitioner claimed that it had obtained registration certificate under the trademark 'Ethio Cement' to use it for marketing its cement products. It also alleged that allowing the 2nd respondent to use this trademark will infringe its right and will create confusion in a manner prejudicial to its business.

In Ethiopia, Trademark disputes are also related to the use of internationally acclaimed trademarks by local investors without the recognition or permission of the rightful holders of the brand.⁵³ For example, in the US based IN-N-OUT Burger case, the dispute has been that the local company (IN-N-OUT Burger) uses the trademark of the US based company for its burger and chicken restaurants in Addis Ababa.⁵⁴ Other

³⁸ Federal Courts Proclamation No. 25 of 1996 (Ethiopia).

³⁹ *ibid*, art 9.

⁴⁰ Michael Teshome, 'Laws and Practice of Commercial Arbitration in Ethiopia: Brief Overview' 2.

<<https://www.abyssinialaw.com/uploads/ArbitrationbyMichael.pdf>> accessed 2 August 2019.

⁴¹ *ibid*.

⁴² *ibid*.

⁴³ *ibid*.

⁴⁴ Tsegaye (n 9) 2.

⁴⁵ Kim Rampersadh, 'Trademarks in Ethiopia - What you need to know' (Adams & Adams, 2018) 2

<<https://www.adams.africa/insights/trade-marks-ethiopia-need-know/>> accessed 25 July 2019.

⁴⁶ *ibid*.

⁴⁷ TM Proclamation, arts 7(3) and 26(2).

⁴⁸ *ibid* art 23.

⁴⁹ *ibid* arts 13, 20, 35, 36, 40 and 41.

⁵⁰ Burayu, Stebek, Abdo (n 35) 365.

⁵¹ *ibid*

⁵² *Ethio-Ceramic P.L.C v. EIPO and Ovorgiga Tech. Ltd*, 12 Fed. Cas. 544-548 (No.57, 179) (2003).

⁵³ Dawit Endeshaw, 'Rising trademark Debacle' *The Reporter* (Addis Ababa, 2 September 2017) 3.

<<http://www.thereporterethiopia.com/content/rising-trademark-debacle>> accessed 5 August 2019.

⁵⁴ *ibid*.

trademarks disputes include those between Intercontinental Hotel and Intercontinental Hotels' (IHG);⁵⁵ and between Crown Hotel and International Crown Plaza Hotels and Resorts.⁵⁶ The disputing parties have submitted their case to the Federal High Court of Ethiopia over the trademark.⁵⁷ In these cases, the local companies use internationally known trademarks without permission or licensing to use the mark.

Ethiopian copyright law has a purpose of encouraging creativity by protecting companies' and individuals' right to ownership of their work.⁵⁸ The protection of copyrights are expressed by giving authors or owners of copyrightable works exclusive rights of reproduction, sale, rent, transfer, and other communication of their works to the public.⁵⁹ The protection granted by the law to owners of copyright ensures a fair balance between the needs of a copyright user and the rights of a copyright owner.⁶⁰

Most copyright disputes in Ethiopia arising out of licensing and contractual relationships between the owner of the copyrighted work and the other contracting party.⁶¹ The scope of use of copyrighted works and the geographical use of works are the major grounds that trigger disputes.⁶² In a dispute between *Artistic Printing Press v Dr. Getahun Shiberu*,⁶³ the copyright owner of the translated book (Dr. Getahun Shiberu) claims damages from the publishing company based on their contract of publishing the work. In another case between *Samuel Hailu and Horizon Printing Press PLC v Simret Ayalew*,⁶⁴ the successors of the ownership right of the copyrighted work claim for damages and

injunction order against the misuse of the work. These all disputes out of copyright and trademark issues were entertained by the Federal High Court of Ethiopia and appealed to the Federal Supreme court cassation division. The time taken to resolve these disputes in regular courts are around 2 years, so that the parties could not be served with a speedy resolution of disputes at a reasonable time.

4. ARBITRATION FOR INTELLECTUAL PROPERTY DISPUTES

The growing involvement of intangible and intellectual assets in today's commerce has increased disputes concerning IPRs between private parties.⁶⁵ IP disputes may take several forms including those concerning the validity, contract, ownership and infringement of patents, trademarks and copyright.⁶⁶ Disputes arising out of IP often engage multiple jurisdictions due to the globalization of trade and the increasing international exploitation of IP.⁶⁷ IP disputes have distinctive characteristics of involving highly technical matters and confidential information. Due to these features of IP disputes, parties often look for flexible resolution processes that can be customized to their needs that enable them to control the mechanics of the proceedings.⁶⁸

Recourse to state courts for settling IP disputes often proves to be a cumbersome activity. The main challenge involved in submitting the case to regular courts pertain to the inability of the judiciaries of many countries to respond in a timely and

⁵⁵ *ibid.*

⁵⁶ *ibid.*

⁵⁷ *ibid.*

⁵⁸ CR (Amendment) Proclamation, art 7.

⁵⁹ *ibid.*

⁶⁰ Tsegaye (n 9) 1.

⁶¹ Yemane Gesesew, 'Infringement and Remedies of Economic Rights of Audiovisual Works under the Ethiopian Copyright Law: Law and Practices in Addis Ababa' (LLM thesis, University of Addis Ababa 2010) 47.

⁶² *ibid.*

⁶³ *Artistic Printing Press v. Getahun Shiberu*, 10 Fed.Cas. 339-341 (No. 44,520) (2002).

⁶⁴ *Samuel Hailu and Horizon Printing Press PLC v. Simret Ayalew*, 13 Fed Cas. 576-581 (No. 68,369) (2004).

⁶⁵ In Situ, 'Arbitration in International Intellectual Property Disputes' 1 <<https://www.itwillbefun.eu/arbitration-in-international-intellectual-property-disputes.html>> accessed 28 July 2019.

⁶⁶ Grantham (n 10) 200.

⁶⁷ Situ (n 65) 3.

⁶⁸ Heike Wollgast, 'WIPO Alternative Dispute Resolution- Saving Time and Money in IP Disputes' WIPO Magazine (Switzerland, November 2016) 2 <https://www.wipo.int/wipo_magazine/en/2016/si/article_0010.html> accessed 28 July 2019.

effective manner to requests for enforcement of IP rights.⁶⁹ In recent years, arbitration has emerged as an increasingly attractive option and used to resolve disputes involving IPRs, especially when involving parties from different jurisdictions.⁷⁰

Arbitration can offer genuine advantages in IP disputes. Parties may choose a panel of arbitrators who possess a particular expertise suitable to resolve the complicated and technical nature of disputes involving IP.⁷¹ In complex technology disputes, selected arbitrators could have deeper understanding and knowledge about the question at issue involved in the case than judges who do not have a specialist background.⁷² The parties are not bound to state appointed tribunal members and may choose their preferred adjudicators.⁷³ Unlike the one-size-fits-all procedural rules in court litigation that are applicable to all cases, parties to arbitration choose actions that best serve their interests. Parties also choose the applicable law, rules and procedures, place of arbitration and language of the proceedings.⁷⁴ Moreover, preservation of the business relationship, time and cost benefits, flexibility, confidentiality of the proceedings, avoidance of the risk of inconsistent judgments and international enforcement of arbitration awards are among

the most cited benefits of arbitration.⁷⁵ Due to these advantages of arbitration, IP disputes are especially suitable for resolution by arbitration than by court litigation.⁷⁶

It must be emphasized that arbitration is not without its limitations. Unless there is a prior contractual relationship between the parties, it may be difficult to persuade an adverse party to agree to arbitration after a dispute arises.⁷⁷ The arbitration agreement is only binding on the parties to the agreement. Unlike court decisions, it does not set a precedent that can be used as a deterrent to infringement from other parties.⁷⁸ The benefits of arbitration may also be lost if the IP arbitration clause is unclear about important elements such as the place of arbitration, applicable law, the language of proceedings, appointment of an arbitrator.⁷⁹ If the parties fail to agree to these ground rules, it creates ambiguity which may later lead to difficulties and delays in the arbitration proceedings. The parties also need to resort to a court to sort out ambiguous issues which allows for judicial intervention.⁸⁰ Moreover, in the case of the need to take emergency protective measures such as interim measures,

⁶⁹ Dario Moura Vicente, 'Arbitrability of Intellectual Property Disputes: A Comparative Survey' (2015) 31(1) *Arbitration International*, 151 <<https://academic.oup.com/arbitration/article-abstract/31/1/163/252786>> accessed 2 August 2019.

⁷⁰ WIPO, 'Why Arbitration in Intellectual Property?' 1 <<https://www.wipo.int/amc/en/arbitration/why-is-arb.html>> accessed 2 August 2019.

⁷¹ Jakkrit Kuanpoth 'Resolving IP Disputes through Arbitration' (2017) 1 <<https://www.tilleke.com/resources/resolving-ip-disputes-through-arbitration>> accessed 2 August 2019.

⁷² *ibid.*

⁷³ *ibid.*

⁷⁴ *ibid.*

⁷⁵ Bryan Niblett, 'The Arbitration of Intellectual Property Disputes' (Worldwide Forum on the Arbitration of Intellectual Property Disputes, Switzerland, 3-4 March 1994) 2 <<https://www.wipo.int/amc/en/events/conferences/1994/niblett.html>> accessed 19 August 2019.

⁷⁶ Why Arbitration in Intellectual Property? (n 70) 1.

⁷⁷ Joseph P. Zammit and Jamie Hu, 'Arbitrating International Intellectual Property Disputes' (2009) *Dispute Resolution Journal* 2-3.

⁷⁸ Douglas Fox and Roy Weinstein, 'Arbitration and Intellectual property disputes' (American Bar Association 14th Annual Spring Conference, Washington D.C, April 2012) 3 <http://www.micronomics.com/articles/Arbitration_and_Intellectual_Property_Disputes.pdf> accessed 26 June 2020.

⁷⁹ Ekaterina Kupchina, Olga Kuznetsova and Kamo Chilingaryan, 'IP Dispute Resolution through International Commercial Arbitration: US Experience' (6th international conference on Education and Social Sciences, Dubai, February 2019) 469 <http://www.ocerints.org/intcess19_e-publication/papers/201.pdf> accessed 26 June 2020.

⁸⁰ Patricia A Martone, 'How Arbitration Clauses in Patent License Agreements can Simplify International Patent Disputes' (WWL, 11 June 2019) <<https://whoswholegal.com/features/how-arbitration-clauses-in-patent-licence-agreements-can-simplify-international-patent-disputes>> accessed 26 June 2020.

the arbitration tribunal has no its own coercive apparatus and must rely on the voluntary conduct of the parties.⁸¹

The other reluctance on the use of arbitration to resolve especially international IP disputes is the fact that arbitrability issues in many legal systems remain unsettled.⁸² Most national legal systems allow arbitration of disputes concerning contracts for the licensing and transmission of registered IP rights.⁸³ Countries also permit arbitration for claims concerning compensation for damages inflicted through the infringement and registration of IP rights.⁸⁴ In countries, such as Germany, France and England, infringement of patent, trademark and copyright are arbitrable disputes.⁸⁵ Despite this, several national legal systems traditionally reject the arbitration of disputes that concerning validity of registered patent and trademark rights.⁸⁶ The invalidation of these rights is reserved for state courts.⁸⁷ In any event, the issue of arbitrability is subtly different from jurisdiction to jurisdiction.⁸⁸ Although prevailing trends are shifting towards making most IP disputes arbitrable, the issue has been explicitly resolved by legislations of only a handful of countries.⁸⁹

All major arbitration centres, such as the International Chamber of Commerce International Court of Arbitration (ICC

ICA), the London Court of International Arbitration (LCIA) and the World Intellectual Property Organization (WIPO) Arbitration and Mediation Center, have adapted their arbitration rules to better suit IP disputes.⁹⁰ As a result, literature showed that the number of IP cases heard by these centres continues to rise.⁹¹

5. ARBITRATION OF TRADEMARK AND COPYRIGHT DISPUTES IN ETHIOPIA: AN OPTION TO LITIGATION

Literature shows that Ethiopian judicial system for commercial disputes can be expressed as one of the unpredictable system.⁹² The prolonged adjournment of cases due to the excessive backlog of cases and lack of competent judges are some of the problems facing the growing commercial transaction in the country.⁹³ As research indicates, the average time taken to resolve commercial disputes in the Federal High Court is more than 1 year and 8 months and the longest period is more than 6 years and 3 months.⁹⁴ This depicts the inefficiency of courts and demands a reform mechanism. To deal with this problem, the FDRE Supreme Court adopted a code in 2019 to have specialized commercial benches in Federal courts.⁹⁵ The main objective of the code is to create a system that would allow commercial disputes to be dispensed in a speedy, cost effective and

⁸¹ Jovic, Njegoslav, 'Benefits and Limitations of International Arbitration in Intellectual Property Law Disputes' (2019) 1 *Godišnjak Pravnog Fakulteta u Banja Luci* 155 <https://www.researchgate.net/publication/337356397_BENEFITS_AND_LIMITATIONS_OF_INTERNATIONAL_ARBITRATION_IN_INTELLECTUAL_PROPERTY_LAW_DISPUTES> accessed 26 June 2020.

⁸² Vicente (n 69) 151-152.

⁸³ *ibid.*

⁸⁴ *ibid.*

⁸⁵ Grantham (n 10) 205-212.

⁸⁶ Vicente (n 69) 151-152.

⁸⁷ *ibid.*

⁸⁸ *ibid.*

⁸⁹ Situ (n 65) 1.

⁹⁰ Mark Hines, 'Rethinking IP Disputes - A Useful Role for International Arbitration' (Heenan Blaikie, 2013) 1 <www.lexology.com/library/detail.aspx?Rethinking-IP-disputes-a-useful-role-for-international-arbitration> accessed 2 August 2019.

⁹¹ *ibid.*; Michael Woller and Michaela Pohl, 'IP Arbitration on the Rise' (Kluwer Arbitration Blog, 16 July 2019) <<http://arbitrationblog.kluwerarbitration.com/2019/07/16/ip-arbitration-on-the-rise>> accessed 28 June 2020; WIPO Case Load Summary <<https://www.wipo.int/amc/en/center/caseload.html>> accessed 28 June 2020. See also *Adjudicating IP Disputes, An ICC Report on Specialized IP Jurisdictions World Wide* (2016) <<https://iccwbo.org/content/uploads/sites/3/2016/04/ICC-report-on-Specialised-IP-Jurisdictions.pdf>> accessed 28 June 2020.

⁹² Zemedkun Mekasha, 'The Scope and Structure of Specialized Commercial Court for Ethiopia: Lessons from Abroad', (LLM thesis, University of Hawassa 2017) 82.

⁹³ *ibid.*

⁹⁴ *ibid.*

⁹⁵ FDRE Federal Courts Commercial Bench Proceedings Code of 2019 (Ethiopia).

predictable manner.⁹⁶ Among others, disputes related to IPRs particularly trademarks are submitted to the jurisdiction of commercial benches.⁹⁷ Despite this effort has been made, delay in the court decision, inconsistent decision and unpredictability, lack of judges with specialization in IP law, lack of knowledge and misapplication of the law in relation to IP matters are still the major challenges since establishing a commercial bench is a recent phenomena.⁹⁸

These major problems of Ethiopian regular courts have fuelled the need for a special dispute resolution mechanism in Ethiopia.

In a global world, arbitration has become the preferred method of resolving IP disputes due to its distinctive features. The success of arbitration is a function of several components such as, an enabling legal framework, qualified and dependable human resources and the institutional support.⁹⁹ In Ethiopia, arbitration is the most undeveloped and unpractised regime.¹⁰⁰

Arbitration presupposes the arbitrability of the matter in dispute, which is a requirement for the validity of arbitration agreement. The existing legal framework regulating arbitration in Ethiopia does not prohibit arbitration of IP disputes.¹⁰¹ Moreover, specific laws of Ethiopia regulating IP do not expressly prohibit or not have the intention to prohibit arbitration of IP disputes. In general, there is no statutory or other bar to arbitration in IP disputes.

So far, however, IP disputes arising out of trademark and copyright issues are not submitted to arbitration in Ethiopia.

The problem for effective utilization of arbitration is partly related to the gaps with respect to the legal and institutional frameworks of arbitration.¹⁰² An insignificant number of qualified IP expertise's also contribute to the problem.¹⁰³

6. THE LEGAL AND INSTITUTIONAL FRAMEWORKS OF ARBITRATION: THE CONUNDRUM

Ethiopia proclaimed its arbitration laws through the enactment of the Civil Code of 1960¹⁰⁴ and the Civil Procedure Code of 1965.¹⁰⁵ For more than half a century, Ethiopia has been applying these laws on commercial disputes. However, Ethiopian arbitration laws are vague, outdated and do not cope with the emerging modern laws and practices in international commercial arbitration in general and international IP dispute arbitration in particular. In Ethiopia, functional institutions for arbitration to dispose of or provide services in cases of IP disputes to the business community are very limited in number. As a result, Ethiopia is not endowed with workable, modernized and institutionalized commercial arbitration.

A. ARBITRATION LEGAL FRAMEWORK UNDER THE ETHIOPIAN LEGAL SYSTEM

Arbitration as a means of conflict resolution is available under the Ethiopian legal system. Articles 3325-3346 of the Civil Code regulate substantive aspects of arbitration in Ethiopia, while Articles 315-319, 350-357 and 461 of the Civil Procedure Code govern procedural aspects. Both Codes, enacted more than 5 decades ago are criticized as 'outdated, not comprehensive as well.'¹⁰⁶ The arbitration legal

⁹⁶ FDRE Federal Courts Commercial Bench Proceedings Code of 2019 (Ethiopia) 2.

⁹⁷ *ibid*, part 1(D).

⁹⁸ Abraham Rega, 'New Court Proceedings for commercial Disputes' 3 <<https://www.mtalawoffice.com/legal-updates/entry/new-court-proceedings-for-commercial-disputes-1>> accessed 28 June 2020.

⁹⁹ Tewodros Meheret, 'Ethiopia's Arbitration Law Challenges' (2018) 1 <<http://www.lexafrica.com/2018/10/ethiopias-arbitration-law-challenges/>> accessed 5 August 2019.

¹⁰⁰ *ibid*.

¹⁰¹ The Civil Code of Ethiopia of 1960 (Ethiopia) (The Civil Code), arts 3325-3346.

¹⁰² Teshome (n 40) 14-21.

¹⁰³ *ibid*.

¹⁰⁴ The Civil Code (n 101).

¹⁰⁵ The Civil Procedure Code of Ethiopia of 1965 (Ethiopia) (The Civil Procedure Code), arts 315-319, 350-357 and 461.

¹⁰⁶ Elodie Dulac, 'International Arbitration through the Prism of Users from a Developing Country, Ethiopia' (Young ICCA) 12 <<https://www.youngicca-blog.com/international-arbitration->

framework does not create an enabling legal infrastructure to make arbitration effective. The law is also criticized for allowing huge involvement of national courts early in the arbitration proceedings and exercise wider judicial review power on awards.¹⁰⁷

Ethiopian arbitration law seems to be designed for domestic arbitration.¹⁰⁸ This Law is scattered between the 1960 Civil Code and the 1965 Code of Civil Procedure and suffers from ambiguities, inconsistencies and gaps.¹⁰⁹ When arbitration law becomes obsolete or outdated, courts widely intervene in arbitration proceedings.¹¹⁰ This results in a number of practical and conceptual difficulties. Reading through the substantive and procedural provisions on arbitration, it appear to only regulate family matters than commercial or investment issues and therefore not qualified yet to settle IP disputes.¹¹¹

A dispute resolution mechanism should take into account the needs and aspirations of foreign investors in addition to local needs.¹¹² The existing arbitration law of Ethiopia is inconsistent with the modern laws and practices of international commercial arbitration and fails to regulate international arbitration matters.¹¹³ This can be attributed to the fact that Ethiopia's arbitration law is not drafted based on or in accordance with United Nation Commission of International Trade Law (UNCITRAL) Model Law on International Commercial Arbitration (UNCITRAL Model Law).¹¹⁴

UNCITRAL Model Law tries to harmonize and modernize domestic and international law to enhance predictability in

cross border commercial transactions.¹¹⁵ It bases its principle on parties' autonomy and limits the interference of courts in arbitration proceedings.¹¹⁶ It has principles and standards on key aspects of arbitration process which are acceptable to nations having different legal systems and levels of economic and social development.¹¹⁷ The Model Law covers all stages of the arbitral process from the arbitration agreement, the composition and jurisdiction of the arbitral tribunal and the extent of court intervention through to the recognition and enforcement of the arbitral award.¹¹⁸ The key aspects of arbitration process addressed by the model law contribute for its efficiency to settle commercial disputes in general. Particularly, IP disputes arbitration based on the Model Law is benefited since aspects of the arbitration process of the Model are modern and has efficiently deal with complex issues.¹¹⁹

Unlike the UNCITRAL Model law, provisions dealing with arbitration in the Ethiopian Civil Code do not have detailed and comprehensive rules regarding neither ad hoc nor institutional arbitration. In most cases, foreign investors reject Ethiopia's arbitration law since it is not compatible with international investment and commercial practices.¹²⁰ Arbitration proceedings on the appointment and disqualification of arbitrators are not based on the UNCITRAL Model law to accommodate international interests.¹²¹

Under the Civil Code of Ethiopia, parties may enter into an arbitration agreement, either in the form of an arbitration

through-the-prism-of-users-from-a-developing-country-ethiopia/> accessed 16 July 2019.

¹⁰⁷ Teshome (n 40) 18.

¹⁰⁸ *ibid* 26.

¹⁰⁹ Dulac (n 106) 12.

¹¹⁰ Meheret (n 99) 2.

¹¹¹ *ibid*.

¹¹² *ibid*.

¹¹³ Teshome (n 40) 16.

¹¹⁴ *UNCITRAL Model Law on International Commercial Arbitration 1985: with amendments as adopted in 2006* (United Nations

Commission on International Trade Law, Vienna: United Nations, 2008).

¹¹⁵ Alemayehu Yismaw Demamu, 'The Need to Establish a Workable, Modern and Institutionalized Commercial Arbitration in Ethiopia' (2015) 4 *Haramaya Law Review* 37, 46.

¹¹⁶ *ibid*.

¹¹⁷ *ibid*.

¹¹⁸ *ibid*.

¹¹⁹ *ibid*.

¹²⁰ Teshome (n 40) 16.

¹²¹ *ibid* 20.

submission or arbitration clause.¹²² However, it is silent about the doctrine of separability which presumed that an arbitration clause has an independent existence of the main contract in which it is placed. The doctrine of separability is adopted in different jurisdictions and legal orders, including in UNCITRAL model law.¹²³ The doctrine keeps an arbitration clause from being affected by the main contract and empowers arbitrators to handle any dispute that arises from the main contract.¹²⁴ Moreover, the doctrine of competence-competence is not fully adopted under Article 3330 of the Civil Code of Ethiopia. Sub (3) of the same Article prevents arbitrators from sitting to decide on the validity of the arbitration agreement. The doctrine refers to the powers of a tribunal to make a decision as to its own jurisdiction when the validity or scope of the agreement to arbitrate is in doubt.¹²⁵ Moreover, Article 3329 of the Civil Code requires provision of the arbitral submission concerning the jurisdiction of arbitrators to be interpreted restrictively. However, this method of interpretation is outdated; rather, it is liberal approach which is adopted under Article 16 (1) of UNCITRAL model law.¹²⁶ Thus, Ethiopian arbitration laws have no doctrines and standards comparable with modern international commercial practice.

The Civil Procedure Code on arbitration also stipulates that parties can waive their right to appeal, if it is made with full knowledge of the circumstances.¹²⁷ However, there is inconsistency among the decisions of the Federal Supreme Court Cassation Division on this issue. In the case between *National Motors Corporation v General Business Development*,¹²⁸ the Cassation Division held that the award of

the arbitration council will not be appealed before the cassation division if the litigant parties agree to settle their disputes through arbitration and make the award final. Whereas, on the same dispute between *National Mineral Corporation v Danny Drilling Plc*,¹²⁹ the cassation division allowed an appeal despite the existence of the arbitration finality clause and courts should entertain appeals.

Currently, several questions from concerned bodies and investors are outstanding on the appropriate code or legislation to be incorporated into a new modern Arbitration law.¹³⁰ A new draft arbitration law prepared by certain scholars of the Faculty of Law of Addis Ababa University was submitted to the Ethiopian Attorney General 10 years back.¹³¹ This law was supposed to advance the status of Ethiopian arbitration law in such a way that it regulates international arbitration and IP commercial disputes. However, the draft arbitration law ended up being shelved.¹³²

The country's failure to ratify the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958) (the New York Convention) until recent times was also another reason for the malfunction of the existing arbitration law to regulate international arbitration matters.¹³³ This was creating fear for foreign investors to come and invest in the country as they may not want to give their hand for local courts. As a result, the country's overall transactions, particularly its international business transactions were affected.¹³⁴ Taking into consideration of all these problems, Ethiopia has now formally ratified the New York Convention

¹²² The Civil Code (n 101), art 3328.

¹²³ United Nations Commission on International Trade Law (n 114), art 16 (1).

¹²⁴ Demamu (n 115) 43.

¹²⁵ *ibid.*

¹²⁶ Solomon Emiru Gerese, 'Comparative Analysis of Scope of Jurisdiction of Arbitrators under the Ethiopian Civil Code of 1960' (LLM thesis, CEU University 2009) 55-56.

¹²⁷ The Civil Procedure Code, art 350(2).

¹²⁸ *National Motors Corporation V. General Business Development*, Fed. Cas. (No. 21,849) (1997) (unpublished).

¹²⁹ *National Mineral Corporation plc V. Danny Drilling plc*, Fed. Cas. (No. 42,239) (2010) (unpublished).

¹³⁰ Meheret (n 99) 2.

¹³¹ Interview with Meaza Haymanot, Civil Claim Prosecutor, Directorate of Civil Claim Prosecution, Attorney General (Addis Ababa, Ethiopia, 9 July 2019).

¹³² *ibid.*

¹³³ Teshome (n 40) 16.

¹³⁴ Demamu (n 115) 46.

on 13 February 2020.¹³⁵ The convention is widely recognized as a basis of international trade and investment law.¹³⁶

Before ratifying the New York convention, the Civil Procedure Code of the country omits recognition but only sticks to enforcement of foreign arbitral awards. It was unclear why legislators wanted to concentrate only on execution of foreign arbitral award.¹³⁷ In spite of the fact that recognition and enforcement are often read together, the legal effect they have is different at domestic and international levels. An award may be recognized, without being enforced. However, if an award is enforced, then it is necessarily recognized by the court that orders such enforcement.¹³⁸ Being a member to the New York Convention settle this issue as the Convention contains provisions for recognizing and enforcing international arbitral awards.¹³⁹ Moreover, unlike the New York Convention, Ethiopia's Civil Procedure Code did not define foreign arbitral award. It was left to the discretion of courts to offer meaning to the term.¹⁴⁰ In addition, the grounds set forth for the recognition and enforcement of a foreign arbitral award under the Civil Procedure Code were obsolete and stringent and did not match up with the current development in international commercial arbitration.¹⁴¹ For instance, the doctrine of reciprocity has been retracted in the New York Convention as it is more of political than serving the purpose of arbitration and protecting the prevailing interest of the parties.¹⁴²

Ethiopia's ratification to the convention will enable foreign arbitral awards, including IP arbitration awards, to be

enforced before Ethiopian courts as if they are decided locally as far as the flexible grounds under the convention are fulfilled. Similarly, international arbitration which will be held in Ethiopia will be enforced in other member states to the convention.¹⁴³ However, without having a modern and comprehensive arbitration framework, the arbitration service in Ethiopia cannot function competitively with a mere ratification of the New York Convention in the context of IP dispute arbitration.

B. INSTITUTIONAL FRAMEWORK

Functional institutions for arbitration in Ethiopia are organizations or associations created by law to be centres of dispute settlement. The centres will dispose of or provide services to interested groups who need a private settlement mechanism for their disputes. Centres of arbitration established and duly registered have the responsibilities to provide a venue for the disputants and introduce the arbitration systems to the public and legal place of work.¹⁴⁴

Ethiopia has certain institutional structures for IP disputes like the internal committee of EIPO, the regular courts, the Federal Trade Competition and Consumer Protection Appellant Tribunal. IP disputes by their nature involve technical matters. Settling trademark and copyright disputes through courts often take many years.¹⁴⁵ This is because Ethiopia's judicial system is labelled as inadequately staffed and judges are general practitioners, unskilled, and inexperienced to entertain IP disputes.¹⁴⁶ To overcome this problem, the Copyright and Neighboring Rights Protection

¹³⁵ 'Ethiopia Ratifies the New York Convention' (Capital Ethiopia, Addis Ababa, 3 March 2020) <<https://www.capitalethiopia.com/society/ethiopia-ratifies-the-new-york-convention/>> accessed 4 May 2020.

¹³⁶ Convention on the Recognition and Enforcement of Foreign Arbitral Awards (adopted 10 June 1958, entered into force 7 June 1959) 330 U.N.T.S. 38 [hereinafter New York Convention].

¹³⁷ Teclé Hagos Bahta, 'Recognition and Enforcement of Foreign Arbitral Awards in Civil and Commercial matters in Ethiopia' (2011) 5(1) Mizan Law Review 105, 107.

¹³⁸ *ibid.*

¹³⁹ *ibid.*

¹⁴⁰ *ibid.* 109.

¹⁴¹ *ibid.* 140.

¹⁴² *ibid.* 122.

¹⁴³ *ibid.*

¹⁴⁴ Sahilemariam Wodajo Mamo, 'Factors Determining the Choice between Public and Private Adjudication in Ethiopia: Focusing on Commercial Disputes' (LLM thesis, University of Addis Ababa 2018) 48.

¹⁴⁵ Tsegaye (n 9) 3.

¹⁴⁶ World Bank, 'Ethiopia: Legal and Judicial Sector Assessment' (Washington DC 20433, 2004) 38.

Proclamation stipulates for the establishment of a special IP tribunal to entertain IP disputes.¹⁴⁷ Though the IP office has started some activities to establish this tribunal under its realm, trademark and copyright disputes has been entertained by regular courts so far despite delays and congested court rolls.¹⁴⁸

Ethiopia's existing arbitral institutions are the Addis Ababa Chamber of Commerce Sectoral Associations (AACCSA) Arbitration Center (the Center) and the recently established Bahirdar University Arbitration Center. These Centers provide commercial arbitration services to various undertakings. However, the Centers do not have any experience in conducting and administering trademark and copyright disputes.¹⁴⁹ This is attributed to the fact that Ethiopia lacks sufficiently qualified IP arbitrators.¹⁵⁰ Beside these two centres, there is not any other commercial arbitration institution in Ethiopia. In fact, there had been Ethiopian Arbitration and Conciliation Center (EACC) established by a group of Ethiopian lawyers.¹⁵¹ However, due to the enactment of the Charities and Societies Proclamation, the centre is dissolved.¹⁵² This indicates that, the role of the government to establish a formal commercial arbitration system is insignificant.¹⁵³

Moreover, the Centers have not supported by a modern arbitration law that accommodate international arbitration. International arbitration is out of reach of the Centers.¹⁵⁴

C. INTELLECTUAL PROPERTY EXPERT AS AN ARBITRATOR

IP expertise plays a useful role in the administration, protection and dispute settlement of IP.¹⁵⁵ However, in Ethiopia, because the field is new, there are insignificant

numbers of IP experts adequately qualified to advise clients on settling disputes through arbitration.¹⁵⁶

There are no professional associations in Ethiopia, which carry out aspects of dispute resolution, provide training and particularly work on arbitration.¹⁵⁷ Finding qualified and experienced IP arbitrators without the existence of a well-functioning professional association is challenging. The main reason for the absence of these associations, especially in the area of IP, has been the dearth of a significant number of well qualified IP expertise and Arbitration practitioners.¹⁵⁸

The absence of professional associations has an impact on the development of IP and its dispute settlement through arbitration.¹⁵⁹ This in effect decreases the countries' opportunity for foreign investment.¹⁶⁰ Cognizant of the problems, EIPO has organized training programs for lawyers with the support of WIPO and promoted distance learning to practitioners.¹⁶¹ Nevertheless, a lot remains to be done to build the capacity of those involved in IP and in promoting IP dispute Arbitrators in the country.¹⁶²

7. CONCLUSIONS

In most Countries, arbitration has been put into practice due to its typical features to settle the complex nature of IP disputes. However, most developing countries do not have a well-established legal and institutional framework to settle IP disputes through arbitration. In Ethiopia, disputes arising out of Copyright and Trademark have been entertained so far by regular courts since arbitration practice is immature due to lack of well-structured legal and institutional infrastructure. Providing a strong and modern arbitration system is fundamental to protect IP rights efficiently and effectively.

¹⁴⁷ CR (Amendment) Proclamation, art 44.

¹⁴⁸ Meheret (n 99) 2.

¹⁴⁹ Interview with Yohannis Woldegebriel, Director, AACCSA Arbitration Institute (Addis Ababa, Ethiopia, 10 July 2019).

¹⁵⁰ *ibid.*

¹⁵¹ Demamu (n 115) 47.

¹⁵² *ibid.*

¹⁵³ *ibid.*

¹⁵⁴ Woldegebriel Interview (n 149)

¹⁵⁵ Mengistie (n 15) 27.

¹⁵⁶ *ibid.*

¹⁵⁷ Haimanot Interview (n 131).

¹⁵⁸ *ibid.*

¹⁵⁹ Woldegebriel Interview (n 149).

¹⁶⁰ *ibid.*

¹⁶¹ Mengistie (n 15) 27.

¹⁶² *ibid.*

Stronger IP right protection provides stronger incentives for innovators. However, in Ethiopia, in the absence of an enabling system of arbitration to settle IP disputes, the aim of stimulating local creative, inventive and innovative activities may not be achieved. This could impact the country's attractiveness to FDI and adversely affects its economic development.

Given the increasing demand of protecting IPRs to promote FDI and technology transfer for the social and economic development of the country, the legal and institutional frameworks of arbitration should be advanced and improved. This requires the country to become arbitration friendly and to modify the existing arbitration legal framework in a way it regulates arbitration of commercial disputes including IP disputes. The modification in this regard should model the basic international principles and standards of the UNCITRAL Model law. It should also consider other relevant international commercial arbitration treaties, which are internationally compatible to regulate arbitration. The government should enact comprehensive and inclusive laws to strengthen the existing arbitration centres and to establish the new ones in order to make arbitration accessible to the business community. It should also encourage and facilitate the establishment of professional associations on IP, which have the aim of increasing qualified expertise in the area of IP and arbitration. These will help the country not only to enhance its attraction as a venue for international commercial including IP arbitration but also to create an enabling environment for investors to come to invest and to boost its economy.

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6. MONSANTO'S BT COTTON PATENT, INDIAN COURTS AND PUBLIC POLICY

Ghayur Alam*

ABSTRACT

This Paper primarily deals with an unanswered substantial question of patent law that has arisen in India. The question is whether an invented Nucleic Acid Sequence after being inserted into a seed or plant becomes part of the seed or the plant. If answer is in the affirmative, said invention is not patentable under Section 3(j) of the (Indian) Patents Act 1970, which excludes from patentability, *inter alia*, plants, seeds, or any part thereof. If answer is in the negative, said invention is patentable. Answer will determine the fate of patenting of such inventions in the field of agro-biotechnology. Problem is that the question has moved forth and back like pendulum from one court to another but in vain. This paper seeks to address this question in light of the decisions of Indian courts. Further, this paper seeks to address a policy question: whether statutory exclusion of plants, seeds or any part thereof and essentially biological processes from patent

eligible subject matter promotes public policy and farmers' interests.

Keywords: *Bt. cotton, patent eligible subject matter, nucleic acid sequence, plant, public policy, revocation of patent, seed, TRIPS.*

1. INTRODUCTION

A substantial question of patent law (hereinafter, 'question') of great significance has arisen in India and is awaiting an answer from Indian courts. The question is whether an invented Nucleic Acid Sequence (NAS) after being inserted into a seed or plant becomes part of the seed or the plant? Specifically, the question is whether the patent granted¹ by the Indian Patent Office to Monsanto Technology LLC (Monsanto) on transgenic variety of cottonseeds, containing invented Bt. trait is valid or not? If the answer is in affirmative, claimed invention is not patentable under the (Indian) Patents Act 1970² (Patents Act) which excludes from patentability, *inter alia*, plants, seeds, or any part thereof. If the answer is in negative, claimed invention is patentable since Sections 3 and 4 of the Patents Act do not expressly exclude an invented NAS from patentability.³

* Ghayur Alam (India). He is Professor in Business Laws and IPR Chair at the National Law Institute University, Bhopal, India (NLIU). At NLIU, he is the Dean, Under-Graduate Studies, Chairperson of Centre for Business and Commercial Laws and Chairperson of Centre of Science, Technology and Law. He received his primary education in Bombay (India). Completed his secondary and higher secondary education in Azamgarh (India). He earned his Degrees of B Com (Hons), LLB and LLM from the Aligarh Muslim University, Aligarh (India). He earned his doctoral degree in law from NLIU. He has been designing and teaching several UG and PG courses including Common Law Method, Intellectual Property Law, Patent Law, Copyright Law, Law of Industrial Designs, and Traditional Knowledge and IP Law. Three candidates have successfully completed, two candidates have submitted their doctoral dissertations on different topics of IP Law. Forty students (35 on various topics of IP Law and 5 on other topics of law) have done their LLM Dissertations under his guidance. Ten students of BALLB (Hons) have completed their Dissertations under his guidance. He has a number of publications to his credit in the form of articles, books and handbooks. Email: ghayuralam@nliu.ac.in; website: <www.nliu.ac.in>

¹ Patent Number: 214436. Title of Invention: Methods for Transforming Plants to Express Bacillus Thuringiensis Delta-Endotoxins. PCT International Filing Date and Date of Patent: 4 November 1999. Life of patent has begun on 4 November 1999, because PCT International Filing Date as per the provisions of *Explanation* to s. 53 (1) the Patents Act, 1970 (India) is the date of filing in India. Patent has expired on 4 November 2019; <<http://ipindiaservices.gov.in/PatentSearch/PatentSearch//eRegistrationReport>> accessed 11 December 2019.

² The Patents Act 39 of 1970 (India) [hereinafter Patents Act], s 3 (j) inserted by Act 38 of 2002, s 4 (with effect from 20 May 2003 provides, '[P]lants and animals in whole or any part thereof other than microorganisms but including seeds, varieties and species and essentially biological processes for production or propagation of plants and animals.'

³ Patents Act (n 2) s 3 provides a long list of non-patentable subject matter and s. 4 of the Patents Act excludes inventions relating to atomic energy from patentability. As per the scheme of the Patents Act, whatever is not excluded by the provisions of s 3 and s 4 of the Act is included in the category of patentable subject matter. Plants,

The problem is that the question of patentability of the claimed invention has moved like a pendulum⁴ from one court to another but in vain. *Prima facie* judicial answer by the court of first instance⁵ was that an invented NAS is a result of human intervention and ingenuity and is not a product of nature; hence, it is patentable. Whereas, the answer given by the appellate court⁶ was that by virtue of the provisions of Section 3 (j), an invented NAS after being inserted into a seed becomes part of the seed; hence, it is not patentable. The Supreme Court of India (hereinafter, 'Supreme Court'), set aside the answer of appellate court. The Supreme Court also remanded the case for expeditious trial and disposal to the court of first instance. As a result, answer of the court of first instance is the only judicial answer to the question, *prima facie* though.

The question of patentability of claimed invention has arisen in a case⁷ for infringement of patent⁸ filed by Monsanto against Indian seed companies (hereinafter, 'Indian companies'). The case was filed before the Single Judge of Delhi High Court – court of first instance. On 30 March 2016,⁹

seeds, or any part thereof is explicitly excluded by s 3 (j) of the Patents Act, hence are not patentable.

⁴ There is a three-tier judicial hierarchy in India. At the lowest level there are subordinate courts including District Courts with defined territorial, subject matter and pecuniary jurisdiction. At the middle level there are high courts with defined jurisdiction. The apex court is the Supreme Court of India. A patent case is filed under s 104 of the Patents Act in the District Court or High Court. If a counter-claim is filed under s. 104 of the Patents Act for revocation of patent, the case is transferred to the High Court. In the High Court, Single Judge is the court of first instance. Decision of the Single Judge is appealable as a matter of right before a Division Bench comprising of two judges of the same High Court. Decision of the Division Bench is not appealable as a matter of right to any court including the Supreme Court of India. However, an appeal by leave of the Division Bench of the High Court may be filed before the Supreme Court but if the High Court refuses to grant leave to appeal then in the alternative an appeal by way of Special Leave Petition (SLP) may be filed before the Supreme Court under art 136 of the Constitution of India. The Supreme Court is not bound to admit the SLP. If the Supreme Court admits the SLP, the same is treated as appeal before the Supreme Court. The instant case commenced before the Single

Indian companies filed written statement and on 2 May 2016¹⁰ they also filed counterclaim for revocation of Monsanto's patent. In counterclaim it was asserted that said invention is not patentable under Section 3 (j) of the Patents Act. On 15 February 2017¹¹ a Single Judge issued notice to Monsanto to file appropriate reply. Monsanto's reply was awaited.¹² In absence of a reply, the court of first instance could not decide the question without trial. However, the Single Judge held the patent *prima facie* valid and adjudicated the application for grant of interim reliefs and issued *ad interim* orders, *inter alia*, directing Indian companies not to use the patented invention of Monsanto without payment of fees and trait value. Both Monsanto and Indian companies aggrieved by the decision of Single Judge filed appeals before Division Bench of Delhi High Court in *Nuziveedu Seeds Ltd v Monsanto Technology LLC*.¹³ The Division Bench of the Delhi High Court dismissed the appeal of Monsanto and admitted the appeal of Indian companies in part. Division Bench, *inter alia*, declared the patent invalid. Monsanto, aggrieved by the decision of Division Bench filed an appeal by way of Special Leave Petition¹⁴ in the Supreme Court. On 8 January 2019 in

Judge, went in appeal to the Division Bench, reached the Supreme Court by way of SLP, Supreme Court remanded the case to the Single Judge – back to square one.

⁵ *Monsanto Technology LLC v Nuziveedu Seeds Ltd*, 2017 (70) PTC 145 [Del] [hereinafter *Monsanto v Nuziveedu (Del HC)*].

⁶ *Nuziveedu Seeds Ltd v. Monsanto Technology LLC* 2018 (74) PTC 12 [Del] [hereinafter *Nuziveedu v Monsanto (Del HC)*].

⁷ *Monsanto v Nuziveedu (Del HC)* (n 5).

⁸ After a patent infringement case is filed, the defendant is required to file written statement and she may also file, at her option, counter-claim for revocation of the patent under s. 104 read with s. 64 of the Patents Act. Trial in the case cannot commence until the written statement has been filed. If written statement has also been filed, trial cannot commence until reply to the written statement has been filed. In India the terms 'written statement' and 'reply' have different connotations in civil proceedings.

⁹ *Monsanto v Nuziveedu (Del HC)* (n 5) 147, para 4.

¹⁰ *ibid* 148.

¹¹ *ibid*.

¹² *ibid*.

¹³ *Nuziveedu v Monsanto (Del HC)* (n 6).

¹⁴ See n 4.

Monsanto Technology LLC v Nuziveedu Seeds Ltd,¹⁵ the Supreme Court did four things. One, it set aside the order of Division Bench. Two, it restored the *ad interim* injunction order of Single Judge. Three, it did not decide substantial question of patent law on technical grounds. Four, it remanded the suit for trial to a Single Judge and not a Division Bench without expressing any opinion as to the validity or otherwise of the patent. In a hurry, however, some leading newspapers¹⁶ reported that the Supreme Court upheld the validity of Monsanto's patent on Bt. Cotton seeds. Legally speaking, Monsanto's patent was valid and lived its whole life until 4 November 2019 not because of the decision of the Supreme Court but because of the absence thereof. While remanding the case, the Supreme Court observed that, '[...] in view of the importance of the question involved, we expect the parties to cooperate and facilitate the learned Single Judge in early disposal of suit.'¹⁷ Since 8 January 2019, the

date on which the case was remanded to the Single Judge, no visible progress has been made in the case. The website of the Delhi High Court¹⁸ shows that some notices have been issued to parties and replies have been filed but hearing has not commenced. Hence, there is no judicial answer on the patentability of the claimed invention. Therefore, in the absence of judicial answer, different high courts may render inconsistent and conflicting decisions in cases involving invented NAS. High courts in some States of India may follow the approach of Single Judge or that of Division Bench, though not strictly bound by either.¹⁹ Only outcome of three aforesaid judicial decisions has been that there is no authoritative and final answer, though there is *prima facie* answer to substantial question of law. More than three years have elapsed since the birth of question and a lot of ink has been spilled over it, i.e., 183 pages have been written by the courts in aggregate.²⁰ Interestingly enough, the patent has

¹⁵ *Monsanto Technology LLC v Nuziveedu Seeds Ltd* [2019] 3 SCC 381 [hereinafter *Monsanto v Nuziveedu (SC)*].

¹⁶ Aashish Aryan, 'SC overturns Delhi HC Ruling, Grants Bt Cotton Patent to Monsanto' *Business Standard* (India, 8 January 2019) <https://www.business-standard.com/article/markets/sc-overturns-delhi-hc-ruling-grants-bt-cotton-patent-to-monsanto-119010801126_1.html> accessed 8 January 2019; Madhvi Sally, 'Delhi High Court dismisses Monsanto Plea to Enforce BT Cotton Seed Patent' *Economic Times* (India, 8 January 2019) <<https://economictimes.indiatimes.com/news/economy/agriculture/delhi-high-court-dismisses-monsanto-plea-to-enforce-bt-cotton-seed-patent/articleshow/63713854.cms?from=mdr>> accessed 8 January 2019; Upmanyu Trivedi, 'GM Cotton: Monsanto Wins Patent War in India as SC Rules in its Favour' *Business Standard* (India, 8 January 2019) <https://www.business-standard.com/article/companies/gm-cotton-monsanto-wins-patent-war-in-india-as-sc-rules-in-its-favour-119010800376_1.html> accessed 8 January 2019; Krishnadas Rajagopal, 'Supreme Court backs Monsanto on GM Cotton Patents' *The Hindu* (India, 8 January 2019) <<https://www.thehindu.com/news/national/supreme-court-backs-monsanto-on-gm-cotton-payments/article25940071.ece>> accessed 8 January 2019; 'Monsanto patent victory on GM cotton seeds can aggravate agrarian crisis' *Hindustan Times* (India, 8 January 2019) <<https://www.hindustantimes.com/india-news/monsanto-patent-victory-on-gm-cotton-seeds-can-aggravate-agrarian-crisis/story-045Xf1MejmdHBBjNJMpSzJ.html>>

accessed 8 January 2019; Kaunain Sheriff, 'The Bt. cotton dispute in Delhi HC and SC: What the latest order means' *The Indian Express* (India, 8 January 2019)

<<https://indianexpress.com/article/explained/the-bt-cotton-dispute-in-delhi-hc-and-sc-what-the-latest-order-means-5547531/>> accessed 8 January 2019; 'India's top court allows Monsanto to claim patents on GM cotton-company source' *Reuters* (New Delhi, 8 January 2019) <<https://www.reuters.com/article/india-monsanto/indias-top-court-allows-monsanto-to-claim-patents-on-gm-cotton-company-source-idUSD8N1SS00K>> accessed 8 January 2019.

¹⁷ *Monsanto v Nuziveedu (SC)* (n 15).

¹⁸ Last notice has been issued on 1 November and case is listed on 16 December 2019

<http://delhihighcourt.nic.in/dhcqrydisp_o.asp?pn=268563&yr=2019> accessed 11 December 2019.

¹⁹ The decisions of the Supreme Court of India are binding on all the courts within the territory of India by virtue of art 141 of the Constitution of India. However, the decisions of the High Courts are binding only on smaller benches of the same of the High Court and subordinate courts within the territorial jurisdiction of the respective High Court by virtue of the arts 226 and 227 of the Constitution of India. Decision of one high court is not binding on any other High Court, though a high court may follow the decision of another High Court at its discretion.

²⁰ Single Judge wrote the Order in 96 pages, Division Bench wrote 60 pages and the Supreme Court wrote 27 pages.

already expired on 4 November 2019.²¹ Hope for an answer, however, is not lost. Adjournment sought by Monsanto has been refused by court and case is listed on 16 December 2019.²² Commencement of hearing, completion of trial and pronouncement of judgment are going to take time. In all probability, decision of Single Judge will go in appeal to Division Bench, which may either affirm or reverse the Single Judge's decision. In all likelihood, the decision of the Division Bench will go in appeal to the Supreme Court, which may either affirm or reverse the Division Bench. As of now we are at sea! Hence, there is a need to evaluate the strength and weakness of the *prima facie* answer given by the Single Judge and the answer of the Division Bench. It is also imperative to evaluate the approach of the Supreme Court.

This paper, therefore, seeks to address the said question in light of decisions of the Single Judge,²³ Division Bench,²⁴ and the Supreme Court²⁵ and tries to answer a related policy question. This paper proceeds in three stages. It begins by summarizing the facts of the case. Then it moves on to analyze and evaluate the responses of the three Indian courts to substantial question of patent law. In next stage, an attempt has been made to answer the question: whether the statutory exclusion, of plant, seeds or any part thereof and essentially biological processes, from patent eligible subject matter is in furtherance of public policy and farmers' interest. Finally, the paper concludes.

2. SUBSTANTIAL QUESTION OF PATENT LAW: RESPONSES OF INDIAN COURTS

Monsanto obtained a patent on 24 process claims and 3 products claims on transgenic variety of cotton exhibiting Bt. trait²⁶ and entered into sub-license agreement with Indian companies.²⁷ Under the agreement, Indian companies received 50 grams (50 seeds), at Indian Rupees (INR) 1,00,000/- per seed of transgenic Bt. cottonseeds containing patented NAS (invented *Bacillus thuringiensis* or Bt. cotton seeds) from Monsanto, in consideration for an upfront payment of INR 50,00,000/- subject to payment of trait value and other terms and conditions of the agreement. Indian companies were entitled to develop genetically modified (GM) hybrid cotton seeds, subject to terms and conditions of license, to commercially exploit the same as under:

- i. Indian companies sowed seeds of their proprietary cotton varieties alongside the transgenic Bt. cotton seed. Transgenic Bt. cotton seeds and the seeds of Indian companies yielded different plants, which were cross-pollinated at the flowering stage.
- ii. Cotton fruits from Indian companies' cotton varieties had cotton seeds which were carrying the Bt. trait.
- iii. Indian companies used Bt. cotton varieties for developing the proprietary hybrid (Bt. cotton hybrids).
- iv. Indian companies conducted extensive agronomic evaluation trials of newly developed Bt. Cotton hybrids to ascertain their utility to farmers.

²¹ Patent Number: 214436 (n 1) Date of Expiry: 4 November 2019 <<http://ipindiaservices.gov.in/PatentSearch/PatentSearch//eRegistrationReport>> accessed 11 December 2019.

²² *ibid.*

²³ *Monsanto v Nuziveedu (Del HC)* (n 5).

²⁴ *Nuziveedu v Monsanto (Del HC)* (n 6).

²⁵ *Monsanto v Nuziveedu (SC)* (n 15).

²⁶ Originally there were 59 claims. The First Examination Report (FER) dated 30 March 2006 *inter-alia* raised the following objections: 'Claims 1-40, 48-56, 57, 58 not allowable under Section 3(j); Claims 41-43, 59 not allowable under Section 3(b); Claim 44 is defined with respect to end effect, cannot be allowed, needs to be reworded; Claim 57, 58, 59 does not sufficiently definitive in the absence of explicit statement of invention.' In response to FER, the

applicant deleted claims 1-40 and 57-59. Claims 41-43 were amended and replaced with claims 1-28, claims 44-47 were amended and replaced with claims 29-31, claims 48-56 were amended and replaced with claims 32-36. In other words, out of 59 original claims 43 claims were deleted and 16 claims were modified as 36 claims. As to the amended 36 claims, Second Examination Report (SER) dated 16 October 2006 declared claims 4, 26-28 and 32-36 as not allowable under Section 3(j). Accordingly, the applicant deleted these claims. In other words, out of 36 amended claims 9 claims were rejected under Section 3(j) and 27 claims were allowed; <<http://ipindiaservices.gov.in/PatentSearch/PatentSearch/ViewDocuments>> accessed 11 December 2019.

²⁷ See n 21.

- v. Indian companies obtained approval of Genetic Engineering Approval Committee (GEAC) constituted under Rules²⁸ for commercial release of new Bt. Cotton hybrid seeds.
- vi. Indian companies produced Bt. cotton hybrid seeds in mass scale and sold the same to Indian farmers.
- vii. Sub-license agreement can be terminated, *inter alia*, for non-payment of trait value. Parties continued adhering to the terms and conditions of agreement including payment of trait value as per the stipulations of agreement.
- viii. In the meantime, the Government of India and several State Governments issued notifications²⁹ on the price control of cotton seeds, fixing maximum sale price, trait value and seed value. Compliance to notifications was made obligatory on the licensor and licensee.
- ix. Indian companies wrote to Monsanto to abide by the notifications and accept payment of trait value as notified by Governments. Monsanto refused and terminated the agreement.
- x. Trait value fixed by the Governments was substantially lesser than the trait value stipulated in the agreement.
- xi. The Government of India estimated that Indian companies paid Monsanto approximately INR 1,600/- Crore (INR 16 Billion) more in excess of actual trait value fixed by various State Governments.

Disputes between Monsanto and the Indian companies would not have arisen had Monsanto acceded to the requests of the Indian companies to abide by notifications issued by Governments. Monsanto not only terminated the agreement unilaterally but also filed applications before the court of first instance seeking injunction and suit for infringement of patent, trademarks and passing off action against Indian companies. In response, Indian companies contested the application and suit and filed counterclaims for revocation of patent, challenging the validity of three product claims.

Title of patent specification is 'Methods for Transforming Plants to Express Bacillus Thuringiensis Delta-Endotoxins.'³⁰ It is noticeable that title of specification is limited to Methods and does not mention nucleic acid sequence (NAS). It is noticeable that the title of specification does not expressly cover products or NAS as such, it only mentions methods or means for transforming plants. However, claims 25-27 are about invented NAS. If Monsanto was coming with clean hands, why it did not mention NAS as such in the title of specification and why the Indian Patent Office did not ask Monsanto to amend the title of specification in view of claims 25-27. These are some open questions. We hope that the court of first instance will ask these questions to the counsels of Monsanto. Controversy primarily relates to these three product claims. Product claims 25 to 27, read as under:

25. A nucleic acid sequence comprising a promoter operably linked to a first polynucleotide sequence encoding a plastid transit peptide, which is linked in frame to a second polynucleotide sequence encoding a Cry2Ab Bacillus thuringiensis 8-endotoxin protein, wherein expression of said nucleic acid sequence by a plant cell produces a fusion protein comprising an amino-terminal plastid transit peptide covalently linked to said 5-endotoxin protein, and wherein said fusion protein functions to localize said 5-endotoxin protein to a subcellular organelle or compartment.

26. The nucleic acid sequence of claim 25, wherein said second polynucleotide sequence encodes a Cry2Ab Bacillus thuringiensis 5-endotoxin protein selected from the group of sequences consisting of SEQ ID NO:2 and SEQ ID NO: 18.

27. The nucleic acid sequence of claim 26, wherein said second polynucleotide sequence is selected from the group of sequences consisting of SEQ ID NO: 1 and SEQ ID NO: 17.³¹

Claim 25 is an independent claim. Claim 26 is dependent on claim 25. Claim 27 is dependent on claim 26. Since reply to counterclaim was awaited, the Single Judge could not decide

²⁸ The Manufacture, Use, Import, Export and Storage of Hazardous Microorganisms, Genetically Engineered Organisms or Cells Rules 1989 (India) framed under the Environment (Protection) Act 29 of 1986 (India), ss 6, 8, and 25.

²⁹ *Monsanto v Nuziveedu (Del HC)* (n 5) 195-197, paras 128-132.

³⁰ See n 21.

³¹ See n 21.

validity or otherwise of claims 25–27 without trial. Single Judge decided the application for grant of *ad interim* injunction.

The first reasoning of the Single Judge appeals to a sense of justice. In his opinion, validity of the patent can only be decided after hearing on merits and formal proof, particularly expert opinion which in complicated matters like patents may be crucial.³² This reasoning is clearly right. The validity of a patent, be it related to patentable subject matter, novelty, non-obviousness, or utility, raises mixed questions of law and fact. In other words, a patent infringement suit cannot be decided without trial and in the absence of expert opinion, examination and cross-examination.

Second reasoning of Single Judge was as under:

Prima facie the amendment of 2005 repealed Section 5³³ from the statute book altogether, the conclusion to be drawn from such legislative changes naturally being that the embargo on grant of patents to 'products' of biological or microbiological processes thereby stood removed.³⁴

The above reasoning hangs in the air and suffers from a logical hiatus for the following related reasons. First, it is an established principle of statutory construction that a statute must be read as a whole, section by section and clause by clause. The Single Judge read the provisions of the repealed section without giving due weight to the provisions of Section 3(j). Second, it was imperative on the part of the Single Judge to ask what was the field covered by the repealed section. But he did not do so. The field covered by the repealed section was only limited to the grant of process patents and not product patents to certain chemical substances of inanimate

nature. On the other hand, the field covered by Section 3(j) of the Patents Act belongs to the world of animate objects, excluding only microorganisms. Third, the Judge invoked explanation to Section 5. Explanation at best is an internal aid to interpretation and does not control the meaning and scope of section. Moreover, explanation to Section 5 did not employ the word 'product' it merely explained the meaning of chemical process to include biochemical, biotechnological and microbiological processes. Furthermore, explanation to Section 5 did not employ the term 'biological processes' but the Judge read it. Fourth, embargo of Section 5 was specifically on grant of product patents in the field of pharmaceuticals. Foreign pharmaceuticals were lobbying for product patents on pharmaceuticals. Indian pharmaceuticals were lobbying against product patent on pharmaceuticals. Foreign pharmaceuticals won. As an interim measure, India introduced a mailbox system of exclusive marketing rights in the year 1999 by amending the Patents Act.³⁵ 31 December 2004 was the last date for introducing the product patent regime in all fields of technology including pharmaceuticals. India did so by repealing Section 5. The purpose of repealing Section 5 was by no means to make every product and process eligible for grant of patent. The purpose was to introduce a product patent regime for all fields of technology without any discrimination whatsoever. Fifth, a well-known principle of patent law is that the product or process to be eligible for grant of patent must satisfy all the requirements of patent law. The first and foremost requirement of patentability is that the product or process must be eligible for grant of a patent. In other words, the product or process must not fall in the prohibited category of non-patentable

³² *Monsanto v Nuziveedu (Del HC)* (n 5) 185-186, para 97. The Supreme Court affirmed the first reasoning of the Single Judge; *Monsanto v Nuziveedu (SC)* (n 15) 385, para 7.

³³ Patents Act (n 2), s 5 reads:

Inventions where only methods or processes of manufacture patentable:

(1) In the case of inventions—

(a) claiming substances intended for use, or capable of being used, as food or as medicine or drug, or

(b) relating to substances prepared or produced by chemical processes (including alloys, optical glass, semi-conductors and inter-

metallic compounds), no patent shall be granted in respect of claims for the substances themselves, but claims for the methods or processes of manufacture shall be patentable.

(2) [...]

Explanation – For purposes of this section, 'chemical processes' includes biochemical, biotechnological and microbiological processes.'

s 5 was repealed by the Patents (Amendment) Act 15 of 2005, s 4 with effect from 1 January 2005.

³⁴ *Monsanto v Nuziveedu (Del HC)* (n 5) 187, para 103.

³⁵ The Patents (Amendment) Act 17 of 1999 (India).

subject matter. Even if a product or process meets all the requirements of patentability but one, non-fulfillment of one requirement is enough to kill a patent application. Even if the repeal of Section 5 has lifted the bar on some products, it does not follow that the effect of the repeal had a killing effect on living provisions of Section 3(j) of the Patents Act.

Third reasoning of Single Judge was as under:

Section 3(j) of the Patents Act cannot be interpreted without taking into account the effect of changes to Section 2(1)(j)³⁶ and repeal of Section 5 so as to deprive the patentee of due reward of human skill and ingenuity resulting in human intervention and innovations over and above what occurs in nature ... claim nos. 25 to 27 under the suit patent involve laboratory processes and are not naturally occurring substances which only are to be excluded from the purview of what is an invention by virtue of the provision contained in Section 3(j). These claims being products or processes of biotechnology, thus seem to have been rightly entertained by the Indian Patent office.³⁷

This observation of the Single Judge as to conjoint reading of Sections 3(j), 2(1)(j) and 5 is valid. However, the way he applied conjoint reading is *non-sequitur*. Section 2(1)(j) defines 'invention' and Section 3(j) excludes seeds and plants or any part thereof from patentability. On the one hand, Section 2(1)(j) tells us what constitutes an invention and Section 3(j) tells us what does not constitute an invention. On the other hand, Section 5 had provided that product patent for certain chemicals including pharmaceuticals cannot be granted. But the Single Judge without taking the trouble of

interpreting the provisions of Sections 2(1)(j) and 3(j) and without explaining their interplay with Section 5 jumped to the conclusion that only naturally occurring plants and seeds are excluded by Section 3 (j) and products or processes of biotechnology are eligible for the grant of a patent. Section 3(j) nowhere mentions that only naturally occurring seeds and plants are excluded. The Judge was reading what is not written in Section 3 (j). Such a reading of statutory provisions and repeal goes against the basic tenets of statutory construction and renders living statutory provisions redundant and otiose. One of the fundamental principles of statutory construction is presumption against statutory surplusage, i.e. no word of statute is without a purpose, unnecessary, redundant or otiose. At the time of repeal of Section 5 in 2005, Section 3 (j) was present in the Patents Act. Had the Parliament of India intended to allow patenting of seeds and plants or any part thereof, it would have also repealed Section 3(j) along with Section 5. But the Parliament of India did not do so. It is trite that repeal of one section of a statute does not have repealing effect on the other sections of the statute unless expressly provided. Section 3(j) is alive and kicking. The repeal of Section 5 does not have any effect whatsoever on the provisions of Section 3(j). If the reasoning of the Single Judge is accounted for, then inventions relating to atomic energy³⁸ must also be patented despite an explicit statutory prohibition. This reasoning of the Single Judge therefore, cannot withstand the scrutiny of the statutory provisions and legislative intent.

The fourth reasoning of the Single Judge was as under:

Noticeably, the word 'variety'³⁹ relates to a 'plant grouping' which is not further clarified [...], *prima facie*, 'plant

organism within a single botanical taxon of the lowest known rank, which can be-

- i. defined by the expression of the characteristics resulting from a given genotype of that plant grouping;
- ii. distinguishing from any other plant grouping by expression of at least one of the said characteristics; and
- iii. considered as a unit with regard to its suitability for being propagated, which remains unchanged after such propagation and includes propagating material of such variety, extant variety,

³⁶ Patents Act (n 2), s 2(1)(j) defines 'invention' to mean 'a new product or process involving an inventive step and capable of industrial application.'

³⁷ *Monsanto v Nuziveedu (Del HC)* (n 5) 188, para 105.

³⁸ Patents Act (n 2) s 4 provides, 'No patent shall be granted in respect of an invention relating to atomic energy falling within subsection (1) of Section 20 of the Atomic Energy Act 33 of 1962 (India).

³⁹ Protection of Plant Varieties and Farmers' Rights Act 53 of 2001, s 2 (za) defines a 'variety' to mean 'a plant grouping except micro-

grouping' cannot be equated with a single plant. [...] explanatory notes under the 1991 Act of International Convention for the Protection of New Varieties of Plants (UPOV Convention, 1991), [...] wherein the definition of the expression 'variety' definition whereof under UOPV Convention is *pari materia* identical to the one given in Section 2 (ze) of the (Indian) Protection of Plant Varieties and Farmers' Rights Act 2001 (hereinafter, Plant Act), the para 5 of the said explanatory note being more germane to the issue at hand reading as under:

[5. The definition that a variety means a 'plant grouping' clarifies that the following, for example, do not correspond to the definition of a variety:

A single plant; (however, an existing variety may be represented by a single plant or part(s) of a plant, provided that such a plant or part(s) of the plant could be used to propagate the variety);

A trait (e.g. diseased resistance, flower color);

A chemical or other substance (e.g. oil, DNA);

A plant breeding technology (e.g. tissue culture).

The above explanation, particularly the clarification, highlights that the diseased resistant trait or a chemical or other substance like DNA are not meant to be covered within the meaning of the expression 'variety', the development of which is protected by the Plant Varieties Act.

Thus, the invention which is the subject matter of suit patent is not same as development of a variety within the meaning of Plant Varieties Act [...] ⁴⁰

This observation of the Single Judge suffers from following infirmities. First, India is not a Member of UPOV and has enacted a law for protection of plant in compliance with the provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).⁴¹ So, UPOV and the (Indian) Plant Act cannot be described as statute *pari materia*. Second, the Single Judge ignored the first example, given in

transgenic variety, farmers' variety and essentially derived variety.'

⁴⁰ *Monsanto v Nuziveedu (Del HC)* (n 5) 188-189, paras 107-109.

⁴¹ Agreement on Trade-Related Aspects of Intellectual Property Rights (15 April 1994) 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994)

the UPOV explanation, that if a single plant can be used to propagate a variety, it is a variety. In the present case, the patented plant was used to propagate Bt. cotton variety of the plant. Third, 'plant grouping' cannot be equated with 'single plant'. Even if it is a valid proposition, this logic cannot be extended to facts of present case. This case is about cultivation of a Bt. cotton crop and not about cultivation of a single plant of Bt. cotton. The Bt. cotton variety of plant is nonetheless a variety. No farmer cultivates only a single plant. If that be the case, the invention of Monsanto will be useless for agriculture, propagation and cultivation. If it was a single plant and not a variety, why did Monsanto enter into an agreement with the Indian companies? It is not disputed that Indian companies were selling cotton seeds containing Bt. trait to Indian farmers who were cultivating and propagating Bt. cotton variety in their farms. Reliance on the explanatory note of UPOV by the Single Judge was selective as it ignored first part of the explanation and relied on the other irrelevant parts thereof.

The fifth reasoning of the Single Judge was, '[T]he argument of denial of 'use' of the plaintiffs' patented technology does not come across as valid in the face of admission that the cotton varieties or hybrids developed by them do exhibit the Bt. trait.'⁴² It is not in dispute that cotton varieties exhibit the Bt. trait. But it is equally true that Indian companies have not used NAS or patented technology of Monsanto as such. Further, the fourth reasoning refutes the third reasoning. In the third reasoning, he holds that plant grouping cannot be equated with single plant. Whereas in the fourth reasoning, he holds that cotton varieties do exhibit the Bt. trait. Therefore, either plants expressing Bt. trait are varieties or they are not varieties. For the purposes of 'use', according to the Single Judge, the invention of Monsanto is a plant variety. However, for the purposes of registration under the (Indian) Plant Act they are not varieties. This is a classic example of blowing hot and cold simultaneously.

[hereinafter TRIPS Agreement]

<https://www.wto.org/english/docs_e/legal_e/27-trips.pdf>
accessed 12 December 2019.

⁴² *Monsanto v Nuziveedu (Del HC)* (n 5) 189, para 109.

On the following points, both the Single Judge and the Division Bench were on the same page:

[...] Cotton Seeds Price (Control) Order, 2015⁴³ promulgated by the Central Government ... provide not only the 'law' but also reflect the 'public policy' of the State and, thus, the 'consideration' of the agreement between the parties in order to be lawful, within the meaning of Section 23 of the Contract Act⁴⁴ must be in accord with such law and public policy and not be opposed or in derogation thereof.

[P]laintiffs were duty bound to consider the request of the Defendants as made by the communications beginning July 2015, for modification of the terms as to the rate of trait fee payable. [...]

Since the plaintiffs did not adhere to their obligation under the contract the demand of payment under the contract terms being not lawful, it apparently being higher than the trait fee permitted by the law in force, the Defendants could not have been found to be in default or to have breached their obligations ... As a sequitur, the termination of the sub-license agreements by communications ... appears *prima facie* to be illegal and arbitrary [...].

[S]o long as the sub-license agreements continue to be in force, or do not come to an end, by efflux of time, or upon being lawfully terminated, the Defendants cannot be enjoined against the use of the suit patent or the trademarks, such right of the Defendants to continued use of suit patent or trademarks not being unconditional.]

The Single Judge further observed:

[Parties shall remain bound by their respective contractual obligations and shall be entitled to all the contractual rights except as to the trait value payable thereunder.

Defendants shall be liable to tender, and pay, the trait fee to the plaintiffs, for the use of the suit patent and trademarks, at such rates as are in accord with the prevalent local laws, as in force or revised from time to time and upon being suitably notified, be obliged to execute necessary documents so as to render the contract(s) in accord with the 'GM Technology (GM trait) Licensing Agreement' as prescribed under the 'Licensing and Formats for GM Technology Agreement Guidelines, 2016', notified by the Government of India.]⁴⁵

Both Monsanto and the Indian companies filed appeals against the Order of the Single Judge before the Division Bench of the Delhi High Court. Monsanto's appeal regarding continuance of the sub-license agreement was dismissed by the Division Bench. The appeal of Indian companies against the Order of Single Judge holding the patent *prima facie* valid was admitted by the Division Bench. The Division Bench declared Monsanto's patent invalid and revoked the same. Surprisingly, the Division Bench noted that parties had agreed that main issue concerning the legality of patent can be finally decided on the basis of material on record (28 volumes of documents).⁴⁶ It must be reiterated that parties did not consent for a summary judgment before the Single Judge. The observation of Division Bench that the parties had agreed for a final decision was found to be baseless by the Supreme Court which set aside the decision of the Division Bench.

The most important issue in the opinion of the Division Bench was: whether the process described in Monsanto's nucleotide sequence in its claims 25-27, which were granted patent, resulting in isolation of the Cry2Ab gene, its synthetization and insertion into plant cell, resulting in donor transgenic seeds and plants, fall within the exceptions covered under Section 3(j) of the Patents Act.⁴⁷ Division Bench gave the

⁴³ *Monsanto v Nuziveedu (Del HC)* (n 5) 195, para 128.

⁴⁴ The Indian Contract Act 1872, s 23 reads as under:

The consideration or object of an agreement is lawful, unless—
it is forbidden by law; or

is of such a nature that, if permitted, it would defeat the provisions of any law; or is fraudulent; or

involves or implies, injury to the person or property of another; or

the Court regards it as immoral, or opposed to public policy.

In each of these cases, the consideration or object of an agreement is said to be unlawful. Every agreement of which the object or consideration is unlawful is void.

⁴⁵ *Monsanto v Nuziveedu (Del HC)* (n 5) 197-198, para 134.

⁴⁶ *Nuziveedu v Monsanto (Del HC)* (n 6) 22, para 22.

⁴⁷ *ibid* 35, para 59.

answer in affirmative and declared Monsanto's patent invalid.

The first reasoning of the Division Bench was that, '[r]epeal of Section 5⁴⁸ meant that process or products, that otherwise meet the test of patentability are nevertheless as a matter of public policy, ineligible for patent protection by virtue of Section 3(j).'⁴⁹ This reasoning of the Division Bench and the second reasoning of the Single Judge are diametrically opposite to each other. A moot question concerns the effect of the repealed Section 5 on Section 3(j) of Patents Act. Section 5 did remove the embargo on product patents, but it did not remove the embargo imposed by Section 3(j). Section 5 would not have been repealed, but to bring the provisions of the (Indian) Patents Act in compliance with the provisions of the TRIPS Agreement. On one hand, Article 27.1 of the TRIPS Agreement requires that product and process patents be available in all fields of technology without any discrimination. On the other hand, Article 27.3(b) of the TRIPS Agreement allows Members to protect plants by patents or by an effective *sui generis* system or by any combination thereof. India could have opted to protect plants by patents or by a combination of patents and an effective *sui generis* system. Accordingly, India opted for an effective *sui generis* system and enacted the Protection of Plant Varieties and Farmers' Right Act 2001. The Division Bench also read the effect of the repeal of Section 5 on Section 3(j). However, the approach of the Division Bench was directly and inversely opposite to the approach of the Single Judge. In the opinion of the Division Bench, even if a process or product fulfils all other requirements of patentability but does not meet the threshold requirement of Section 3(j), that product or process is not eligible for patent protection. The Division Bench on this point is clearly correct for three related reasons. One, the first and foremost requirement of patentability in India is that a product or process must pass the threshold requirement of patent eligible subject matter. Plants, seeds or any part thereof are explicitly excluded from patentability by Section 3(j). Two, the effect of the repealed section cannot be known

without reading other provisions of the Patents Act in general and Section 3(j) in particular. Three, the dead provisions of the Act cannot control and limit the scope of living provisions of the Act.

Second reasoning of Division Bench was as under:

As the precise definition of a microorganism has not been enacted by Parliament, the ordinary meaning of that expression, gleaned from dictionaries would apply. The discussion about the subject patent discloses that the nucleic acid sequence which is the invention in question (the Cry2AB gene) has no existence of its own; it is of use, after introgression at a particular place, none else. Even thereafter, the seed material has to undergo further steps of hybridization to suit local conditions. Therefore, these products are not 'microorganisms' and consequently excluded from the exclusion clause in Section 3(j).⁵⁰

It is common knowledge in microbiology that NAS is not a microorganism in and of itself. An invented microorganism is the only patent eligible subject matter under Section 3(j). Since NAS is not a microorganism, it cannot be patented. It is also common knowledge in microbiology that every life form in the ultimate analysis is a chemical. However, the converse is not true, i.e. every chemical entity is not a living entity. The argument that NAS is a microorganism was, therefore, rightly rejected by the Division Bench.

⁴⁸ See n 33.

⁴⁹ *Nuziveedu v Monsanto (Del HC)* (n 6) 29-32, paras 39-48.

⁵⁰ *Nuziveedu v Monsanto (Del HC)* (n 6) 43, para 79.

The third reasoning of the Division Bench was that 'Monsanto has not deposited the microorganism with the International Depository Authority in terms of Article 7 of the Budapest Treaty⁵¹ and Section 10(4)⁵² of the Patents Act.'⁵³ Depositing of microorganism is a condition precedent for grant of patent on inventions involving biological material under Section 10(4)⁵⁴ of the (Indian) Patents Act.

The fourth reasoning of the Division Bench was as under:

[T]ransgenic plants with the integrated Bt. trait, produced by hybridization (that qualifies as 'essentially biological process' ...) are excluded from patentability within the purview of Section 3(j), and Monsanto cannot assert patent rights over the gene that has thus been integrated into the generations of transgenic plants.⁵⁵

Hybridization by cross-pollination of transgenic plants with the integrated Bt. trait with the Indian varieties of cotton plants is an essentially biological process, as it does not involve an inventive step. Cross-pollination is a natural phenomenon. Natural phenomena are not patentable. Essentially biological processes are expressly excluded from patentability by Section 3(j).

The fifth reasoning of the Division Bench was, 'NAS once inserted in the seed becomes part of the seed through the process of nature, and no step of human intervention can impede such transfer of the sequence.'⁵⁶ Since seeds, whole or in part, are excluded from patentability by Section 3(j), this observation of the Division Bench is in tune with the statutory

provisions, legislative intent and statutory scheme. There may be a counter argument that through gene editing, the inserted NAS may be separated from the host seed or host plant. Theoretically and technically, it may be possible but it is a practical impossibility to separate NAS from all the plants of which it has become a part by cross-pollination. Hence, the reasoning of the Division Bench is sound.

The sixth reasoning of the Division Bench was, '[t]he plant variety being a transgenic variety containing invented NAS are protectable under the Protection of Plant Varieties and Farmers' Rights Act 2001.'⁵⁷ A transgenic variety⁵⁸ is a variety under the provisions of Indian Plant Act and hence can be registered as a new variety thereunder. This reasoning of the Division Bench is in tune with the legislative intent and provisions of the TRIPS Agreement. This reasoning is also in tune with public policy adopted by Parliament of India through Section 3(j) of the Patents Act and the Plant Act.

The seventh reasoning of the Division Bench was that the 'Protection of Plant Varieties and Farmers' Rights Act 2001⁵⁹ has an overriding effect by virtue of Section 92.⁶⁰ This observation simply means that what is covered by the (Indian) Plant Act cannot get protection under the (Indian) Patents Act. The Plant Act expressly covers transgenic varieties of plants. The Patents Act otherwise expressly excludes plants. It is trite law that if text of statute is explicit, the text is conclusive. There is a problem neither of ambiguity nor of vagueness either in the provisions of Section 3(j) of the Patents Act or in the provisions of the Plant Act. It appeals to reason and fairness that one must seek protection under the

⁵¹ Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure, art 7 <https://www.wipo.int/export/sites/www/treaties/en/registration/budapest/pdf/wo_inf_12.pdf> accessed 8 March 2019.

⁵² Patents Act (n 2), s 10(4). 'Contents of specification. Every complete specification shall-
(a) if the applicant mentions a biological material in the specification which may not be described in such a way as to satisfy clauses (a) and (b), and if such material is not available to the public, the application shall be completed by depositing [the material to an international depository authority under the Budapest Treaty] and by fulfilling the following conditions, namely [...]'

⁵³ *Nuziveedu v Monsanto (Del HC)* (n 6) 43-45, paras 80-83.

⁵⁴ See n 52.

⁵⁵ *Nuziveedu v Monsanto (Del HC)* (n 6) 51, para 98; Division Bench also relied on European Patent Convention, art 53(b), rule 26(5) and judicial interpretation of these provisions, para 86-91

⁵⁶ *ibid* 51-52, paras 99-100.

⁵⁷ *ibid* 53-56, paras 102-105.

⁵⁸ The Protection of Plant Varieties and Farmers' Rights Act 2001 (India), s 2 (za).

⁵⁹ *ibid*.

⁶⁰ *Nuziveedu v Monsanto (Del HC)* (n 6) 55, para 105.

law, which is offering the protection. It is a curious case for Monsanto to seek refuge under a law that explicitly bars the entry of plants and seeds.

The eighth reasoning of the Division Bench was that '[P]atent protection and plant variety ... are not complimentary, but exclusive, in the case of all processes and products falling under Section 3 (j) of the Patents Act.'⁶¹ This simply means that the field covered by the (Indian) Patents Act and (Indian) Plant Act are clearly demarcated and there is no overlap between the two statutes. If a thing is protectable under the (Indian) Patents Act it cannot be protected under the (Indian) Plant Act, and vice versa. The Division Bench further observed:

The absence of a patent results in the lack of property in the use of CryAb2 and the consequent lack of control by Monsanto about its use by others, like Nuziveedu, who might have acquired it under agreement, lawfully, developed their varieties or breeds and sold it to the farming community. The grant of injunction is rendered untenable in these circumstances.

This is a public interest element that the court cannot be blind to. In the ultimate event of Nuziveedu failing in its counter-claim, the harm that might befall Monsanto during the pendent lite period is compensable, monetarily. In these circumstances, the court is of opinion that pending trial of the suit, the directions of the learned single judge do not call for interference.

The subject patent falls within the exclusion spelt out by Section 3 (j) of the Patents Act; the subject patent and the claims covered by it are consequently held to be unpatentable. Nuziveedu's counter-claim is therefore, entitled to succeed and is consequently allowed.

Monsanto's Suit ... to the extent it seeks enforcement of the subject patent, is dismissed. However, the suit can proceed with respect to the claim for damages and other

reliefs, in the light of the sub-license termination notices issued.

The learned Single Judge's directions to Monsanto to continue with its obligations under the sub-license agreements, including consequential orders with respect to payment and receipt of trade value, are upheld.

Monsanto can apply for registration under the Protection of Plant Varieties and farmers' Rights Act 2001 (within three months of this judgment); ..., the benefit of its previous patent can be granted to it, for the purposes of the said Act in respect of determination of prior publication provisions and requirements.⁶²

The Division Bench revoked Monsanto's patent and also set aside the *ad interim* injunction granted by the Single Judge. Against the decision of the Division Bench Monsanto, filed an appeal by way of Special Leave Petition under Article 136 of the Constitution of India before the Supreme Court.⁶³ The arguments of Monsanto may be summarized as: (i) NAS is a microorganism hence not excluded by Section 3(j), hence patent has been validly granted; (ii) NAS being a microorganism, cannot be protected under the Plant Act; and (iii) single plant cannot be variety, hence no protection can be claimed under the Plant Act⁶⁴. On the other hand, the Indian companies argued: (i) NAS being part of the seed or of the plant is excluded by Section 3 (j); (ii) expression of Bt. genes in the seed is an essentially biological process; (iii) that the alleged invention neither involves an inventive step nor is capable of industrial application; (iv) Monsanto has neither deposited biological material with IDA nor obtained approval of the National Biodiversity Authority established under the (Indian) Biological Diversity Act 2002;⁶⁵ (v) Indian companies have neither sold the NAS in vial nor are they making it in laboratory, hence there cannot be any infringement of patent; and (vi) the new plant variety of Monsanto can be protected under the (Indian) Plant Act.⁶⁶

⁶¹ *Nuziveedu v Monsanto (Del HC)* (n 6) 56, para 107.

⁶² *ibid* 60-61, paras 114-116.

⁶³ *Monsanto v Nuziveedu (SC)* (n 15).

⁶⁴ *ibid* 385-389, paras 7-17.

⁶⁵ The Biological Diversity Act 2002 (Act 18 of 2003) (India).

⁶⁶ *Monsanto v Nuziveedu (SC)* (n 15) 385-389, paras 7-17.

In the light of the analysis of the judgments of the Single Judge and Division Bench, the arguments of Indian companies seem to outweigh the arguments of Monsanto. However, the Supreme Court decided not to decide the rival contentions of parties and remanded the case to the Single Judge for trial, observing, '[T]he counter-claim for revocation of the patent as unpatentable, was neither argued nor adjudicated by the learned Single Judge.'⁶⁷ The Supreme Court did not agree with the approach of the Division Bench. Jurisdiction of Division Bench was confined to hear the appeal against orders passed by the Single Judge on the interim applications. The Division Bench had exceeded its jurisdiction and their decision without jurisdiction was a nullity in law. The Supreme Court set aside the decision of Division Bench observing,

[T]he issue for existence of patent, patent exclusion under Section 3 (j) was a heavily mixed question of law and facts requiring formal proof and expert evidence to be considered at the hearing of the suit.⁶⁸

Neither a pure question of fact nor a mixed question of law and facts can be decided without trial. The Division Bench for reasons known to itself formed an opinion without any basis that parties had agreed for final decision on validity of patent based on the available record. Such an approach was liable to be set aside. Only experts in the field of agro-biotechnology can testify if an invented NAS after being inserted into a seed or plant becomes part of the seed or plant or not. The Division Bench, however, had chosen to decide the case based on available documents. The Supreme Court noted,

[P]laintiffs have never and could not have consented to summary judgement. The consent was given only to decide whether patent was infringed so as to allow or disallow the relief of interim injunction.⁶⁹

Consent for a limited purpose cannot be consent for all purposes. On this point also, the approach of the Division Bench was erroneous. The Supreme Court further noted,

[W]hether the nucleic acid sequence trait once inserted could be removed from that variety or not and whether the patented DNA sequence was a plant or a part of a plant etc. are again all matters which were required to be considered at the final hearing of the suit.⁷⁰

The Supreme Court was astonished to note,

[P]rocess claims were not in issue, yet the Division Bench held them to be bad.⁷¹ This was an error by the Division Bench on the face of the record. Division Bench exceeded its jurisdiction and invalidated process claims though Indian companies did not challenge their validity in the counter-claim. There does not seem to exist any plausible reason for invalidating the process claims. It is trite that a court cannot decide a question not raised before it.

The Supreme Court expressed serious concern over the approach of Division Bench and observed thus:

The Division Bench ought to have confined itself to examination of the validity of the order of injunction granted by the learned Single Judge only. But we are not inclined to remand the matter for that purpose to the Division Bench as we are satisfied in the facts and circumstances of the case that the nature of the injunctive relief granted by the Single Judge was in order and merits no interference during the pendency of the suit.⁷²

Had the Division Bench confined itself to examine the validity of the interim order passed by the Single Judge, there would not have been any error of jurisdiction. The Division Bench could have reversed the holding of Single Judge concerning *prima facie* validity of patent. In such a scenario, the Supreme Court would have had an opportunity to express its opinion on the *prima facie* validity of the patent and could not have had the choice of remaining silent on the issue. But for the erroneous approach of the Division Bench, the Supreme Court could not do what it could. Had the scenario been

⁶⁷ *ibid* 385, para 7.

⁶⁸ *Monsanto v Nuziveedu (SC)* (n 15) 385, para 7.

⁶⁹ *ibid* 385, para 8.

⁷⁰ *ibid* 391, para 22.

⁷¹ *ibid* 385, para 8.

⁷² *ibid* 392, para 24.

otherwise, there would have been at least an opinion of the Supreme Court on *prima facie* validity or otherwise of patent. The Supreme Court further observed as under:

We have considered the respective submissions made on behalf of the parties. Though very elaborate submissions have been made with regard to facts and the technical processes involved in the patent in question, . . . in view of nature of the order proposed to be passed, we do not consider it necessary to deal with the same at this stage, and leave open all questions of facts and law to be urged for consideration in appropriate proceedings.⁷³

As noted above, the Supreme Court did not express any opinion on the substantial question of law. On the one hand, the Single Judge *prima facie* answered the question in the negative, i.e. an invented NAS after being inserted into a seed or plant does not become part of seed or plant. On the other hand, the Division Bench answered in affirmative. The approach of the Single Judge on application of substantive patent law seems to be very weak, but on application of procedural patent law, the Single Judge was clearly right. On the application of substantive patent law, the approach of the Division Bench is clinching, but on application of procedural patent law it is clearly erroneous and also against the basic principles of justice and fairness. Mixed questions of law and facts cannot be decided without a trial and hearing.

We are at sea for following two reasons. One, the answer to the substantial question of law, given by the Division Bench, is no more an answer after the decision of the Supreme Court. Two, there is a strong possibility that the *prima facie* answer given by the Single Judge on application of substantive patent law may be reversed after trial. A moot question is: if plant or any part of the plant is not eligible for patent but still the Patent Office has granted a patent, can the patentee of such

an invention prevent third persons from reproducing the plant containing the patented NAS? If so, will it not amount to indirect patenting of statutorily excluded subject matter? It is trite law that what cannot be done directly cannot be done indirectly.

3. EXCLUSION OF PLANTS FROM PATENTABILITY AND PUBLIC POLICY

Now we address the question: whether statutory exclusion of plant, seeds or any part thereof and essentially biological processes from patent eligible subject matter, promotes public policy and interest of farmers. Optional exclusion of plants from patentability by Article 27.3(b)⁷⁴ of the TRIPS Agreement not only shows the recognition of the concerns of Members as to the patentability of plants but it also recognizes the fact that WTO Members have different socio-economic and political situations and therefore one size will not fit all. Members have the liberty to choose from the menu of Article 27.3(b) to protect and promote their respective public policy. What may be public policy of one Member may not be public policy of another Member. It is true that we are not living in an equal and flat world. We are living in an unequal and uneven world, though we are striving to make it equal. Until inequality is removed, one rule for all may have a devastating effect. We must respect diversity and differences and this is one of the lessons of TRIPS. In accordance with the provisions of Article 27.3(b), India seeks to provide an effective *sui generis* system for protection of plants by enacting Protection of Plant Varieties and Farmers' Rights Act 2001. In India, there is a fear against patents in general, and against patenting of plants and seeds in particular. The approach of other WTO Members are different from that of India. The United States of America (US) has a different story to offer. US farmers successfully lobbied their Congress for enactment of the Plant Patent Act 1930,⁷⁵ for the protection

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'

⁷⁵ United States Code: Plant Patents, 35 USC 161-164.

⁷³ *Monsanto v Nuziveedu (SC)* (n 15) 389, para 18.

⁷⁴ TRIPS Agreement (n 41) art 27.3(b). 'Members may also exclude from patentability...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

of asexually (grafting and sporting etc.) reproduced plants, arguing that agriculture cannot be discriminated against industry. In the US, there are three types of intellectual property rights protection available for plants: (i) the Plant Patent Act 1930 for asexually reproduced plants; (ii) the Plant Variety Protection Act 1970;⁷⁶ and (iii) the Utility Patents because of *J.E.M. Ag Supply Inc. v Pioneer Hi-Bred International Inc.*⁷⁷

Flexibility allowed by the TRIPS Agreement under Article 27.3(b) gives Members an option to exclude plants from patenting and to protect plants by an effective *sui generis* system. This article argues that patenting of all new technology, including seed and plant without discrimination, should be encouraged. Arguments against patenting new seeds and plants seem to be weak for the following reasons. One, a patent does not confer a positive right to make or sell the patented product. Making and selling of certain patented products including genetically modified seeds are subject to approval from a competent authority. Two, there is no necessary connection between patents and high prices of patented products. Governments have tremendous power to regulate prices of patented products. Governments also have power to acquire patented inventions for public purposes. The (Indian) Patents Act also allows compulsory licensing of patented products. Three, biotechnological inventions are always subject to approvals of appropriate authorities appointed by Governments. Four, there are no conclusive studies to show that suicides committed by farmers in India are directly related to cultivation of Bt. cotton crops. Ineffective laws and policy paralysis related to farming and agriculture seem to be the main reasons for farmers' distress and suicide. Five, it is nobody's case that the patent system is the only method of encouraging invention. Nevertheless, patent have proved to be the most effective tool for

encouraging invention. Six, agro-biotechnology has the potential to come up with new transgenic plants. What if a genetic engineer succeeds in inventing a transgenic bitter gourd plant, having taste of an apple and aroma of jasmine? What if a genetic engineer succeeds in inventing a transgenic sugarcane plant having the property of controlling blood sugar levels? What if a genetic engineer succeeds in increasing the yield of wheat, rice, or any other plant by tenfold? Such inventions will be revolutionary in nature. Such plants can be protected under the provisions of the Protection of Plant Varieties and Farmers' Rights Act 2001. The question is whether such protection will be sufficient to reward the skill, human intervention and ingenuity of the genetic engineer. The answer is a clear no, because such a protection is neither proportional nor fair to the human intervention and ingenuity involved in such type of inventions. In this regard, the three-pronged approach of US law seems to be more proportional, commensurate, fair and equitable to encourage human intervention and ingenuity.

In view of the above, it is suggested that the provisions of Section 3(j) of the Patents Act should be amended and the words, 'plant, seed or any part thereof' should be repealed therefrom. Such an amendment will encourage scientists to invent transgenic plants, which may revolutionize farming. Such a technology can also be used to feed billions.

Against the aforementioned arguments, the most compelling counter argument is that the Indian farmers have been exchanging seeds for generations and if they resort to cultivation of Bt. cotton seeds, they may be compelled to buy fresh seeds which poor Indian farmers cannot afford.⁷⁸ A recent study published in the journal *Nature Plants* and reported in a newspaper⁷⁹ claims that Bt. cotton only increased cost of cultivation and higher output is due to other

⁷⁶ United States Code: Plant Variety Protection, 7 USC 2321-2582.

⁷⁷ *J.E.M. Ag Supply Inc v Pioneer Hi-Bred International Inc*, 534 US 124 (2001).

⁷⁸ Vasant P Gandhi and N V Namboodri, 'Economics of Bt. Cotton vis a vis Non-Bt. Cotton in India: A Study Across Four Major Cotton Growing States' (2009) IIM Ahmedabad, 9
<https://www.iima.ac.in/c/document_library/get_file?uuid=9c05f

432-28c1-4e4a-b485-8d808e37d1a4&groupId=62390> accessed 20 April 2020.

⁷⁹ T V Jayan, 'Bt. Cotton only Increased Cost of Cultivation: Study' (*Hindu Business Line*, India, 16 March 2020)
<<https://www.thehindubusinessline.com/economy/agri-business/bt-cotton-only-increased-cost-of-cultivation-study/article31083583.ece>> accessed 19 April 2020.

factors. However, another report in the same newspaper questions the findings in *Nature Planet* and claims that Bt. technology has made cotton farming more sustainable.⁸⁰ A related report in another newspaper⁸¹ claims that farmers fear loss, not arrest and seed illegal Bt. cotton. It may be said that there are contradictory reports about cultivation of Bt. cotton seeds. But farming of Bt. cotton seeds seems to be very popular amongst Indian farmers.

In view of the above, arguments against patenting of plants and seeds seem to be too weak. It is suggested that India should either go for patenting of plant and seeds or should go for a combination of patent and an effective *sui generis* system for the protection of plants. At the same time, India should also try to implement the existing laws in an effective manner and should also develop policies for protecting and promoting the interests of farmers.

It is submitted that crop failure, including the crop of Bt. cotton, is generally due to poverty, inadequate irrigation and adverse environmental conditions. It is a well-known fact that Bt. cotton's roots are very short and therefore require continuous irrigation. Inadequate availability of water is the main reason for failure of the Bt. cotton crop. Indian authorities charged with the responsibility of appraising and approving genetically modified crops are more to be blamed, than Monsanto for the farmers' suicide, if anyone is to be blamed at all.

4. CONCLUSIONS

The three courts were of the opinion that Monsanto was wrong in terminating the sub-license agreement because the trait value stipulated in the agreement had become unlawful consideration due to notification of Governments. The Single Judge of the Delhi High Court was clearly right in applying the procedural law of pleadings and trials. At the same time, the

approach of the Single Judge seems to be erroneous in interpretation and application of substantive patent law. The Single Judge of the Delhi High Court confined the scope of Section 3(j) of the (Indian) Patents Act to naturally occurring plants and seeds – a limitation not envisaged by said Act. His opinion that the patent was *prima facie* valid seems to be against the provisions of the (Indian) Patents Act. It is not *res integra* that the whole statute must be read word by word, section by section, and clause by clause to arrive at the statutory meaning. What is explicitly excluded cannot be introduced through the back door by judicial interpretation. Moreover, a repealed section of legislation does not render invalid any surviving section of legislation. Had the Parliament of India wanted to repeal Section 3 (j), it would have done so.

The approach of the Division Bench was clearly wrong on application of procedural law of trial and hearing. The Division Bench decided a question which was not before it. It was a decision without jurisdiction. A decision without jurisdiction is a nullity in law. The appeal before the Division Bench was on a limited ground regarding grant of an interim injunction. The approach of the Division Bench as to statutory provisions and application of substantive patent law seems to be clinching if one ignores the procedural law of trial and hearing. The problem is that procedural law cannot be ignored. Had the Division Bench, without deciding the substantive question of law, held that the patent was *prima facie* invalid as the subject matter is explicitly excluded by legislation, the Supreme Court would have perhaps upheld the decision of the Division Bench and reversed the decision of the Single Judge. Even if the Supreme Court had reversed the decision of the Division Bench, at least it would have expressed an opinion as to the validity or otherwise of the patent.

⁸⁰ GT Gujar, Bhagirath Choudhary and CD Mayee, 'Bt. technology has made cotton farming more sustainable' (*Business Line*, India, 17 April 2020) <<https://www.thehindubusinessline.com/economy/agri-business/bt-technology-has-made-cotton-farming-more-sustainable/article31363602.ece>> accessed 21 April 2020.

⁸¹ Jayashree Bhosale, 'Farmers Fear Loss, Not Arrest, and Seed Illegal Bt. cotton' (*Economic Times*, India, 20 June 2019) <<https://economictimes.indiatimes.com/markets/commodities/news/farmers-fear-loss-not-arrest-and-seed-illegal-bt-cotton/articleshow/69867576.cms>> accessed 21 April 2020.

The Supreme Court knew that patent is going to expire within a few months, on 4 November 2019. Instead of remanding the matter to the Single Judge for trial, it could have decided the substantive question of law. However, the Supreme Court did not have the luxury of conducting the trial as it is the court of final appeal and is not a court of facts in a patent case. The absence of answers to substantial question of law, however, will definitely create legal uncertainty. It is most likely that this mixed question of law and facts would receive conflicting answers from various High Courts in India if there are cases involving the patenting of invented NAS, whether inserted in a seed or not.

According to TRIPS, Members are at liberty to protect plants by patent or by an effective *sui generis* system or by any combination thereof. Any WTO Member, like India, is free to not provide patent protection to plants. Hence, the provisions of Section 3(j) of the Patents Act are in consonance with the provisions of the TRIPS Agreement. These provisions, in the wisdom of the Parliament of India, are in public interest and farmers' interest. Moreover, in compliance with the provisions of TRIPS, India has enacted the Protection of Plant Varieties and Farmers' Rights Act 2001, which has provisions regarding breeders' rights, farmers' rights and researchers' rights. Public policy must trump private commercial interests. However, it is suggested that to encourage invention in the field of agro-biotechnology has potential to not only increase crop yield, but also produce crops fit and healthy for human and animal consumption. Hence, patenting of invented seeds and plants should be allowed and the provisions of Section 3(j) should be suitably amended. In the alternative, India should explore the possibility of opting a combination of patents and an effective *sui generis* system for the protection of plants. At the same time, India should also try to implement the existing laws in an effective manner and develop policies for protecting and promoting the interests of farmers. The preeminent need of the hour is that the Government of India commission empirical studies to assess the benefits and burdens of patenting of seeds and plants. Theoretical and doctrinal studies are not going to serve the purpose.

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7. PROTECTING TRADITIONAL KNOWLEDGE IN KENYA: TRADITIONAL JUSTICE SYSTEMS AS APPROPRIATE SUI GENERIS SYSTEMS

Francis Kariuki*

ABSTRACT

Generally, the protection of traditional knowledge and the development of effective and appropriate frameworks for its protection have long since eluded policy makers at the global, regional and national levels. Current global efforts within the World Intellectual Property Organization Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore are a testament to this phenomenon. Prevailing intellectual property laws, environmental and human rights frameworks, institutions mandated to protect traditional knowledge, and existing literature have not examined the role of traditional institutions in the protection of traditional knowledge. Therefore, this paper seeks to examine the role of traditional governance systems in Kenya in protecting traditional knowledge and facilitating access and benefit sharing. Using data gathered from three (3) communities in Kenya, it illustrates how traditional justice systems are being used by communities in Kenya to strike a balance between ensuring protection and safeguarding of traditional knowledge. It also shows the successful use of traditional justice systems as appropriate *sui generis* frameworks requires they be used in collaboration with the intellectual property regime and not in isolation.

Keywords: *traditional knowledge, traditional justice systems, sui generis systems, intellectual property, Kenya*

* Dr. Francis Kariuki, LLB, LLM (UON), PhD (Wits), FCI Arb & Law Lecturer at Strathmore University Law School, Nairobi. He researches and teaches property law, traditional knowledge and traditional justice systems. His PhD thesis undertaken at the University of the Witwatersrand was titled 'Traditional justice systems as *sui generis* frameworks for the protection of traditional ecological knowledge in Kenya.'

1. INTRODUCTION

There is not yet a globally accepted definition of traditional knowledge (TK). Some suggest a singular definition may not be necessary to delimit the scope of subject matter for which protection is sought.¹ There are, however, efforts at the global level aimed at addressing TK issues including definitional concerns. For instance, the World Intellectual Property Organization's (WIPO) Intergovernmental Committee on Intellectual Property, Genetic Resources, Traditional Knowledge and Folklore (IGC) allows member states to discuss IP issues surrounding traditional knowledge, traditional cultural expressions and genetic resources. In particular, IGC is charged with the mandate of negotiating a text-based instrument(s) for the protection of TK, genetic resources and traditional cultural expressions. At its ninth session, the IGC used the term 'traditional knowledge' on two levels: first, as a general, umbrella term (*lato sensu*) and second, as a specific term denoting the subject of specific IP protection on the use of knowledge (*stricto sensu*).² At a general level, TK is conceived as the broad description of subject matter which

[...] generally includes the intellectual and intangible cultural heritage, practices and knowledge systems of traditional communities, including indigenous and local communities (traditional knowledge in a general sense or *lato sensu*). In other words, traditional knowledge in a general sense embraces the content of knowledge itself as

¹ Michael Blakeney, 'Protecting the Knowledge and Cultural Expressions of Aboriginal Peoples' (2015) 39(2) University of Western Australia Law Review, 180-207, 194.

² 'The Protection of Traditional Knowledge: Revised Outline of Policy Options and Legal Mechanisms', Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore (Ninth Session, Geneva, 24 – 26 April 2006) WIPO/GRTKF/IC/9/INF/5 (27 March 2006), 70.

well as traditional cultural expressions, including distinctive signs and symbols associated with traditional knowledge.³

Therefore, TK *lato sensu* is the 'ideas and expressions thereof developed by traditional communities and indigenous peoples, in a traditional and informal way, as a response to the needs imposed by their physical and cultural environments and that serve as means for their cultural identification.'⁴ This definition, however, seems to cover both aspects of protection of TK *stricto sensu* and TCEs. In a narrow sense, TK refers to,

knowledge as such, in particular the knowledge resulting from intellectual activity in a traditional context, and includes know-how, practices, skills, and innovations. Traditional knowledge can be found in a wide variety of contexts, including: agricultural knowledge; scientific knowledge; technical knowledge; ecological knowledge; medical knowledge, including related medicines and remedies; and biodiversity-related knowledge, etc.⁵

The main features of TK are reflected in its holistic nature (interconnection between people, knowledge and space) and the fact that it is collectively and inter-generationally held (unwritten but preserved in the oral tradition and collective memory); has cultural, historical, ecological and spiritual value; is culturally situated (and informed by customs,

practices, rituals, proverbs, oral stories); governed by customary laws, and is dynamic and fluid.⁶

Protection of TK is largely advocated for through the intellectual property (IP) framework. However, the term protection has been interpreted variedly, and consequently, TK protection 'initiatives and measures vary considerably in their form and substance.'⁷ Some scholars have described TK protection measures to include: compensation; social recognition of certain rights (e.g. the right to be asked for consent; right to be acknowledged as creators or descendants or share benefits); safeguarding; and maintaining, preserving and controlling access to and uses of TK through unfair competition principles.⁸ In this paper, the term protection is used in the classic IP sense to mean the grant of exclusive rights to inventors and creators using different IP tools (patents, copyright, trademarks et cetera) and/or preventing unauthorised dealings in protected IP.⁹ Thus, and as Andanda postulates, the protection of TK is 'distinguishable from the efforts that have been made to promote and safeguard TK,'¹⁰ since safeguarding measures aim at preserving aspects of TK through photographs, sound recordings, films and manuscripts, itineraries, cultural mapping, video recordings, and the preservation of artefacts in libraries and museums.¹¹ Also in this study, it is noteworthy that 'protection' is not tantamount to 'safeguarding,' since the latter may engender

³ 'Glossary of Key Terms Related to Intellectual Property and Genetic Resources, Traditional Knowledge and Traditional Cultural Expressions' Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore (Thirty Seventh Session, Geneva, 27 – 31 August 2018) WIPO/GRTKF/IC/37/INF/7, 40.

⁴ See (n 2) 71.

⁵ See (n 3) 40.

⁶ Rodrigo de la Cruz, 'Regional Study in the Andean Countries: 'Customary Law in the Protection of Traditional Knowledge' (WIPO 2006), 36. See also Elmien du Plessis, 'Protection of Traditional Knowledge in South Africa: The Troubled Bill, the Inoperative Act, and the Commons Solution' in Caroline Ncube & Elmien du Plessis (eds) *Indigenous Knowledge & Intellectual Property* (JUTA 2016) 76.

⁷ Manuel Ruiz Muller, 'Legal Protection of Widely Shared and Dispersed Traditional Knowledge' in Daniel F. Robinson et al (eds), *Protecting Traditional Knowledge: The WIPO Intergovernmental*

Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore (Routledge 2017) 123-140, 123.

⁸ *ibid*, 123. See also Sue Farran, 'Access to Knowledge and the Promotion of Innovation: Challenges for Pacific Island States' in Caroline Ncube & Elmien du Plessis (eds), *Indigenous Knowledge & Intellectual Property* (JUTA 2016) 22-23.

⁹ *Ibid*, 123. See also Ken Chisa & Ruth Hoskins, 'African Customary Law and the Protection of Indigenous Cultural Heritage: Challenges and Issues in the Digitization of Indigenous Knowledge in South Africa' (2016) 15 *African Journal of Indigenous Knowledge Systems* 1-15, 3.

¹⁰ Pamela Andanda, 'Striking a Balance between Intellectual Property Protection of Traditional Knowledge, Cultural Preservation and Access to Knowledge' (2012) 17 *Journal of Intellectual Property Rights*, 547-558, 547.

¹¹ *ibid* at 547. See also Farran (n 8) 22.

the identification, documentation, transmission, revitalization and promotion of TK to ensure its continued existence and viability, hence risk placing TK unintentionally in the public domain, thus necessitating the need for protection in the legal sense.¹²

As a member of the World Trade Organization (WTO) and World Intellectual Property Organization (WIPO), Kenya has enacted a number of IP laws.¹³ Kenya is also a signatory to the Convention on Biological Diversity (CBD)¹⁴ and the related Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization,¹⁵ which are implemented under the Environmental Management and Coordination Act.¹⁶ There are also policies that have specific provisions on TK protection.¹⁷ In addition, the 2010 Constitution¹⁸ and the Protection of Traditional Knowledge and Cultural Expressions Act 2016¹⁹ have explicit provisions dealing with TK. Some of the institutions whose work is relevant to TK protection are the Kenya Industrial Property Institute (KIPI), which administers trademarks, patents, utility models and industrial designs;²⁰ the Kenya Copyright Board (KECOBO), which administers TK²¹ and all matters of copyright and related rights in Kenya;²² and the Kenya Plant Health Inspectorate Service (KEPHIS), which administers plant protection, seeds and plant breeders' rights.²³

Whereas there is no doubt that some TK holders and indigenous peoples have used the IP system to protect their cultural creations like songs, arts and handicrafts,²⁴ the IP regime has some deficiencies in protecting TK. First, the IP regime fails to acknowledge and recognize TK and the customary laws and systems developed and used by TK holders to protect, safeguard and perpetuate their heritage and knowledge.²⁵ Thus, the IP regime fails significantly to offer robust protection to tradition-based knowledge systems with their holistic nature while 'ensuring cultural preservation and access to knowledge.'²⁶ For instance, whereas the territories, lands and resources of TK holders are vital to the continued generation, use and transmission of TK, the scope of the IP regime does not extend to those aspects.

Second, IP generally confers exclusive ownership rights on the author or inventor, which fundamentally contradicts the nature of TK. Consequently, using IP models to protect TK would occasion negative outcomes, such as

[...] undermining and destruction of TK holders cosmovisions, cultures and heritage, theft or biopiracy of plant, animal, and human genetic materials and the knowledge around these, the increasing difficulty for millions of poor people to have the access to traditional medicines and treatments, and the increasing monopolization of control over knowledge and

¹² Andanda (n 10) 547.

¹³ These include the Copyright Act 2001 (Kenya), Trade marks Act, Chapter 506 (Kenya), Industrial Property Act 2001 (Kenya), and the Seeds and Plant Varieties Act, Chapter 326 (Kenya).

¹⁴ The Convention on Biological Diversity (adopted on 5 June 1992, entered into force 29 December 1993) 1760 U.N.T.S. 69 (CBD).

¹⁵ Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable sharing of Benefits arising from their Utilization to the Convention on Biological Diversity (adopted on 29 October 2010, entered into force 12 October 2014) [hereinafter Nagoya Protocol].

¹⁶ Environmental Management and Coordination Act 1999 (as amended in 2017) (Kenya).

¹⁷ They include the National Policy on Traditional Knowledge, Genetic Resources and Traditional Cultural Expressions (2009) and the National Policy on Culture and Heritage (2009).

¹⁸ The Constitution of Kenya 2010 [hereinafter Constitution 2010].

¹⁹ Protection of Traditional Knowledge and Cultural Expressions Act, 2016 (No. 33 of 2016) (Kenya) [hereinafter TK/CE Act].

²⁰ Industrial Property Act 2001 (Kenya), ss 3 & 5.

²¹ Protection of Traditional Knowledge and Cultural Expressions Act 2016 (Kenya), s 5(a).

²² Copyright Act 2001 (Kenya), ss 3 & 5.

²³ Kenya Plant Health Inspectorate Service Act 2012, s 5.

²⁴ Victoria Tauli-Corpuz, *Biodiversity, Traditional Knowledge and Rights of Indigenous Peoples* (Third World Network 2003) 21.

²⁵ *ibid* 7-8. See also Deepa Varadarajan, 'A Trade Secret Approach to Protecting Traditional Knowledge' (2011) 36(2) *Yale Journal of International Law* 371, 378.

²⁶ Andanda (n 10) 547-558. See also Roger Chennells, 'Putting Intellectual Property Rights into Practice: Experiences from the San' in Rachel Wynberg *et al* (eds.), *Indigenous Peoples, Consent and Benefit Sharing: Lessons from the San-Hoodia Case* (Springer 2009) 212.

technologies by fewer individuals, countries and corporations.²⁷

Nonetheless, it is noteworthy that IP rights are not always individual-creator based, since there are IP forms that confer collective rights, such as geographical indications (GIs) and collective marks.

Third, TK is trans-generational, thus creating difficulty in identifying a creator or innovator to reward for their creativity.²⁸ This also raises the problem of the duration of protection, since intellectual property rights (IPRs) are protected for a limited duration of time which may not be apt for TK.²⁹ Last, the reward theory underlying IP policy is not apt in justifying protection of existing knowledge like TK.³⁰ There is a need to un-earth indigenous/traditional protection systems such as traditional justice systems (TJS) and use them in protecting TK. TJS are part of the customary governance systems used by TK holders for years as institutional frameworks for TK protection. The study hypothesizes that TJS, which are broadly conceptualized in an encompassing manner to include customary laws, customs, traditions, and institutions or structures (such as council of elders) existing among communities, are more appropriate in protecting TK than the IP institutions.

Consequently, this paper seeks to examine the appropriateness of TJS in protecting TK in Kenya. Using data gathered from three (3) communities in Kenya, the paper illustrates how TJS are capable of protecting and safeguarding TK, the territories of TK holders, tangible and intangible manifestations of TK and related systems, and striking a balance between TK protection and fair access to TK. The

paper will not only review literature dealing specifically with TK, but will also examine literature on subsets of TK such as indigenous knowledge,³¹ since it is relevant to this topic. Part 1 contains this introduction. Part 2 gives a brief overview of the main laws and policies dealing with TK in Kenya. Part 3 introduces the case studies. Part 4 discusses the research methods deployed while Part 5 discusses the findings and analysis. The conclusion is in Part 6.

2. TRADITIONAL KNOWLEDGE POLICIES AND LAWS IN KENYA

Apart from the IP laws mentioned above, Kenya has specific policies and laws dealing with TK protection, which are discussed below.

A. CONSTITUTION OF KENYA 2010

The Constitution obligates the state to support, promote and protect the IP rights of the 'people of Kenya'³² and to protect and enhance the IP and 'indigenous knowledge' associated with biodiversity and 'genetic resources of the communities.'³³ It recognizes culture as the foundation of the nation and cumulative civilization of the Kenyan people and nation³⁴ and requires the State to promote IPRs of the people of Kenya.³⁵ It also enjoins parliament to enact legislation, to ensure that 'communities receive compensation or royalties for the use of their cultures and cultural heritage',³⁶ and to recognize and protect the ownership of genetic resources and associated knowledge by indigenous peoples.³⁷ While the provisions of the Constitution are germane to the protection of TK, their Achilles heel is that they are couched in IP terms, suggesting TK should be protected within a similar context.

²⁷ Tauli-Corpuz (n 24) 9.

²⁸ Djims Milius, 'Justifying Intellectual Property in Traditional Knowledge' (2009) 2 *IPQ* 185, 193-194. See also Robert P. Merges, 'Locke for the Masses: Property Rights and the Products of Collective Creativity' (2008) 36 *Hofstra Law Review* 1179, 1190.

²⁹ John T Cross, 'Property Rights and Traditional Knowledge' (2010) 13(4) *Potchefstroom Elec. LJ* 21.

³⁰ Paul J. Heald, 'The Rhetoric of Biopiracy' (2003) 11 *Cardozo Journal of International and Comparative Law*, 519-546.

³¹ Indigenous knowledge is understood as the local knowledge that is unique to a particular culture and society that identifies itself as

indigenous, see John Mugabe, 'Intellectual Property Protection and Traditional Knowledge: An Exploration in International Policy Discourse' (African Center for Technology Studies 1999) 1-5.

³² Constitution 2010 (n 18), art 40(5).

³³ *ibid*, art 69(1)(c) & (e).

³⁴ *ibid*, art 11(1).

³⁵ *ibid*, art 11(2)(c).

³⁶ *ibid*, art 11(3)(a).

³⁷ *ibid*, art 11 (3)(b).

B. THE NATIONAL POLICY ON TRADITIONAL KNOWLEDGE, GENETIC RESOURCES AND TRADITIONAL CULTURAL EXPRESSIONS (2009)

To enhance the mainstreaming of TK systems into national development planning and decision making processes at all levels, the policy requires the recognition, preservation, protection and promotion of the sustainable use of TK.³⁸ It recognizes that TK is holistic, dynamic and constantly evolving through experimentation and innovation, fresh insight and external stimuli,³⁹ and is transmitted in many ways through repeated practice, oral traditions, sayings, proverbs, metaphors, and apprenticeship with elders and specialists.⁴⁰ It notes that TK and related traditions are being transferred illicitly from their original communities without fully understanding their meaning and purpose, thus eroding, debasing and ultimately destroying them.⁴¹ However, the policy fails to recognise the role of traditional institutions, which play a central role in the control, access and use of TK and that can ultimately safeguard TK against such illicit transfers and loss. It recognises that IPRs are inappropriate in TK protection, as they serve to protect private and corporate property but not the collective wisdom of the past, present and future generations of local communities.⁴²

C. THE NATIONAL POLICY ON CULTURE AND HERITAGE (2009)

Although dealing with culture and heritage, the policy on culture and heritage is relevant to TK. The policy defines 'culture' as 'that whole complex of distinctive, spiritual, material, *intellectual* and emotional features characterizing a society or social group,' while 'national heritage' is defined as the 'sum total of all the *creativity* in all its forms preserved,

enhanced and handed over to future generations as a record of human experience and aspirations.'⁴³ The policy recognises the unique cultural innovations of the Kenyan people resulting from long-term interaction with the environment and nature.⁴⁴ It also recognises culture as a repository of 'knowledge'⁴⁵ and urges government to harness culture, heritage and TK in sustainable management, preservation and conservation of the environment.⁴⁶ While it advocates for adoption of interventions geared towards promotion and protection of the cultures of Kenya's communities,⁴⁷ little attention is given to traditional governance structures in the protection of culture (a repository of TK). Another pitfall with the policy is that cultural creativity is identified as an IP accruing to individuals, communities, artist or performers and is to be protected as such,⁴⁸ implying that IP tools are adequate in TK protection.

D. PROTECTION OF TRADITIONAL KNOWLEDGE AND CULTURAL EXPRESSIONS ACT 2016

The Act aims 'to provide a framework for the protection and promotion of traditional knowledge and cultural expressions' in Kenya, giving effect to Articles 11, 40 and 69(1)(c) of the Constitution of 2010.⁴⁹ It vests 'ownership' of TK on local and traditional communities, and recognises individuals or organisations entrusted with the custody or protection of TK in accordance with customary law and practices.⁵⁰ It employs the notion of 'ownership' as applied in IP, which may be elusive and quite problematic in the case of TK, where holders of TK are custodians rather than owners. Again, it confers both moral⁵¹ and economic⁵² *sui generis* rights akin to IPRs on 'owners' and 'holders' of TK (or in their absence, a state

³⁸ *The National Policy on Traditional Knowledge, Genetic Resources and Traditional Cultural Expressions* (Republic of Kenya, 2009) para 1.1.10.

³⁹ *ibid* para 1.1.3.

⁴⁰ *ibid* para 1.1.2.

⁴¹ *Ibid* preamble.

⁴² *ibid* para 4.5.1.

⁴³ *The National Policy on Culture and Heritage* (Republic of Kenya, 2009) 2.

⁴⁴ *ibid*, 33.

⁴⁵ *ibid* 4.

⁴⁶ *ibid* 10.

⁴⁷ *ibid* 33.

⁴⁸ *ibid* 9.

⁴⁹ TK/CE Act (n 19).

⁵⁰ *ibid*, s 2.

⁵¹ TK/CE Act (n 19), ss 19(2) and 21(4).

⁵² *ibid*, ss 18, 20, 22 and 24.

agency). Rights in TK are conferred without formalities⁵³ and exist in perpetuity as long as the subject matter complies with the requirements for protection.⁵⁴

While the county and national governments are charged with the responsibility of establishing TK databases,⁵⁵ the role of communities in that regard is not clear. Equally, it is not apparent who 'owns' the databases once established and the documented TK. Is it the communities or the county or national government? Likewise, the law fails to address the role of customary laws and traditional governance structures (like TJS) in the protection of TK.

Further, the law treats TK as a natural resource that 'belongs to the people of Kenya' collectively, like land in Kenya, raising *inter alia* the question as to who should be rewarded for creativity. Likewise, benefits from protection of TK are framed as primarily local (for communities in Kenya) and national (for Kenya as a nation state),⁵⁶ as is the case with other forms of real property, essentially undermining or ignoring the creative contributions of local communities as envisaged in the National Policy on Culture and Heritage, 2009. Benefits from TK protection ought to be derived by communities that have developed the TK, unless the community is not identifiable or if the TK is so widespread and it is impossible to identify a specific community. In the later cases, the benefits might not necessarily be derived by one community.

3. THE CASE STUDIES

This study is based on three case studies. The first case study relates to the 'Mijikenda',⁵⁷ a Bantu-speaking people consisting of nine sub-communities: the *Chonyi*, *Digo*, *Duruma*, *Giriama*, *Jibana*, *Kambe*, *Kauma*, *Rabai* and *Ribe*, who are all related culturally and linguistically.⁵⁸ Each sub-community has a *kaya*, which is a political institution, and a settlement with a closely-knit society controlled by a council of elders, called the *kambi* or *ngambi*.⁵⁹ Again, each *kaya* has a unique history, committee of elders, and set of environmental and socio-cultural circumstances; but there are common themes traceable amongst them. Currently, there are about 50 *kaya* forests, covering an area of approximately 4,000 acres.⁶⁰ Today, the Mijikenda people are found in Kilifi, Kwale and Mombasa counties. There are, however, no *kayas* in Mombasa County. Kwale County is home to the Digo and Duruma sub-communities while Kilifi County has the other 7 Mijikenda sub-communities. The study focused on Kilifi County since it has some of the best managed *kayas* and there is strong adherence to cultural traditions. Moreover, most of the Kilifi *kayas* are on the world heritage listing, whereas in Kwale, only the Duruma *kayas* are listed.⁶¹ The TJS institution is manifest among others, in the form of the Mijikenda elders (*kaya* elders) who have custodial rights and obligations over TK. The *kaya* elders govern issues of access, use and control of resources (including TK) in accordance with customary laws (including rites and taboos) and enforce those laws. Through secrets, oral agreements and taboos, for instance, they can regulate who can access the forests, when, how and for what reasons. For example, it

⁵³ *ibid*, s 7(1).

⁵⁴ *ibid*, s 13.

⁵⁵ *ibid*, ss 4 and 5

⁵⁶ *ibid*, s 31(5). See also Harriet Deacon, 'Transboundary Knowledge and Regional Cooperation in the Protection of Traditional Knowledge in Kenya' (2017) *Journal of Intellectual Property Law & Practice* 1, 4.

⁵⁷ The name 'mijikenda' is a Swahili derivative from the expression *midzi chenda* (nine homes) referring to the nine constituent sub-communities.

⁵⁸ Paul Ongugo *et al*, *Protecting Traditional Health Knowledge in Kenya: The role of customary laws and practices* (International Institute for Environment and Development 2012) 4.

⁵⁹ *ibid*.

⁶⁰ Paul Matiku, 'The Coastal Forests of Kenya' <<http://coastalforests.tfcg.org/pubs/National-Synthesis-Ken.pdf>> accessed 20 April 2020.

⁶¹ Report on the Award of the Best Managed and Well Conserved Sacred Kaya Forests of the Mijikenda <<https://unesco.go.ke/wp-content/uploads/2018/11/Report-on-the-Award-of-the-Best-Managed-and-well-Conserved-Kaya-Forests-of-the-Mijikenda.pdf>> accessed 20 April 2020.

is a taboo to enter, bring flames, fence, or cut trees in the *kaya* without the consent of the elders. Additionally, the transmission of healing knowledge is complex and is determined by the elders (*kambi*) through a rating process assessing the personal conduct and motive of the applicant.⁶² Alternatively, an individual healer could select a family member or friend as a helper and the latter would ultimately access the knowledge upon payment of a predetermined token (*kadzama*) by the apprentice.⁶³

The second case study discusses the *njuri ncheke*⁶⁴ institution, the supreme decision-making organ among the Ameru people. The term *njuri ncheke* means the narrow jury. *Njuri ncheke* members are mature men believed to be almost faultless and people of high moral standing.⁶⁵ The *njuri ncheke* elders are the manifestation of TJS in this community. They are the custodians of the Ameru TK, culture, customs and traditions, and have developed a system of customs and practices for protecting their TK. These include the use of community sanctions and oaths to govern disclosure of TK. Moreover, the *njuri ncheke* are customary governance or legal systems of TK holders and are also being used as the first port of call for disputes (including land, family and political) in the community.

The third case study is from the Ogiek, a hunter-gatherer community claiming the Mau Forest Complex and Mount Elgon Forests as their cradle. The Ogiek believe they were born in forests and their identity stems from the socio-cultural value they place on the territories where they put their beehives and hunt. They are organised along the clan system and each clan has an elder (*pooyon*) who acts as a

mediator between the clan and the greater council of elders.⁶⁶ The council of elders has members drawn from each clan. However, during data collection, it was evident that the council of elders was weakened by constant eviction of the community from the Mau forest by the government and assimilation into the wider Kalenjin groups.⁶⁷ This has contributed to the destruction of the Mau forest and relevant TK. Their TJS include the institution of elders, customary laws, traditions and practices handed down from one generation to the other. The Ogiek elders are custodians of TK, customary laws, traditions and practices of the community, and have been relied on in developing the Ogiek Bio-cultural Protocol and in granting free prior informed consent (PIC).

4. RESEARCH METHODS

A review of documented literature on the role of TJS and customary laws in protecting TK among the Ogiek, Mijikenda and Meru communities of Kenya was conducted. Informal interviews and focused group discussions (workshops) were used to collect data from community leaders; government officials; community members; civil society members; researchers; and experts on TK and TJS.⁶⁸ Purposive selection was applied for all key informants where necessary. The participants met the following criteria: community elders in a community with traditional justice structures and ecological knowledge or a community member versed with ecological knowledge and traditional justice structures; or a person who is currently, or was previously, involved in studies of this nature (mostly researchers in IP and TK); or persons involved in civil society activities in the target communities; or a person or agency with interest in policy making in this field. Civil

⁶² Ongugo (n 58) 14.

⁶³ *ibid.*

⁶⁴ The term '*njuri njeke*' is also used to refer to the Ameru traditional elders. However, the accurate term according to Ameru people is '*njuri ncheke*.'

⁶⁵ See also Charles Wanyoro, 'Secrets of Njuri Ncheke Shrine Revealed to Youths of Integrity' *The Daily Nation* (Nairobi, 11 January 2014) <<https://www.nation.co.ke/news/politics/--Secrets-of-Njuri-Ncheke-/1064-2143012-bh208dz/index.html>> accessed on 24 May 2018.

⁶⁶ *Ogiek Bio-cultural Protocol: Safeguarding Rights and Managing Resources to Improve Livelihoods* (2nd ed, Ogiek Peoples' Development Program 2015) 9

<<https://www.ogiekpeoples.org/images/downloads/Ogiek-Bio-Cultural-Protocol.pdf>> accessed on 20 April 2020.

⁶⁷ *ibid.* 12.

⁶⁸ The author obtained ethics clearance (Protocol number H18/02/13) from the University of the Witwatersrand and permit from the National Commission for Science, Technology and Innovation (NACOSTI) (Permit number NACOSTI/P/18/71236/21734) in Kenya.

society organisations (CSOs)⁶⁹ and officials from different governance agencies dealing with IP, TK and conservation matters were interviewed.⁷⁰

The interviews were divided into two parts: the first part focused on the three communities and the second focused on researchers, government agencies and civil society actors. This approach was useful since some of the researchers, government officials, and civil society actors offered leads on how to conduct the research among the various communities. The informal interviews were conducted between April and June 2018. At least 20 community elders and 20 community members from each of the 3 case studies were interviewed. The informal interviews were based on an interview schedule consisting of questions for the various categories of respondents. The interview schedule questions posed to the elders and community members were translated into Swahili during the interviews. The interviews lasted between 30-45 minutes. Additionally, in the case of community elders and members, technical concepts were broken down into simple terms or equivalent local terms during the interview and the workshop. The proposed interviews were helpful in developing relevant themes and in gathering useful information for engaging with the stakeholders during the workshop.

Thereafter, three workshops were facilitated within the participants' locality to have a detailed discussion on, among other things, their feelings towards the existing laws that protect TK in their community, as well as identifying aspects of TK that should be protected by law but are currently neglected. Other participants in the workshops were

researchers in IP and TK, government officials and civil society organisations dealing with IP, TK or environmental matters who were purposively selected, interviewed and invited for the workshops. The workshops lasted between 30-45 minutes. A stakeholder approach was useful for two main reasons. First, it provided insightful information on how these communities view current legal frameworks, how they feel neglected or protected, and what they expect from an effective framework. Second, it helped identify the aspects of TK that should be protected by IP law but are currently neglected. It also aided in identifying how TJS among the three communities integrate cultural, ecological and self-determination aspects, and their adequacy in protecting TK.

5. TRADITIONAL JUSTICE SYSTEMS AS SUI GENERIS SYSTEMS FOR TRADITIONAL KNOWLEDGE PROTECTION: ROLE, PROSPECTS AND CHALLENGES

A. EXISTENCE AND NATURE OF TRADITIONAL JUSTICE SYSTEMS

In the three case studies, TJS stand out as common frameworks for TK protection. TJS are part of the customary governance or legal systems of TK holders and, in this paper, they are conceptualized in a broad and encompassing context, as the laws, customs, traditions, and institutions or structures (such as council of elders) existing among communities. In all the case studies, TJS are comprised of respected people as the custodians of knowledge, culture, traditions and community values. The wealth of knowledge that TJS institutions such as the *njuri ncheke* hold, enables them to play a crucial role in the 'devolved government,

⁶⁹ The CSOs include Resource Conflict Institute (RECONCILE) <<https://reconcile-ea.org/>> accessed on 20 April 2020; Center for Intellectual Property and Information Technology (CIPIT) <<https://www.cipit.org/>> accessed on 20 April 2020; Natural Justice <<https://naturaljustice.org/countries/kenya/>> accessed on 20 April 2020; African Biodiversity Network (ABN) <<https://africanbiodiversity.org/>> accessed on 20 April 2020; Institute for Culture and Ecology (ICE) <<https://www.icekenya.org/>> accessed on 20 April 2020; Community Action for Nature Conservation (CANCO) <<http://www.cancokenya.org/>> accessed on 20 April 2020;

Community Forest Associations (CFAs); Trust for Indigenous Culture and Health (TICAH) <<https://www.ticahealth.org/>> accessed on 20 April 2020.

⁷⁰ These include the Kenya Industrial Property Institute (KIPI), National Museums of Kenya (NMK), Coastal Forest Conservation Unit (CFCU), Kilifi County Forest Guards, local administration (assistant County Commissioners, chiefs and assistant chiefs), Kenya Forest Service (KFS), Kenya Wildlife Service (KWS), County Forest Officers, Kenya Resource Center for Indigenous Knowledge (KENRIK), Kenya Copyright Board (KECOBO) and National Environment Management Authority (NEMA).

especially in regard to conflict resolution, environmental conservation, education and development, among other roles.⁷¹

The continued use of TJS in the settlement of disputes, natural resource governance, assigning rights to resources, determining political leadership and maintenance of law and order⁷² evidences their resilience and popular support among communities, thus making them appropriate regulatory frameworks. In the Meru and Mijikenda case studies, it is commonplace for those vying for political positions to seek the endorsement of the *njuri ncheke* and *kaya* elders, respectively.⁷³ Similarly, continued reliance on TJS in developing community bio-cultural protocols, in granting free prior informed consent (FPIC) (in the Ogiek case study), and in the inventorying of TK and TK systems (in the Meru case study), attests to their resilience and legitimacy in society. Moreover, in all case studies, government agencies are relying on TJS to govern access, use and management of resources.⁷⁴ Likewise, CSO actors⁷⁵ recognize the existence and role of TJS in their work of documenting TK, reviving TK

holders' ecosystems and TK systems, developing bio-cultural protocols and in seeking FPIC.

TJS are recognised as a form of government, with legislative, executive and adjudicative arms.⁷⁶ For instance, the *njuri ncheke* elders were described as the 'oversers of execution or implementation of community rules.'⁷⁷ They (*njuri ncheke*) 'made and executed community laws, listened to and settled disputes, and passed on indigenous knowledge and rites across the generations.'⁷⁸

B. THE ROLE OF TJS IN TK PROTECTION

The three case studies show that TJS are effective and culturally appropriate in TK protection.⁷⁹ TK 'goes to the core of indigenous people and local communities' identity and right to self-determination' and thus 'any protection measure should be built around the existing traditional structures.'⁸⁰ TJS are 'flexible, socially negotiable and hence, more practical' and 'should not be viewed and treated as being inferior to statutory institutional structures but should be worked with to build systems of accountability.'⁸¹ A TJS

⁷¹Alex Kamwaria *et al*, 'Recognising and Strengthening the Role of the Njuri Ncheke in Devolved Governance in Meru County, Kenya' (2015) 2 (12) *Journal of Education Policy and Entrepreneurial Research* 42, 42. See also Obert Jiri *et al*, 'The Use of Indigenous Knowledge Systems to Predict Seasonal Quality for Climate Change Adaptation in Zimbabwe' (2016) 8(5) *Journal of Agricultural Science* 156, 160.

⁷²Albino Pereira de Jesus Jopela, 'Traditional Custodianship: A Useful Framework for Heritage Management in Southern Africa?' (2011) 13:2-3 *Conservation and Management of Archaeological Sites* 103, 111. See also Stelios Michalopoulos and Elias Papaioannou, 'Pre-Colonial Ethnic Institutions and Contemporary African Development' (2013) 81 *Econometrica* 113, 115.

⁷³A workshop organised by the author with *Njuri Ncheke* elders in Meru town on 23 May 2018. See also a workshop organised by the author with *Kaya* elders in Kilifi on 24 April 2018.

⁷⁴These include the National Museums of Kenya (NMK), National Environmental Management Authority (NEMA), and Kenya Industrial Property Institute (KIPI). Likewise, the Kenya Forest Service (KFS) in its manual on forming and registering community forest associations (CFAs), acknowledges that 'most communities have social structures that offer excellent opportunities for entering

into the community' see Kenya Forest Service 'Manual on forming and registering Community Forest Associations (CFAs)' (2009) 9.

⁷⁵Such as the Institute for Culture and Ecology (ICE), Natural Justice and the African Biodiversity Network (ABN).

⁷⁶Interview with Lawrence Chiro, an environmental scientist, Coastal Forest Conservation Unit (CFCU) (Kilifi, 25 April 2018).

⁷⁷Interview with the spiritual leader of *Njuri Ncheke*, a scholar on the Ameru people and a lecturer, Kenyatta University (Nairobi, 4 June 2018).

⁷⁸Kamwaria (n 71) 43.

⁷⁹Chisa & Hoskins (n 9) 11. See also Brendan Tobin, 'Now you see it now you don't-The Rise and Fall of Customary Law in the IGC' in Daniel F. Robinson *et al*, (eds.) *Protecting Traditional Knowledge: The WIPO Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore* (Routledge 2019) 192, 193.

⁸⁰Interview with Wanjiku Karanja, Research Fellow, Center for Intellectual Property and Information Technology (CIPIT) (Nairobi, 28 June 2018).

⁸¹Judith Kamoto *et al*, 'Doing More Harm than Good? Community Based Natural Resource Management and the Neglect of Local Institutions in Policy Development' (2013) 35 *Land Use Policy* 293, 300.

approach to TK protection can secure self-determination, cultural and ecological integrity and build systems of accountability in TK governance, especially in regulating access to the knowledge.

TJS play a crucial mediating role in governing access to TK and benefit-sharing frameworks, since they have the 'potential to mediate external interventions into local contexts, and articulate between local and extra-local social and political processes.'⁸² This is so because TJS are 'decision-making levels designed to respond to issues regarding allocation, use and management of resources.'⁸³ Additionally, reliance on TJS in the development of community bio-cultural protocols, the grant of FPIC, and in inventorying TK and sacred natural sites suggests that TJS as custodial institutions can play a role in determining who can access TK, what type of TK, how TK is to be gathered and stored, and under what terms and conditions.⁸⁴

Using TJS to regulate access to TK supports and conforms to the principle of self-determination⁸⁵ by providing an equitable access and benefit sharing framework anchored on customary laws and that abhors unregulated access to TK. Moreover, anchoring all benefit sharing agreements on the customary laws of the relevant community might limit the commodification of TK. However, with different communities, there might be distinct notions of benefit-sharing (some based on monetary and non-monetary considerations and others that are inalienable based on distinct customary rights). In cases of unfairness to different populations within the community, and as a result of the customary rights-based notions of benefit sharing, the applicable TJS and customary laws can provide the framework for resolving those claims. However, if there are overlapping claims for benefit-sharing by communities with distinct customary norms, there will be need for TJS to collaborate

with the IP institutions to resolve those claims, especially where the respective TJS are unable to resolve those normative conflicts. This confirms that the IP and TJS frameworks can collaborate to yield a more effective form of TK protection and bridge the current protection gap. The inclusion of the FPIC and disclosure of origin requirements in some African countries (South Africa, Namibia and Botswana) before granting IP rights illustrates such a collaboration is indeed possible.

TJS are also essential in the protection of the territories of TK holders integral to TK due to the interconnectedness between TK, TK holders and nature. Using TJS in the management of sacred sites underscores the principle of self-determination, which requires *inter alia* consultations with communities through their institutions before developments take place in their territories.⁸⁶ In the Mijikenda case study, the *kaya* forest (symbolizing nature) is essential to the *kaya* and its continued existence, and hence the well-being of the community.⁸⁷ Nyamweru, writing on the *kaya* forests, notes that 'the continued survival of the groves demonstrates the contribution of local management and indigenous knowledge systems to environmental conservation'⁸⁸ illustrating that indeed TJS, as a local management institution, has a role to play not only in protecting the territories of TK holders, but also their TK. The recognition of TK holders' territories as indigenous and community conserved areas (ICCAs), national monuments, and as world heritage sites, confirms that TJS have a huge role to play in TK protection. The IP regime is unable to protect the territorial rights of TK holders.

Aspects of TJS such as traditional ceremonies, rituals, prayers and legends play a critical role in the protection of TK, especially those mitigating disasters such as drought, famine, disease or bad omen to the community.⁸⁹ For instance, among the Tharaka people (who are regarded as a subsection

⁸² *ibid* 294.

⁸³ Hastings Okoth Ogendo, 'The Tragic African Commons: A Century of Expropriation, Suppression and Subversion' (2003) University of Nairobi Law Journal 107, 108.

⁸⁴ Tobin (n 79), 204. See also Chisa & Hoskins (n 9) 4.

⁸⁵ Interview with Michael Odhiambo, Executive Director, Resource Conflict Institute (RECONCILE) (Nakuru, 11 May 2018).

⁸⁶ Interview with Simon Mitambo, General Coordinator of African Biodiversity Network (ABN) (Thika, 29 May 2018).

⁸⁷ A meeting organized by the author with *Kaya* elders (Kilifi, 22 April 2018).

⁸⁸ Celia Nyamweru, 'Sacred Groves of Africa' in Bron Taylor (ed) *The Encyclopedia of Religion and Nature* (Continuum 2005) 1451, 1455.

⁸⁹ *ibid*.

of the Meru), legends are used to pass on rules against cutting trees, fishing, hunting or cultivating in the sacred sites, thus ensuring that sacred natural sites are protected and preserved.⁹⁰

Since TK is holistic, with cultural (like traditional ceremonies), spiritual (protection is not only physical but at times supernatural where prayers and cultural rituals are conducted to thwart bad omens and pray for good omens like rain and good health)⁹¹ and ecological/biological aspects (where there are rules on access to, use and control of a resource), TK protection measures must capture the indigenous cosmology within which TK exists.⁹² Therefore, TK ought to be protected by TJS, which are equally holistic. TJS offer a socio-cultural and spiritual context that is essential in the 'continued existence and development' of TK.

TJS can play a role in bridging the current TK protection gap created by the prevailing approaches aiming to safeguard or protect TK. As safeguarding measures seek to identify, document, transmit, revitalise and promote TK use to ensure its continued existence and viability, they risk placing TK unintentionally in the public domain, hence the need for legal protection.⁹³ While protection measures may be useful in protecting certain aspects of TK, creating IP-like rights over TK faces numerous technical and ideological difficulties as mentioned above. The use of TJS by communities to protect and assert their cultural, self-determination, and resource rights, and in the grant of FPIC before documenting TK and developing bio-cultural protocols shows that TJS are the point of convergence of safeguarding and protection approaches and can be used to bridge the TK protection gap.

Discussions with CSO actors show that TJS can play a key role in the revival and restoration of lost or destroyed ecosystems and food crops, which allows the continuous use, production

and transmission of TK. Since TJS are the custodians of customary laws and knowledge, they can be relied on in reviving or restoring lost TK.

As custodial institutions, they can help reduce contests over 'ownership' and management of resources and TK between different actors. For instance, in the Mijikenda case study, the government has recognised the *kaya* elders as the custodians and managers of the *kayas* and so there are no conflicts over management of the resources. Likewise, in the Meru case study, the government recognises the sacred sites of the community and the role of the *njuri ncheke* in conflict resolution.

TJS are also relied upon by communities for 'information, guidance, help and support and gain most from developing social capital.'⁹⁴ They can provide knowledge and capacity for implementing policy initiatives and 'in the presence of weak state capacity' they may 'fill in the void created by the limited penetration of national institutions.'⁹⁵ Thus, TJS can fill the void created by the inadequacy, deficiency and unsuitability of the IP regime in protecting TK.

C. CHALLENGES IN USING TRADITIONAL STRUCTURES SUCH AS TJS IN TK PROTECTION

Although TJS can play a role in TK governance, there has been a tendency to suffocate and delegitimise them over the last century across most of Africa.⁹⁶ This suffocation has been blamed on the 'disruption caused by the African colonial experience; the hegemony of the rigid post-independence state-based heritage policies and management systems; changes in the wider economic, social, and cultural circumstances under which traditional systems operate; specific historical developments such as past and present land reforms, migrations, tourism and, more recently, globalisation.'⁹⁷ However, Jopela maintains that while formal

⁹⁰ Institute for Culture and Ecology (ICE), 'Documentation of Traditional and Ecological laws of Tharaka' undated report, 14 <<https://www.icekenya.org/publications/>> accessed on 20 June 2018.

⁹¹ See also Jopela (n 72) 108.

⁹² Chisa & Hoskins (n 9) 3.

⁹³ Andanda (n 10) 547.

⁹⁴ Kamoto (n 81) 300.

⁹⁵ Michalopoulos and Papaioannou (n 72) 117.

⁹⁶ Chidi Oguamanam, 'Tiered or Differentiated Approach to Traditional Knowledge and Traditional Cultural Expressions: The Evolution of a Concept' (2018) 185 CIGI Papers 1, 5. See also Jopela (n 72) 110.

⁹⁷ Jopela (n 72) 110.

heritage management systems were being imposed on local communities, 'traditional custodianship systems neither disappeared nor remained static;' rather, 'they shifted so as to remain relevant alongside the new models.'⁹⁸

The effectiveness of TJS in TK protection is also undermined by factors such as leadership wrangles, which create factions among elders, each claiming to be the legitimate elder; cultural erosion; loss of indigenous territories to pave the way for developmental projects; and the influence of modern education and religions that contributed to the loss of traditional beliefs and values.⁹⁹ For example, *kaya* elders lamented that they are despised and live in constant threat of attack and being labelled witchdoctors and, at times, killed by the community. Unlike in Kilifi, *kayas* in Kwale have since lost the traditional touch due to the influence of Islam in that there are no rules requiring people to remove shoes before getting into *kayas* (even in *kaya Kinondo*), traditional prayers are often altered to align them with Islamic religion, and the traditional Mijikenda clothing has been abandoned in favour of the *kanzu* (long white robe).¹⁰⁰ However, as the study shows, efforts are being undertaken by government and civil society actors to promote and reinforce TJS due to their vital role in governance.

6. CONCLUSIONS AND SOME SUGGESTIONS FOR THE WIPO IGC

Although the role of customary law in protecting TK¹⁰¹ has been recognised in numerous studies, those studies have not addressed the question of how to implement and execute those laws to protect TK. As a legislative, executive and adjudicatory arm under customary governance systems, TJS can be used to enforce customary laws and ensure effective

TK protection. Unlike other proposed models, including TK commons, TK databases and registers that seek to place TK into commons, a TJS approach offers a truly traditional commons and gives effect to customary law which is the normative framework governing the generation, use and transmission of TK. The paper makes the following recommendations:

A. STRENGTHENING TJS IN TK PROTECTION AND NATURAL RESOURCES MANAGEMENT

Although there are efforts (for instance within the IGC texts) showing growing acceptance that communities have their own institutions for protecting their knowledge,¹⁰² there is a need to recognise the existence and role of TJS among communities, strengthen, and rely on them in TK governance. This requires the legal recognition of the powers and functions of traditional authorities in the protection, conservation, management and use of TK and related resources.

There is also a need to rely on TJS and engage TK custodians in the TK and IP law reform, since such efforts have often been led by natural scientists and IP experts with limited understanding and appreciation of the holistic nature of TK and the worldviews of TK holders.¹⁰³ This will require the collaboration of the TJS and IP frameworks. IP practitioners, policy makers and scholars should not assume that TJS are non-existent amongst communities or that they play no role in TK governance before conducting empirical research studies. Instead, they ought to realise the proposed approach permits for an intercultural encounter where the IP and TJS frameworks are able to engage, thus allowing TK holders to define their own power and status vis-à-vis others for themselves. Moreover, rather than frame TK protection as a

⁹⁸ *ibid* 110-111.

⁹⁹ United Nations for Human Rights Office of the High Commissioner 'Human rights and traditional justice systems in Africa' (2016) <https://read.un-ilibrary.org/human-rights-and-refugees/human-rights-and-traditional-justice-systems-in-africa_e4202da6-en#page1> accessed on 20 April 2020.

¹⁰⁰ A workshop organised by the author with *kaya* elders in Kilifi on 24 April 2018.

¹⁰¹ Oguamanam (n 96) 1-20. See also Chisa & Hoskins (n 9) 1-15.

¹⁰² George S. Shemdoe and Loy Mhando, 'National Policies and Legal Frameworks Governing Traditional Knowledge and Effective Intellectual Property Systems in Southern and Eastern Africa: The Case of Traditional Healers in Tanzania' (2012) African Technology Policy Studies Network Working Paper Series 8.

¹⁰³ Ongugo (n 58) 1.

trade or IP issue only, the proposed collaborative framework expects the IGC process to pursue a multidisciplinary approach in view of the holistic nature of TK. Therefore, the process must draw from human rights and environmental law frameworks and any other discipline that helps explain TK holders' worldviews.

B. THE FRAMEWORK MUST BE HOLISTIC

The TK protection framework must be respectful of TK holders' cosmovisions. A holistic framework 'should not only focus on protecting rights to TK but also rights to associated bio-genetic resources, landscapes, cultural values and customary laws, all of which are vital for sustaining TK.'¹⁰⁴ Such a framework must be anchored on TJS, as they are able to avail protection to the cultural, ecological and self-determination rights of TK holders.

Some of the components of the framework are: First, it must be anchored on customary laws to be apt in protecting the cultural rights of TK holders. Anchoring the TJS framework on customary laws does not mean we do away with the IP regime, but instead the thesis advocates for a collaborative arrangement between TJS and the IP regime. Second, due to the holistic nature of TK, the framework must ensure ecological protection and TJS ought to be used in regulating access to, use and control of natural resources. TJS are not only successful in conservation, but also in restoring and reviving lost TK and ecosystems. Third, the framework must allow communities to assert their right to self-determination, as they are able to use their own institutions to exercise control and determine who can access and use their resources. Reliance on TJS in granting FPIC, developing community bio-cultural protocols, in conflict resolution, maintenance of law and order, and in the implementation of devolved structures in Kenya confirms that a TJS framework can be used to secure TK holders' rights to self-determination.

¹⁰⁴ Krystyna Swiderska *et al*, 'Protecting Community Rights over Traditional Knowledge: Implications of Customary Laws and Practices' (IIED, 2006) <<http://pubs.iied.org/G01253/>> accessed on 6 April 2016.

C. RECOGNITION OF TK HOLDERS AS CUSTODIANS OF TK IN LAW AND POLICY

There is a need for IP laws and policies to be reviewed to recognise and reflect that TK holders are custodians of TK, vested with responsibilities towards the knowledge, nature and past and future generations, on whose behalf they hold TK. This calls for a paradigm shift in the IP regime, so that apart from ownership, custodial rights can be a basis for granting or rejecting the grant of IP rights. Such recognition is important as it can help identify the TK, legitimate beneficiaries, and curb unauthorised access and use of TK without the FPIC of the custodians of TK. Ultimately, this could lead to a reduction in applications for IP rights over TK.

D. RETHINKING CONVENTIONAL NATURAL RESOURCES MANAGEMENT FRAMEWORKS

Conservation efforts have largely failed to integrate existing TJS and do not benefit from TK holders' contribution to environmental governance. There is, therefore, a need to rethink and re-orient conventional management strategies, integrate TK and engage TJS for effective environmental governance. In addition, formal managers must be open to learn about TK and TK holders' perspectives and recognise that TK is a source of insights that can 'synergistically with science or on its own, enhance our understanding of the natural world.'¹⁰⁵

E. BRIDGING THE GAP BETWEEN PROTECTION AND SAFEGUARDING MEASURES USING TJS

Owing to the challenges that TJS are facing, a TJS approach needs to be used in collaboration with the IP regime for it to yield effective protection of TK. A TJS framework offers a convergence point for protection and safeguarding measures and if used in collaboration with the IP framework, can be the basis for granting or denying IP rights as mentioned earlier. This collaboration would require TK custodians to be involved

¹⁰⁵ Natalie Ban *et al*, 'Incorporate Indigenous perspectives for impactful research and effective management' (2018) 2 *Nature Ecology & Evolution* 1680-1683. See also Ongugo (n 58) 23.

in decision-making processes and institutions under the IP regime and *vice versa*. Moreover, such collaboration means that both the applicants for IP rights and IP institutions will be forced to double-check prior art. Further, collaboration ensures TK holders get benefits from their TK since IP institutions and the applicants for IP rights will be dealing with legitimate TK holders. However, collaboration between IP and TJS frameworks requires the IP regimes to recognise the existence and role of TJS in TK governance. The success of this collaboration will require political goodwill, as effective protection of TK using TJS will require states to respect, promote and protect collective rights to culture, property and self-determination, since where protection of those rights is weak, TJS are likely to be less efficacious in governance.

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8. LIBERIAN MUSIC INDUSTRY DILEMMA

Finley Y. Karngar*

ABSTRACT

This paper discusses the impasse faced by the Liberian music industry. It sheds light on the origin of music and changes in the music trade. It particularly refers to online publication and distribution of music as the new medium of supply chain which causes disintermediation of record companies and retailers that has the potential to push away traditional music companies known to many Liberians. Already, most Liberian music consumers are interested in high-quality packaging and presentation of music. Some have bought music in the past, played music on radio stations, downloaded or streamed music online. This is especially true for contemporary music that overwhelms the listening public. While this is so, musicians complain their music is continually pirated without the needed public sanction from the Government of Liberia regulatory authorities. These institutions have statutory roles to review, approve and ensure music contents complying with legal, culture, moral or intellectual property are protected. From the point of view of the regulators, they have the 'will to act' but have limited capacity in carrying out their mandates of enforcement owing to the harsh economic reality and limited capacity in Liberia. Despite of the limited

capacity, there are recent calls for the registration of music from regulators without effectively addressing the negative impacts of music pirating claimed by artists. Artists maintain they will not register with regulators' agencies without guarantee for the enforcement of their rights against infringers. These views and positions are yet to be settled, thus creating a dilemma.

Keywords: *Liberian music, right balance, artificial intelligence, online music, Liberia Intellectual Property Office, collective society, Liberian Musicians' Union*

1. INTRODUCTION

Music is a way of life.¹ It enables people to share real life experiences while at the same time promotes cultural coherence. It heals, relieves stress, entertains and uplifts; and most of all, it is an intellectual engagement. It is a bit challenging to gather empirical evidence on the Liberian music industry.² This is in part due to years of civil conflict in Liberia, which devastated every fabric of the country's infrastructure. Liberia's first civil war took place from 1989-1997 with a second phase from 2000-2003. These events created enormous destruction, meaning the country had to rely on oral historians to re-write its musical development. At the same time, music is a tool for preserving and sharing cultural experiences from generation to generation through

*Finley Y. Karngar is an Assistant Professor of Law at the Louis Arthur Grimes School of Law, University of Liberia: his research interest is traditional knowledge and development. He serves as the deputy chairperson of the Moot Court Committee of the law school. He supported the drafting and lobbying of Liberia Intellectual Property Authority Office, 2016. Also, he drafted the first Intellectual Property Law Curriculum of the Louis Arthur Grimes School of Law and is the first professor of IP law in Liberia. Before joining the law faculty, Prof. Karngar worked with development organizations providing support for the rule of law and justice initiatives, including human rights and governance. He holds an LL.M from the University of Turin, a LL. B from the University and a BBA from the AME University in Liberia along with a specialized CopyrightX Certificate from the Harvard University. Prof. Karngar is a practicing lawyer with over 20 years of experience in the development field in Liberia and short-term experience working in

the Gambia, Ghana, Sierra Leone and United States of America working in a range of sectors, to include program, governance, advocacy, administration, property and intellectual property. His cross-cutting technical expertise includes the integration of rules and procedures into organization developments, with a focus on rule of law and public sector governance, and legal curriculum development. He can be reached at: fkarngar@yahoo.com.

¹ William Arms Fisher, 'What Is Music (1929)' *The Musical Quarterly* Vol. 15, No. 3, 360-370
<https://www.jstor.org/stable/738326?seq=1#page_scan_tab_content> accessed 2 December 2019.

² Timothy Nevin, 'Exploring Liberia's Musical History' (2009) Center for African Studies Research Report
<<http://africa.ufl.edu/files/RR2009-Nevin.pdf>> accessed 7 October 2019.

oral histories. Despite the massive destruction of mediums for artificial storage of music, passed down oral histories of music continue to connect the current generation to the past. This is complemented by the internet, which contains bits of multicultural records of musicians, singers and cultural performers, some of whose works released prior to the civil war are in the public domain. Nevertheless, the public domain brings with it the ease of access and possibility of free riding years of work with a click of a mouse, particularly in the face of Liberia's recent connection to the global fibre optic broadband internet.³ Some proponents say that effective and efficient use of social media is increasing⁴. New outlets, aside from the traditional shops, have propensity to increase access and improve quality of music. In a society where internet access is limited to a privileged few, reliance on the internet may disenfranchise a large local population, but could at the same time, take Liberia's music to unimaginable global audiences.

Since the re-emergence of governance over the last 14 years, the Liberian music industry is experiencing some forms of social and economic excitements and new iconic figures are emerging.⁵ Of course, this may be somewhat attributed to the Liberian Intellectual Property regime. Some however, described the industry as a 'hustle' instead of business, one that exploits artists. Others say the role of that media and its influence is not fully exploited by actors within the sector, and there is need to change the paradigm of music from mere cultural exhibition and preservation to wealth creation; and a

means to promote and sustain creativity and innovation. This may be taking root as there is stronger preference for robust enforcement of the copyrights and its associated neighbouring rights.⁶ Notwithstanding, many Liberian song writers, singers and cultural performers claimed that the copyrights regime is not strong enough to protect songs and musical performances; thus, bringing the artists and IP authorities into disagreements.

Unarguably, the tension between Liberian musicians and IP authorities creates a dilemma. This article makes efforts to discuss the dilemma by; first, reviewing the copyright regime and musicians' understanding of it; and second, considering the consumers' and investors' perspectives of the industry. What balances may be appropriate for actors in tandem with the quest of advancing creativity and innovation? How do current norms effect the music industry? These, and other questions, are briefly examined in the article to evaluate the roles of law in strengthening safeguard for Liberia's contemporary music industry to ensure coherence and predictability with music public policy. It furthers analysis how Liberian music stakeholders can be supported for the mutual benefits of the Liberian society.

2. MUSIC IN LIBERIAN HISTORY

A. ORIGIN OF LIBERIAN MUSIC

Liberia is among the world's poorest countries⁷ and citizens are braving the storm to grasp with the reality of poverty⁸ and the Coronavirus outbreak. Despite being poor and confronted

³ 'Liberians Prepare for Fast Speed and Affordable Internet Connectivity' (World Bank, 17 April 2012).
<<https://www.worldbank.org/en/news/feature/2012/04/17/liberians-prepare-for-fast-speed-and-affordable-internet-connectivity>> accessed 5 May 2020.

⁴ Willie Bee Tingba, Jr, 'Liberia: The Impact of Social Media and Digital Technology on Promoting Peace and Security' (All Africa – Stories, 20 January 2020)
<<https://allafrica.com/stories/202001200744.html>> accessed 7 May 2020.

⁵ The new iconic figures include, Takun J, Fatu Glayflor, Soulful Dynamics, Marcus Davies and DenG. Their music is heard in and outside of Liberia.

⁶ 'Liberians to receive education on intellectual property' (Music Africa, 22 June 2018)
<<https://www.musicinafrica.net/fr/node/34125>> accessed 6 May 2020.

⁷ 'Poorest Countries in Africa Population' (World Population Review, 24 October 2019)
<<http://worldpopulationreview.com/countries/poorest-countries-in-africa/>> accessed 18 August 2019.

⁸ Poverty is defined by the dictionary.com as the state or condition of having little or no money, goods or means of support. Thus, having deficiency of necessary or desirable ingredients, quality, etc.

with a global health crisis, music continues in all spheres of Liberian life. In fact, music predates Liberian independence. It is as old as mankind, and Liberia is indeed a contributor to this contour of human existence. For instance, President William VS Tubman setup the Cape-Palmas Military Band in 1963 to amuse dignitaries who visited Southeastern Liberia. Before this, Liberia's 3rd President⁹, Daniel B. Warner wrote the song 'All Hail Liberia Hail' years before Liberia declared independent on 26th July 1847. Given the message of 'All Hail Liberia Hail', it was adopted as Liberia's National anthem on 26 July 1847 by the Government of Liberia. About 54 years after the acceptance of 'All Hail Liberia Hail' as the national anthem, Liberia 18th President¹⁰, Edwin J. Barclay wrote 'The Lone Star Forever' as the second national song dedicated to Liberia's flag. These are not the only means of music. Music is performed in secret and private life, and includes religious and non-religious rituals. The list goes on and on. In other words, like elsewhere in Western Africa or the world, music is produced and heard in every sector as a source of strength, advocacy and the likes. Early Liberian radios to broadcast music include The Eternal Love Winning Africa (ELWA), the first faith-based radio station in Liberia and Africa¹¹ and the Liberia Broadcasting System.¹² In a conversation with Dr. Aba Karnga, by the author, one of the earliest employees of ELWA, he said: 'it was such an impressive and exciting opportunity to sit in the first studio in Liberia while browsing through records and selecting songs for listeners, and there were even much excitement of the pleasure one takes away for performing such a service to humanity.'

Before the radio stations, tribes and their communities used various 'talking' instruments, to include *fanabass* musical

bow, which support telling of stories. One of such instruments is the Bassa's *Sakpah*. *The Sakpah* tells a story of a man confronting religion and family life concomitantly: He leaves home early for worship in the woods, on his way home, he hunts animals and picks fruits for his family's nourishment. Another story tells of a woman without a family dealing with life in a faraway evil forest condemned to die. She had no husband, no child, and no money. She is helpless and perplexed. She does not know what to do or to say. A song is narrated told by the author's mother, Marian Karngar. She tells a story of singing alongside her husband of their marital bond, while planting rice, cassava and plantain. Predicting successful yields will nourish their children, their unborn and their souls back to the soil after this life. A fish basket's weaver sings of the size and shape of his basket allowing baby fish to enter and leave unhindered while bigger ones are ensnared. Happy he is of his mornings' catches. The Grebo War dancers depict foot combat, warriors' manoeuvre, escape and enemies' captures. As the song is sung, warriors interchanged cutlasses, bows and other deadly tradition weapons in jubilant, but yet frightening manner as a demonstration of bravery. The song ends with burial of the dead, treatment of the wounded, and a grand match to safety. The song reveals strength and ability of Grebo's warriors to maintain security and peace within their borders.¹³ These songs are not fixed in any artificial medium. They are stored within the minds and transmitted through unwritten stories.

These are not the only kinds of music; rap and pop music are performed in indigenous languages across the country.¹⁴ Music plays positive role and builds community economies

⁹ President Daniel B. Warner (1815-1880) wrote the lyric of the song while Olmstead Luca (1826-1869), a German musical artist, wrote the music of 'All Hail Liberia Hail.'

¹⁰ President Edwin J. Barclay (1882 – 1955) is Liberia's 18th President who was in office from 3 December 1930 to 3 January 1944. He succeeded President Charles DB King (1875 -1961).

¹¹ 'What is ELWA?' (ELWA Ministries Association USA, 20 March 2019) <<https://www.elwamausa.org/About/About-ELWA/What-is-ELWA>> accessed 20 November 2019.

¹² ELBC was formally called Eternal Love Broadcasting System. It was launched 1960.

<<http://www.liberiabroadcastingsystem.net/about.php>> accessed 9 May 2019.

¹³ Finley Y. Karngar, 'The Interplay between Traditional Knowledge and Geographical Indications: A Case Study of Liberia' World Intellectual Property Organization (2011) No. 797/10. 275 -281.

¹⁴ 'Monrovia Music: Introducing Liberia's Hipco Star Teddy Ride' (Voice of America, 16 September 2016)

and social capacities.¹⁵ Be it the *Sakpah* of Bassa or the computer mixed melodic pop of Liberian artists, Liberia's diverse music scene is making its presence across the continent and around the world owing to the advent of the information technology age. Although the music voice is expending both on the stage and behind the scenes, Liberian artists are finding it hard to transform music into wealth. Some musicians blamed it on the lack of strategy and non-recognition of music as a long-term investment and knowledge.¹⁶

B. LEGAL BASIS FOR MUSIC PROTECTION

Knowledge is said to be an awareness or understanding of a fact or circumstance: a state of mind in which a person has no substantial doubt about the existence of a fact.¹⁷ Thus, local knowledge and research about the music sector is key to appreciate existing safeguards in form of legal principles, practices, regulations, rules, statutes and customs along with legal aspects in other areas of entertainment industry, which include television, internet and performance. Music is a soft property.¹⁸ Everyone is to protect his or her property. As a soft property, music is affected by complex legal theories, which ranges from copyrights, trademarks and licenses; to recording, publishing and distribution agreements – from contract negotiation to recording.

To date, Liberia does not have a music policy that speaks to the existence of piracy, training and support. Without a policy, Liberian musicians seem to have little or no hope and confidence in the institutions dealing with the protection and

enforcement of music law and practice; especially when music rights holders fearlessly demand the Liberia Intellectual Property Office (LIPO) to protect their private rights. In many respects, Liberian musicians are not knowledgeable of the legal regime of copyrights protection and other original work of authorship. While the principle of 'automatic protection' is provided in Berne Convention to which Liberia is a signatory,¹⁹ registration of music is mandatory under Liberia IP law; i.e. a music registers for a copyright is protected for 50 years after owner's death. For example, if the composer of a copyrighted piece dies in 2020, the moral and economic rights of the music will continue until 2070. If the work has multiple composers, protection extends 50 years beyond the death of the longest-living composer.²⁰

Most music safeguards and its related-entertainment law falls into two broad categories of legal practice: 1) litigation and 2) transaction.²¹ First, litigation is the process of prosecuting a lawsuit.²² It involves the law of IP consisting of copyrights, trademarks, trade secrets, libels and slanders, traditional expressions, and the right to privacy.²³ It includes parties who may be jointly, or severally represented, making it complex. However, what constitutes complex litigation is matter of dispute. Put differently, there may not be an easy definition of complex litigation. The writer says if he sees a complex litigation, he will know it being a practicing lawyer for over 15 years. Matters such as the ongoing copyright infringement against the Lone Star Communications Company²⁴ (Lone Star) and the double issuance of patent franchise in *Bar Trading, Inc. vs SK Enterprises* decided by the Liberia Commercial Court

<<https://blogs.voanews.com/music-time-in-africa/2016/09/16/ebola-today-introducing-liberias-hipco-star-teddy-ride/>> accessed 7 May 2020.

¹⁵ 'About Liberia and its Challenges' (The Agape National Academy of Music, 20 January 2017) <<https://www.anamliberia.org/history-of-anam/>> accessed 12 May 2019.

¹⁶ Phoebe Parke, 'How to make it in Africa's Music Industry' (Africa Start-up CNN, 4 May 2016).

<<https://edition.cnn.com/2016/05/04/africa/african-music-twitter/index.html>> accessed 13 March 2019.

¹⁷ Thomson West, *Black's Law Dictionary* (2004) (Standard 8th ed).

¹⁸ Liberia Intellectual Property Act 2016, art 9.1.b (iv).

¹⁹ Berne Convention for the Protection of Literary and Artistic Works (adopted 9 September 1886, entered into force 5 December 1887) 828 U.N.T.S. 221, art 5(2).

²⁰ Liberia Intellectual Property Act 2016, art 9.20 (b).

²¹ Transaction refers to procedure laws relating to business organizations, commercial transaction such as contracts, royalties, licensing, partnership, corporation, labour, tax, transfer, refugees and international law.

²² Black's Law (n 17).

²³ Constitution of Liberia, art 15(e).

²⁴ *Peter Joma v LoneStar Communications et al*, Liberia 6th Judicial Circuit Court (Montserrado 2017 – present).

in 2018 awaiting final argument at the Supreme Court of Liberia are complex.

In the case against Lone Star, *Peter Joma* (plaintiff) songs are used as Ringback Tones without his knowledge on the Lone Star mobile network. Ringback Tones are played by mobile carrier network to their callers: it is the ringing sounds one hears while trying to connect to someone. Plaintiff claims wrong-doing by Lone Star. Lone Star contends the placement of Plaintiff's songs among others Ringback Tones 'promotes' and 'enhances' the familiarity of plaintiff's property because plaintiff is new to the music industry, and the minimal amount charge its customers for playing the songs covers administrative handling for the promotion of plaintiff's songs on Lone Star mobile network; thus, plaintiff should be excited. Plaintiff rejects Lone Star's assertion and seeks injunction, damages for desecration of his moral and economic rights to his property for Five Million United States Dollars (US\$5m). The court is scheduled to rule after Covid-19 is declared over by the World Health Organization.

Between 2015 and 2016, Bar Trading, Inc. (plaintiff) registered Rum Popo Drink – a non-alcoholic Belize beverage – in Liberia – as an exclusive franchisor by the Liberia Intellectual Property Office. While Bar franchise is in forced, *SK Enterprises* (defendant) obtained another franchise for Rum Popo Drink from the LIPO. From this action of the LIPO and *SK Enterprises*, Plaintiff claims deliberate franchise infringement, injunction, misappropriation and damages of his economic and moral rights. Defendant demurs and contends plaintiff fails to inform defendant of his rights administratively before suing. The lower court found for defendant on the administrative notification breached by

plaintiff. Plaintiff rejects the holding of lower court and seeks review of the matter before the Supreme Court of Liberia. Like the *Peter Joma* case, the Supreme Court is scheduled to rule after Covid-19 by appropriate health authorities. In other words, there is not a specified threshold in determining complex litigation.²⁵

Music law goes beyond performers and songwriters, also recording companies, distributors and live performance events or online websites. Actors within the sector are expected to be knowledgeable of music laws, norms and policies, which does not seem the case in Liberia today. While the legal maxim *ignorantia juris non excusat* (ignorance of the law excuses no one) is considered in Liberia at least on paper, its applicability is challenged by several reasons. For example, Liberia has an illiterate rate of 52.4%,²⁶ there is endemic corruption by successive administrations crowned in poor governance.²⁷ Despite this, law is self-prevailing.

Music industry actors are regulated (like everyone), and protected by law, although there is report of ignorance actors. In the *Peter Joma* ongoing copyright infringement suit mentioned supra, the defense claims ignorance of the law. Notwithstanding, the plea of ignorance is not a defence in Liberia.²⁸ 'For if such pleas are allowed by law..., no one would be tried, said the Harris court.²⁹

Second, Intellectual property (IP) transactional matters deal with non-disclosure agreements, licenses, meeting notes, communications, share purchase, training, etc.³⁰ To succeed at this level, IP owners need attorney's representation to minimize the chance for litigation and ensure proper documentary trace is available for ongoing and future

²⁵ Black's Law (n 17).

²⁶ Liberia-Adult (15+) literacy rate (Kneoema, 2018) <<https://kneoema.com/atlas/Liberia/topics/Education/Literacy/Adult-literacy-rate>> accessed 3 October, 2019.

²⁷ 'A Country on Edge: Liberia's Economic Crisis and Corruption Could Lead to Violence' (The Economist, Gbarnga, 10 August 2019) <<https://www.economist.com/middle-east-and-africa/2019/08/10/liberias-economic-crisis-and-corruption-could-lead-to-violence>> accessed 11 August 2019.

²⁸ *In re Contempt Proceedings against Sieh (Front Page)*, Supreme Court of Liberia (Montserrado 2011).

²⁹ *Harris v RL*, 1 Liberia Law Report 39 (Montserrado 1867) <<http://www.liberlii.org/cgi-bin/disp.pl/lr/cases/LRSC/1867/1.html?stem=0&synonyms=0&query=1867>> accessed 12 May, 2019.

³⁰ 'Transactional Matters' (Caesar Rivise, 2019) <www.caesar.law/practices/transactional-matters/> accessed 1 December 2019.

decision making; that is, IP transaction relies upon prevailing norms, culture practice, as well public policy.

One of the means to obtain knowledge of music law is to request legal assistance, particularly of attorneys trained in intellectual property (IP). IP attorneys received legal training in music law, and if they are requested, they can provide appropriate counselling because artists and other actors working in the sector faces complicated legal issues regularly. But it is equally challenging to secure help of IP attorneys when they are very limited in Liberia. In fact, it was 2010 that an IP course was included on the University of Liberia Law School curriculum.³¹ Moreover, IP is taught for a semester. While this seems a noticeable step for the music industry, the current legal and administrative infrastructure needs modernization and enhancement. Although IP development is mentioned as a thematic issue in Liberia Agenda for Transformation (Aft),³² the Liberia 2018 development agenda does not mention IP.³³ Of course, this is a concern for IP stakeholders.

3. STAKEHOLDERS

While music brings joy to society overtime, there are different stakeholders. To date, stakeholders of music may be broadly described as provider, user, collective society and internet platform.

A. PROVIDER

Provider of music includes lyric developer, artist, performer, mainstreamer, collective organization, artificial intelligence, etc. While there are different descriptions and somewhat different roles and responsibilities for individual providers, they enjoy the bundle of rights (right to exclude, include, distribute and transfer).³⁴ Even though there are legal safeguards for the bundle of rights, some categories of rights

are threatened by the advent of digital technology, to include artificial intelligence. Currently, Liberia music law is human centric, but artificial intelligence is capable of producing music.³⁵ In contrast, the current legal safeguard does not recognize artificial intelligence ownership of music. As an illustration, Liberia IP law describes 'collective work' as a creation by two or more natural persons.³⁶ On the other hand, 'computer program' is described as any form of digital manipulation capable of achieving a particular task or result. Albeit, computer-generated works cannot be owned by non-natural or legal persons in Liberia.

The truth is many music providers rely heavily on 'computer devices' to help generate and manipulate sounds mix for music creation. In addition to using technology to create music, music is widely disseminated nowadays with the help of technological tools such as the internet. The popular 'TonesLiberia.com', used by many Liberians to share music, is a digital platform generating and distributing music online through a computer device. Of course, some of them used 'Youtube.com' to share music contents to a larger audience other than Liberian. Although this is promising, the IP law ignores artificial intelligence ownership of music.

B. USER

The history of music users is full of twists and turns. Users may consider music as one of the means of cultural expression, preservation and promoter of human civilization. Users of musical products range from karaoke, dance instruction institution, fitness club, culture center, to places of entertainment, music class, video game, background music, dancer, and religious center. For example, at the Sha Bar is Sinkor Monrovia, one customer indicates he visits the center due 'to the standard of music selected and played by the Bar.' In other words, consumers look for high-quality music that

³¹ 'Louis Arthur Grimes School of Law Course' (University of Liberia, 2019) <<https://www.lagsl.edu.lr/courses-by-type/#1490885799135-acb5a931-f915>> accessed 12 May 2019.

³² *Agenda for Transformation: Steps Towards Liberia Rising 2030* (Ministry of Finance & Development Planning, Republic of Liberia 2010) Monrovia 64 - 85.

³³ Liberia Pro Poor Agenda for Prosperity and Development (Ministry of Finance & Development Planning, Republic of Liberia 2018) Monrovia 68.

³⁴ Liberia Intellectual Property Act 2016, art 9.2(c)

³⁵ *ibid*, art 3.

³⁶ *ibid*, art 3.

support their listening pleasure based on the message and environment of the song. While this seems accurate for contemporary Liberian, some select songs not due to the location in which they are played, but for the message of the song. A new song, 'Photo,' has attracted the attention of many Liberian, going across ages and professional life, because it speaks to the conscience of the society³⁷ and discusses the problems in the music industry. The line, 'I posed for the photo but I can't see myself in the photo' is the key message drawing attention that has different meanings to different audiences. According to the song owners,³⁸ 'dissatisfaction and disenchantment [of the Liberia music industry] triggers the writing of the song ..., photo.'

For users and providers to mutually benefit from musical products, collective management organization or collective society's doctrine are useful. According to the International Confederation of Societies of Authors and Composers, collective management organization is inspired by the work of Pierre Beaumarchais in France in 1777. But the first music collective society was established in 1851 when the French Society of Authors, Composers and Music Publishers was established to administer performance rights in musical work. This was done 37 years before the Berne Convention for the Protection of Literary and Artistic Work in 1886.

C. COLLECTIVE MANAGEMENT SOCIETY

Collective society may be non-profit or for-profit limited liability company. Collective society manages musical owners' rights, through licensing, collection of royalties and enforcement of rights.³⁹ While these are the goals of collective societies, one of Liberia's oldest music collective societies, the Musicians' Union of Liberia (MULIB), established in the 1970s, has suffered from internal governance to include overstay of elected officials, inability to manage its affairs and lack of support. To enhance operations, on 6 February 2019, a new leadership was installed. The new leadership of MULIB promised improvement in the conditions of right holders by: 1) working with the intellectual property regulatory regime (the Liberia Intellectual Property Office (LIPO)) to improve the welfare of musicians and 2) training of members in music business processes.⁴⁰

Other than the Musicians' Union of Liberia, there are other collective societies such as the Movies Union of Liberia and the Gospel Artists Association of Liberia and others. While these are great efforts to ensure respect for rights holders, particularly artists' economic, social and culture rights, it poses problems as well. Often, economic rights of IP is associated with monetary reward for musical products, while culture rights to music is measured in term of means in which traditional culture is expressed.⁴¹ The social function of private law, IP rights, regulates relationship between individual within society.⁴² More recently, it has been even

³⁷ Alpha Daffae Senkpeni, 'Trending Liberian Song, "Photo", Draws Multiple Socio-Political Interpretations' (Front Page Africa, 8 October 2019)

<<https://frontpageafricaonline.com/entertainment/trending-liberian-song-photo-draws-multiple-socio-political-interpretations/>> accessed 30 October 2019.

³⁸ Jonathan Koffa (alias Takun J), and Walter K. Wilson (alias Colorful) owned the song 'Photo.' Colorful birthed the lyric of the song.

³⁹ 'What is a Collecting Society?' (Arts Law Center of Australia, 2 January 2020) <<https://www.artslaw.com.au/information-sheet/copyright-collecting-societies/>> accessed 18 May 2020.

⁴⁰ 'Liberian Music Union Elects New Leader' (Music Africa, 6 February 2019)

<<https://www.musicinafrica.net/magazine/liberian-music-union-elects-new-leader>> accessed 18 May 2020.

⁴¹ Liberia Intellectual Property Act 2016, art 3.1.

⁴² Christophe Geiger, 'The Social Function of Intellectual Property Rights, or How Ethics can influence the Shape and Use of IP Law', Max Planck Institution for Intellectual Property and Competition Law Research Paper No. 13-06 (March, 2013)

<https://www.researchgate.net/publication/254965496_The_Social_Function_of_Intellectual_Property_Rights_or_How_Ethics_can_Influence_the_Shape_and_Use_of_IP_Law> accessed 18 May 2020.

argued that 'while property rights are obviously civil rights in that they are involved in the organization of the relationships between individuals, they are also social rights.'⁴³

Because collective societies manage multiplicities of their members' interests, it is important for collective societies along with their members to be aware of the individual rights and institutional responsibilities. i.e. If right holders are knowledgeable of their rights, they will rightfully bargain with record labels and consumers. Artists anticipate institutions with the mandate to establish collective societies⁴⁴ to train them. Howbeit, institutions responsible for managing Liberia's copyright law, seem to be interested in collective management organization compliance with the copyright law on registration. Thus, leading to the existence of a conspiracy theory⁴⁵ on the management and enforcement of IP rights in Liberia. However, there is a need to dig deeper into this tension. According to the Musicians' Union of Liberia's constitution, only registered members are eligible to vote in the union's election. By 19 January 2017, out of 462 members, 34 members completed their due payment.⁴⁶ Albeit, 463 members voted in the 2 February 2017 election. Thus, some defeated candidates did not accept the result. They have threatened lawsuits. Despite this, the elected officials were installed on 6 February 2019 as stated previously.

During the 6 February 2019 installation of a new leadership of the Musicians' Union of Liberia, the installed president,

Sammy Gboguy, remarked that the IP law of Liberia is weak, particularly concerning the section on music and visual work.⁴⁷ And that his leadership will work with relevant entities to create a functional intellectual property regime to ensure artists' benefits from their creations.⁴⁸ While artists may consider the position of their new president as positive move, the author argues that there are other historical and social challenges confronting Liberia's music industry, to include the lack of faith and confidence in Government, corruption, and institutions. These are contributing to weakening social cohesion coupled with the years of civil conflict.⁴⁹ This means a holistic and innovative approach is necessary to identify and aggressively confront the challenges. Networking and collaboration may serve as a creative imperative in this regard. However, one may maintain that the new president had no option but to react in the ways he did. After all, most of the artists, like many Liberian, are trapped in the web of poverty.⁵⁰

According to the director of LIPO, many musicians do not register their songs. They claimed automatic protection provided at Article 5 of the Berne Convention of 1886, which says: 'the enjoyment and the exercise of these rights shall not be subject to any formality.' The truth is, the Liberia IP regime domesticates key international IP obligations to include the non-formality for copyright protection. Notwithstanding this, the Liberia IP law provides for mandatory registration of copyrighted materials, to include music at Article 9.2 of Liberia 2016 Intellectual Property Act. According to Article 9.2

⁴³ Yves Strickler, 'Les biens', Paris, PUF, (22 October 2006), No. 219.

⁴⁴ Liberia Intellectual Act 2016, arts 9.29 and 9.35.

⁴⁵ Scott A. Reid, 'Conspiracy theory' <<https://www.britannica.com/topic/conspiracy-theory>> accessed 25 May 2020.

⁴⁶ Emmanuel Kortu, 'Liberia Music Union: 34 Eligible to Vote as 430 Members are Unable to Pay Due' (CheckLiberia.com, 21 January 2017) <<http://checkliberia.com/liberia-music-union-34-eligible-to-vote-as-430-members-are-unable-to-pay-due/>> accessed 8 July 2019.

⁴⁷ In House-Nigeria, 'Liberia Music Union elects new leader' (Music in Africa, February 2019) <<https://www.musicinafrica.net/magazine/liberian-music-union-elects-new-leader>> accessed 18 October 2019.

⁴⁸ Robin Dopoe, 'Musicians Union of Liberia Gets New President' (Daily Observer, 8 February 2019) <<https://www.liberianobserver.com/news/musicians-union-of-liberia-gets-new-president/>> accessed 6 September 2019.

⁴⁹ Truth and Reconciliation Commission of Liberia, 'Volume I: Findings and Determinations' (TRC Final Report, 3 December 2009) <<http://www.trcofliberia.org/>> accessed 25 May 2020.

⁵⁰ 'Inequalities in Human Development in the 21st Century' (Human Development Report, United Nations 2019) <<https://www.brookings.edu/blog/future-development/2020/01/22/inequalities-in-human-development-in-the-21st-century/>> accessed 25 May 2020.

of LIPO Act, '[t]he application for copyright registration shall be made pursuant to regulations of the Intellectual Property Office.'

When, after examination, the Registrar of the Copyright Department, determines that in accordance with the provisions of this Part, the material deposited constitutes copyrightable subject matter and that the other legal and formal requirements of regulations of the Intellectual Property Office have been met, it shall register the claim and issue to the applicant a certificate of registration under the seal of the Intellectual Property Office. The certificate shall contain the information given in the application, together with the number and effective date of the registration.

Many Liberian artists are unaware of the work of collective society. Without awareness, music users and recording companies deal directly with artists who are easily swindled because they are not music business trained.⁵¹ Some musicians entrust the issues of contracts and royalties to music users or recording companies. While recording companies may not purpose to take advantage of artists, they draft contracts tilted in their favour. Because many musicians are unaware of music or entertainment law, they do not challenge these contracts. This was the case in 2014, according to Cilcil Griffiths, formal president of the Liberia Musicians' Union (2001 – 2019), when some members of the union were excluded from a performance contract between the Union and Cell-com, a mobile company, to perform alongside Aliaume Damala Badara (*alias* Akon) - a Senegalese-American songwriter, singer and entrepreneur.⁵² Not surprisingly, they directly negotiated with Cell-com on an unreasonable royalty to that of the performance royalty negotiated by the Union.

LIPO requires the registration of collective management society with it, which has the propensity to increase business startup cost and creates disincentives for competition for the physical and online worlds. Similar registration requirement for collective society exists in other countries. For example, Nigeria, Germany and Austrian.

According to Sammy Gray Gboguy, Musicians' Union of Liberia president, about 95 percent of Liberians get audio and audio-visual entertainment illegally.⁵³ He did not name the source of his assertion, but what remains undisputed is that musical piracy exists in Liberia, and elsewhere. Also, artists who self-record void of recording companies and publish online believe they gain more from online distributions⁵⁴, but they are in no way less tolerant of piracy. For example, TunesLiberia, an online music platform established in 2013 dealing in the collection, publication and distribution of Liberian music is sometimes accused of piracy. To resolve this allegation, TunesLiberia maintains contracts with musicians to distribute their works.⁵⁵ Because the digital market place is global, TunesLiberia informs the writer of plans to expand its online marketing platform to two leading Sierra Leoneans artists in an attempt to attract more content providers and increase consumers' preference of products on their website within West Africa. While the TunesLiberia⁵⁶ plan seems proactive owing to the closed bilateral relationship between Liberia and Sierra Leone, trust and confidence are paramount for maintaining a credible website, including names of the owner, email address, phone number and timely response to inquiries. Of course, such standards may improve the income of the website and the content providers.

D. INTERNET PLATFORM

With the astounding growth of digital music service online, including streaming, download, and sharing, the paper finds

⁵¹ Dopoe (n 48).

⁵² Amir Vera, 'Marketplace Africa: Akon created his own city in Senegal called 'Akon City'' (CNN, 14 January 2020) <<https://edition.cnn.com/travel/article/akon-city-senegal-trnd/index.html>> accessed 18 July 2020.

⁵³ Dopoe (n 48).

⁵⁴ Tunes Liberia Inc. <<https://tunesliberia.com/>> accessed 14 July 2019.

⁵⁵ *ibid.*

⁵⁶ Morten Hviid, 'Sabine Jacques, Sofia I Sanchez, Digitalisation and intermediaries in the Music Industry,' CREATE Working Paper 2017/07 (June 2017) 4-6.

it extremely important for consumers to discover music matching their preferences through online music channels.⁵⁷ While online distribution is promising, some artists have expressed concerns about benefits received from online music distribution platforms, such as streaming service. They accused major record labels of siphoning off most of the income, leaving a dribble 15-20% for artists.⁵⁸ For this reason, it is important for artists to use other means, in addition to online distribution channels, to raise income. Live concerts may help artists to reach his/her potentials, particularly popular artists. But it may take a lot of effort for new or upcoming artists with a low fan base to attract large audiences at live events. If this is the case, it will be helpful for upcoming artists to charge less for concerts. In this regard, the online platform is a friendly tool for upcoming artists to get noticed by the music industry. In other words, it may get the artists where his music can be heard as a 'discovery tool' rather than a source of income.⁵⁹ Another approach is to engage in merchandising of once album through independent events, to include designing and printing of t-shirts, badges, stickers, etc. Finally, music labels or recording companies may be used to increase income-bases for artists.

Record labels are companies that market recorded music along with music videos. They also engaged in a wide range of functions in the music industry, including new artist recruitment and development, music publishing, and copyright enforcement.⁶⁰ Yet, record labels are criticized for ripping artists off in complicated contracts as stated supra⁶¹

⁵⁷ Dani Deahl, 'Music revenue saw big growth last year, thanks to a jump in paid streaming subscribers' (Recording Industry Association of America, 26 February 2020) <<https://www.theverge.com/2020/2/26/21154504/riaa-report-paid-subscriptions-93-percent-streaming-revenue-growth-2019>> accessed 30 May 2020.

⁵⁸ Simon Holland, *Artificial Intelligence, Education and Music: The Use of Artificial Intelligence to Encourage and Facilitate Music Composition by Novices* (Open University, Blethley, Buck, England, 1989) 30 – 38.

⁵⁹ David Byrne, 'The Internet will Suck All Creative Content Out of the World' (The Guardian, 11 October 2013) <<https://www.theguardian.com/music/2013/oct/11/david-byrne-internet-content-world>> accessed 28 May 2020.

Nonetheless the debate for record labels and internet distribution channels, such as YouTube and ToneLiberia.com, appears the non-human music composition possibilities through Artificial Intelligence (AI) technologies.⁶²

AI is often thought of in areas where humans can easily be replaced, including high-level computation, manual labour, or data-driven optimization. Yet, there is an emerging potential for AI in the creative industries, such as musical composition. One of the leaders in the field of AI music is Aiva Technologies (Avia), founded in Luxembourg and London by Pierre Baurreau and others.⁶³

Avia (Artificial Intelligence Virtual Artist) is taught to compose classical music – an emotional art which is usually considered to be a unique human quality. Thus, Avia's first album Genesis, is the first AI registered as a composer under the France and Luxembourg authors' right society (SACEM), where all of its works reside with a copyright to its own name.⁶⁴ It composed Genesis compose through deep machine learning technology, maximizing its 'cumulative reward.' Artists hearing the news that code (Algorithm) is capable of producing music is 'freaky.' It is unnerving to think that an algorithm, as a distinctly human, can make a not-terrible song and pleasant for consumption. Arguably, such a possibility raises a number of legal and ethical questions for the music industry, such as: if AI is good enough to make jingly elevator music like the Avia, album Genesis; how long until it can create a number of other hit songs. In addition, what does it mean for human

⁶⁰ Heather McDonald, 'The Record Label's Role in the Music Industry' (The Balance Careers, 28 October 2019) <<https://www.thebalancecareers.com/what-is-a-record-label-2460614>> accessed 30 May 2020.

⁶¹ Kieron Donoghue, 'Record Labels are Still Ripping off Artists...and Getting Away with it' (here.org.uk, 10 October 2019) <<http://here.org.uk/2019/10/10/record-labels-are-still-ripping-off-artists-and-getting-away-with-it/>> accessed 30 May 2020.

⁶² Bartu Kaleagasi, 'A New AI Can Write Music as Well as a Human Composer, The Future of Art Hangs in the Balance' (9 March 2017) <<https://futurism.com/a-new-ai-can-write-music-as-well-as-a-human-composer>> accessed 30 May 2020.

⁶³ *ibid.*

⁶⁴ *ibid.*

musicians? These questions are beyond this essay. However, there are other AI-based programs and applications used for teaching and creating music, including Anglo Tunes, MXX (Mashtraxx Ltd.), Orb Composer, and OrchExtra,⁶⁵ which should concern the music industry of Liberia.

4. CHALLENGES AND OPPORTUNITIES

Liberia Music Industry continues to recover from years of inactivity. While there were music labels⁶⁶ before the 1980s, little is known of their actual operations, especially given urban dance music of the past reflected Americo-Liberians trans-Atlantic cosmopolitanism style. Americo-Liberians are the descendants of the freed African-Americans who crossed the Atlantic in the 1800s, and settled in Liberia. Consequently, the Liberia Broadcasting Corporation and other popular hangout places in Monrovia, the Liberian capital, such as the Ducor Hotel Ballroom during the 1960s, primarily entertained fans with foreign music, which negatively impacted Liberian music popularity.⁶⁷ This trend changed fast when Morris Dorley, believed to be the father of 'Afro-Liberian' music,

produced the song, 'Grand Gedeh Oh! Oh!' with the 'Sunset Boys,' a local music band. Because of Dorley's song, he became the first Liberian artist to perform at Liberia's 18th president, William VS Tubman's birthday ceremonies in 1969 and elsewhere in Africa. Thereafter, Afro-Liberian music became popular⁶⁸ through various music bands that include Tejajlu Music Group and Liberian Dreams.⁶⁹ Despite this, there is no academic program for music in Liberia, which has a devastating effect on the intellectual capacity of the nation's music industry.⁷⁰

According to Toney Karbadah,⁷¹ music revolutionary companies; i.e. multitrack recording, began the mid-1980s, using analogue technology. However, this was short-lived due to 14-year senseless-brutal civil conflict, which destroyed almost all infrastructures, killed over 250,000 people and left millions in a state of desperation. One of the noticeable outcomes of the civil war was called by the international community to stay away from Liberian products, including timber, diamond, and merchandise.⁷² In fact, some Liberians

⁶⁵ Oleksii Kharkovyna, 'Artificial Intelligence and Music: What to Expect?' (Towards Data Science, 30 July 2019)

<<https://towardsdatascience.com/artificial-intelligence-and-music-what-to-expect-f5125cfc934f>> accessed 18 November 2019.

⁶⁶ Between 1950 to early 1970s, ELWA radio recorded music, mainly gospels. This was followed by the Liberia Broadcasting Corporation, which recorded mix-music containing religious and non-religious songs. ELWA and ELBS, according to Zack Roberts – a well-known Liberian musician – recorded music using two-track sound recording framework. In addition, ABA Records (Waterside) and Morris Dolley operated two individually owned record labels besides ELWA and ELBS. Zack termed the two-track recording as Liberia music of the first-generation. From 1980 to 1990 experienced new music labels, key among them were: Amanda Records (Caldwell), Mix-Sound Records (Sinkor Oldroad), Cross Atlantic Studio (owned by Tonny Karbadah), Studio-99 (owned by Faisal Helwani's 5th Street Sinkor), BlussJay, and Hot-Line Records (owned by Tonieh Williams). Zack termed as the music labels as the second-generation of Liberia music companies, which were destroyed during the Liberia civil conflict from 1990 - 2003. Beginning 2004 – present emerges the third-generation of music companies using digital technology. These third-generation companies include, Peace Records (owned by Alex

Tewah); T-BON Studio (owned by Stone Cephas); and Disk Master (owned by Steve Twkwah).

⁶⁷ Matthew Lavoie, 'Lost Liberian 45s from the 1960s' (Voice of America, 4 March 2008) <<https://blogs.voanews.com/music-time-in-africa/2008/03/04/lost-liberian-45s-from-the-1960s/>> accessed 30 May 2020.

⁶⁸ Ribin Dopoe, 'Liberia: The Man Who Created Demand for Liberian Music' (Daily Observer, 14 June 2018) <<https://allafrica.com/stories/201806140102.html>> accessed 30 May 2020.

⁶⁹ World of Music, 'Music Learning from Band on the Wall, (2020) <<https://www.guidetotheworldofmusic.com/articles/people-and-places/sweet-liberia-pre-war-songs/>> accessed 4 June 2020.

⁷⁰ Joshua Giddings, 'Research on Liberian Music: A Historical Perspective' (2008) *Liberian Studies Journal* (the Liberian Studies Association, Inc., Vol. 33, No. 2) (Giddings) 25.

⁷¹ Tonney Karbadah is a popular Liberian musician who wrote, recorded, performed and operated the Atlantic Studio. To date, Atlantic Studio continues to operate as a consultant music firm even though its infrastructures were destroyed between 1990 – 2003.

⁷² Global Witness, 'Timber, Taylor, Soldier, Spy: How Liberia's uncontrolled resource exploitation, Charles Taylor's manipulation

were reluctant to consume local music because the lyrics of songs and instrumentals were of poor quality, therefore 'were without feeling.' This caused many Liberian music consumers to shift and increase appetite for other Anglophone Afro music artists, including Ghanaian, Nigerian, etc. for about 20 years (1989 – 2014).⁷³

All of this is fast changing with the introduction of mini recording studio infrastructure using the computer, mobile technology, and internet, with its associated file-sharing capacity. Of course, this practice is resonating fast with the young generation. With this revolution come new issues, now that the records are improving in quality, lyric, and packaging. While the news of improvement in Liberian music is encouraging, there is a need to sustain the pace of the improvement. What is scaring and a threat to the improvement is the lack of formal academic discipline of music in Liberian schools,⁷⁴ hence, there is not enough skilled personnel in the field of music today.

Despite noticeable challenges within the music industry, Liberia IP regulatory agencies seem primarily interested in the income generation aspects of their mandates to that of protection and benefit for artists. This is evidence by repeated calls recently for artists to register with IP authorities without emphasis on measures to ensure 'effective post-registration support,' as an incentive to encourage compliance. For example, the Joint Administrative Regulations of the Government of Liberia, number 8-2112-1 MOF/R/OF, deals primarily with the imposition of levy on payment of royalties

for the use of authors' artistic work, registration, licensing and certification for tax purposes.⁷⁵ Because of this, many Liberian musicians lost hope in IP agencies responsible to safeguard and protect IP rights.⁷⁶ Acknowledging the concerns of musicians, LIPO recently vowed to restore the lost hope of musicians, artists, inventors, and other IP stakeholders.

As stated already, music is one of the recognized categories of intellectual property in Liberia; however, it is important to further note that there is no IP policy⁷⁷ for music. Arguably, the lack of a music IP policy seems to contribute to the challenge of inefficacy in coordination by IP regulatory agencies with duplicative jurisdictions.⁷⁸ For instance, there is recognizable tension between the ministries of information⁷⁹ and labour,⁸⁰ two administrative agencies of the Government of Liberia, due to overlapping mandates for the registration of collective society. Overlapping jurisdiction leads to conflicting regulations that may be mitigated with a national music policy. In other words, music policy, if it exists, is essential to limit inefficient and undue burdens for compliance because it addresses pertinent issues, to include transparent procedures, regulatory synergy, and adherence as the surest ways to ensure consistent decisions.⁸¹ Because of the conflicting jurisdictions, all candidates owing to conflicting guidelines did not unanimously accept the 2nd February 2017 of Musicians' Union election results. Thus,

and the re-recruitment of combatants are threatening regional peace' (A report submitted to the UN Security Council by Global Witness 2005) <<https://reliefweb.int/report/liberia/liberia-uncontrolled-liberian-resource-exploitation-and-manipulation-charles-taylor>> accessed 30 May 2020.

⁷³ Giddings (n 70) 25.

⁷⁴ *ibid* 41.

⁷⁵ Getachew Mengistie, 'Intellectual Property Development Plan for the Republic Of Liberia' (WIPO, Geneva 2009) <<https://www.wipo.int/tad/en/activitysearchresult.jsp?bcntry=LR>> accessed 31 May 2020.

⁷⁶ Lewis S. Teh, 'LIPO Restores Artists' Hope' (The New Dawn, 11 December 2018) <<https://thenewdawnliberia.com/lipo-restores-artists-hope/>> accessed 30 May 2020.

⁷⁷ Mengistie (n 75).

⁷⁸ Todd S. Aagaard, 'Regulatory Overlap, Overlapping Legal Fields, and Statutory Discontinuities' *Virginia Environmental Law Journal* (2011) Vol. 29, No. 3, 238.

⁷⁹ Liberia Executive Law 1972, chapter 31(1)(g).

⁸⁰ Liberia Executive Law 1972, art 34.2(c).

⁸¹ Autumn Senelli, 'The Importance of Policy & Procedure' (Covercent, 20 November 2020) <<https://www.covercent.com/blog/the-importance-of-policy-procedure>> accessed 30 May 2020.

candidates who lost elections have threatened lawsuits against the process.⁸²

According to Rokenzy Smith, one of the contestants, the election has created a division between members of the union. In addition, he is concerned about the future of the association, especially given that the Ministry of Labor is responsible to register and regulate the action of union within Liberia.⁸³ At such, he believes it is mutually beneficial for IP regulators and artists to work in tedium, though with varying objectives, for the growth of the music sector.

While there seems to be an agreement that the IP regulators and musicians are to coordinate and to create synergy as the surest way to confront challenges within the music industry,⁸⁴ there is less agreement about what the regulators should emphasize and what the musicians should do to maintain 'the right balance' between the pair. The lack of agreement between the regulators and the artists on what to emphasize for their mutual benefits contributes to the dilemma. First, regulators continual calls for registration imposes addition burden on the creative industry. Second, regulators do not advocate training and awareness to increase the limited skills-people to appreciate the rationale of artists' rights and needs. Finally, artists who register their works are often frustrated without regulators' support to extinguish redistribution of their music without permission.

5. CREATING THE RIGHT BALANCE BETWEEN STAKEHOLDERS

In a general term, it can be concluded that musicians, consumers, and regulatory entities are similar in their normative orientation toward contributing to social relations. When regulations are created, they seek to serve a broader public policy consideration.⁸⁵ IP regulators, musicians and consumers of songs, while they have different social interests,

are converged by music. Thus, to maintain music for the benefit of society, artists have to follow the norms of the music industry; so too are consumers. Yet, there should be coordination and mutual respect among regulators, musicians and consumers to ensure rules of regulators are adhered to while guaranteeing the benefits of musicians. At the lower end, the interest of the artists and consumers are intertwined. Artists want to display their talents. Consumers want high-quality lyrics. The Government wants to ensure stability in the marketplace.

From the discussion above, we are already familiar with the numerous differences between actors of the industry. To evolve a delicate balance of the differences of interest, it is necessary to consider the actors' unique positions and the point of convergence as the jumping up place to promote a criterion for justice. For example, LIPO, artists and collecting society have discussed stronger anti-piracy laws; i.e. LIPO is interested in being responsive in 'promoting economic development, efficient in utilization of resources and effective in the delivery of public services.' While musicians and consumers are themselves integral units or components of the society innovating and creating culture products and expressions, they are concerned with popularity and revenue. Cecil Griffiths found that artists need training in both use of musical instruments, business development, ethics and gender to make them relevant and competitive with counterparts in the region. While there may be exceptions, these skills will, among others, enable artists to become smatter, improve competence and morale, improve writing, and promote performance endurance. In addition, they have the propensity to reduce artists' reliance on others or on studio technicians, particularly in the face of artificial intelligence (AI) related music programs.⁸⁶

⁸² In House-Nigeria (n 47).

⁸³ Liberia Executive Law, chapter 34.2(f).

⁸⁴ Andrew Hale et al, 'Regulatory Overload: A Behavioural Analysis of Regulatory Compliance,' Mercatus Center George Mason University (2011) 4.

⁸⁵ Thomas A. Birkland, 'What is Public Policy?' (Citizen, 2011) <<https://www.civiced.org/pc-program/instructional-component/public-policy>> accessed 4 June 2020.

⁸⁶ Dan Reifsnnyder, 'Why Every Artist Should Play at Least One Instrument' (Sonicbids, 12 February 2018) <<https://blog.sonicbids.com/why-every-artist-should-play-at-least-one-instrument>> accessed 5 May 2020.

In like manner, the Liberia IP regulatory authorities have limited expertise. As noted elsewhere in this paper, there is yet to be a music academic program in Liberia. Hence, regulators need to be trained. Training is a key component for organization development. Alongside individual training for regulators and artists, there is a need for joint training of regulators and artists to improve confidence create network, not only among artists and regulators, but also for other stakeholders within the music industry, to include traditional and contemporary music labels, website platforms, and consumers. Knowledge gained from such activities may serve as confidence platforms. Furthermore, the joint training may dissuade music piracy and improve co-existence through respect, information sharing, and mutual relations among the stakeholders.

While the internet has created a new distribution channel or marketing outlet for the music industry, it should be recognized that the internet is not immune from challenges.⁸⁷ Unauthorized manipulation, sharing of work and new commercial digital delivery possibilities have thus far been a disruptive technology for the music industry.⁸⁸ Despite this, the multiplicity of the online outlets gives everyone the chance to publish. Some of the websites are free while others charged some minimum fee for initial publishing of songs. Even though it is easy to publish music online, how fast can a musician (human or AI) connect with people across the world is imperative for success. Without attention and proper strategy by artists, music may get lost among millions of others on the internet. To be proactive and to ensure consumers will appreciate one online song, Liberian musicians should consider physical and digital packaging, presentation and carving of a space for their song.

6. CONCLUSIONS

Music is a way of life.⁸⁹ It enables people to share life experiences while at the same time promotes culture coherence. Its existence involves various actors; i.e. musicians, consumers and regulatory authorities. Musicians, record companies, and music consumers of Liberia are essential players of the music industry and work in tandem to maintain suitable space for expression of artists' expressions. Each of the actors is indispensable to achieving the goal of creating, expressing and using music products, either in the physical world or in online environment. But there is tension in understanding the interests and positions of each. Many Liberian musicians hold there is a need to create tighter anti-piracy intellectual property law. While the music regulatory authorities,⁹⁰ eg. LIPO, recognize the existence of piracy in the music industry, and are concerned with promoting the achievement of their mandate, the music industry is becoming more complex, particularly with the advent of the internet. In addition, LIPO lacks the technical and financial capacity to effectively carry out its mandate of enforcement of artists rights against pirates. Nonetheless, artists maintain that without a guarantee of the enforcement of their rights against infringers, they will not register with the regulators. While this is ongoing, consumers, on the other hand, are interested in high-quality music from the industry to connect with others and to share common emotions. The resulting dilemma for the Liberian music industry may be mitigated through evolving a dedicated balance, considering and respecting the views of all stakeholders – musician, record label, collective society, and consumer.

⁸⁷ 'What are the Main Challenges Music Marketers are Facing on the Internet in 2018?' (MusicEntrepreneurHQ, 25 September 2014) <<http://www.musicentrepreneurhq.com/main-challenges-music-marketers-facing-internet/>> accessed 28 October 2019.

⁸⁸ There are hundreds of African music blogs and website on the internet, including: SA Hip Hop Mag (South Africa), Notjustok (Nigeria), Ghana Music (Ghana), NaijaVibes (Niger), The Music of

Africa (San Francisco, CA), Pan African Music (Africa), AfroFire (Zambia) and TunesLiberia.com.

⁸⁹ Fisher (n 1).

⁹⁰ Brian Duignan, 'Regulatory Agency' (Encyclopedia Britannica, 2019) <<https://www.britannica.com/topic/regulatory-ageancy>> accessed 4 November 2019.

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9. WTO TRIPS AGREEMENT: A HINDRANCE TO THE ECONOMIC DEVELOPMENT OF LEAST DEVELOPED COUNTRIES? THE CASE OF MALAWI AND RWANDA

Misheck Banda*

ABSTRACT

The Agreement on Trade-Related Aspects of Intellectual Property (TRIPS Agreement) is a brainchild of the World Trade Organization (WTO), an organization established in 1995 as an outcome of the Uruguay Round of trade negotiations, which took place from 1986 to 1994, within the framework of the General Agreement on Tariffs and Trade (GATT). Many studies have been conducted on the socio-economic benefits of the TRIPS Agreement for developing countries such as those sanctioned by the Organization for Economic Co-operation and Development (OECD), the World Intellectual Property Organization (WIPO) and the European Union Intellectual Property Office (EUIPO). However, little attention has been paid to the plight of Least Developed Countries (LDCs) in relation to the extent to which they are able to make use of TRIPS flexibilities to foster their economic development. While a number of scholars have touched upon the subject, much focus has been on developing countries in general, with particular interest narrowing down to countries such as China, India and Brazil. What is evidently clear though

is that LDCs keep on making requests for extension of dates by which they are expected to be fully compliant to TRIPS.

This paper highlights two arguments regarding TRIPS flexibilities and LDCs. The first is based on the observation that certain flexibilities may provide no real contribution to development insofar as they are not concretely implemented. This has been done through a review of related literature and analysis of various expert views on the same. The second is the existence of a gap among LDCs in terms of their ability to make the best use of the TRIPS flexibilities in order to sustain economic development, using Malawi and Rwanda as case studies. By doing so, the paper intends to steer more focus, debate and empirical research in this not so adequately researched area.

Keywords: *TRIPS Agreement, TRIPS flexibilities, Least Developed Countries, transition period, developing countries*

1. INTRODUCTION

Intellectual property deals with the protection of works of the human intellect. IP laws have a huge bearing on critical and often competing policy areas such as industry, health, culture, agriculture and education. IP rights are generally recognised universally as an essential policy tool for market economies.¹ While intellectual property protection at the international level is not a new phenomenon, the Agreement on Trade-Related Aspects of Intellectual Property Rights² (TRIPS

*Misheck Banda is a PhD student in the College of Law at the University Of South Africa (UNISA), working under the supervision of Professor Tana Pistorius. He was born and raised in Malawi. His determination to understand how creativity and innovation could best be used to stimulate development in Least Developed Countries (LDCs) resulted in his developing interest in Intellectual Property law. He obtained a Master's Degree in Intellectual Property from Africa University in Zimbabwe, a programme offered in partnership with the World Intellectual Property Organisation (WIPO) and the African Regional Intellectual Property Organisation (ARIPO). His Master's Degree thesis looked at 'Towards the merging of Africa's regional Intellectual Property Systems: Challenges, Opportunities and Way forward.'

Misheck currently works for Mzuzu University in Malawi as a Lecturer in Intellectual Property, where he also coordinates the

University's Technology and Innovation Support Centre (TISC). His research interests are in Intellectual Property Policies, International Intellectual Property Agreements/treaties and their impact on developing countries, Intellectual Property Management and Enforcement issues. Currently, his research is focusing on highlighting areas for possible future (re)negotiation of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) that could provide a conducive ground for the economic development of LDCs, using Malawi and Rwanda as case studies.

¹ Marianne Levin, *The Pendulum Keeps Swinging – Present Discussions on and around the TRIPS Agreement* (Edward Edgar Publishing) 3

² Agreement on Trade-Related Aspects of Intellectual Property Rights (15 April 1994) 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994)

Agreement) represented a major revolution in international intellectual property protection.³ To date, numerous studies have been done on how developing countries have used the TRIPS Agreement to advance their economic development goals. However, little effort has been made to extend such studies to Least Developed Countries (LDCs), probably due to the widespread assumption that LDCs generally lack necessary resources to implement a working IPR system comparable to those of the developing and developed world.⁴ Worth noting however is the fact that the TRIPS Agreement has within it some flexibilities that specifically target the developing world and LDCs given their unique needs,⁵ including room for LDCs to continue extending the transition period for compliance to the agreement. However though, such extensions do not affect LDCs right to fully utilize the flexibilities provided for in the TRIPS Agreement. The subsequent paragraphs unpack some of the TRIPS flexibilities available for LDCs, the economic perspective of strong IPR protection for LDCs, and further highlights the extent to which two LDCs, Malawi and Rwanda have taken advantage of TRIPS flexibilities in their quest to shape their respective IP landscapes.

2. TRIPS FLEXIBILITIES VERSUS ECONOMIC PERSPECTIVE OF STRONG IPR PROTECTION FOR LDCS

Observably, a number of flexibilities are provided for in the TRIPS Agreement that could be of significant economic importance for LDCs. One such flexibility is contained in article 66.1 which provides for extension of transition period specifically for LDCs.⁶ This implies, for instance, that LDCs have the chance to use this transition period in relation to

pharmaceutical patents, whereby patent rights may not be an obstacle to the supply of medicines, thereby boosting the local pharmaceutical industries.

Another flexibility contained in TRIPS is that of compulsory licensing as contained in Article 31 of the TRIPS Agreement,⁷ whereby countries are at liberty to cleverly craft grounds upon which such compulsory licences are granted under their national laws to ensure the widest use of the same to foster economic development. In the same line, the flexibility of public non-commercial use of patents gives the opportunity to use patents with an extra advantage of doing so without the requirement for prior negotiation with the patent holders, as is the case with compulsory licences.

Yet another example of flexibilities provided for in TRIPS Agreement is the possibility for parallel importation, as is implied by Article 6 of the Agreement on exhaustion of intellectual property rights.⁸ Exceptions to patent rights are another flexibility provided for in the TRIPS Agreement, whereby Article 30 does not define the scope or nature of the permissible exceptions, thereby giving countries permissible freedom in this area. Thus, LDCs could take advantage of this in their national laws by crafting them in such a way that they give room for promotion of technology transfer and prevention of abuse of intellectual property rights by foreign patent holders.

Similarly, exemptions from patentability are an implicit flexibility provided for in TRIPS Agreement, as it does not require patenting of new uses of already known products. Thus, LDCs have the chance to exclude new uses of known

[hereinafter TRIPS Agreement]

<https://www.wto.org/english/docs_e/legal_e/27-trips.pdf> accessed 12 October 2019.

³ Jerome Reichman, 'The TRIPS Agreement Comes of Age: Conflict or Cooperation with the Developing Countries' (2000) 32 (3) CWRJIL <<https://scholarlycommons.law.case.edu>> accessed 15 August 2019.

⁴ Jean Homere, 'Intellectual Property can Help Stimulate Economic Development of Least Developed Countries' (Hereinonline 2004) <<https://hereinonline.org>> accessed 12 August 2019.

⁵ Jayashree Watal and Leticia Caminero, 'Least Developed Countries, Transfer of Technology and the TRIPS Agreement' (2017) WTO Staff Working Paper 1/2018, 5 <<https://econstor.eu>> accessed 12 October 2019.

⁶ TRIPS Agreement (n 2).

⁷ TRIPS Agreement (n 2), art 31.

⁸ *ibid*, art 6

products or processes from patentability, thereby controlling the anti-competitive behaviour of patent ever greening by foreign firms. Thus, when all is said and done, LDCs ought to strike a balance between relaxing in the comfort zone provided by the extendable transition periods and taking advantage of the other flexibilities provided for in TRIPS by making their laws fully TRIPS compliant.

From the perspective of development economists, strong IP protection is hyped to be a useful key for the economic development of all countries. The TRIPS Agreement itself is touted for registering some positive impact on developing countries, especially the Newly Industrialised Countries (NICs) like Chinese Taipei, by enabling them to realize the benefits of a more robust intellectual property system. However, a number of economists also argue that the same cannot be said about LDCs who have neither the infrastructural capacity nor human capacity to adopt the existing technologies into their systems. While the expectation with the TRIPS coming into force has been that higher returns to knowledge would result into more innovation, which would in turn benefit even the developing world and LDCs, there is no credible evidence that such is indeed the case.⁹

Nevertheless, the expectation from a macroeconomic perspective is that a well-functioning IP system may be of benefit to developing countries and LDCs in that it would fast track FDI, create new jobs, promote indigenous industries and generate considerable tax revenues. In 2008, the Chief Economics commentator for the Financial Times described constraints upon developing countries (and more so LDCs) in the area of IP as 'unconscionable.'¹⁰ Notably, developing countries have shown discomfort with the strict trade policies

of non-discrimination in favour for the affirmative action that 'equal treatment of un-equals is unjust.'¹¹ Thus without flexibilities being fully utilised, there is chance that strong IPR protection could limit the economic development options of developing countries. Nevertheless, what is equally clear is that strong IP protection would lead to a boom in Foreign Direct Investment (FDI) for the poor countries, the major argument being that lack of IPRs means that investors may not be willing to conduct trade in such countries that provide no protection against counterfeiting and/or piracy.¹²

In terms of costs for implementing the TRIPS Agreement, the implementation cost for LDCs is unfathomable. The very idea of building and properly staffing intellectual property offices in poor countries constitute a palpable drain on the already scarce resources of poor countries.¹³ It is a proven fact that had it not been for full or partial funding from WIPO or other organisations, LDCs would not even have been able to send their delegations to the numerous meetings at the World Intellectual Property Organisation.¹⁴ In 2002, the World Bank estimated net losses of US\$530 million for Brazil, US\$5.1 billion for China, US\$903 million for India and US\$15.3 billion for the Republic of Korea just to administer and enforce IP reforms to undertaken to implement the TRIPS Agreement.¹⁵

Furthermore, a decade into TRIPS implementation, a research revealed that despite the increase in R&D capacity of the developing world, the developed world still controlled over ninety per cent of the technology output and received over ninety per cent of global cross border royalties and licensing fees.¹⁶ In the same year, the developing countries paid US\$17 billion in royalties and licensing fees mostly to IP rights holders in developed countries.¹⁷

⁹ R Wade, 'What Strategies are Available for Developing Countries Today? The World Trade Organisation and the Shrinking of 'Development Space' (2003) 3 <eprints.lse.ac.uk> accessed 14 August 2018.

¹⁰ C Deere, *The Implementation Game: The TRIPS Agreement and the Global Politics of Intellectual Property Reform for Developing Countries* (Oxford University Press New York, 2009) 2.

¹¹ Jacob Kol and Loet Mennes *European Trade Policies and the Developing World* (Routledge 2005) 50.

¹² D Richards, *A Skeptic's View of Intellectual Property Rights* (Edward Elgar Publishing Limited UK 2008) 272.

¹³ Reichman (n 3) 450.

¹⁴ *ibid.*

¹⁵ Deere (n 10) 10.

¹⁶ *ibid.*

¹⁷ *ibid.*

Such unforeseen imbalances being observed overtime should ordinarily be reason enough to necessitate full utilization of TRIPS flexibilities by LDCs. Observably also, there has been some growing concerns that the benefits of higher IP protection through the TRIPS has been unevenly distributed with the developed world getting the most out of the cake, despite all countries bearing the transaction costs.¹⁸ These observations rubberstamp the need for LDCs to ensure full utilisation of the TRIPS flexibilities, including continued extensions of transition period to allow for technological catch-up period.¹⁹

3. COMPLIANCE WITH INTERNATIONAL AGREEMENTS: DO LDCS REALLY UNDERSTAND TRIPS AND ITS FLEXIBILITIES?

International relations literature on accession to and compliance with international agreements outlines three approaches that seem to inform poor countries when it comes to compliance to international agreements. One approach contends that national characteristics of developing countries are the core source of variation, suggesting that this may have played a role as regards TRIPS implementation. This view looks at such issues as overall economic worth; relative weight of IP related imports and exports, technological factors and the structure of the domestic industry and the potential for cultural and creative industry as being the potential driving forces for signing an agreement.²⁰ The expectation therefore is that the wealthier developing countries should be able to offer higher IP standards, especially where they are able to export IP related goods.

A second approach focuses on the role of international power dynamics. This implies that where the force to have a treaty or an agreement signed comes from the developed nations, the capacity of the developing nation and/or LDCs to resist is in fact, compromised, due to their economic, political and intellectual dependence on the developed countries.²¹

Cambodia provides a very good example to this effect. It hastily agreed to more burdensome conditions just to join the WTO. To the contrary, Nepal, thanks to the technical assistance it received prior to going to the accession desk, was able to negotiate some relatively favourable terms.²²

The third approach looks into the possibility of nations signing agreements with little intention or capacity to enforce them, but rather as an empty promise in the hope of getting reputational rewards or economic favours from the developed world.²³ Therefore, the three scenarios should not be ruled out as possible explanation(s) as to why most of the LDCs ended up just signing the TRIPS and implementing the provisions contained therein, without fully understanding how the agreement would be of benefit to them. Notably, most LDCs have not fully utilised most flexibilities provided for in the TRIPS other than the Doha Declaration.

4. THE QUESTION OF ENFORCEABILITY OF THE SPECIAL TREATMENT FOR LDCS

Noting that implementation of the TRIPS would bring challenges for LDCs, TRIPS includes within its provisions three concessions for the developing countries and LDCs as way of taking their concerns on board. These are provision of transition periods for implementation, a legal obligation on developed countries to enhance technology transfer to LDCs and a commitment on the part of developed countries to provide technical assistance and capacity building.²⁴ This was thus as much as the LDCs and the developing countries could take. However, while the Agreement seems to balance the rights and obligations of the patent holders (mostly from the developed world) and patent users (mostly from developing countries and LDCs), in reality the agreement works in favour of the developed countries because of the difference in enforceability.

¹⁸ Reichman (n 3) 451.

¹⁹ Reichman (n 3) 451.

²⁰ Deere (n 10) 15.

²¹ *ibid* 16.

²² H Tura, 'Ethiopia's Accession to the World Trade Organisation: Lessons from Acceded Least Developed Countries' 2016 *Oromia Law Journal* 125-152, 150.

²³ Deere (n 10) 16.

²⁴ TRIPS Agreement (n 2), art 66.

Article 66.2 of the TRIPS Agreement specifically highlights what would be looked at as a moral obligation of the developed world to the LDCs: '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 create a sound and viable technology base.'²⁵ The article puts as an obligation for members of developed countries to provide incentives to enterprises and institutions in their territories for the purpose of promoting and encouraging technology transfer to least developed country members to enable them to create a sound and viable technology base.²⁶ The goal of technology transfer in the sense of the TRIPS Agreement was to lessen the technology gap between LDCs and the developed world with the aim of levelling the playing field in world trade.²⁷ However, important to note is that this article does not subject the signatory members to an obligation of result. Thus, the agreement never gives any recourse for the poor countries in case the provision of this article is not met.²⁸ Even as recent as 2018, the business climate in most LDCs is such that the much needed access to new technologies remains a major challenge despite such provisions existing in the TRIPS Agreement.²⁹ Thus, the language of Article 66.2, despite sounding positive, does not necessarily oblige the actual transfer of technology to LDCs, but rather just incentives for the transfer of technology,³⁰ and without WTO jurisprudence, several questions remain arguably open, thereby giving room for non-compliance to the developed world.³¹

On the other hand, the developing countries have a wide range of obligations regarding patentable subject matter and

enforceability of the same, and surprisingly in their case, they may be taken to the Dispute Settlement Mechanism (DSM) in the event of non-compliance.³² This kind of imbalance has forced a perception on some quarters that the DSM is there to serve the interests of the developed world, and it is no wonder that since its establishment no LDC in Africa has ever initiated a dispute as to be brought to the attention of DSM despite their inherent outcries.³³

At the moment, what is evidently being obtained by LDCs are usually incentives as tax advantages and research cooperation, training programmes and subsidies,³⁴ which, strictly speaking are but a raw deal in the absence of infrastructural capacity on the part of the LDCs. It is worth recalling that in 2001 a delegation from Zambia asked developed countries to provide empirical evidence on how they had implemented Article 66.2, and how such had led to a viable technology base for LDCs. What followed thereafter were a series of reports between 2003 and 2016 from developed country members with no such monitoring mechanism as to check whether the claimed incentives benefitting LDCs were indeed aligned with Article 66.2, or whether they were within the development interests of the said LDCs.³⁵

It is not surprising therefore that each time the set deadlines for compliance has been reached, most LDCs make requests for further extension of transition period, with the most recent being up to mid-2021 in general and January 2033 for pharmaceuticals.³⁶ The extensions of the transition period for such LDCs are not a cause for celebration but rather evidence that without taking advantage of the flexibilities the multilateral trade system is still failing for such LDCs.³⁷

²⁵ TRIPS Agreement (n 6), art 66.2.

²⁶ Watal and Caminero (n 5) 3-17.

²⁷ Tobias Stoll, *Max Planck Commentaries on World Trade Law* (Martinus Nijhoff Publishers 2009) 822.

²⁸ Wade (n 9) 622-38 17.

²⁹ *The Least Developed Countries Report 2018: Entrepreneurship for Structural Transformation* (UNCTAD, United Nations 2018).

³⁰ Stoll (n 27) 824.

³¹ Jayashree (n 5) 6.

³² TRIPS Agreement (n 6), art 64.

³³ Linimose Anyiwe and Eghosa Ekhator, 'Developing Countries and the WTO Dispute Resolution System' (2013) JSDLP 138.

³⁴ Stoll (n 27) 824.

³⁵ Watal and Caminero (n 5) 3-17.

³⁶ *ibid.*

³⁷ K Kennedy, 'The 2005 TRIPS Extension for the Least Developed Countries: A Failure of the Single Undertaking Approach?' 2006 *The International Lawyer* 683-700, 685.

5. UTILIZING COMPULSORY LICENSING: TRIPS AND PUBLIC HEALTH IN LDCS

In the eyes of the general public in LDCs, including those who take no interest in IP matters, TRIPS has very much been identified with pharmaceutical patents.³⁸ It was a worrying factor for LDCs that TRIPS implementation would put an end to acquiring essential medicines at affordable prices.³⁹ It was only in 2001 that the Doha Declaration acknowledged the gravity of the health problem in LDCs⁴⁰. The Doha Declaration is widely understood as an assurance of continued access to essential drugs on the part of the poorest countries, and almost all LDCs have benefitted from it. The Doha Declaration was therefore a huge humanitarian relief for poor countries and indeed it has been explored by the LDCs, since the challenges being faced by LDCs put them in a class of their own. For instance, diseases such as HIV/AIDS continue to be a major factor hindering their development, destroying lives, economies and governments.⁴¹ As an example, in 2011, an estimated 9.7 Million people in LDCs were living with HIV, while cancer incidence is expected to rise by 82% from 2008 to 2030.⁴² There are reported cases in Sub-Saharan Africa where AIDS has wiped out entire communities and families.⁴³ Thus the opportunity for compulsory licences in indeed such public health emergencies is a huge flexibility and a major consideration that the TRIPS Agreement provides for LDCs

6. THE RWANDA CASE

As a general observation, economic performance in post-colonial Africa has not been impressive, in spite of immense

mineral resources and foreign aid. However, Rwanda provides a very good example to the contrary. Rwanda as a country is widely touted as being one of the five fastest growing economies in Africa, the others being Botswana, Ethiopia, Uganda and Mauritius.⁴⁴ The country boasts an economic growth averaging 8% since 2001, having registered a massive reduction in poverty levels and being among the very few African countries to have achieved the United Nations' Millennium Development Goals (MDGs).⁴⁵ In terms of the global income rankings, Rwanda improved from being the seventh poorest country in 2000 to the twentieth poorest country in 2015.⁴⁶ The November 2018 letter of intent by the Rwandan Government to the IMF highlights a rosy picture of the macro-economic performance of Rwanda for the year 2018 and projects the same to be case in the year 2019.⁴⁷

Rwanda is arguably one African country that has taken bold and positive strides to use IP to foster its economic development. Rwanda had its first national IP Policy in 2009, which was revised in 2018. The 2009 version of the policy focused more on being defensive than offensive in terms of IP protection. For instance, as regards patents, the 2009 Intellectual Property policy noted that the since Rwanda had a low record of patent filings, special focus was put on exceptions to patent law, including the exclusion of pharmaceuticals from patenting, as provided for in the TRIPS.⁴⁸ Thus, Rwanda, noticing her low innovative output put much focus on the flexibilities provided for in the TRIPS. However, having signed the Harare protocol on patents and designs, and having attracted FDI in the manufacturing

³⁸ Levin (n 1) 20.

³⁹ Reichman (n 3) 450.

⁴⁰ C Correa, 'The TRIPS Agreement and Developing Countries' <<https://www.researchgate.net/publication/227107105>> accessed 22 September 2018, 5.

⁴¹ Wade (n 9) 622-38.

⁴² UNAIDS The Challenge of Access (UNDP 2013) 2.

⁴³ OS Sibanda, 'Comparative Analysis of Access to Patented HIV/AIDS Pharmaceutical Medicines through the Canadian and EU TRIPS Flexibilities Measures: Are they Efficacious or overly Burdensome

and Ineffective Measures?' 2012 PER / PER/Potchefstroom Electronic Law Journal PELJ 521-569, 521.

⁴⁴ George Ayittey, 'The Non-sustainability of Rwanda's Economic Miracle' (JMS 2017) 90.

⁴⁵ *ibid* 88.

⁴⁶ 'Rwanda Economic Update: Sustaining Growth by Building on Emerging Export Opportunities' (World Bank, 2017) 3.

⁴⁷ Ndagijimana Uzziel and John Rwangombwa, 'Rwanda Letter of Intent, Memorandum of Economic Policies, and Technical Memorandum of Understanding' (IMF 2018) 2.

⁴⁸ Rwanda IP Policy 2009.

industry, there emerged the need to have the Intellectual Property legislation reviewed.

In terms of making use of TRIPS flexibilities, Rwanda was the actually the first African country to make use of Article 31bis of the TRIPS Agreement. The article was a permanent amendment to the TRIPS, following the Doha Declaration and a subsequent General Council decision. Article 31bis partly waives article 31(f) for LDCs, allowing them to use compulsory licensing for public health reasons through importation of the drugs from other countries.⁴⁹ This amendment came into effect in January 2017. However, the story of Rwanda wanting to make use of this provision is unique in the sense that as early as 2007, that was even before the amendment had been officially incorporated into the TRIPS, Rwanda pushed through to make use of it regarding an AIDS drug.

After negotiations between Rwanda and the patent holder to obtain a contractual license had failed, a pharmaceutical company, Apotex, was authorized by the Canadian government to produce a generic version of the drug to treat AIDS.⁵⁰ This speaks volumes for the steadfastness of Rwanda in making use of any such opportunities that the TRIPS Agreement avail for LDCs. As regards pharmaceutical patents, and pursuant to the Doha Declaration on TRIPS and Public Health in 2001, the position of Rwanda had always been that of excluding pharmaceutical products from patent protection. This position was actually explicitly reflected in the Rwandan patent law of 2009.

The 2018 revised IP policy therefore sought to adjust the 2009 policy to all such new developments. For instance, realizing that Rwanda as a country has shown huge potential to attract foreign investors over the past decade or so, the 2018 version of the IP policy points out the need to review the patent legislation to make it such that it has the capability to woo foreign investors, who would only be attracted if there is a right balance between their needs as right holders and the consumers. Furthermore, in a deliberate move to promote

the local innovative base, the policy reforms with respect to utility models in the 2018 version of the policy has included the need to empower IP offices so that they are able to process utility model applications.⁵¹

However, in as much as there has been increasing attraction of FDI especially in the manufacturing industry since 2009, the 2018 version of the IP policy, noting that Rwanda as an LDC still stands to benefit from the flexibilities offered by the TRIPS Agreement in the patent regime, continues to propose that pharmaceutical patents and new medical uses of known substances remain to be part of the exceptions to patentability. This is another visible way in which Rwanda continues to use the TRIPS flexibilities to her advantage.

In addition, Rwanda's IP regime recognizes international exhaustion of IP rights, in a clear move to allow for parallel importation of generic medicines that might have been produced under compulsory license in other countries. Furthermore, utilizing the provision under Article 31 of the TRIPS Agreement, the 2019 version of the Rwanda IP policy recommends that Rwanda put in place a system that allows for the granting of compulsory licenses in specific circumstances. The IP reforms put forward in the revised national IP Policy of 2018 are summarized in Table 1 below.

⁴⁹ Vitor Fildago, 'Article 31bis of TRIPS: How can African Countries Benefit from this Arrangement?' <<https://lexology.com>> accessed 19 April 2020.

⁵⁰ *ibid* 2.

⁵¹ Rwanda IP Policy 2018.

Table 1. Summary of reforms in the 2018 Rwanda Intellectual Property Policy

Area	Policy Reforms
Legislative framework	<ul style="list-style-type: none"> Domesticating provisions of international treaties including TRIPS Cover all categories of IP Establishment of penal provisions against offences to IPR. Takes advantage of TRIPS flexibilities to the Rwandan context. <p>Clarifies institutional responsibilities</p>
Patents	<ul style="list-style-type: none"> Revision of patent legislation with the view to attract FDI Empowerment of the new IP office with infrastructure, resources and know-how <p>Establishment of an administrative opposition.</p>
Utility models	<ul style="list-style-type: none"> Empowerment of the new IP office with infrastructure, resources and know-how Establishment of an administrative opposition procedure. Engage the IP office to create advisory service <p>Create opportunities for learning from others on innovation culture.</p>
Industrial designs	<ul style="list-style-type: none"> Accede to Locarno Agreement on international classification for industrial designs Provide for substantive examination of applications for industrial design Establish an administrative opposition procedure for the registration of IDs Empowerment of the new IP

Area	Policy Reforms
	<p>office with infrastructure, resources and know-how.</p> <ul style="list-style-type: none"> Establish an administrative opposition procedure. <p>Empower IP office to provide advisory services.</p>
Trademarks	<ul style="list-style-type: none"> Accede to the Nice Agreement International Classification as well as Banjul Protocol. Align to international standards Provide for mechanism of appeal and dispute resolution. Empowering the IP office Establish an administrative opposition procedure <p>Empower IP office</p>
Geographical Indications	<ul style="list-style-type: none"> Create appropriate legislative framework for GI Accede to the Lisbon Agreement on Appellations of origin Create awareness as regards the potential of GIs <p>Empower IP office to deal with GIs.</p>
Copyright and Related rights	<ul style="list-style-type: none"> Create appropriate legislative framework Empower IP office to deal with copyright registration Engage in efforts to create awareness. <p>Rationalize the roles of different institutions Liaise with CMOs to take advantage of systems such as WIPOCCOS</p>

7. THE MALAWI CASE

Malawi is a small land-locked country in Sub-Saharan Africa with a per capita GNI of just US\$320 in 2016, one of the lowest

in the world.⁵² The country has up to 90% of the population living in rural areas without access to portable water and electricity, engaging in small scale farming activities, subsistence and relying on rain-fed agriculture. Malawi has one of the largest population densities in sub-Saharan Africa.⁵³ Just as Rwanda, Malawi is also a member of the Africa Regional Intellectual Property Organization (ARIPO) as well as the World Intellectual Property Organization (WIPO). The country is also among the LDCs that signed the TRIPS Agreement and are currently working on harmonizing its legislation to make it TRIPS compliant, though the process has been very slow for patents, as the country is still using the 1958 Act. However, the trademarks and copyright laws are as recent as 2017 and 2016 respectively. With the Patent Act being as old as 1958, where the term of patent protection remains 16 years, there is not much that Malawi has so far done in terms of making the patent laws TRIPS compliant, or indeed making attempts to make use of TRIPS flexibilities for LDCs such as Article 31bis. This is despite the country being among the worst hit with HIV and AIDS in Sub-Saharan Africa, whereby 1 million people were recorded as living with the virus in 2018, out of a population of 18 million people.⁵⁴

Malawi ranks as one of the poorest countries on earth by some quarters. It is a unique case in that while it is not strictly speaking a fragile state, the country continues to display characteristics of a conflict affected country in as far as functionality of governance institutions is concerned.⁵⁵ A third of the country's GDP is dependent on the rain-fed agricultural sector, and as would be expected, climate-related shocks have been among the factors that have affected the country's development progress over the past decades, in addition to domestic political and governance shocks. Collectively, these shocks have contributed to economic stagnation and a low pace of poverty reduction.⁵⁶ To date, the country faces various economic challenges such as low productivity, narrow and raw export base with high reliance

on few commodities; persistent energy shortfalls and poor ICT facilities.⁵⁷

Malawi has had IP legislation since its independence through the statutes and administrative apparatus that were inherited from the former colonial power. With the exception of Copyright Act which was repealed in 2016 and the Trademarks Act which was repealed in 2017, the colonial Patents and Registered Designs Act is still in force to date. This speaks volumes as regards the out-datedness of the Patents Act. In addition, the Breeders' Rights Act of 2018 provides protection of breeders of new varieties of plants.

Malawi has a national IP policy which is as recent as 2019. The policy is linked to a number of international IP treaties to which Malawi is party including the TRIPS Agreement.⁵⁸ The policy identifies five priority areas whose implementation are said to be key to the realization of IP as a tool to transform the country's economy. These priority areas are summarized in Table 2 below:

Table 2. Policy priority areas in Malawi National IP Policy

Priority Area	Problems Identified	Strategies
Effective Institutional Framework for Modernizing Administration of IPRS	Lack of operational and financial autonomy Lack of coordination between COSOMA and DRG	<ul style="list-style-type: none"> Develop and implement the modernization plan Develop legal framework for establishment of autonomous office Develop and adopt an operational business model
Generation and Protection of IP Assets	Low output of locally generated IP	<ul style="list-style-type: none"> Provide incentives for development of IPR Mainstream

⁵² IMF Country Report for Malawi (IMF 2017).

⁵³ World Bank, 'Malawi Poverty and Vulnerability Assessment' (World Bank, December 2007).

⁵⁴ UNAIDS Statistics – Malawi <<http://unaids.org>> accessed 19 April 2020.

⁵⁵ *ibid.*

⁵⁶ IMF (n 52) 129

⁵⁷ *ibid.*

⁵⁸ National Intellectual Property Policy for Malawi 2019, 5

Priority Area	Problems Identified	Strategies	Priority Area	Problems Identified	Strategies
	High filing fees	generation of IP as a performance indicator • Promote development of institutional IP policies • Establish an innovation fund • Develop guidelines for supporting international protection of locally generated IP assets • Promote reverse engineering • Promote Traditional Knowledge (TK) & Traditional Cultural Expression (TCE) based innovations			• Create or strengthen rights holder associations
			Effective and Balanced Legal Regime for IPRs	Outdated Patent and Registered Designs legislation Patent laws not in line with TRIPS No protection for TK, EoF and TCE	• Review patent and design legislation • Implement protection of utility models • Provide for adequate and balanced enforcement procedures • Implement TRIPS, Marrakesh and other regional IP obligations • Prepare legislation and strategies for the protection and exploitation of TK, genetic resources and expressions of folklore • Enhance the capacity of IP office • Establish an inter-ministerial steering committee on IP
Effective Exploitation and Commercialization of IP Assets	R&D activities not leading into commercialization	• Develop and implement guidelines for supporting commercialization of IP • Promote establishment of innovation centres • Develop contractual and licensing guidelines • Develop and implement a strategy for IP and branding • Identify avenues for showcasing Malawi's IPR-based products • Develop a database of IPRs originating from Malawi	IP Awareness Creation and Capacity Building	Limited awareness of the value of IP	• Develop and promote a national slogan • Develop and implement awareness and outreach strategy • Mainstream IP issues in school curricula • Enhance training of IP attorneys • Introduce and strengthen teaching of IP in tertiary institutions

Priority Area	Problems Identified	Strategies
		<ul style="list-style-type: none"> Develop capacity for enforcement and dispute resolution

8. RWANDA-MALAWI COMPARISON

As can be appreciated from Tables 1 and 2, Malawi and Rwanda's IP legislations are by far not comparable. Rwanda already had a fairly modern IP legislation as early as 2009 and has over time begun considering creating a conducive environment for the increasing prospects of FDI. Malawi is battling with having to make their patent law modern and, especially to make it compliant with the TRIPS Agreement. Malawi at the moment is missing out on opportunities that arise from strong intellectual property protection such as FDI, whereas it is clear from the Rwanda case that since 2009 there has been a desire by foreign companies to establish manufacturing industries in the country. The 2009 IP policy for Rwanda was clear as to how as a country they intended to use the flexibilities provided for in the TRIPS Agreement, and it is not surprising that Rwanda was the actually the first African country to make use of article 31bis of the TRIPS Agreement, efforts of which started way earlier before the article came into force in 2017.

In the case of Rwanda, it is clear that the IP regime has taken on board the flexibilities in the TRIPS Agreement available for LDCs while at the same time mindful of the emerging IP needs that are coming as a result of the strides being made in terms of economic development, such as the need to create a conducive environment for FDI. Rwanda has made a systematic balance between benefiting from the provisions provided for by the TRIPS and the desire to have their laws TRIPS-compliant and conducive for international trade. There is a strong indication of systematically subscribing to the international standards of protection as are outlined in the TRIPS and other IP treaties that the country is party to. There is, however, evidence of slowness when it comes to implementation of the proposed reforms as it is noticeable in the case of Rwanda, that some of the provisions in the 2009 Intellectual Property Policy were actually not implemented until the policy was revised in 2018.

In the case of Malawi, there has clearly been a lack of steadiness to update the legislation and take advantage of the flexibilities provided for in the TRIPS Agreement. The innovation base is as stagnant as the patent laws, with local patent applications being at less than 1%. It is perhaps not surprising that even the focus of the national intellectual property policy for Malawi remains at the level of capacity building and awareness about IP. Yet it is clear for instance, given the HIV and AIDS statistics given about Malawi, it is clear that quite a big fraction of the country's annual national budget is directed towards the purchase of the AIDS drug. It was therefore necessary that Malawi, poor as it is, be aggressive in taking advantage of the such TRIPS flexibilities relating to access to medicines as compulsory licensing or parallel importations. With neglected patent laws dating as far back as 1958 however, the IP regime is far from exploring such available flexibilities. There is, however, a ray of hope as the process to revise the patent laws is underway, and it is hoped that the laws will be crafted in such a way as to take full advantage of the flexibilities provided for in the TRIPS. A recommendation for Malawi would therefore be that it should move steadfast with the revision process so as to create a legal environment that allows for maximum utilization of TRIPS flexibilities, borrowing a leaf from the strides registered by Rwanda.

9. CONCLUDING REMARKS

The present paper has shown how the TRIPS Agreement primarily advantages countries with a viable IP base, which is mostly the developed world as compared to developing countries and LDCs. However, the flexibilities that the TRIPS Agreement provides for the developing and LDCs can still be used by the concerned countries in a manner that could enable such countries to still benefit from being a WTO Member. Key, however, is for such countries to make a proper assessment of their development needs and potential for growth. Rwanda and Malawi provide two interesting cases where LDCs approach the TRIPS Agreement and its flexibilities differently, in setting their agenda for IP development in the respective countries, with the former making the most use of TRIPS Agreement and its flexibilities as compared to the latter. The paper also observes a gap in

terms of the obligations of developed country members to LDCs, where there is also room for improvement as regards helping out the LDCs, notably putting into practical action the provision under Article 66.2 of the TRIPS Agreement.

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10. THE INTERFACE BETWEEN INTELLECTUAL PROPERTY RIGHTS AND COMPETITION LAW: LEGAL DEVELOPMENT IN MALAYSIA

Khadijah Mohamed*

ABSTRACT

The aim of this paper is to examine the interface between competition law and intellectual property rights (IPRs) in Malaysia and assess the likely impact on Malaysia's Competition Act 2010 (the Act) that came into force in 2012. The study focuses on the newly introduced provisions of Malaysian competition law; regulation of the existing IPR system and their convergent role by taking into consideration only characteristics useful to explain their interaction in the relevant market. The discussion includes the argument that if competition law and IPRs are complementary means of promoting innovation, technical progress, and economic growth to the benefit of consumers, however, they are pursued by different instruments. The study finds that the Competition Act 2010 does not stipulate explicitly any provisions that relate to IPRs matters. However, Section 4 of the Act prohibits anti-competitive agreements, which have the object or effect of significantly distorting competition in the market and Section 10 of the Act prohibits abuse of dominant position, which may also cover practices concerning IPRs. Thus, a balance between the need to protect IPRs and the need to promote freedom of competition must be maintained. In preserving the monopoly resulting from the exclusive IPRs, the study suggests that durations of some IPRs such as patents or industrial design should be reviewed as to

whether they need to be shortened, or whether certain conditions need to be attached before the period of protection can be extended.

Keywords: *abuse of dominant position, anti-competitive agreements, intellectual property rights and competition law interface, legal development, monopoly*

1. INTRODUCTION

Competition law has received phenomenal attention in recent years. The field experienced a geographical expansion particularly in developing countries as a result of economic transformation which rank competition law very high on their national agenda.¹ The main objective of competition laws is to foster free and fair competition amongst companies and to protect consumers from unfair business practices.

To date, there are more than 120 countries² in the world with competition laws with the most developed and advanced legislations found in the European Union (EU) and the United States (US). Malaysia has introduced competition laws of its own with the enactment of the Competition Act 2010 (CA 2010) which came into force on 1 January 2012. The main thrust of this Act is to promote a competitive market environment and provide a level playing field for all players in the market.³

The urgency to implement such an Act was due to multiple reasons, the most important is to promote and encourage foreign direct investments (FDI) into the country. The government realised that FDI had declined because of

* Dr. Khadijah Mohamed is currently an Associate Professor at the School of Law, Universiti Utara Malaysia. She obtained her LL.B (Hons) and LL.M degrees from Universiti Kebangsaan Malaysia and her PhD in Law and Postgraduate Certificate in Research Training from Newcastle University, United Kingdom. She also qualified as an Advocate & Solicitor (High Court of Malaya) (currently non-practising). She teaches legal research methodology, intellectual property law, employment law as well as ethics, law and CSR both at undergraduate and postgraduate programmes.

¹ Maher M. Dabbah, *International and Comparative Competition Law* (Cambridge University Press 2010) 275; Carlos M. Correa,

'Intellectual Property and Competition Law – Exploring Some Issues of Relevance to Developing Countries' (2007), International Centre for Trade and Sustainable Development (ICTSD) Series: 21, 1
<https://dphu.org/uploads/attachements/books/books_4058_0.pdf> accessed 27 May 2019.

² Roger J. Van den Bergh, *Comparative Competition Law and Economics* (Edward Elgar Publishing Limited 2017).

³ Competition Act 2010 (Malaysia) [hereinafter CA 2010], Preamble.

previous industrial policies providing protectionism over selected sectors and giving rise to anti-competitive behaviour.⁴ The Act generally provides a comprehensive competition law at the national level that cuts across all economic sectors.

Since the rules governing competitions exist throughout the majority of industrialised world, competition laws are generally aimed at ensuring all market participants comply with the principles of free and fair competition. In all jurisdictions that have adopted such forms of competition law to date, the law however differs significantly in their domestic or regional circumstances but still share some important similarities.⁵

Nevertheless, since there is no universally accepted standard on what is competition law all about, the debate on the goals of competition law, the role it plays in an economy or society and even the discussion considering the interface between competition laws and neighbouring fields, in particular, intellectual property rights (IPRs), remains relevant.⁶ Intellectual property (IP) laws generally offer rights of exclusive use and exploitation to provide a reward to innovator, to provide an incentive to other innovators and to bring innovative information to the public that might otherwise remain as trade secrets.

In this regard, both IP and competition laws are intended to promote efficiency. There is considerable overlap in the goals of the two systems of law because both are aimed at promoting innovation and economic growth. However, the different mechanisms that each law employs to achieve this goal have sometimes been viewed as a potential source of conflicts.⁷ In order to provide guidance on how competition issues may arise from matters relating to IPRs, the Malaysian Competition Commission (MyCC), an independent body established to enforce the CA 2010, has issued the Guidelines on Intellectual Property Rights and Competition Law (MyCC IPRs Guidelines) on 5 April 2019⁸. The Guidelines which are to be read together with other MyCC guidelines, set out illustrations to explain scenarios in the context of IPRs-related dealings or conducts which may be prohibited under CA 2010.

This study therefore attempts to examine the interface between competition law and policy with IPRs in Malaysia and assess the likely impact on Malaysia's CA 2010. The legislation, which is modelled on the EU and the UK competition regimes, is beginning to generate interesting case law.⁹ As such, this paper will analyze the interface between the goals of IPRs and competition law in order to understand their relationship and how business practices related to IP may create competition-related concerns. The discussion will not cover the complex legal and economic issues involved in competition law but will focus on legal

⁴ Economic Planning Unit, Tenth Malaysia Plan 2011-2015 (Prime Minister's Department, Putrajaya, Malaysia, 2010)9, 68-69; Jeeva Arulampalam, 'The Competition Act and Anti-Profiteering Act to Change the Way Business is Conducted' *The Star* (Kuala Lumpur, 23 April 2011)..

⁵ Dabbah (n 1) 3; Correa (n 1) 1; Interaction between Regional Competition Law Systems and National Enforcement, United Nations Conference on Trade and Development (UNCTAD) (2013) <<http://unctad.org/en/Pages/DITC/CompetitionLaw?ResearchPartnership/RegionalCompetition.aspx>> accessed 12 July 2019.

⁶ Dabbah (n 1) 1.

⁷ Steven D. Anderman (ed), *The Interface between Intellectual Property Rights and Competition Policy* (Cambridge University Press 2007).

⁸ 'The MyCC Guidelines on Intellectual Property Rights and Competition Law' (Malaysia Competition Commission)

<<https://www.myc.gov.my/guidelines/the-myc-guidelines-on-intellectual-property-rights-and-competition-law>> accessed 27 May 2019.

⁹ See for example earlier decisions by the Malaysian Competition Commission (MyCC) against Cameron Highlands Floriculturist Association in 2012 (Case No: MyCC/0003/2912) and against Malaysian Airline System Berhad, AirAsia Berhad and AirAsia X Sdn. Bhd. in 2014 (Case No: MyCC.0001.2012). In recent years, those parties who were not satisfied with MyCC decisions started brought their case to the court as can be seen for instance in *My E.G. Services Berhad & Anor v Competition Commission* [2019] 1 LNS 1579, *Wealthy Care Consortium Sdn Bhd v Ketua Pegawai Eksekutif Suruhanjaya Persaingan Malaysia (MyCC) & Satu Lagi* [2019] 1 LNS 1684, *Lee Ting San Lorry Transport Sdn Bhd v Ketua Pegawai Eksekutif Suruhanjaya Persaingan Malaysia (MyCC) & Satu Lagi* [2019] 1 LNS 1600.

development in Malaysia within the scope of CA 2010 and the newly introduced of MyCC IPRs Guidelines.

2. OBJECTIVES OF IP LAW AND COMPETITION LAW

IP laws were enacted to protect the inventors of new inventions and creators of original works from the unscrupulous exploitation of their work without compensation. The objective is to enable right-holders to secure economic remuneration for their effort in creating useful products of knowledge, creativity and technology.¹⁰ Maggolino for instance stresses that IPRs derive from the universal right to 'own oneself' and the consequential universal right to 'own the fruits of one's own labor', such as intellectual goods.¹¹ As a result, these rights enable the owners to control and exclude others from using and reproducing their works. Economists claim that IPRs help to promote both long and short-term efficiency of economic growth in two ways:

- (i) By preventing others benefiting from the IPRs and allows creators to keep exclusive rewards from their work or invention will promote long-term dynamic efficiency; and

- (ii) Provides a legal mechanism for the efficient exploitation and dissemination of new ideas through licensing (which promotes short-term allocative efficiency).¹²

In many countries including Malaysia, exclusive or monopoly rights are provided for in the relevant IP law statutes. These rights are granted to enable the innovators and creators to use their invention or creation exclusively. By granting legal exclusivity to exclude others (negative rights), rather than a positive right to use the protected matters, IPRs confer to their holders the ability to exercise market powers.¹³ This acts as an incentive to stimulate others to be involved and be appreciative of innovation and creativity.¹⁴ Conversely, it is argued that, by subjecting intellectual assets to the exclusive control of the owner, they may, to a certain extent allow them to behave in an anti-competitive manner in order to maximize their returns on their intellectual products.¹⁵ It is at this stage that the conduct of IP right-holders might be of concern to competition law.

Competition law is a body of legal rules and standards, which aim to protect the process of competition: dealing with market imperfections and restoring desirable competitive conditions in the market.¹⁶ In contrast to IP law, the premise of competition law is to promote fair trade, healthy competition and ultimately consumer welfare in the market.

¹⁰ See William M. Landes and Richard A. Posner, *The Economic Structure of Intellectual Property Law* (Harvard University Press 2003).

¹¹ Mariateresa Maggolino, *Intellectual Property and Antitrust: A Comparative Economic Analysis of US and EU Law* (Edward Elgar Publishing Limited 2011) xviii.

¹² Ian R. McEwin, 'The Interoperation of Intellectual Property and Competition Law Rules and Principles' World Intellectual Property Organization Roundtable on Intellectual Property and Competition Law For Certain Asian and Pacific Member States (Singapore, 14-16 September 2011) <https://www.wipo.int/edocs/mdocs/mdocs/en/wipo_rt_ip_sin_1/1/wipo_rt_ip_sin_11_ref_rulesandprinciples.pdf> accessed 27 May 2019.

¹³ Richard F.D. Corley *et al*, 'The Interface between Competition Law and Intellectual Property Law: Present Concerns and Future Challenges Facing Industry Canada (Report)' (2006) Competition

Bureau Canada <<http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/02285.html#sec1>> accessed 27 May 2019.

¹⁴ Imaz Azmi, 'Some Thoughts on the Interface between Copyright and Competition Policy – The Malaysian Perspective' (2003) 2 Current Law Journal xvii; Khadijah Mohamed, 'Trademark Counterfeiting: Comparative Legal Analysis on Enforcement within Malaysia and the United Kingdom and at their Borders' (DPhil thesis, Newcastle University, 2012) 40 & 76.

¹⁵ See Azmi (n 14); Sumanjeet Singh, 'Intellectual Property Rights and Their Interface with Competition Policy: In Balance or in Conflict?' (Communication Policy Research South Conference, Xi'an, China, 12 December 2010)

<<https://ssrn.com/abstract=1724463>> accessed 10 June 2019; Supreet Kaur, 'Interface between Intellectual Property and Competition Law: Essential Facilities Doctrine' (4 April 2011) <<http://ssrn.com/abstract=1802450>> accessed 27 May 2019

¹⁶ Dabbah (n 1) 12-13.

Competition laws have traditionally tended to focus on the achievement of static allocative and productive efficiencies by preventing the inappropriate accumulation or exercise of market power with respect to existing products or services.

It also aims at promoting competition as a means of market response and consumer preference to ensure effective and efficient allocation of resources and to create an incentive for the economy for innovation.¹⁷ These laws are based primarily on the theory that consumers benefit by getting the best product at the lowest price through competition and that society's productive resources are best allocated and utilised by subjecting companies to the rigors of a competitive market.¹⁸

In most countries, competition laws share three main prohibitions:

- (a) Anti-competitive agreements or other coordinated activities such as an agreement between competitors, customers or suppliers that limit competition such as to use only one kind of technology;
- (b) Abuse of dominant position by monopolization or attempted monopolization such as a dominant firm with market power resulting from an IPR tying an unrelated product; and
- (c) Concentrations between companies that may substantially lessen competition (anti-competitive mergers between competing companies).

Thus, competition law in this context should not be considered as a tool for forging market structures, the initial

distribution of market opportunities, or the early allocation of incentives to compete and innovate. Instead, competition law is a means of prosecuting the behaviours of those firms that worsen the performance of the existing market, that is, those behaviours that, given the endowments of preliminary firms, prevent market's outcome that should follow from the natural interaction between demand and supply.¹⁹

3. THE RELATIONSHIP OF IPR AND COMPETITION LAW IN DEVELOPING COUNTRIES

IP protection and competition law are generally viewed at odds with each other. It is stated that monopoly rights conferred by IP poses a risk of abuse of the market power created by exclusivity tending to suppress competition, raise prices and reduce output and quality.²⁰ On the other hand, competition law seeks to avoid the abuse of such market control by IP right-holders. As such, competition authorities regulate near monopolies and commercial agreements with the aim of maintaining effective competition in the markets. This regulation occasionally results in limits being placed on the free exercise of the exclusive rights conferred by IP laws.²¹ The United Nations Conference on Trade and Development (UNCTAD) points out that competition law and policy, especially in the developing world, strives to make markets contestable, with the ultimate objective of enhancing consumer welfare.²²

Commentators claimed that there are two main concerns on how these IPRs and competition law interact in the context of developing countries. First, effective substitutes to IPR-protected products may not be readily available²³ due to either lack of legislation or because the law is still at its

¹⁷ Koyya Dhana Raju, 'Interface between Competition law and Intellectual Property Rights: A Comparative Study of the US, EU and India' (2014) 2(3) *Intel Prop Rights* 115.

¹⁸ Petronas Competition Law Guidelines, 5 <www.petronas.com.my/about-us/.../Competition-Law-Guidelines_R6.pdf> accessed 10 June 2019.

¹⁹ Maggolino (n 11) xvi.

²⁰ 'Examining the interface between the objectives of competition policy and intellectual property - Note by the UNCTAD Secretariat'

(UNCTAD, 2016)

<https://unctad.org/meetings/en/SessionalDocuments/ciclpd36_en.pdf> accessed 12 July 2019.

²¹ Anderman (n 7).

²² UNCTAD (n 20).

²³ Raju (n 17) 122; Luc Peepkorn, 'IP Licenses and Competition Rules: Striking the Right Balance' (2003) 26(4) *World Competition: Law & Economics Review* 539.

infancy²⁴ or weak implementation or absence of policies to deal with the IP-competition relationship.²⁵ Second, competition law seeks to draw a line between permissible business strategies and abuse of IPRs - a line that often blurred by horizontal agreements, exclusionary licensing restrictions, tie-in agreements, excessive exploitation of IPRs and other selling practices.²⁶

Correa contended that such challenges are particularly complex in developing countries because IPRs in most of these countries have been broadened and strengthened in the absence of an operative body of competition law. This contrasts with developed countries where the introduction of higher levels of IP protection has taken place in normative contexts that provide strong defenses against anti-competitive practices.²⁷

Taking this view into account, Gal stated that:

[...] the mere adoption of a competition law is a necessary but not sufficient condition for it to be part of market reform. Just as ecological conditions determine the ability of a flower to bloom, so do some preconditions affect the ability to apply a competition law effectively.²⁸

It is also claimed that even in developing countries where competition law exists, clear criteria or guidelines to deal with the anti-competitive acquisition and use of IPRs have not been established. Besides, enforcing agencies generally lack the financial and human resources, as well as the legal

mechanisms required for effective application of laws to correct anti-competitive distortions. This may be particularly true in situations where IPRs are involved, as enforcing agencies normally have no expertise in this area.²⁹

However, Adam and Alder suggest that authorities in developing countries may choose to adopt a stricter approach towards dominant firms which practice anti-competitive transactions.³⁰ Dominant position is explained in *United Brands Company and United Brands Continental BV v Commission of the European Communities*³¹ as:

... a position of economic strength enjoyed by the enterprise which enables it to prevent effective competition being maintained on the relevant market by giving it the power to behave to an appreciable extent independently of its competitors, customers and ultimately of its consumers.

It is argued that, due to their political institutions, developing countries often have highly concentrated markets and monopolies with at times only one or two companies offering a certain product or service and not exposing themselves to competition. Therefore, there is a danger of dominant companies taking advantage of their position by charging higher prices to inferior products and foreclosing potential competitors. Adam and Alder assert that the laws against abuse of dominance can influence the distribution of assets, power, and business opportunities. In terms of IP, they suggest that governments need to calculate carefully how much ownership they want to transfer to firms to give

²⁴ Nasarudin Abdul Rahman and Haniff Ahamat, 'Competition Law and the Malaysian Financial Sector' (2015) 172 *Procedia Social Behavioral Sciences* 74.

²⁵ Dabbah (n 1) 332; Correa (n 1) 1; Raju (n 16) 122.

²⁶ Raju (n 17) 122; Keith E. Maskus and Mohamed Lahouel, 'Competition Policy and Intellectual Property Rights in Developing Countries: Interests in Unilateral Initiatives and A WTO Agreement' (World Bank Global Conference on Developing Countries and the Millennium Round, Geneva, 20-21 September 1999).

²⁷ Correa (n 1) 1; Dabbah (n 1) 332.

²⁸ Michal S. Gal, 'The Ecology of Antitrust: Preconditions for Competition Law Enforcement in Developing Countries' (2004) New York University

Law and Economics Research Paper Series Working Paper No. 02-03, 20 <<https://ssrn.com/abstract=665181>> accessed 27 May 2019.

²⁹ Mohamed (n 14) 61; Correa (n 1) 1.

³⁰ Michael Adam and Simon Alder, 'Abuse of Dominance and Its Effects on Economic Development' in Hassan Q and George L (eds), *The Effects of Anti-Competitive Business Practices on Developing Countries and Their Development Prospects* (UNCTAD, 2008) <https://unctad.org/en/Docs/ditclp20082_en.pdf> accessed 12 July 2019.

³¹ *United Brands Company and United Brands Continental BV v Commission of the European Communities*, Case 27/76 [1978] ECR 207.

sufficient incentives to invest. It must be assessed for what sectors a monopoly should be allowed, how broad it must be, for what period it is granted, and if concessions can be renegotiated after a certain time or when circumstances have changed.³²

To date, there is yet to be any standard international guidelines or rules concerning the relationship between IPRs and competition law. However, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) specifically tackles the abuse of IP rights, which contains certain competition law provisions in Articles 8(2), 31(k), and 40. Article 8(2) of the TRIPS Agreement stipulates that, '[A]ppropriate measures, provided that they are consistent with the provisions of this Agreement, may be needed to prevent the abuse of IPRs by right-holders or the resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology.' This provision recognizes the right of a Member State to apply the exercise of IPRs to competition laws in three situations: (i) the abuse of IPRs by right holders; (ii) practices that unreasonably restrain trade; and (iii) practices that adversely affect international technology transfer.³³

Article 31(k) acknowledges that compulsory licensing may be a remedy available to correct such anti-competitive practices. It waives certain conditions in cases of compulsory licensing of patents to remedy anti-competitive practices. This Article is the only part of the TRIPS compulsory licensing rules that incorporates a waiver of the condition that compulsory licenses must be issued 'predominantly' for the supply of the

domestic market. Thus, a complainant who seeks a compulsory license under Article 8(2), to rectify abuse of a patent, will remain exempt from both the duty to negotiate and restrictions on exports, provided that some judicial or administrative authority deems the patentee's conduct anticompetitive.³⁴

Article 40 (2) of the TRIPS Agreement obviously allows developing countries to follow their own conceptions about competition law and IPRs.³⁵ This Article permits Member States to specify practices or conditions in legislation granting licensing agreements that may constitute an abuse of IPRs with adverse effects on competition in the relevant market. This is crucial to ensure the right balance between competition and the protection of IPRs. Taken together, Articles 8(2), 40(1), and 40(2) would apply to anti-competitive practices relating to all different types of IPRs covered by the TRIPS Agreement. Consequently, governments should take reasonable steps to discourage or regulate these practices.

4. OVERVIEW OF IP LAW AND COMPETITION LAW IN MALAYSIA

In majority of developing countries including Malaysia, IP law developed slightly earlier than competition law. The Malaysian IP regime for instance has in compliance with the TRIPS Agreement. Malaysia has acceded to the World Intellectual Property Organisation (WIPO), the Paris Convention for the Protection of Industrial Property, the

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 grant back conditions, conditions preventing challenges to validity and coercive package licensing, in the light of the relevant laws and regulations of that Member.'

<https://www.wto.org/english/docs_e/legal_e/27-trips.pdf> accessed 28 July 2019

³² Adam and Alder (n 30).

³³ Pedro Roffe and others, *Resource Book on TRIPS and Development* (Cambridge University Press 2005) 551.

³⁴ Haris Apostolopoulos, 'Anti-Competitive Abuse of IP Rights and Compulsory Licensing Through the International Dimension of the TRIPS Agreement and the Stockholm Proposal for its Amendment' (2007) 6 Rich. J. Global L. & Bus. 265
<<https://scholarship.richmond.edu/global/vol6/iss3/4>> accessed 12 July 2019.

³⁵ Agreement on Trade-Related Aspects of Intellectual Property Rights (15 April 1994) 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994) [hereafter TRIPS Agreement], art 40(2). 'Nothing in this Agreement

Berne Convention for the Protection of Literary and Artistic works, as well as the Patent Cooperation Treaty.

IP protection in Malaysia comprises of copyright, patents, trademarks, industrial designs, geographical indication and layout designs of integrated circuits. The list of statutes that governing these IPRs include the Copyright Act 1987, Patents Act 1983, Trademarks Act 2019 (came into force on 27 December 2019), Industrial Designs Act 1996, Geographical Indications Act 2000, and Layout-Designs of Integrated Circuits Act 2000.

Historically, Malaysia is a newly industrialized market with a relatively open economy. Since 1970s, Malaysia's economy has transformed from a producer of raw materials into a diversified economy and currently becoming a leading exporter of electrical appliances, electronic parts and components, palm oil, and natural gas.³⁶ While primary production such as rubber and palm oil remain important, Malaysia has increasingly emphasized on export-oriented manufacturing to fuel its economic growth.

Acknowledging the importance of international trade to its economic growth and development, Malaysia has been a member of the World Trade Organization (WTO), an intergovernmental organization, which regulates international trade, since its establishment on 1 January 1995. As a member of the WTO, Malaysia adopted and introduced various policies, trade agreements and foreign direct investments (FDI) to pursue efforts towards creating a more liberalizing and fair global trading environment, which in large part contributed to the successful diversification of the economy.

Since the early 1990s, Malaysia has been involved in free trade negotiations, both at the regional and bilateral levels. To date, Malaysia has engaged with 22 Free Trade Agreements (FTA) which include a new generation of regional agreements such as the Regional Cooperation Economic Partnership (RCEP), the Trans-Pacific Partnership Agreement (TPPA) and the European Union Free Trade Agreement (EUFTA).³⁷ The FTAs generally aimed at providing means to achieve quicker and higher levels of liberalization that would create effective market access between the participants of those agreements.³⁸

Business and trade need a predictable and fair environment to make long-term investments. The government believed that FTAs could also bring benefits through reforms in new areas that were not included in past agreements, such as competition policy, harmonization of IP standards across the region, government procurement, investment-state disputes, and investment policies.³⁹ In fulfilling its obligations under such FTAs, Malaysia has enacted legal reform in relevant fields to ensure their consistency across laws, regulations and other measures. The recent progress on legal structure reforms to address unfair trade practices include the competition and IP laws. However, since the CA 2010 does not stipulate explicitly any provision which relates to IP except the MyCC IPRs Guidelines, any matters in relation to IP in Malaysia is still governed under the purview of the Intellectual Property Corporation of Malaysia (MyIPO).

It is found that both competition and IP laws play a significant role in safeguarding competitive markets to generate economic efficiency and consumer welfare. While IPRs confer a legal monopoly to creators on their works for a limited period, the reward to innovate may encourage them to offer

³⁶ 'Malaysia: Overview' (World Bank, March 2019)

<<http://www.worldbank.org/en/country/malaysia/overview>> accessed 10 June 2019.

³⁷ 'Free Trade Agreements by Country/Economy: Malaysia' (Asia Regional Integration Center - Asian Development Bank, 2016) <<https://aric.adb.org/fta-country>> accessed 27 May 2019.

³⁸ 'Malaysia's Free Trade Agreements' (Malaysian Ministry of International Trade and Industry, 20 May 2016)

<<http://fta.miti.gov.my/index.php/pages/view/4?mid=23>>

accessed 10 June 2019; 'Trade Agreements Boost Productivity and Growth, Contributing to Malaysia's Successful Development, World Bank Says' (World Bank Press Release, 30 June 2016)

<<http://www.worldbank.org/en/news/press-release/2016/06/30/trade-agreements-boost-productivity-and-growth>> accessed 10 June 2019.

³⁹ *ibid.*

an extended range of choice of goods and services with cheaper prices for consumers. This will enable consumers to make choices between competing entrepreneurs and their selling goods and services. In this respect, IPRs are seen having the same final purpose as competition law, which is to encourage consumer protection and productivity in the market⁴⁰ despite the potential conflicts due to the means used by each system to achieve this objective.⁴¹

5. COMPETITION LAW IN MALAYSIA: COMPETITION ACT 2010

The Malaysian CA 2010 aims to deal with anti-competitive behaviour among businesses to ensure fair play in the market and protecting consumer welfare by promoting economic development of the country.⁴² The Competition Commission Act 2010 provides for the administration and establishment of the Malaysian Competition Commission (MyCC) and appointment of its Commissioners. On 1 April 2011, the MyCC was established with the purpose of enforcing the CA 2010. It comprises of representatives from both the public and private sectors who have experience in business, law, economics, public administration, competition law and consumer protection. The MyCC safeguards the mechanism of free and fair competition in commercial markets for the benefit of consumer welfare, efficiency of enterprises and economic growth.⁴³

The CA 2010 applies to enterprise which is defined in section 2 as any entity carrying on commercial activities relating to goods or services. This definition is wide and would include, for example, companies, partnerships, trade associations, individuals operating as sole traders, state-owned

corporation, and non-profit-making bodies. In supporting the objective of promoting the competition process, rather than any specific players in the market, the MyCC had clearly sent a message that even government-linked companies are not immune. For example, on 31 March 2014, it imposed a financial penalty of 10 million Malaysian Ringgit (MYR) each on Malaysia Airlines (MAS) and AirAsia for market allocation.⁴⁴

Similar to competition laws adopted in the EU, the CA 2010 contains prohibitions on anti-competitive agreements (Chapter 1 of the Act) and abuse of dominance (Chapter 2 of the Act), but it does not provide for competition law regulation on merger control. The CA 2010 prohibits:

- (a) Anti-competitive agreement which means agreement (a horizontal or vertical agreement) which has the object or effect of significantly preventing, restricting or distorting competition in any market for goods or services in Malaysia;⁴⁵ and
- (b) Any conduct by enterprises which amount to an abuse of a dominant position in any market for goods or services in Malaysia⁴⁶.

The scope of the CA 2010 applies to all commercial activities, both within or undertaken outside Malaysia that have an effect on competition in any market in Malaysia.⁴⁷ 'Commercial activity' under the Act means any activity of a commercial nature but does not include:⁴⁸

⁴⁰ Gesner Oliveira and Thomas Fujiwara, 'Intellectual Property and Competition as Complementary Policies: A Test Using an Ordered Probit Model' (2007) <http://www.wipo.int/export/sites/www/ip-competition/en/studies/study_ip_competition_oliveira.pdf> accessed 10 June 2019.

⁴¹ Anderman (n 7) 1.

⁴² CA 2010 (n 3), Preamble.

⁴³ General information on the Malaysian Competition Commission (MyCC) can be found at its official website <<https://www.myc.gov.my/>> accessed 10 June 2019.

⁴⁴ *Malaysian Airline System Berhad, AirAsia Berhad and AirAsia X Sdn. Bhd.* (No. MyCC.0001.2012). The decision of MyCC however was overturned on 4 February 2016 when the five members of the Competition Appeal Tribunal (CAT) unanimously decided that the MyCC misinterpreted prohibition against market-sharing agreement under s 4(2)(b) of the CA 2010.

⁴⁵ CA 2010 (n 3), s 4.

⁴⁶ CA 2010 (n 3), s 10.

⁴⁷ *ibid*, s 3.

⁴⁸ *ibid*, s 3(4).

- (a) Any activity, directly or indirectly in the exercise of governmental authority;
- (b) Any activity conducted based on the principle of solidarity; and
- (c) Any purchase of goods or services not for the purposes of offering goods or services as part of an economic activity.

However, there are four sectors that are excluded from the application of the CA 2010 Act namely, the industries in communications, energy, petroleum and aviation⁴⁹, therefore, there will be no issue or conflict between IP and competition laws in these sectors.

A. ANTI-COMPETITIVE AGREEMENT

Similar to the provisions of Article 101 of the Consolidated Version of the Treaty on the Functioning of the European Union [2012] OJ C 326/47 (TFEU), chapter 1 of the CA 2010 prohibits horizontal and vertical agreements between enterprises that have the object or effect of significantly preventing, restricting or distorting competition in any market for goods or services. Provisions in agreements that infringe the CA 2010 will be unenforceable, as such provisions are considered illegal pursuant to the Contracts Act 1950 (Malaysia).

The term 'agreement' is deliberately defined in a broad manner and includes any form of contract (written and oral), arrangement or understanding between enterprises, whether legally enforceable or not, and includes a decision by an association (such as trade and industry associations) and concerted practice.⁵⁰

Section 4(1) of the CA 2010 provides that anti-competitive conduct includes any horizontal or vertical agreement. The provision prohibits any horizontal or vertical agreement between enterprises where the agreement has the object or

effect of significantly preventing, restricting, or distorting competition in any market for goods or services. Section 4(2) of the CA 2010 stipulates that horizontal agreement between enterprises be deemed to have the object of significantly preventing, restricting, or distorting competition in any market for goods or services when the agreement is proved to the object to:

- (a) fix, directly or indirectly, a purchase or selling price or any other trading conditions;
- (b) share market or sources of supply;
- (c) limit or control production, market outlets or market access, technical or technological development, or investment; or
- (d) perform an act of bid rigging.

In this respect, agreements are prohibited only if they have or are likely to have a significant restriction or distort competition in any market for goods or services in Malaysia. The MyCC has interpreted the term 'significant' to mean that the agreements must have more than a trivial impact. The Guidelines on Chapter 1 Prohibition Anti-competitive Agreements (Guidelines on Chapter 1) provide that the MyCC will generally not consider agreements between competitors in the same market whose combined market share does not exceed 20 per cent of the relevant market to have a 'significant' effect on competition, provided that such agreements are not hard-core cartels.⁵¹

Identification of relevant market is integral in any competition inquiry as stressed by the Malaysian Competition Appeal Tribunal in *MAS-AirAsia case* (Appeal No. TRP 1-2014; TRP 2-2014) where the Tribunal referred to the decision of Case 6/72 *Europemballage and Continental Can Corporation v Commission* [1973] ECR 215 that:

⁴⁹ *ibid*, s 3(3) and First Schedule.

⁵⁰ *Ibid*, s 2.

⁵¹ 'Guidelines on Chapter 1 Prohibition Anti-competitive Agreements,' Malaysia Competition Commission [hereinafter

Guidelines on Chapter 1], para 3.4

<<https://www.myc.gov.my/guidelines/guidelines-on-anti-competitive-agreements>> accessed 27 May 2019.

The definition of the relevant market is of essential significance, for the possibilities of competition can only be judged in relation to those characteristics of the products in question by virtue of which those products are particularly apt to satisfy an inelastic need and are only to a limited extent interchangeable with other products.

The Tribunal also made significant remark that the Malaysian competition law in Section 4(2) of the CA 2010 uses a deeming provision to establish cases of anti-competition while many other jurisdictions use market impact cases to do the same (at para 90). The Tribunal was on the view that a simplistic use of the deeming provision upon airlines business may not be proper due to the widespread practices among airlines to undertake alliances and code sharing as well as doing maintenance of aircrafts on behalf of others. This arises from the fact that such businesses are capital intensive and thus utmost level of efficiency is expected.

(i) Horizontal Agreement

Section 2 of the CA 2010 defines a horizontal agreement to mean an agreement between enterprises each of which operates at the same level in the production or distribution chain. The MyCC's Guidelines on Chapter 1 explains further that, a horizontal agreement would include an agreement at any stage of the production and distribution chain, including an agreement between input producers such as suppliers of agricultural products and between manufacturers, wholesalers or retailers.⁵² The prohibition on anti-competitive horizontal agreements applies to these enterprises operating at the same level in the production or distribution chain.

Even though the term 'object' is not defined in the CA 2010, there are certain horizontal agreements between enterprises which are deemed as having the object of significantly restricting competition and the MyCC does not need to examine or prove any anti-competitive effects of such agreements. Agreements that are deemed anti-competitive under Section 4(2) of the Act include those which fix, directly

or indirectly, a purchase or selling price or any other trading conditions; share markets or sources of supply; limit or control production, market outlets or market access, technical or technological development or investment; or perform an act of bid rigging.

As such, horizontal agreements to engaging in cartel practices are deemed anti-competitive as they have the object of significantly preventing, restricting, or distorting competition. As 'agreement' includes both written and oral agreements, any communication between competitors about price might constitute an agreement.

(ii) Vertical Agreement

Section 2 of the CA 2010 defines a vertical agreement to mean an agreement between enterprises each of which operates at a different level in the production or distribution chain (for example, manufacturer and distributor). Usually, it involves one enterprise at the upstream level supplying an input to an enterprise downstream. While competitors in a horizontal agreement compete with each other, enterprises in a vertical agreement usually have a joint interest in ensuring the final product or service is competitive.⁵³ Anti-competitive vertical agreement usually exists where one of the parties (either the buyer or seller at different stages of the production and distribution chain) has enough market power to have some influence over the other party to the contract.⁵⁴

A vertical agreement may involve price fixing or non-price fixing. Agreement involving price restriction, where an upstream seller imposes a fixed or minimum price that a downstream buyer must re-sell, is deemed as anti-competitive.⁵⁵ This is a form of resale price maintenance (RPM) which the Commission will take strong stance against. Any other form of RPM includes maximum pricing or recommended retail pricing. For example, a manufacturer fixes the price for which its products are sold at the retail level. In this respect, where a manufacturer sets a price which is to be followed by its wholesaler, distributor and retailer,

⁵² Guidelines on Chapter 1 (n 51), para 2.7.

⁵³ *ibid*, para 3.11.

⁵⁴ Guidelines on Chapter 1 (n 51), para 3.12.

⁵⁵ *ibid*, para 3.15.

these distribution channels do not compete on price, thus hurting competition.

For example, on 1 June 2016, the MyCC has determined in *Containerchain (Malaysia) Sdn. Bhd.* (Case MyCC Ref No: 700.2.005.2013) that the company has infringed the prohibition of Sections 4(1) and 4(2) (a) of the CA 2010 by entering into vertical concerted practices with four Container Depot Operators (CDOs) companies.⁵⁶ The MyCC found that Containerchain has significant market power in the relevant market in which the vertical agreements entered into with the CDOs companies by way of concerted practices had enabled the fixing of price and the imposition of the rebate (para 37 of the decision).

The concerted practices resulting in the increase of the depot gate charges imposed on their customers from MYR5 to MYR25 and the four CDOs collectively offer a rebate of RM5 on the depot gate charges to haulers. The conduct has infringed Section 4(1) of the CA 2010 (paragraph 207 of the case). The MyCC further determined that the four companies have also infringed Section 4(2) (a) of the CA 2010 by entering into a horizontal agreement to fix the depot charges.

B. ABUSE OF DOMINANT POSITION

Chapter 2 of the CA 2010 prohibits an enterprise, whether independently or collectively, from engaging in any conduct that amounts to an abuse of a dominant position in any market for goods or services in Malaysia. This prohibition is substantially similar to Article 102 Consolidated Version of the Treaty on the Functioning of the European Union [2012] OJ C 326/47 (TFEU), and the concept of joint dominance from case law in other jurisdictions is expressly included within the Act. It should be noted that where there is collusion between enterprises, this may also be caught by Chapter 1 of the CA 2010, which prohibits horizontal and vertical agreements that

restrict competition. As there is no need to establish dominance in a Chapter 1 infringement, collective dominance cases are expected to be rare.

On 26 July 2012, the MyCC published Guidelines Chapter 2 Prohibition Abuse of Dominant Position in assisting enterprise from engaging (whether independently or collectively with other enterprises) in any conduct which amounts to an abuse of a dominant position in any market for goods or services in Malaysia⁵⁷. Establishing an infringement under chapter 2 of the Act is a two-step process: the MyCC will assess whether the enterprise that is being complained about is dominant in the relevant market in Malaysia; and, if so, the MyCC will assess whether the enterprise is abusing its dominant position.⁵⁸ Examples of the situation where a dominant enterprise may abuse its position are:⁵⁹

- (i) Directly or indirectly imposing an unfair purchase or selling price or other unfair trading condition on a supplier or customer;
- (ii) Limiting or controlling production, market access, technical or technological development or investment, to the prejudice of consumers;
- (iii) Refusing to supply to a specific group of enterprises; or
- (iv) Any predatory behaviour towards competitors.

An enterprise is said to be dominant if it has significant market power in a relevant market in Malaysia.⁶⁰ Generally, the Commission considers a market share above 60% to be indicative that an enterprise is dominant⁶¹. Other factors will also be considered in assessing dominance. Factors that will be taken into consideration by the Commission when determining whether there is dominance are not limited to market share of the enterprise, but dominance will also be

⁵⁶ The list of cases on competition issues in Malaysia determined by the MyCC <<http://www.mycc.gov.my/legislation/case>> accessed 27 May 2019.

⁵⁷ 'Guidelines Chapter 2 Prohibition Abuse of Dominant Position', Malaysia Competition Commission [hereinafter Guidelines on

Chapter 2] para 1.1. <<https://www.mycc.gov.my/guidelines>> accessed 27 May 2019.

⁵⁸ *ibid* para 1.2.

⁵⁹ *ibid* para 1.3.

⁶⁰ Guidelines on Chapter 2 (n 57) para 2.1.

⁶¹ *ibid* para 2.2.

assessed from the ability of an enterprise to act without concern about competitor's responses or to dictate the terms of competition in the market.⁶² However, market share is usually the starting point in assessing dominance.⁶³

Section 2 of the CA 2010 defines the term 'market' as 'a market in Malaysia or in any part of Malaysia, and when used in relation to any goods or services, includes a market for those goods or services and other goods or services that are substitutable for, or otherwise competitive with, the first-mentioned goods or services.' To define a 'relevant market' means to identify all the close substitutes for the product under investigation, and products can be substituted both on the demand and on the supply side.

The concept of abuse of dominance is not defined in CA 2010 but the MyCC Guidelines Chapter 2 Prohibition Abuse of Dominant Position provides two main situations of abuse of dominant position:⁶⁴

- (a) Exploitative conduct, such as excessive pricing that may result from structural conditions in the market whereby the dominant enterprise is able to set a high price to exploit consumers where there is no or low likelihood of new entrants in the relevant market. In determining whether the prices are excessive, the MyCC will in principle, consider the actual price set in relation to the costs of supply and other factors such as the dominant enterprise's profitability.
- (b) Exclusionary conduct, which refers to the ability of an enterprise to dictate the level of competition in a market by preventing efficient new competitors from entering or significantly harming existing equally efficient competitors either by driving them out of the market or preventing them from effectively competing.

Section 10(2) of the Act provides a non-exhaustive list of conduct that may constitute an abuse of dominant position.

⁶² *ibid* para 1.5.

⁶³ *ibid* para 2.13.

⁶⁴ *ibid* para 2.4 & 3.1.

⁶⁵ Case No. MyCC/002/2012, para 45.

Chapter 2 of the MyCC Prohibition Guidelines Abuse of Dominant Position indicates that an enterprise, which is dominant in one market, can abuse that dominance in a separate market. For example, where a dominant company which sells an essential input to downstream enterprises sets up a subsidiary in the downstream market and then refuses to sell the input to the other buyers in the downstream market or initiates a margin squeeze. In *Megasteel Steel Sdn Bhd*,⁶⁵ the MyCC stated that a company having a dominant position in the upstream level is not an infringement as long as it does not abuse its dominant position in compliance with the CA 2010 in the downstream level that it is participating.

6. IP LAW AND ITS INTERACTION WITH COMPETITION LAW IN MALAYSIA

The exclusive rights derived from the IP are codified in various statutes such as copyrights, patents, and trademarks. These rights grant a legal monopoly to creators on their works for a limited period of times, after which those works will be in a public domain and can be used by all free.

IP law deals with the protection of exclusive rights for creators and innovators to profit from the value of their original work.⁶⁶ The exclusion at the core of IP may nonetheless be punished under the competition law. The law scrutinizes activity that restricts competition because such conduct could lead to higher prices, lower output and often less innovation.⁶⁷ Similarly, by their nature, agreements between IPRs holders and licensees restrict competition. However, IP licensing In Malaysia is considered to be generally pro-competitive subject that whether the applicable conditions have the object or effect of restricting competition such as price restrictions or fixing floor prices, exclusivity and territorial or other limitations, or conditions which foreclose market entry. The following situations are examples of when IPRs holders may impose limitations such as:

⁶⁶ Richard Whish and David Bailey, *Competition Law* (7th ed, Oxford University Press 2012) 19.

⁶⁷ Michael A. Carrier (ed), *Intellectual Property and Competition* (Edward Elgar Publishing Ltd. 2011) 1.

(i) Quantity restrictions which limit the number of products that can be sold;

This is a common clause whereby a licensor limits the licensee's authority to produce goods to a particular purpose or customers. If the licensor and licensee are competitors, field of use restrictions or customer's restrictions could be perceived as an illegal tool to facilitate market sharing or customer allocation.⁶⁸

(ii) Royalty payments which determine the royalties that can be received;

A licensor will usually require the licensee to pay royalties for use of the patent. The licensee may be required to make lump-sum payments, and in some situations, the parties may agree upon a profit-sharing scheme. The licensor may ask for a payment 'up-front' before production begins. A licensor may stipulate that the licensee must pay a minimum amount of royalties in a given period in order to encourage it to exploit the patented process.⁶⁹

(iii) Grant-backs by which licensees extend rights to use improvements to licensors; and

A grant-back provision in an IP license agreement is an agreement by a licensee to grant back to the licensor any intellectual property rights that the licensee may later develop or acquire with respect to improvements to the technology, which is subject to the license⁷⁰. It could raise potential competition law concern particularly where the licensor has market power and such grant back is exclusive in nature (i.e. licensee does not retain the right to use or license the new technology).

(iv) Territorial restrictions which confine licensees to certain areas.⁷¹

Often the licensor will grant to the licensee an exclusive right to manufacture and sell the goods in a particular territory and

agree to refrain from granting similar rights to anyone else there; in this situation the licensor retains the right to produce the goods in the territory itself which is known as a 'sole' license. A sole license may be distinguished from an 'exclusive' license, where the licensor also agrees not to produce the goods in the licensee's territory itself, which gives the licensee more protection than in the case of a sole license. The licensee's position may be further reinforced by the licensor agreeing to impose export bans on its other licensees preventing them, or requiring them to prevent their customers, from selling into the licensed territory.

Apart from the imposition of export bans, there are indirect ways of achieving the same end such as where a maximum quantities clause can limit the amount that a licensee can produce to the anticipated level of demand on its domestic market.⁷² Some other potentially anti-competitive practices in the field of IPRs include enforcement of a fraudulently obtained patent, sham litigation, design changes and predatory innovation, group boycotts and concerted refusals to license IPRs and vertical price-fixing of copyrighted and trademarked goods.⁷³ Refusing to grant licences in the MyCC IPRs Guidelines for example provides that while an IPR owner has the right to refuse to grant a licence for the use of its IPR, such refusal may be abusive if, for example, a dominant enterprise's technology or product is indispensable to a derivative product in a secondary market.

7. CONCLUSIONS

In contrast to the IPRs regime, competition law is relatively new in Malaysia. The enactment of the CA 2010 represents a major step forward in competition policy in Malaysia. While the CA 2010 is unique compared to competition laws in other countries in terms of the absence of merger controls, it is definitely a game changer for Malaysian players in the technology industry. For example, in 2018, the Communications and Multimedia Minister announced that fixed broadband prices were expected to drop by at least 25

⁶⁸ Whish and Bailey (n 66) 772.

⁶⁹ *ibid* 772.

⁷⁰ *ibid* 777.

⁷¹ *ibid*.

⁷² Whish and Bailey (n 66) 771.

⁷³ McEwin (n 12).

per cent by year end following the implementation of the Mandatory Standard on Access Pricing (MSAP), which requires that infrastructure providers give access to their networks at regulated prices. It is reported that government intervention has resulted in more than 30 per cent reduction in broadband prices for entry-level packages.⁷⁴

Although the Guidelines have yet to address areas which the CA 2010 arguably may have a greater impact, such as the franchise industry or technology transfer and R&D agreements, the Guidelines serve as a basic guide for arrangements involving IPRs as they provide greater clarity on how the MyCC views the interaction between IPRs and competition law. IPR owners may also use the Guidelines to reduce the risks of being negatively impacted by the prohibitions, and to protect themselves against anti-competitive activities of their potential or actual competitors.

In examining the interaction between competition law and IPRs in Malaysia, it is worth to note that both Sections 4 and 10 of the CA 2010 and the MyCC IPRs Guidelines prohibit agreements that have the object or effect of significantly distorting competition in the market and prohibits abuse of dominant position, which may also cover practices concerning IP. As such, where there is possible issue of anti-competitive practices concerning IPRs, such issues may still subject to the provisions of CA 2010. Since the law is silent on certain issues involving IPRs in almost all areas of IP (such as refusal to licence in patents, possible dominant position for the spare parts industry in industrial designs, anti-competitive agreements in copyright and trademark), the provisions of competition law are timely to accommodate the loopholes. Thus, some provisions in the MyCC IPRs Guidelines should be taken into consideration to address this issue.

There is a need to strike a balance between IPRs and competition law by allowing the protection of the IPR holder's interest legitimately while equally protecting against abuses that may unjustifiably distort competition. For example, IPRs'

holder is therefore not entitled to exclude competitors from his rights when a license is essential for competition, or to prevent the introduction of a new product by competitors or to monopolise a secondary market.

IPRs protection, which aims at encouraging innovation and the enforcement of competition law, is meant to protect competition, are both belong to the basic economic policy and legal system of modern countries. It is a traditional view that there is inherent tension between IPRs and competition law. For example, grant of exclusivity by IP law was seen creating monopolies, whereas competition law strives to keep the markets open and competitive.

Conversely, modern understanding would review that both IPRs and competition law are complementary in encouraging innovation, new and better technologies and bring better products and services to consumers at lower price. Their basic functions and goals are consistent since they have apparent discrepancies in certain respects, which many even leads to conflicts such as the owning and exercising of rights and the proper exercising and improper exercising of rights (abuse).

Overall, IPRs protection and the enforcement of competition law (regulating acts of abusing IPRs to eliminate or restrict competition) are essentially consistent. They complement each other for the same purpose. Regulation of IPRs abuses by competition law aims at establishing a necessary check and balance mechanism. Therefore, in the context of Malaysia, formulating further guidelines on the interface between competition and IPRs policies would be considered as a long-term goal of the MyCC.

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⁷⁴ Shanthi Kandiah, 'The Asia-Pacific Antitrust Review 2019 - Malaysia: Overview' (2019) <<https://globalcompetitionreview.com/insight/the-asia-pacific->

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11. CHALLENGES AND OPPORTUNITIES FOR THE GENERIC PHARMACEUTICAL INDUSTRY IN THE USMCA

Ana Guadalupe Castellanos Enciso*

ABSTRACT

Recently (August 27, 2018), Mexico renewed the North American Free Trade Agreement, now renamed the United States, Mexico and Canada Agreement (USMCA), with the final text approved by the Senate on 19 June 2019. In it, commitments were made to adapt legislation on intellectual property that will have a great impact on trade among the three countries. One of the industries being impacted the most is the pharmaceutical industry. Some of the most important commitments agreed upon that will have an influence on this industry, are the following: patentability, patent term extension, protection of clinical data, and linkage. The purpose of this article is to analyze these commitments and the way in which they will have a predictable significance in the Mexican pharmaceutical industry, wherein the majority of the business involves generic (or patent-free) medicines.

Keywords: *USMCA, intellectual property, patents, Mexican pharmaceutical industry, generics.*

*Ana Guadalupe Castellanos Enciso is a consultant partner of the Legal Area of Industrial and Intellectual Property in Patscience Global, in Guadalajara, Jalisco, Mexico, lawyer from the University of Guadalajara. She holds the Master's Degree in Intellectual and Industrial Property and the Information Society (Magister Lvcntinvs) taught by the University of Alicante, Spain in collaboration with the Office for the Harmonization of the Internal Market (OAMI) and the World Intellectual Property Organization (WIPO). Professor of Intellectual Property at the Technological University Guadalajara Campus (UTEG). She has also taught various Industrial and Intellectual Property training in various forums throughout her career. She is a member of the Mexican Association of Intellectual Property Professionals (AMPPI) and Mexican Pharmaceutical Association (AFM).

¹ Agreement on Trade-Related Aspects of Intellectual Property Rights [1994] 33 ILM 1197 [hereinafter TRIPS Agreement], is an international legal agreement between all the member nations of the World Trade Organization (WTO). It sets down minimum standards for the regulation by national governments of many

1. INTRODUCTION

Prior to the adoption of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), Mexico had a very lax industrial property system, e.g. the duration of a patent was 10 years from the presentation of the application.¹ In addition, patents related to therapeutic drugs were not allowed, among others.² This law did not allow the granting of patents on chemical and pharmaceutical products, therapeutic drugs and their processes. Instead, the law allowed for the granting of a certificate of invention with the right to charge royalties for their use.

Subsequently, the intellectual property system was reformed into a strong system that would give protection with international standards by adopting the specification of the Paris Convention for the Protection of Industrial Property,³ TRIPS Agreement, and the commitments agreed upon in the North America Free Trade Agreement (NAFTA), that entered into force in 1994. NAFTA's purpose was to reduce trading costs, increase business investment, and help North America be more competitive in the global marketplace, seeking to encourage innovation and consequently, economic growth and the welfare of the population.⁴

forms of intellectual property (IP) as applied to nationals of other WTO member nations.

<https://www.wto.org/english/docs_e/legal_e/27-trips_01_e.htm> accessed 27 May 2019.

² Law of Invention and Trademarks, 1976 (México).

³ The Paris Convention for the Protection of Industrial Property, adopted in 1883, applies to industrial property in the widest sense, including patents, trademarks, industrial designs, utility models, service marks, trade names, geographical indications and the repression of unfair competition.

<http://www.wipo.int/treaties/en/text.jsp?file_id=288514> accessed on 5 May 2018.

⁴ The North American Free Trade Agreement (NAFTA) is a comprehensive trade agreement that sets the rules of trade and investment between Canada, the United States, and Mexico <<https://www.nafta-sec-alena.org/Home/Texts-of-the-Agreement/North-American-Free-Trade-Agreement>> accessed 23 May 2019.

However, by an initiative of the United States Government, it was necessary to renegotiate the terms of the NAFTA, resulting in the renamed United States, Mexico and Canada Agreement (USMCA) in which commitments were signed in the area of intellectual property, which, among others, have the objective of encouraging innovation, the transfer and dissemination of technology.⁵ This was established in the chapter on intellectual property rights

Article 20.A.2 Objectives

The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and the transfer and diffusion of technology, for the reciprocal benefit of producers and users of technological knowledge and in a way that favors social and economic well-being, and the balance of rights and obligations.

This article will focus on the commitments made in the USMCA in relation to intellectual property, specifically in relation to chemical and pharmaceutical products, in an attempt to predict the impact that these changes will bring to the Mexican pharmaceutical domestic industry, mostly composed of laboratories manufacturing generic products.⁶

Proposals are also presented that could balance this impact between the protection and incentive of innovation and access to low-cost medicines, such as generics.

2. USMCA COMMITMENTS - PATENTABLE MATTER

A. INVENTIVE STEP

The USMCA establishes the principle of non-discrimination, that is, the possibility of granting patents in all fields of technology, as long as the invention is new, involves an inventive activity and is susceptible of industrial application. It also confirms that patents will be available for inventions derived from natural plants

In the final text of the treaty regarding inventive step, or non-obviousness, each country shall consider whether the claimed invention would have been obvious to a person skilled in the art, or having ordinary skill in the art, having knowledge of the prior art.⁷ This could be interpreted as a reduction of level of requirement of inventive step in order to grant a patent. It will be very important how this commitment is going to be implemented in the domestic legislation.

B. CURRENT SITUATION

Currently, Mexican law establishes as an inventive step the creative process whose results are not obvious from the state of the art for a technician knowledgeable in the subject matter. It does not make a difference if said technician is an expert or has ordinary skills in the art. However, a trend has been observed towards the registration of a greater number of 'secondary patents.' These are variants of the protected subject matter in the original patents, such as different forms of already patented active ingredients (salts, esters, ethers, polymorphs, metabolites, isomers, etc.), new release forms of active compounds (immediate, prolonged, controlled, etc.); and changes in manufacturing, synthesis or purification processes, among other things.⁸

⁵ United States of America, Mexico and Canada Agreement [hereinafter USMCA] <<https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement/agreement-between>> accessed 2 June 2019.

⁶ Pierre MoÛse and Elizabeth Docteur (2007) 'Pharmaceutical Pricing and Reimbursement Policies in Mexico' Organisation for Economic Co-operation and Development, Health Working Papers, DELSA/HEA/WD/HWP(2007)1

<<https://www.oecd.org/mexico/38097348.pdf>> accessed 5 May 2020.

⁷ USMCA (n 5), art 20.36 footnote 29.

⁸ Amy Kapczynski (2012) 'Polymorphs and Prodrugs and Salts (Oh My!): An Empirical Analysis of «Secondary» Pharmaceutical Patents' PLoS ONE, <<https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0049470>> accessed 23 May 2020.

C. EVERGREENING

There are countries where patents that do not offer significant advancement to the technique, or that are superficial (or sometimes sequential) modifications with the sole purpose of obtaining protection on the same product, are expressly prohibited.⁹ It is true that on many occasions, pharmaceutical companies have opted to patent banal modifications on already patented subject matter, when what it is really sought is to extend the monopoly protection for the initial product. Critics have called this practice 'evergreening.'¹⁰

There has been a lot of discussion on the issue of allowing this kind of patents, especially second-use patents. There are countries that consider they are not patentable inventions, because they do not comply with the novelty requirements, since they fall within a known product, or else when a use has no industrial application.

In Mexico, although in the patent legislation, second uses are excluded from patentability, in practice it is a fact that patents of this nature are allowed.¹¹ The acceptance of these types of claims was adopted by the Mexican Institute of Industrial Property (IMPI)¹² under the scheme of the Swiss type claims (called 'Swiss Type' because Switzerland was the first country to allow this types of claim). Such claims are written in pharmaceutical and biotechnological patents as follows: 'use' of a composition 'X' for the manufacture of a medicament for

the treatment of a therapeutic application 'Y'.¹³ The acceptance of this type of claims in Mexico has no legal support; they are expressly prohibited by law but admitted in local practices leaving patent system users in a situation of uncertainty.

Secondary patents have an impact on the marketing of generics drugs, since they are linked to the same medicine, and each having different terminology. In practice, this implies the impossibility of marketing the generic product beyond the 20 years of the first patent. In addition, generic pharmaceutical companies are also facing litigations that patent holders implement as strategy to block the generic drugs entry into the market. From 2010 to 2015, IMPI reported that 74% of infringement litigations were related to secondary patents.¹⁴ This discourages the generic drugs entry into the market since generic pharmaceutical companies can find themselves in long and expensive trials, with their investment stopped for a long period of time.

Those factors have caused very slow generics entry into the market. In Mexico the average number of generic competitors one year after the patent expires is only of 2.8, while in the United States it is 10.1. In addition, market penetration after two years of the first generic entry is 21.4%, while in United States and Canada it reaches 89% and 74%, respectively.¹⁵

⁹ Bhaven N. Sampat, Kenneth C. Shadlen, 'Indian pharmaceutical patent prosecution: The changing role of Section 3(d)' (2018) Vol. 13, 4 e0194714 PLoS One
<<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5880378/>> accessed 16 October 2019.

¹⁰ John R. Thomas, 'Patent Evergreening: Issues in Innovation and Competition' (2009) Cong. Research Serv., 1
<ipmall.info/sites/default/files/hosted_resources/crs/R40917_091113.pdf> accessed 6 December 2019; Glyn Moody, 'OxyContin and the Art of Evergreening' (Techdirt, 2013).
<<https://www.techdirt.com/articles/20130423/11095922808/oxyc-ontin-art-evergreening.shtml>> accessed 20 May 2019.

¹¹ Industrial Property Law 1991(México), art 19
<http://www.diputados.gob.mx/LeyesBiblio/pdf/50_180518.pdf> accessed 20 May 2019.

¹² Industrial Property Law 1991 (Mexico), art 6. Mexican authority responsible for the application of industrial property legislation, as well as the granting of patents.

¹³ *Patent Drafting Manual* (WIPO, 2007)
<https://www.wipo.int/edocs/pubdocs/es/patents/867/wipo_pub_867.pdf> accessed 1 May 2020.

¹⁴ 'IMPI en cifras' (IMPI 2016)
<https://www.gob.mx/cms/uploads/attachment/file/60532/IMPI_en_CIFRAS_2015.pdf> accessed 4 May 2020.

¹⁵ 'Estudio en materia de libre competencia y competencia sobre los mercados de medicamentos con patentes vencidas en México', (Comisión Federal de Competencia Económica, May 2017)
<https://www.cofece.mx/wp-content/uploads/2017/11/estudio-de-medicamentos_vf-baja-1.pdf> accessed 22 May 2020.

Notwithstanding the foregoing, pharmaceutical companies maintain that any improvement in medicines implies costly investment in additional research and development efforts that deserve patent protection.¹⁶ In fact, protecting innovation is the main objective of the patent system. It is important to understand that, although secondary patents are certainly related to issues such as health care and the blocking access to generic drugs in the market, they are not the only important factors. Matters of economic competition, regulatory linkage system or market itself need also be considered. A patent system must ensure the protection of innovation, every improvement is worth of protection, including inventions that solve the same problem but with alternative solutions as long as they meet patentability criteria, in order to avoid use the system as a tool to block or manipulate the market.

Exclusions of secondary patents can be counterproductive discouraging improvements that today have resulted in valuable breakthroughs in treatments, formulas or even second uses.¹⁷ For example during the current unprecedented health crisis caused by SARS-CoV-2, a global effort of historical proportions to find a therapeutic solution as soon as possible is based mainly on existing approved drugs for non-related indications.

However, to achieve balance in the patent system, there must be clear rules in criteria application of patentability requirements, especially the inventive step. Today, as mentioned, in Mexico the criteria to evaluate the inventive step are totally arbitrary and random, depending on every single examiner. There are not standardized guidelines, as there are in Europe, the United States or the Andean Community, for instance. Lack of guidelines for patent examination has been a recurring issue among users who

demand a clear guide by which patent applications should be examined, thus providing certainty to this process. Such guidelines will grant essential legal certainty for all those directly or indirectly involved in the patent system and its scope, to those who are involved in the generation of innovation, in generic pharmaceutical companies, in the health system itself, as well as in the drug marketing approval system.

D. OBSTACLES AND OPPORTUNITIES

The signing of the USMCA consolidates the trend that Mexico has been aiming for, namely, to have an increasingly robust system in relation to the protection of inventions that are either transcendent technologically speaking or the protection of patents that may be of very questionable improvement in relation to the prior state of the art.

However, those changes in the Mexican legislation have not necessarily meant an advance in innovation or in the transmission of knowledge. Since the adoption of TRIPS Agreement and the signing of NAFTA, when the industrial property system in Mexico was modified (in 1991), standardizing it to international protection levels, Mexico has not grown in innovation.¹⁸

During the period after signing NAFTA, there have been several studies identifying low levels of innovation in Mexico showing little evidence that TRIPS Agreement had favourable effects to encourage it.¹⁹ However, a study carried out for analyzing whether intellectual property rights reforms have stimulated innovation, concluded that Mexico is excessively dependent on its two NAFTA partners' technology. Likewise, those studies concluded that the major beneficiaries of intellectual property rights under TRIPS Agreement and NAFTA have been transnational corporations, especially

¹⁶ Jaqueline Morovac, 'Investigation and Development of New Medication: From the Molecule to Drug' (2001) *Revista medica de Chile*, v.129 <<http://dx.doi.org/10.4067/S0034-98872001000100015>> accessed 2 May 2020.

¹⁷ Christopher M. Holman, Timo Minssen, and Eric M. Solovy 'Patentability Standards for Follow-On Pharmaceutical Innovation' (2018) <<https://doi.org/10.1089/blr.2018.29073.cmh>> accessed 22 May 2020.

¹⁸ 'IMPI en cifras' (IMPI, 2016) <https://www.gob.mx/cms/uploads/attachment/file/60532/IMPI_en_CIFRAS_2015.pdf> accessed 4 May 2020.

¹⁹ Daniel Lederman; William F. Maloney, and Luis Servén, 'Lessons from NAFTA for Latin American and Caribbean (LAC) Countries: A Summary of Research Findings' (2003) *Research Gate 1*; Walter, G Park, 'Technology Trade and NAFTA' (2011) *Economics Research* vol. 25, 1.

those from the United States, with large royalties and payments.²⁰

The difference between the number of patent applications by Mexican nationals and by non-Mexican nationals is quite significant, patent applications by non-Mexican nationals are significantly higher.²¹ Evidently, the reform of industrial property legislation in Mexico has undoubtedly favoured transnational corporations. The predominance of non-Mexican national patents from the Mexican pharmaceutical industry shows that domestic inventive activity is minimal.

The foregoing reveals that since new technological knowledge (pharmaceutical products and processes) belongs to foreigners, the beneficiaries of patent monopoly exploitation are also foreign agents (transnational corporations, with some exceptions).²²

Therefore, it is expected that the reforms in industrial property law under the commitment of the negotiated treaty, especially on patents, will not change the trend that has been occurring in the national generic industry. Thus, the new legislation will favour the presentation of more patents by non-residents, maintaining the huge technological dependence of Mexico.

While transnational companies have favourable expectations of commercialization, the generic pharmaceutical industry, whose growth is based on waiting for patents to expire, could see its possibilities for expansion become more and more limited. In addition, there is a technological trend towards the development of Biotechnological products. The majority of biopharmaceutical products are derived from biological processes including the extraction from living systems or the

production by recombinant DNA technologies. Because of the size and complexity of bio drugs, chemical synthesis is currently not possible. For this reason, these bio drugs are difficult to copy.²³

Nevertheless, it could be an important moment for the domestic generic pharmaceutical industry to be pushed towards investing in research and development to innovate, or else, it would result in having a much slower growth due to the protection conditions that have arisen under the new guidelines. A decision will have to be made for these companies: stop investing in imitating, and start investing in creating.

There is a great opportunity for further improving medicines. New formulas or combinations of drugs that improve adherence to treatment etc. This type of research involves lower costs, requires lesser time for research, and could be protected by a patent. In some cases, this kind of patent can be the detonating point for national companies to become international. Even if the new patent is 'patent dependent',²⁴ this can generate cross-licenses that imply a mutual benefit between the originating company and the developer of the new technology.

The pharmaceutical industry is a strategic sector in a country's economy due to its high social and economic impact. On the one hand, it is important to have an innovative industry that solves the most important health problems of the population, and on the other, it must have a system that allows access to low-cost medicines. To achieve this goal, there must be collaboration from the government and businesses, universities, institutes and in general, public and private

²⁰ Alenka Guzman, Hortencia Gómez and Francisco López, 'Patents and Economic Growth, the Case of Mexico during the NAFTA' (2018) *Econ: teor. práct*

<http://www.scielo.org.mx/scielo.php?script=sci_arttext&pid=S0188-33802018000300177&lng=en&nrm=iso> accessed 22 May 2019.

²¹ *ibid* 19.

²² Alenka Guzmán, and María Victoria Guzmán, '¿Poseen capacidades de innovación las empresas farmacéuticas de América Latina?: La evidencia de Argentina, Brasil, Cuba y México' (2009) *Econ: teor. práct*

<http://www.scielo.org.mx/scielo.php?script=sci_arttext&pid=S0188-33802009000300006&lng=es&nrm=iso> accessed 30 May 2019.

²³ Hussain Dahodwala and Susan T Sharfstein, 'Biosimilars: Imitation Games' (2017) *ACS Medicinal Chemistry Letters* Vol. 8, 7. <<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5512138/>> accessed 20 May 2020.

²⁴ Defined as patent right subordinate of a previous patent, the owner of the second patent must have the consent of the first patent in order to use it.

institutions. It is also important that the legal framework regulating the sector maintain a balance between the parties involved.

3. USMCA COMMITMENTS - PATENT TERM EXTENSION

A. ADJUSTMENT OF THE DURATION OF THE PATENT BY UNREASONABLE DELAYS BY THE GRANTING AUTHORITY

In the current Mexican legislation, patents are granted for a non-extendable period of 20 years from the date of the application.²⁵ However, with the commitments under the new treaty USMCA, this will have to change. Patents may now enjoy an extraordinary period of term extension.

It has been established in the USMCA, if there are unreasonable delays in granting the patent, the patent holder can request compensation on the term of the patent to be adjusted for such delays. An unreasonable delay includes a delay in the granting of a patent for more than five years from the date of filing of the patent application or 3 years from the request for substantive examination, whichever occurs later.²⁶ Currently, under the Mexican national process it is not necessary to request the substantive examination, because the process consists of two examinations (form and patentability) without the patent applicant having to request any of them.²⁷

B. ADJUSTMENT OF THE PERIOD OF THE PATENT FOR UNREASONABLE DELAYS BEFORE THE COMMERCIALIZATION AUTHORITY

The USMCA also provides for the possibility of compensating with an extension in patent term for unreasonable delays during the marketing approval process, in Mexico such authority is the Federal Commission for the Prevention of Health Risks (COFEPRIS)²⁸.

Both extensions, for delays by the marketing approval authority and delays by the granting authority, can be applied to the same product, because they are not mutually exclusive. Although currently, the period of granting a marketing approval is within reasonable parameters, it is possible to extend the term of a patent also based on a situation like the one described above.

C. ECONOMIC IMPACT

Each day that a pharmaceutical company maintains a monopoly on a specific drug, the associated costs are paid either by the public health service or by patients directly out of pocket.²⁹ It can be anticipated that the extensions or compensations on the term of a patent will bring very important economic impacts to the health sector, as well as to patients of the country. It will be of great importance that the processes of granting a patent as well as the marketing approval are as efficient as possible. This prevents situations where adjustment or compensation of the period of the patent could apply.

4. USMCA COMMITMENT - PROTECTION OF CLINICAL DATA

A. BACKGROUND

The protection of clinical data refers to the exclusivity granted by the marketing approval Authority (COFEPRIS) upon submitting data that proves safety and efficacy of an innovative new drug. Although the protection of clinical data has been mentioned as a 'novel' commitment with the review and signature of the USMCA, it is not. This commitment already existed in its predecessor, NAFTA³⁰, and in the TRIPS Agreement.³¹ However, this commitment was never implemented in domestic Mexican legislation.

²⁵ Industrial Property Law 1991 (México), art 19.

²⁶ USMCA (n 5), art 20.44.

²⁷ Industrial Property Law 1991, (México), arts 50, 53.

²⁸ Regulations of the Federal Commission for the Protection against Sanitary Risks 2005 (México), art 30. fractions I and VI.I.

²⁹ Esteban Puentes-Rosas Sergio Sesma, Octavio Gómez-Dantés, 'Estimación de la población con seguro de salud en México mediante una encuesta nacional' (Salud Pública de México, February 2015)

February 2015)

<<http://saludpublica.mx/index.php/spm/article/view/4685/5157>> accessed 14 October 2019.

³⁰ North American Free Trade Agreement (adopted on 17 December 1992, entered into force 1 January 1994) [1993] 32 ILM 289 [hereinafter NAFTA], arts 1711.5 and 1711.6.

³¹ TRIPS Agreement (n 1), art 39.3.

The interpretation of this provision of the NAFTA was subject to much controversy. On one hand, innovative pharmaceutical companies did not have (and do not have to date) a clear and direct legal precept in national legislation to protect the use of clinical data by a third party to obtain the marketing authorization by COFEPRIS, and on the other hand, generic pharmaceutical companies interpreted it as an patent term extension.

In addition, there was much discussion that the protection only obliged COFEPRIS to keep information submitted for marketing approval process, confidential. Therefore, the protection of clinical data of innovative pharmaceutical products was established through litigation and judicial criteria based on the interpretation of the aforementioned commercial treaties.³²

This happened because, in practice, sanitary regulation allows (until the domestic legislation is adapted to the new treaty) the marketing approval of generic products without the requirement of present clinical data of efficacy and safety, only of interchangeability. Therefore, clinical data of the innovator is used indirectly, as scientific support for the efficacy and safety of generic drugs.

B. LONGER PROTECTION

In the renegotiated treaty, the protection of clinical data for a new pharmaceutical product has been maintained, but with some variations.³³ It includes the provision that COFEPRIS cannot give an authorization to a third party based on clinical data of the innovator product or based on prior marketing approval with clinical data generated in another country. The protection is the same as in the NAFTA, 5 years from the date of marketing approval of said pharmaceutical product.

The use of clinical data is also protected for 5 years from the marketing approval of new pharmaceutical products that contain a chemical entity that has not been previously authorized in that country. In other words, it refers to combinations of molecules, where one of them is a chemical

entity not previously authorized for commercialization in the country.

C. BIOLOGICAL PRODUCTS

A biological pharmaceutical product is one produced using biotechnology processes and that is, or contains, a virus, therapeutic serum, toxin, antitoxin, vaccine, blood, blood component or derivative allergenic product, protein or analogous product. In the first signed text of the USMCA it was established that clinical or other undisclosed data on pharmaceutical products that are or contain a biological product, would be protected for 10 years, from the date of first marketing approval of that product. This provision was very controversial, because the implementation could block, with no justification, the entry of a generic version, for more time than an approved pharmaceutical drug. Nevertheless, in the final text, this provision was eliminated. As a result, a biological pharmaceutical product is now considered as a common pharmaceutical. This consideration gives it, five years of protection from the first marketing approval.

D. NO ALTERATION OF THE PROTECTION PERIOD

It is further clarified in the USMCA that, if a product is protected by a patent, and the term of this ends before the protection granted to clinical data, this protection will not be altered, therefore, clinical data protection may be longer than patent protection, because such protection starts from the date of marketing approval. This is establishing as follows:

Article 20.51: Alteration of Period of Protection

Subject to Article 20.48.3 (Protection of Undisclosed Test or Other Data), if a product is subject to a system of marketing approval in the territory of a Party pursuant to Article 20.45 (Protection of Undisclosed Test or Other Data for Agricultural Chemical Products) or Article 20.48 and is also covered by a patent in the territory of that Party, that Party shall not alter the period of protection that it provides pursuant to Article 20.45 or Article 20.48 in the event that the patent protection terminates on a date

³² Alejandro Luna, 'Patentes de Invención. Patentes farmacéuticas, protección de datos clínicos y otros temas de interés para la industria farmacéutica en México' (2012) Instituto de

Investigaciones Jurídicas de la UNAM and Comisión Federal para la Protección contra Riesgos Sanitarios, 413.

³³ USMCA (n 5), art 20.48.

earlier than the end of the period of protection specified in Article 20.45 or Article 20.48. (*Emphasis added*)

Therefore, if the innovator does not market the product, a generic company cannot release it into the market, until the period of protection of clinical data expires, regardless of having or not patent protection.

Consequently, there could be a case where an invention that does not meet the requirements of patentability, could have registration exclusivity for the period indicated above: 5 years for new pharmaceutical products, and 5 years for combinations of drugs that contain a chemical entity that has not been previously granted marketing approval in the country. An exception may be maintained for the purposes of the regulatory examination, that is, prior to the expiration of the term of the protection of clinical data, a third party may request marketing approval supported by such clinical data, in order to market the product immediately after the expiration of said period of protection.

E. IMPLEMENTATION AND CONSEQUENCES

The way by which these commitments are adapted in domestic legislation will be of great importance. The argument for the protection of clinical data is justified by the substantial investment involved in its development. However, this is the same argument for the protection of a patent, therefore, there are two different, but cumulative types of protection based on the same justification.

The implementation of these new provisions will have a negative impact on the marketing of generic medicines. In some cases, the protection will apply to medicines that do not have a patent, or have a patent that has lost its term. As a result, the protection of clinical data can block the entrance of a generic medicine into the market, unless the applicant presented their own clinical data.

Likewise, in the case of medicines that are protected by a patent, the protection of clinical data could mean an extension on the monopoly of exploitation of the pharmaceutical product. As a result, the entry of generics into

the market could be affected if there are no limits as to when a product can be marketed once the patent has been granted.

F. THE CASE OF TURKEY

Turkey is a country considered to have very strict industrial property legislation. Among its most significant provisions is the obligation of a patent holder to use effectively their right. The patent holder must market their patented product, if this cannot be demonstrated in the period of time established for that, it could become the subject of a compulsory license.

Once the patent is granted, the owner has 3 years from the publication of the granting or 4 years after the application is submitted (whichever expires later), to prove the uses of the patent. If the use of the patent has not been demonstrated in that period, any third person can request a compulsory license. The same applies to a cessation of uninterrupted use for 3 years without justified reason.³⁴

The foregoing is justified in the fact that a patent is a legal monopoly, but it must not be an instrument to block the market or healthy competition with it. For this reason, and, based on the case of Turkey, the Mexican system could prevent the protection of clinical data from being used as a blockade on marketing of generic pharmaceutical products, if the requirement of verification of use is established by the patent holder.

The Turkish system could be implemented in Mexico based on the same provisions of the USMCA treaty; the lack of use of a patent could even mean grounds for its revocation.

The possibility of revoking a patent based on unfair conduct by the owner has been established in the USMCA under Chapter 20, Intellectual Property Rights, Section F: Patents and Undisclosed Test or Other Data, Article 20.F.3, as follows:

Each Party shall provide that a patent may be cancelled, revoked, or nullified only on grounds that would have justified a refusal to grant the patent. A Party may also provide that fraud, misrepresentation, or inequitable conduct may be the basis for cancelling, revoking, or nullifying a patent or holding a patent unenforceable

³⁴ Industrial Property Code 2016 (Turkey), art 130.

It is a reality that obtaining a patent and not using it can be considered as inequitable conduct or unfair behaviour because it violates the very essence of industrial property law and economic competition law.

A limit, such as the one described above, would establish a balance between protection afforded to innovative companies through both patents and marketing approval, and avoid clinical data protection from becoming an instrument for blocking trade and the entry of generic pharmaceuticals products into the market.

5. USMCA COMMITMENT - LINKAGE

The linkage is the relationship between the marketing approval that an applicant is seeking to obtain on a medicine and the compliance of this pharmaceutical product with patent legislation. In Mexico, as previously mentioned, the administrative authority responsible for the authorization of pharmaceutical products is COFEPRIS.

The commitment acquired in the USMCA, in Chapter 20, Section F, Article 20.50, establishes that, the parties it shall provide:

- (i) A system to provide notice to a patent holder to be notified prior to the marketing of such a pharmaceutical product, that another person is seeking to market that product during the term of an applicable patent, in order for the patent holder to have the opportunity to resort the available resources and prevent said commercialization.
- (ii) Adequate time and sufficient opportunity for such a patent holder to seek, prior to the marketing of an allegedly infringing product, available remedies and
- (iii) Procedures, such as judicial or administrative proceedings, and expeditious remedies, such as preliminary injunctions or equivalent effective provisional measures, for the timely resolution of disputes concerning the validity or infringement of an applicable patent claiming an approved pharmaceutical product.

Further, it may also provide:

- (i) Effective rewards for a successful assertion of the invalidity or non-infringement of the applicable patent; and
- (ii) Procedures, consistent with its obligations of the USMCA, to promote transparency by providing information regarding applicable patents and relevant periods of exclusivity for pharmaceutical products that have been approved in the country.

A. CURRENT SITUATION

Since 2003, COFEPRIS must demand (by presidential decree), as a requirement for marketing approval, proof that the applicant is the patent holder or a licensee.³⁵ In addition, COFEPRIS, in order to approve the marketing of a pharmaceutical product, reviews a list of pharmaceutical products with patent, which for this purpose is published by IMPI, called 'Medicines Patent Gazette' (hereinafter, *gazette*)³⁶.

Consequently, IMPI has the obligation to publish this *gazette* every six months with a list of products according to the protected substance or active ingredient linked to their corresponding patent(s). It is important to mention that the inclusion on the *gazette* was established only for active substances or active ingredient, that is, it does not cover patents that protect processes or drug formulation, pharmaceutical compositions, polymorphs, Markush type, doses, metabolites, etc.

Notwithstanding, the holders of this kind of patents, have obtained in tribunals, the right to include their patents in the *gazette*.

The inclusion of these patents has the effect of blocking the marketing of those patent-related products. The problem with this inclusion is that, in case of doubt about the interpretation of an application of marketing approval, COFEPRIS may consult IMPI, as a technical authority, and in this process between COFEPRIS and IMPI, neither the applicant nor the patent holder intervenes. Therefore, a marketing approval can be granted or denied without either

³⁵ Decree Amending the Regulation of Health Supplies and the Regulation of the Industrial Property Law 2003 (México).

³⁶ Reglamento de Insumos para la Salud (1998) México, art 167 bis.

authority having heard arguments from any party that could obviously benefit or be affected from that decision. As a consequence, an applicant cannot obtain the marketing approval, even if the product does not infringe the patent, specially a product related to processes or drug formulation, pharmaceutical compositions, polymorphs, Markush type, doses, metabolites, etc (mentioned before) whose infringement mainly is based on the interpretation of claims.

A process where concerned parties are not involved and where there is no legal certainty as to how the IMPI and COFEPRIS interpret whether an application infringes a patent or not, is considered very biased and without a balanced legal basis.

B. FINDING BALANCE

In the current system, the concerned parties in the marketing approval process are not heard by neither IMPI nor COFEPRIS. Therefore, the only existing beneficiary of the linkage system is the patent holder, because once his patent is entered in the gazette, no one can obtain a marketing approval for a pharmaceutical product related to that patent.

Moreover, until now, there is no opposition system in Mexico before the granting patent authority, whereby the patentability of an invention can be questioned. Hence, the applicant of a marketing approval for a generic medicine is heard neither at the marketing approval process, nor at the granting of a patent process. This tilts the balance only to the protection of patent owners, leaving the applicant for a generic medicine marketing approval defenceless.

There is the possibility of claiming the invalidity of a granted patent. However, this process involves long and expensive trials. A judicial resolution that invalidates a patent, will lead to market entry of a generic pharmaceutical product, and a

benefit, not only to the plaintiff, who has invested in the legal process, but all generic pharmaceutical companies as well.

With this perspective, it is not economically viable to initiate a patent invalidity proceeding. Normally an invalidity patent trial lasts so long, that the patent in dispute usually expires before the legal process itself is over, and involve damages claims that are practically impossible to quantify.

It is a fact that existing patent invalidity trials come along mostly in response to patent infringement claims and are not initiated as only questioning the validity of a patent. It is unlikely that many would want to spend millions and sustain a long trial period at the end of which the concerned product is rendered generic, capable of being sold by the patent litigation initiator and by more than 770 other pharmaceutical companies in the country³⁷.

C. THE ORIGIN OF LINKAGE IN MEXICO

Under this scenario, it is important to keep in mind how the idea of the linkage arose. In Mexico, the linkage process was adopted in 2003. It was however, born in the United States in 1984 with the initiative of Senators Orrin Hatch, and Henry Waxman, known as the Hatch-Waxman Amendment³⁸. The objective of the implementation of this amendment in the United States was to encourage the entry of generic medicines into the market, without weakening the industry for patented medicine.

Under the Hatch-Waxman Amendment, applicants for new drugs provide information on the patents covered by the product of the drug to be marketed. If the drug is approved, the Federal Drug Administration (FDA)³⁹ publishes the patent information related to that specific product in a publication list titled 'Approved Medicinal Products with Approved Drugs

³⁷ Oscar García Correa, 'Industria Farmaceutica' (2015) Unidad de inteligencia de Negocios PROMEXICO <https://www.gob.mx/cms/uploads/attachment/file/76324/111115_DS_Farmaceutico.pdf> accessed 26 December 2019.

³⁸ The Drug Price Competition and Patent Term Restoration Act of 1984 (USA).

³⁹ FDA is an US agency within the Department of Health and Human Services responsible for protecting the public health by ensuring the safety, efficacy, and security of human and veterinary drugs, biological products, and medical devices; and by ensuring the safety of our nation's food supply, cosmetics, and products that emit radiation.

Products with Therapeutic Equivalent Evaluation', also known as the 'Orange Book.'⁴⁰

However, the FDA, for the marketing approval of a drug, does not analyze whether the patent is valid or not, nor does it interpret claims or consult with the United States Patent and Trademarks Office (USPTO). It is constrained to be an administrative authority in the assessment of the safety and efficacy of medicines.

Unlike the current Mexican system, in the US, there is no interpretation by authorities without intervention from the parties, leaving it in the hands of patent holders to act or not on a potential patent infringement of their pharmaceutical product.

The Hatch-Waxman Amendment establishes four possibilities when requesting a marketing approval. One of them, known as 'certification under paragraph IV' or also as ANDA IV,⁴¹ the applicant must notify the owner of the patent involved so that he can oppose the request for such marketing approval, and if after 45 days, a patent infringement trial has not been initiated, the marketing approval will be granted.

On the other hand, if there is opposition to the marketing approval, the potential granting of the generic authorization process will freeze for 30 months or the duration of the trial (whichever is shorter). With this system, a marketing approval can be requested at any time during the term of a patent, it is not limited to 3 years prior to patent expiration, as is the case in the Mexican system.

In addition, the Orange Book is limited to publish only patents on drug substance (active ingredient), drug product (formulation or composition), and/or method of using the approved drug product.⁴² In the Mexican case, as already mentioned, the gazette lists patents for drug substance

(active ingredient), but also those that are second generation on a first invention.

Finally, in the US marketing approval procedure, the possibility exists of obtaining a reward for a successful assertion of the invalidity or non-infringement of the applicable patent: the exclusivity of marketing for 180 days in favour of the first applicant who obtains said nullity. This form of reward was established in the USMCA, as was mentioned before.

As already described, a patent invalidity trial is not currently economically viable in Mexico. Further, without a system for opposition prior to granting of a patent, generic companies do not have many possibilities to demonstrate patent invalidity by not meeting the requirements of patentability.

The Hatch-Waxman Amendment succeeded in promoting the introduction of generics into the market. In 1983, before the implementation of that law, only 35% of the high-sale drugs with expired patents had generic competition and only 12% of the prescriptions were generic. By contrast, in 2012, 84% of prescriptions were for generic products.⁴³

D. IMPLEMENTATION OF COMMITMENT

The current linkage system in Mexico can be improved. As it currently stands, only patent holders are protected, without counterbalance for generic pharmaceutical companies.

It is proposed that, like the American system, imposing limits could be established in the introduction of patents to the gazette to only those patents that are of new drug substance and not the subsequent patents based on the same invention. This would prevent such inventions becoming barriers for generic versions of the drug substance, because the infringement of this inventions (pharmaceutical composition, formulation, second uses, doses, metabolites etc.), is subject

⁴⁰ The publication identifies medicines approved based on safety and effectiveness and related patent and exclusivity information.

⁴¹ Abbreviated New Drug Application (ANDA) for marketing a generic drug based on an existing approved drug. The ANDA is submitted to FDA's Center for Drug Evaluation and Research, Office of Generic Drugs, which provides for the review and ultimate approval of a generic drug product.

⁴² FDA Instruction for Filing Application Form 3542

<<https://www.fda.gov/media/102047/download>> accessed 5 May 2020.

⁴³ Garth Boehm, Lixin Yao, Liang Han, Qiang Zheng, 'Development of the Generic Drug Industry in the US after the Hatch-Waxman Act of 1984' (September 2013) 3(5)Acta Pharmaceutica Sinica B, 297

to interpretation, while the infringement of the patent on the drug substance is not.

Likewise, as the new treaty guidelines establish, in order to safeguard the exclusivity right of a patent, the holder of a pharmaceutical patent can be notified of a third party's intention to market the product protected by said patent. The authority should not however block the product from marketing since it is the exclusive right of the patent holder to enforce it. Therefore, it must only be the latter's decision to take action against said third party and the authority must only decide on the marketing approval. For this reason, to notify, and in case of litigation, suspending the marketing process, is considered a valid system, which safeguards the patent right, and on the other hand, it does not block the process of marketing of pharmaceutical products.

Moreover, an opposition process, whereby anyone can oppose the grant of a patent for not meeting the patentability requirements, should be considered. This will avoid subsequent litigation of invalidity and damages caused to generic companies, as well as to the health sector and to patients who finally end up paying the price of a patent exclusive medicine.

However, a 180- day reward implementation of exclusive commercialization for those who successfully invalidate a patent will generate the additional benefit of having only strong patents that achieved all patentability requirements. This could of course promote patent litigation by granting the winner an exclusive right over a product that does not deserve exclusivity. However, the compensation for the patent system merits it. Instead of having a pharmaceutical product exclusivity for 20 years, when the patent was not valid, it could be for a much shorter period of time, only 180 days after invalidity of such patent and allows in a secondary way to compensate the damages that are otherwise very difficult to quantify. This justifies the granting of such marketing exclusivity. The health system, patients and generic companies will benefit, as well as the litigator who

invested to invalidate a patent that did not deserve exclusivity.

6. CONCLUSIONS

The Mexican pharmaceutical industry, similar to those of India, China, Argentina, Brazil and some others, has been classified as an industry with real imitation capabilities of novel pharmaceutical products, according to a United Nations study.⁴⁴

Reforms brought to the system of industrial property in Mexico by adhering to the TRIPS Agreement, as well as the NAFTA in the 1990's, aimed to create a more rigorous system than the previous one. To the contrary, however, they have not resulted in a growth in innovation in Mexico and have in fact increased the number of requests from non-Mexican residents and, consequently, increased the technological dependence of the country on its commercial partners

The national pharmaceutical industry in Mexico has not had the initiative to be oriented towards innovation, but only to imitate development.

The signing of the renewed and renamed USMCA implies commitments that have strengthened the protection of industrial property, with special emphasis on the protection of patent holders, such as the possibility to compensate the term of a patent for delays in the granting or marketing approval process, clinical data protection and linkage. None of these commitments benefits the entry of generic medicines into the market in Mexico, despite the fact that the national pharmaceutical industry is composed mostly of pharmaceutical companies marketing generic medicines.

It is postulated that along with the implementation of these commitments, measures are also applied to counterbalance the generic drug industry and so that a balance is reached in the system in general, preventing the reforms from an unnecessary and unjustified delay of generic medicines entry into the market. Such implementations can be the following:

⁴⁴ 'Intellectual Property Rights and Foreign Direct Investment' (United Nation Transnational Corporations and Management Division and United Nation Department of Economic and Social

Development, 1993) UN Doc ST/CTC/SER/A/24 UN Sales No E93 II.A.10 (1993) New York.

- Encourage research, either from the government, such as project financing or private initiative with the collaborative research model, in order to take advantage of patentability reforms in their favour, as part of a process to move from imitative model to the innovative model.
- Efficient processes both in the granting of patents and in the process of marketing approval to avoid the granting of compensation for the term extension of patents, whose economic consequence falls on the public health system, as well as on the patients themselves who ultimately absorb the monopoly market costs.
- Establish temporary limits for the beginning of the use of patents, with the consequence that, if a patent is not used, the privilege of the patent could be lost, in such a way that the exclusivity of clinical data does not become a tool for blocking of the commercialization of generic pharmaceutical products.
- Implement a system of opposition prior to the granting of a patent, in such a way that any person can question the patentability of an invention, thus preventing patents of doubtful patentability from being granted, as well as the damages and losses that this entails.
- Alternatively, the implementation of a marketing authorization exclusivity, for a short period of time, for those who promote and invalidate a patent. The health system, patients and generic companies will benefit, as well as the litigator who invested in the legal process to invalidate such patent that did not deserve exclusivity.

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12. REGULATION OF COLLECTIVE MANAGEMENT ORGANISATIONS IN SOUTH AFRICA

Desmond Osaretin Oriakhogba*

ABSTRACT

In 2011, the Copyright Review Commission (South Africa) found cases of impropriety in the dealings of collective management organisations (CMOs) in the South African copyright-based industry and the inadequacy of the extant regulation regimes to tackle such irregularities. These findings, among others, prompted the copyright law reform process in South Africa, which has reached a very advanced stage with the Copyright Amendment Bill, 2017 now awaiting presidential assent. Undertaken as a desk research, this paper examines the extant, and proposed, regulation regimes for CMOs in South Africa. The goal is to identify the existing gaps in the extant regulation and determine whether, and how, the proposed legal framework has addressed these lacunae in order to ensure accountability, transparency and efficiency of CMOs in South Africa.

Keywords: *copyright, CMOs, needletime, non-needletime, regulation, South Africa*

*Dr Desmond Oriakhogba is a lecturer in the Law Faculty, University of Benin, Nigeria where he also obtained his Bachelor and Master of laws. He holds a PhD in law from the University of Cape Town (UCT), South Africa, where he is currently concluding a postdoctoral research. He is also a Tutor in the WIPO Academy's Distance Learning Program. He is affiliated to the UCT's research Chair on intellectual property (IP), innovation and development, and UCT's IP Research Unit. Desmond is also a Queen Elizabeth II Scholar (QEScholar) and Collaborator with the Open African Innovation Research (Open AIR) network. He was a visiting researcher at the Centre for Law, Society and Technology (CILT), Law Faculty, University of Ottawa, Canada between August and October 2018. Desmond researches in the broad spectrum of IP law and practice. But he focuses specifically on copyright law, the administration and operation of collective management organisations and their connection with competition law and practice; and the link between IP law, gender empowerment, traditional knowledge, traditional cultural expressions and access to information. Desmond has

1. INTRODUCTION¹

Generally, collective management organisations (CMOs) are organisations involved in the negotiation of copyright licenses, collection of royalties, distribution of such royalties to copyright owners who are usually (but not always) their members, monitoring uses of copyright works, and in deserving cases, enforcement of copyright infringement. In this connection, CMOs help bridge the gap between copyright owners and users of copyrighted works in terms of copyright licensing and enforcement, and thus help solve transaction cost problems in the copyright industry, even in the digital era. CMOs also carry out incidental functions, which are socio-cultural in nature, such as orientation and anti-piracy programs, activities that promote the copyright and creative industry, and support for copyright owners in the form of pension schemes and charity for indigent copyright owners.²

The importance of CMOs as core features of the economic activity within the copyright-based industries has been recognised globally, in Africa and within the South African

published both peer-reviewed and non-peer-reviewed articles, consulted for national and multinational agencies and presented papers in conferences on these areas of research. Email: osaretin.oriakhogba@uniben.edu.

¹ This paper is adapted from the author's PhD Thesis: Desmond O Oriakhogba, 'Strengthening the Regulation Regimes for Collecting Societies in South Africa and Nigeria: Any Room for Competition Law' (Cape Town: University of Cape, 2018) <https://open.uct.ac.za/bitstream/handle/11427/29998/thesis_law_2018_oriakhogba_desmond_osaretin.pdf?sequence=1&isAllowed=y> accessed 5 October 2019.

² Mihaly Ficsor, *Collective Management of Copyright and Related Rights* (WIPO, Geneva 2002); Ulrich Uchtenhagen, *Copyright Collective Management in Music* (WIPO, Geneva 2011); Daniel Gervais, *Collective Management of Copyright and Related Rights* 3rd edn (Wolters Kluwer, Netherlands 2015); Joel Baloyi, 'The Protection and Licensing of Music Rights in Sub-Saharan Africa: Challenges and Opportunities' (2014) 14(1) *JMEIA* 61-87.

(SA) context.³ Nine CMOs currently operate in SA, and for purpose of this paper, the CMOs are grouped into needletime and non-needletime CMOs. Needletime CMOs are those administering needletime rights, defined as the right of performers and music producers to be remunerated when their sound recording (containing the performers' performance) is broadcast, transmitted in a diffusion service or communicated to the public.⁴ Based on the current regulation regime for collective management of copyright and related rights in SA, which is discussed in Section 2 below, SA commentators often distinguish between needletime and non-needletime CMOs.⁵ The needletime CMOs are the South African Music Performance Rights Association (SAMPRO) and the Independent Music Performance Rights Association (IMPRA). The non-needletime CMOs are Southern African Music Rights Organisation (SAMRO); the Composers, Authors and Publishers Association (CAPASSO);⁶ the Association of Independent Record Companies of South Africa (AIRCO); the Dramatic, Artistic and Literary Rights Organisation (DALRO); the Recording Industry of South Africa's (RISA) Audio-Visual (RAV); the Motion Picture Licencing Company (MPLC); and the Christian Copyright Licencing International (CCLI).⁷

The activities of CMOs and their impact on the copyright and creative industry within the framework of extant copyright law in SA formed a central theme in the investigation of the SA Copyright Review Commission (CRC), which released its report in 2011. Among others, the CRC was established on 18

November 2010 by the Minister of Trade and Industry to assess concerns and allegations about the collective model in place for the distribution of royalties to musicians and composers of music in South Africa. Specifically, the issues considered by the CRC included the structure of CMOs, licensing, royalty collection and distribution. Its findings included, CMOs' inappropriate dealings with the royalties collected on behalf of copyright owners, lack of proper royalty distribution rules leading sometimes to non-distribution of royalty to copyright owners, and other issues relating to significant weakness in internal control; outdated constitutive documents; lack of internal audit; lack of independent directors; lack of issuance of audited financial statements; lack of publication of annual reports, among others, within SAMRO, SAMPRO and the defunct SARRAL; and the inadequacy of the existing regulation regime to address these issues.⁸

The CRC's findings were instrumental to the proposals in the SA Copyright Amendment Bill 2017 (CAB) and the Performers' Protection Amendment Bill, 2016 (PPAB), which currently await presidential assent.⁹ The extant regulatory framework for CMOs in SA is found in the Copyright Act, Performers' Protection Act, and the Collecting Societies Regulations (CS

³ Gervais (n 2); Keitseng N Monyatsi, *Survey on the Status of Collective Management Organizations in ARIPO Member States* (ARIPO, 2015) 16 <<https://www.aripo.org/wp-content/uploads/2018/12/ARIPO-CMO-Survey-Mag.pdf>> accessed 5 October 2019; Department of Trade and Investment, *Copyright Review Commission Report* (South Africa, 2011) [hereinafter, DTI] <https://www.gov.za/sites/default/files/gcis_document/201409/cr-c-report.pdf> accessed 5 October 2019.

⁴ *ibid.*

⁵ For instance, see Joel Baloyi & Tana Pistorius, 'Collective Management in Africa' in Gervais (n 2) 369-424.

⁶ CAPPASO is a product of the merger of between the National Organization of Reproduction Rights in Music in South Africa and SAMRO in 2014. See Sheldon R Leal, 'SA Music Industry Societies' (2019) <[https://medium.com/@shelrochaleal/sa-music-industry-](https://medium.com/@shelrochaleal/sa-music-industry-societies-e53cdd13c800)

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<<http://www.billboard.com/biz/articles/news/publishing/1178131/two-of-south-africas-largest-royalty-collection-agencies-join>> accessed 13 July 2020.

⁷ See Oriakhogba (n 1) 99-105; AIRCO <<https://www.airco.org.za/>> accessed 5 October 2019.

⁸ DTI (n 3).

⁹ Copyright Amendment Bill, B13B 2017 (South Africa) [hereinafter CAB] <https://libguides.wits.ac.za/ld.php?content_id=45613747> accessed 5 October 2019; Performers Protection Amendment Bill, B24B 2016 (South Africa) (PPAB) <http://pmg-assets.s3-website-eu-west-1.amazonaws.com/b_24_-_2016_performers_protection.pdf> accessed 5 October 2019.

Regulations).¹⁰ The Companies Act¹¹ also applies in this regard, especially as it relates to the incorporation, corporate governance, winding-up of CMOs, and the establishment of the Companies and Intellectual Property Commission (CIPC), which is saddled with the duty of supervising CMOs in SA.

To be effective, a regulation regime for CMOs should promote accountability, transparency and efficiency in the activities of CMOs. In this connection, the regulations regime should govern the relationship between CMOs and copyright owners, and between CMOs and users of works, among others. In particular, the regulations framework should address specific issues relating to membership of CMOs, the collection and distribution of royalty, royalty tariffs, licensing and corporate governance, among others.¹² Against this backdrop, this paper examines the extant regulations framework for CMOs in SA to determine its effectiveness in promoting accountability, transparency and efficiency in collective management in SA. The paper will identify existing gaps in the extant regulation and determine whether the proposals in the CAB relating to regulation of CMOs in SA sufficiently address the identified gaps. The paper is divided into four parts with the introduction being the first. The second part involves an in-depth examination of the extant regulation of CMOs in SA. The third part discusses the proposed regulatory framework for CMOs under the CAB, while the conclusion forms the fourth part.

2. CURRENT REGULATION OF CMOS IN SOUTH AFRICA

The discussion in this part is divided into four sub-parts. The first, second and third respectively discuss the accreditation

of CMOs; the relationship between CMOs and copyright owners (their members); and the relationship between CMOs and users of copyright works in SA. Here, the provisions of the regulation regime as applicable to needletime and non-needletime CMOs are discussed. The fourth sub-part then examines provisions relating to the internal management, transparency and accountability of CMOs. It is important to state from the outset that the Copyright Act, the Performers' Protection Act, the CS Regulations and the Companies Act are silent on the issue of legal forms that CMOs (needletime and non-needletime) must take. However, CMOs are generally non-profit organisations and, unless required by law they can be incorporated in any legal form, such as limited liability companies or partnerships, amongst others.¹³ Indeed, apart from DALRO and MPLC, which are private companies, other CMOs in SA are non-profit companies (NPCs). Therefore, any organisation intending to act as a needletime or non-needletime CMO would be at liberty to choose any legal form. However, such organisation would need to comply with the provisions of the Companies Act relating to formation of companies generally.¹⁴

A. ACCREDITATION TO OPERATE AS CMO

The CS Regulations empower the Registrar, who is also the Commissioner of the CIPC, to accredit any person or licensing body interested in functioning as a CMO on behalf of fifty or more music producers (or an organisation representing them), or fifty or more performers (or an organisation representing them), either jointly or separately.¹⁵ This requirement is not novel. It finds precedence in the Nigerian regulatory framework. A combined reading of sections 17 and

¹⁰ Copyright Act, 1978 (South Africa) [hereinafter Copyright Act]; Performers' Protection Act, 1967 (South Africa) [hereinafter Performers' Protection Act]; Regulations on the Establishment of Collecting Societies in the Music Industry GN 517 in GG 28894 of 1 June 2006 (South Africa) [hereinafter CS Regulation].

¹¹ Companies Act, 2008 (South Africa) [hereinafter Companies Act].

¹² Josef Drexler, *Copyright, Competition and Development* (Geneva: WIPO, 2013) <https://www.wipo.int/export/sites/www/ip-competition/en/studies/copyright_competition_development.pdf> accessed 5 October 2019; Ifeoluwa A Olubiyi and Kayode I Adams, 'An Examination of the Adequacy of the Regulation of Collecting

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¹³ Tarja Koskinen-Olsson & Nicholas Lowe, *General Aspects of Collective Management* (WIPO, Geneva, 2012) <https://www.wipo.int/edocs/pubdocs/en/wipo_pub_emat_2014_1.pdf> accessed 5 October 2019.

¹⁴ Companies Act (South Africa) (n 11), ss 8 and 10 and Schedule 1.

¹⁵ CS Regulations (South Africa) (n 10), Regulation 3(1).

39 of the Nigerian Copyright Act, Cap C28, Laws of the Federation of Nigeria, 2004 requires CMOs representing fifty or more copyright owners to be approved by the Nigerian Copyright Commission before they can operate as such.

The requirements for the grant of accreditation in South Africa, under the CS Regulations, are:¹⁶

- the applicant must be capable of ensuring adequate, efficient and effective administration of the rights to be entrusted to it;
- the applicant's membership must be open to all rights owners (or their association) of the class of rights the applicant intends to administer;
- the applicant affords its members the right and opportunity to take part in the decision-making process relating to the applicant's affairs, the administration of rights and distribution of royalties;
- the applicant must be capable of complying with its obligations under the CS Regulations;
- the managers and members of the governing body must be largely South African citizens or permanent residents and be fit and proper persons to act in the capacity;
- the applicant's place of business must be situated in SA; and
- the accreditation will not undermine or diminish the adequate, efficient and effective administration of rights by an already established and accredited needletime CMO.

If the above requirements are satisfied, the Registrar is enjoined to grant the accreditation.¹⁷ Otherwise, and in deserving cases, the Registrar is empowered to modify or refuse the application and, within 30 days of the modification or refusal, to furnish the applicant with reasons thereof, in writing.¹⁸

The Registrar has exercised the accreditation powers in the past. The defunct South African Recording Rights Association Limited (SARRAL) was the first CMO to be accredited under the CS Regulations. SARRAL was accredited in March 2007.¹⁹ SARRAL's accreditation was questionable because it came at a time when there was a pending winding-up petition against it.²⁰ SARRAL 'used the accreditation to persuade the court not to liquidate it.'²¹ In fact, SARRAL's counsel had contended in court that 'accreditation could not have been granted unless the Registrar was satisfied that [SARRAL] was able to ensure adequate, efficient and effective administration of the rights entrusted to it.'²² Even so, the court held that, not being a needletime CMO, the Registrar had no powers or rights to regulate or seek to regulate SARRAL in terms of the CS Regulation.²³ However, this does not preclude the Registrar from regulating non-needletime CMOs (and indeed all CMOs) in terms of the Copyright Act, Performers' Protection Act and the Companies Act. Overall, the court found instances of mismanagement, lack of transparency, accountability and probity in the dealings of SARRAL regarding the administration of its members' mechanical rights.²⁴ Consequently, SARRAL was wound-up and its application for leave to appeal against the winding-up order was refused.²⁵ The Registrar eventually withdrew SARRAL's accreditation in 2010.²⁶

¹⁶ *ibid*, Regulation 3(3).

¹⁷ CS Regulations (South Africa) (n 10), Regulation 3(4)(a).

¹⁸ *ibid*, Regulation 3(4)(c).

¹⁹ Baloyi & Pistorius (n 5) 396.

²⁰ *Shapiro v South African Recording Rights Association Limited* (SARRAL) Unreported Case No. 14698/04 (2009).

²¹ Baloyi & Pistorius (n 5) 390.

²² *Shapiro v SARRAL* (n 20) 12.

²³ *ibid* 15.

²⁴ *ibid* 33–45.

²⁵ Graeme Gilfillan, 'Clarifying the History, Roles, Responsibilities and Regulatory Environment Concerning Collecting Societies in South Africa' (2010) 17 <<http://pmg-assets.s3-website-eu-west-1.amazonaws.com/docs/2010/101020clarifying.pdf>> accessed 5 October 2019.

²⁶ DTI (n 3) 43.

The implication of the SARRAL judgment is twofold. First, non-needletime CMOs do not require accreditation under the CS Regulation to operate in SA. Second, although the Registrar is not empowered to accredit non-needletime CMOs in terms of the CS Regulation, they can regulate their royalty collections, among others, for instance by issuing a notice under the Companies Act requiring the non-needletime CMO to comply with the terms of its constitutive documents. The Registrar may then apply for winding up if the grounds contemplated in the Companies Act occur.²⁷ Thus, as will become apparent as discussion progresses below, although non-needletime CMOs do not require accreditation to operate, the Registrar (or Commissioner) of the CIPC can regulate their activities by virtue of relevant provisions of the Companies Act, the Copyright Act and the Performers' Protection Act.

SAMPRA was the second CMO to be accredited under the CS Regulations. It was accredited in June 2007.²⁸ However, it appears SAMPRA applied for renewal in 2012, which was provisionally refused in July of the same year.²⁹ This may be connected to the then raging controversy on the distribution of royalties between music producers (represented by SAMPRA) and performers (represented by SAMRO).³⁰ The main issue concerned the exact share of the royalties for music producers and performers, and who could collect the performers' share. SAMRO's stand was that the share should

be equal (50/50) between the performers and music producers.³¹ SAMRO also contended that it is entitled to collect the performers' share from SAMPRA and distribute accordingly.³² On the other hand, SAMPRA held the position that it was obligated to pay the needletime royalties to music producers who would determine the performers' share and pay them the royalty less any advances paid to them in terms of their recording agreement.³³ The Registrar shared SAMRO's view and indeed refused to approve the distribution plan submitted by SAMPRA. The issue led the Registrar into 'threatening to terminate SAMPRA's accreditation as a CMO, prompting SAMPRA to institute legal proceedings against the Registrar and SAMRO to have the Registrar's decision reversed.'³⁴ SAMPRA was eventually accredited in October 2012, and again in 2014.³⁵

The next CMO to be accredited was SAMRO, in 2008.³⁶ Its performer members that comprised the Performers Organisation of South Africa (POSA) Trust, is now part of SAMPRA.³⁷ In effect, the accreditation granted to SAMRO has become ineffective. Following this, IMPRA was accredited in August 2015.³⁸

The CS Regulations empower the Registrar to withdraw an accreditation granted earlier. However, the Registrar must

²⁷ Companies Act (South Africa) (n 11), s 81(1)(f).

²⁸ Baloyi & Pistorius (n 5) 396.

²⁹ See Companies and Intellectual Property Commission (CIPC), 'Notice in Terms of Regulation 3 (7) of the Regulations on Collecting Societies' GN No. 577, GG No. 35530 of 19 July 2012.

³⁰ Nick Matzukis, 'The Great South African Needletime Debacle' (2014) <<https://www.musicinafrica.net/magazine/great-south-african-needletime-debacle>> accessed 5 October 2019.

³¹ *ibid.*

³² *ibid.*

³³ *ibid.*

³⁴ Baloyi & Pistorius (n 5) 381. See *South African Music Performance Rights Association (SAMPRA) v Kadi Petje & Ors.* Unreported Case No. 9085/2010. The case was eventually withdrawn prompting SAMRO to institute *Southern African Music Rights Organisation (SAMRO) v South African Music Performance Rights Association (SAMPRA) & Ors.* Unreported Case No. 42008/2013 for an interim

interdict to prevent SAMPRA from distributing its royalties. This case was also withdrawn following agreement between SAMPRA and SAMRO to end the conflict.

³⁵ See 'Notice in Terms of Regulation 3 (7) of the Regulations on Collecting Societies' Companies and Intellectual Property Commission (CIPC), GN No. R. 848, GG No. 35791 of 19 October 2012; 'Notice in Terms of Regulation 3 (7) of the Regulations on Collecting Societies' Companies and Intellectual Property Commission (CIPC), GN Nos. 1068 and 1069, GG No. 38232 of 28 November 2014.

³⁶ Baloyi & Pistorius (n 5) 396.

³⁷ SAMPRA, 'Background' <<https://www.sampra.org.za/>> accessed 13 July 2020.

³⁸ See 'Notice in Terms of Regulation 3 (7) of the Regulations on Collecting Societies,' Companies and Intellectual Property Commission (CIPC), GN No. 680, GG No. 39066 of 7 August 2015.

notify the CMO and state reasons for such withdrawal. The situations that can lead to withdrawal of accreditation are:³⁹

- failure to disclose material facts at the point of application that may lead refusal of the application;
- the Registrar becoming aware of unknown facts at the time of accreditation or subsequent occurrences, which would have constituted a ground for refusal of the application and which could have been irremediable;
- in the Registrar's opinion, the CMO fails to comply with its obligations under the CS Regulations and ignores directions by the Registrar regarding the infractions; and
- a liquidation order has been issued against the CMO.⁴⁰

To prevent arbitrariness, the Registrar's powers to grant, renew and withdraw accreditation under the CS Regulations are subject to judicial review.⁴¹

B. RELATIONSHIP BETWEEN CMOS AND COPYRIGHT OWNERS

(i) Membership of Needletime CMOs

The relationship between non-needletime CMOs and their members are defined by their constitutive documents such as a memorandum of incorporation (MOI) and other company rules.⁴² The same is true in relation to needletime CMOs. While the MOI of needletime CMOs must comply with the CS Regulation and relevant provisions of the Companies Act, that of non-needletime CMOs need only conform to relevant provisions of the Companies Act.

As indicated above, most CMOs in South Africa are NPCs, while some are private companies. Generally, a private

company is allowed to have one or more shareholder(s). A discussion of shareholders' rights is beyond the scope of this work.⁴³ It suffices to state now that where a private company has only one shareholder, as in DALRO's case, 'that shareholder may exercise any or all of the voting rights pertaining to that company on any matter without notice or compliance with any other internal formalities' except as otherwise stipulated by the company's MOI.⁴⁴ CMOs that are NPCs are generally not required to have members, except where their MOI provides otherwise.⁴⁵ However, if their MOI requires them to have members, membership shall not be restricted or regulated in such a way as to amount to unfair discrimination on grounds of sex, ethnic or social origin, colour, sexual orientation, religion, among others.⁴⁶ Indeed, all members must be treated equally in terms of rights administration. Moreover, the MOI may allow membership to be held by juristic persons, including for-profit companies.⁴⁷ Such juristic persons or for-profit companies should be those representing the class of right holders falling within the repertoire of the CMOs.

The CS Regulations specifically require membership of needletime CMOs to be open to persons falling within the class of rights holders they represent, either directly or through an organisation of the class of rights holders.⁴⁸ An additional equality standard is provided for needletime CMOs composed of music producers and performers. The CS Regulations require the governing structure of such CMOs to provide for equal representation of the music producers and performers in the decision-making process of their highest executive organ and their general assembly.⁴⁹ Further, the CS Regulations preserve the rights, remedies and reliefs that members of needletime CMOs are entitled to under their

³⁹ CS Regulation (South Africa) (n 10), Regulation 3(6).

⁴⁰ SARRAL's accreditation was withdrawn in 2010 owing to the liquidation order issued against it in *Shapiro v SARRAL* (n 20).

⁴¹ CS Regulation (South Africa) (n 10), Regulation 4(8); *Foschini Retail Group (Pty) Ltd v South African Music Performance Rights Association (SAMPRA)* [2013] ZAGPPHC 304 (Copyright Tribunal) para 3.

⁴² *Shapiro v SARRAL* (n 20).

⁴³ Companies Act (South Africa) (n 11), ss 57-65.

⁴⁴ *ibid*, s 57.

⁴⁵ *ibid*, Schedule 1 para 4(1)

⁴⁶ *ibid*, Schedule 1 para 4(2)(a); The Constitution of the Republic of South Africa 1996, s 9.

⁴⁷ Companies Act (South Africa) (n 11), Schedule 1 para 4(2)(c).

⁴⁸ CS Regulation (South Africa) (n 10), Regulation 5(1).

⁴⁹ *ibid*, Regulation 5(2).

membership agreement, common law or their constitutive documents.⁵⁰

The implication of the absence of such mandate in relation to non-needletime CMOs is that they are free to structure their governing board as they deem fit. However, it appears that such non-needletime CMOs are already structuring their governing boards along the lines of the CS Regulation, even though the regulations do not apply to them. For instance, clause 16.1 of CAPASSO's Memorandum of Incorporation stipulates that its governing board shall be constituted of a minimum of 8 directors: the independent chairman/non-executive director, the chief executive officer, and 3 members each of SAMRO and the National Organisation of Reproduction Rights (NORM).⁵¹ In this connection, it should be recalled that CAPASSO was formed by a merger of SAMRO's mechanical rights administration arm and NORM, following recommendation by the CRC. Thus, it was fitting that equal numbers of the representatives of SAMRO and NORM constituted CAPASSO's governing board.⁵²

Even so, the MOI of CMOs that are NPCs (needletime and non-needletime) may provide for two classes of members – voting and non-voting members – and must stipulate the qualifications for membership; the grounds on which membership may cease or be suspended; and the rights and obligations of membership in any class, among others.⁵³ Each voting member of CMOs are entitled to one vote, and except otherwise provided by the MOI, the vote of every member is equal in value on any matter to be determined by vote in the CMO.⁵⁴ Specific to needletime CMOs, the CS Regulations is silent on whether they may have voting and non-voting members. Instead, it confers voting rights on each member of needletime CMOs.⁵⁵ However, the CS Regulation must be

read subject to the provisions of the Companies Act, which is the specific legislation that defines the form, and the content of MOIs of legal entities. In effect, the voting rights referred to in the CS Regulation would be exercisable by a voting member where the needletime CMO has two classes of members in terms of the Companies Act. Where the needletime CMO does not classify its membership, then the voting rights are exercisable by all members.

Further, CMOs that are NPCs (needletime and non-needletime) are prohibited from, presuming the membership of any person; regarding any person as their member; or providing automatic membership to any person on any basis other than lifetime membership awarded to a person for service to the CMO and with the consent of such person.⁵⁶ Finally, CMOs that are NPCs (needletime and non-needletime) are required to maintain a membership register, while private companies are required to maintain securities registers.⁵⁷

(ii) Royalty Distribution of CMOs

As stated in section 1 above, one of the main roles of CMOs is distribution of royalties among its members. Indeed, the effectiveness and efficiency of CMOs in South Africa have been gauged based on the frequency, size and pattern of their royalty distribution, among others.⁵⁸ The CS Regulations specifically govern royalty distribution of needletime CMOs. That is not to say needletime CMOs, like their non-needletime counterparts, are not subject to relevant rules in the Companies Act that relate to royalty distribution. Indeed, all CMOs will be subject to the relevant rules stipulated in their constitutive documents, as approved by their members and governed by the Companies Act.⁵⁹

⁵⁰ *ibid*, Regulation 5(5); *Shapiro v SARRAL* (n 20) 14-15.

⁵¹ CAPASSO's Memorandum of Association <https://846a02d5-b1ca-41ef-9571-2ce5ce8cd06a.filesusr.com/ugd/a0bce1_cb34fea139e54d978569c3f7107ede62.pdf> accessed 29 April 2020.

⁵² DTI (n 3) 46.

⁵³ Companies Act (South Africa) (n 11), Schedule 1 para 4(d) and (e).

⁵⁴ *ibid*, Schedule 1 para 1(7) and (8).

⁵⁵ CS Regulation (South Africa) (n 10), Regulation 5(3).

⁵⁶ Companies Act (South Africa) (n 11), Schedule 1 para 4(2).

⁵⁷ *ibid*, s 24(4) and Schedule 1 para 1(9).

⁵⁸ DTI (n 3) 69-77; Charl Bignaut, 'Gospel Shocker: How Black Musicians Got Screwed' (South Africa: City Press, 1 April 2018) <<https://city-press.news24.com/News/gospel-shocker-how-black-musicians-got-screwed-20180401>> accessed 5 October 2019.

⁵⁹ *Shapiro v SARRAL* (n 20).

Generally, the Companies Act requires all CMOs that are NPCs (needletime and non-needletime) to apply all their assets and income to advancing their objectives. They are prohibited from directly or indirectly paying any portion of their income to their members, except as payment of royalty in respect of the rights of that person administered by the CMO, among others.⁶⁰ Arguably, this provision may be regarded as the foundation for the distribution rules of those CMOs that are NPCs, a discussion of which is beyond the scope of the present paper.⁶¹ Nonetheless, royalty is expected to be distributed fairly among members based on the actual usage of works,⁶² determined by usage data supplied by users or by sampling, as the case may be. In addition, CMOs are not expected to distribute all their income as royalties to their members. This is so because CMOs are entitled to retain certain percentage of royalties collected as administrative cost. Depending on the level of development of collective management in a jurisdiction, the ideal situation is to retain not more than 30% of royalties collected.⁶³ This percentage may be fixed, either by law or by members' mandate.⁶⁴ However, the percentage is expected to reduce as the CMOs develop and become more efficient.⁶⁵

Specifically, Section 9A of the Copyright Act and Section 5 of the Performers' Protection Act guide royalty distribution of needletime CMOs.⁶⁶ By a combined reading of the sections, a music producer who has been authorised by a performer to embody his performance in a sound recording is entitled to collect needletime royalties for such performance. However,

the royalty collected must be shared between the music producer and the performer. The performer's share is to be determined by an agreement between the music producer and the performer or between their respective CMOs. Failing such agreement, the music producer or performer may refer the matter to the Copyright Tribunal under the Copyright Act or they may agree to submit to arbitration in terms of the Arbitration Act, 1965.⁶⁷

Section 9A of the Copyright Act and section 5 of the Performers' Protection Act were in the heart of the needletime royalty crises alluded to in (A) above. The crises would have been averted if the Copyright Act and Performers' Protection Act had provided the percentage share for performers. It appears the CS Regulations attempted to fill this lacuna. One of the grounds for approval of a needletime CMO's distribution plan is that the plan should state an equal share of collected royalties between music producers and performers. However, this provision applies only where a needletime CMO represents both music producers and performers and in the absence of a sharing agreement to the contrary.⁶⁸ Further, needletime CMOs are obligated to distribute annually at least 80% of collected royalty equitably among their members.⁶⁹ The distribution must be done based on a plan approved by the Registrar,⁷⁰ which shall be applied 'based on information publicly available, trade information available to [the CMOs'] members and on information to be furnished by individual user groups.'⁷¹ Needletime CMOs are

⁶⁰ Companies Act (South Africa) (n 11), Schedule 1 para 3.

⁶¹ For instance, see South African Music Performance Rights Association's Memorandum of Incorporation, art 25.
<<https://www.sampra.org.za/pdf/moi/SAMPRA%20Memorandum%20of%20Incorporation.pdf>> accessed 5 October 2019; SAMRO's Performing Rights Distribution Rules
<<http://www.samro.org.za/sites/default/files/SAMRO%20Performing%20Rights%20Royalty%20Distribution%20Rules.pdf>> accessed 5 October 2019; Composers, Authors and Publishers Association's Membership Rules (South Africa), art 6
<<http://www.capasso.co.za/index.php/company-documents.html?download=23:capasso-membership-rules-2015>> accessed 5 October 2019.

⁶² See the specific provision for needletime CMOs in CS Regulations (South Africa) (n 9), Regulation 8(3).

⁶³ Ficsor (n 2); Uchtenhagen (n 2)

⁶⁴ *ibid.*

⁶⁵ *ibid.*

⁶⁶ CS Regulation (South Africa) (n 10), Regulation 6(1).

⁶⁷ Arbitration Act 1965 (South Africa).

⁶⁸ CS Regulation (South Africa) (n 10), Regulation 8(5)(c).

⁶⁹ *ibid.*, Regulations 6(2) and 8(1).

⁷⁰ *ibid.*, Regulation 8(5).

⁷¹ *ibid.*, Regulation 8(4).

allowed to retain not more than 20% of collected royalty to defray administrative costs.⁷²

The foregoing being said, it should be noted that the CS Regulations do not stipulate the consequences of non-compliance with its provisions on royalty distribution by needletime CMOs. However, non-compliance by both needletime and non-needletime CMOs with the provisions of the Companies Act relating to royalty distribution may lead to the winding up of such a CMO.⁷³

Finally, it should be pointed out that the Copyright Act, the Performers' Protection Act and the CS Regulations do not stipulate how CMOs may handle the royalties collected for works belonging to non-members. However, CMOs in SA have formed the practice of tracing non-members and, when found, asked to become members before giving them their share of the collected royalties. However, where the royalties are unclaimed after three years, it is 'written back to the income of the CMO' and 'distributed to the members based on the normal distribution criteria.'⁷⁴ Nevertheless, CMOs cannot legally make membership a criterion for payment of royalties to non-members who are successfully traced. They are within their rights to deduct prescribed administration costs from such royalties before remitting it to the non-members. Money collected as royalties belongs to the copyright owners (irrespective of whether they are members or not) and not to the CMOs.⁷⁵ Apart from this, the treatment of royalties unclaimed after the three-year period seems justified. However, as recommended by the CRC,⁷⁶ there is need for legislative intervention in this regard. Such regulation should prescribe the minimum retention period for unclaimed royalties, after which it 'should only be used for social-related activities and cultural projects that will benefit local artists.'⁷⁷

C. RELATIONSHIP BETWEEN CMOs AND USERS

Discussions here focus on how licensing practices and tariff setting of needletime CMOs are regulated. The Companies Act does not cover these issues. They are dealt with by the Copyright Act, the Performers' Protection Act and largely by the CS Regulations. It is already established that the CS Regulations do not apply to non-needletime CMOs. However, it would not be correct to say that the licensing practice and tariff setting of non-needletime CMOs are without legal basis. Non-needletime CMOs may enter into licensing contracts with users.⁷⁸ Section 22 of the Copyright Act and Section 13 of the Performers' Protection Act govern such contracts. In terms of Section 13 of the Performers' Protection Act, performers may contract with any user interested in using their performance. Such a contract will be valid even if done through the performer's CMO. Similarly, Section 22 of the Copyright Act provides for the transfer of copyright, either wholly or in part, by way of assignment, exclusive license, and non-exclusive license, among others. To be valid, assignments and exclusive licenses must be in writing and signed by the assignor or exclusive licensor,⁷⁹ while non-exclusive licenses may be written, oral or implied.⁸⁰ Specifically, the exploitation of copyright in a work by a user pursuant to a license issued by a CMO that has been mandated by the owner of the rights in the work would not be an infringement of copyright.⁸¹ Further, the licensing practice and tariff setting of non-needletime CMOs are subject to the supervision of the Copyright Tribunal under Chapter 3 of the Copyright Act.

Concerning needletime CMOs, the Copyright Act and the Performers' Protection Act lay the foundation for their licensing practices. Under these laws, users of sound recordings have an option to negotiate needletime royalties with CMOs representing music producers and performers, either, jointly or separately; or with the music producers

⁷² *ibid*, Regulation 6(2); *Foschini v SAMPRO* (n 41) para 6.

⁷³ *Shapiro v SARRAL* (n 20).

⁷⁴ DTI (n 3) 77.

⁷⁵ *Shapiro v SARRAL* (n 20) 32.

⁷⁶ DTI (n 3) 80.

⁷⁷ *ibid*.

⁷⁸ Sharon Chahale, 'An Overview on the Role of Contracts in Copyright Management' (2018) 26 *KECOBO CopyrightNews* 3.

⁷⁹ Copyright Act (South Africa) (n 10), s 22(3).

⁸⁰ Copyright Act (South Africa) (n 10), s 22(3).

⁸¹ Copyright Act (South Africa) (n 10), s 22(8).

and/or performers directly. Whatever the case may be, payment of needletime royalties to the music producers' CMO discharges users of the obligation to pay to performers' CMO. In the same vein, payment of needletime royalty to performers' CMO discharges users of the obligation to pay to music producers' CMO.⁸² In essence, the amount payable as royalty must be determined by agreement between the parties.⁸³ Failing such agreement, the user or CMO involved may refer the matter to the Copyright Tribunal or both parties may agree to submit the matter to arbitration.⁸⁴

For the purpose of such negotiations, needletime CMOs are obligated to make their complete repertoire available on non-discriminatory terms to prospective users.⁸⁵ This may not be interpreted to mean that needletime CMOs cannot negotiate different licensing terms with different user groups. Rather, it means that they cannot discriminate among users of the same group.⁸⁶ This is because, needletime CMOs may enter into different framework agreements with different user groups for the use of works in their repertoire by potential users. They may also enter into non-exclusive licensing agreements with individual users or user groups.⁸⁷ To prevent arbitrariness, the CS Regulations further enjoin needletime CMOs to negotiate tariffs as part of framework agreements with user groups, or non-exclusive license with individual users, as the case may be. Tariffs serve as the basis for determining the amount and manner of payment of royalty for particular use of a work.⁸⁸ Tariffs negotiated between needletime CMOs and any user group are expected to be jointly submitted to the Registrar for publication.⁸⁹

Needletime CMOs are also obligated to grant a license to individual users, within a user group, who assume

responsibility to pay royalties in terms of the published tariff.⁹⁰ However, user groups or individual users who dispute the applicability of a tariff proposed by a needletime CMO may make an appropriate application to the Copyright Tribunal. Another option is for both parties to refer the matter to arbitration.⁹¹ Pending determination of such application or referral, user groups or individual users have the option of paying the royalty amount proposed by the needletime CMO into an escrow account and furnish the CMO with the usage information for later distribution of the funds in the escrow to rights owners. Such a user will then be entitled to use the work in issue pending determination of the application.⁹² This option is enforceable by needletime CMOs through an application to the Copyright Tribunal for a ruling in that regard.⁹³

The Supreme Court of Appeal (SCA) has considered tariff setting by needletime CMOs in two cases. The first case, *National Association of Broadcasters (NAB) v South African Music Performance Rights Association (SAMPRO)*,⁹⁴ was an appeal (by NAB) and cross appeal (by SAMPRO) from the Copyright Tribunal. For our present discussion, the focus is on the issue of reasonable royalty and how it was determined by the SCA. The facts of the case have been stated extensively elsewhere.⁹⁵ It suffices to note that in determining the appeal and cross appeal, the SCA proffered a simple formula for the tariff setting, which is not 'complex and susceptible to disputes.'⁹⁶ In this connection, the SCA rejected audience reach and profitability of a broadcaster as factors when determining royalty rates. The SCA took the view that, although broadcasters' audience is desirable, as a factor for consideration, the difficulty of valuing an audience in terms of

⁸² *ibid*, ss 9A(1) and (2)(d); Performers' Protection Act (n 9), ss 5(3) and (5).

⁸³ *Foschini v SAMPRO* (n 41) para 62-63.

⁸⁴ *ibid*.

⁸⁵ CS Regulation (South Africa) (n 10), Regulation 7(1).

⁸⁶ This argument flows from the provisions of CS Regulation (South Africa) (n 10), Regulation 7(2).

⁸⁷ CS Regulation (South Africa) (n 10), Regulation 1 and 7(2).

⁸⁸ *ibid*, Regulation 7(3).

⁸⁹ *ibid*, Regulation 7(4).

⁹⁰ *ibid*.

⁹¹ *ibid*, Regulation 7(5).

⁹² *ibid*.

⁹³ *ibid*, Regulation 7(6).

⁹⁴ *National Association of Broadcasters (NAB) v South African Music Performance Rights Association (SAMPRO)* [2014] ZASCA 10.

⁹⁵ See Oriakhogba (n 1) 125-132.

⁹⁶ *NAB v SAMPRO* (n 94) para 75.

money should be kept in mind.⁹⁷ Further, the SCA held that the Copyright Tribunal's determination of reasonable royalty was done without reference to crucial evidence and relevant factors.⁹⁸ The SCA then stipulated several factors that should be considered when determining needletime royalty rates for broadcasters. These included,

- the revenue of the broadcaster as contained in the broadcaster's financial statement and the extensive regulation of the broadcasting industry;⁹⁹
- the editorial content including programme promotions and other contents such as charity drives or competition, but excluding advertisement;¹⁰⁰
- the royalty rate for music composers;¹⁰¹
- the financial implication of needletime royalty rates in SA;¹⁰² and
- the royalty rates in countries, such as India, at similar developmental level as SA without losing sight of local circumstances.¹⁰³

The second case, *South African Music Performance Rights Association (SAMPRO) v Foschini Retail Group (Pty) Ltd*,¹⁰⁴ was also an appeal from the Copyright Tribunal.¹⁰⁵ Again, the facts of this case have been discussed elsewhere.¹⁰⁶ For now, the issues for determination by the SCA related to, among others, what a reasonable tariff was in the circumstance of the case.¹⁰⁷ In this connection, the SCA deduced three possible methods for determining royalty tariffs. First is the determination of the Rand value that playing the sound recording adds to Foschini's revenue. The SCA rejected this

method since a study of the value of music to retail stores was never undertaken owing to the difficulties such as huge costs, time consumption and confidentiality implications on Foschini's business.¹⁰⁸ The other method is the market-based solution, which means leaving tariff to be determined by the forces of demand and supply that would eventually push the tariff to an optimum rate. This method was also rejected because the Copyright Act and the Performers' Protection Act preclude market forces in the determination of tariff rates.¹⁰⁹ The last method is the comparison of proposed tariffs with those from foreign jurisdictions. The SCA had no difficulty in accepting this method because this method prevents economic arbitrariness in tariff setting and because it had earlier accepted such method in *NAB v SAMPRO*.¹¹⁰ Further, the SCA held that in carrying out such comparison, the purchasing power parity (PPP) comparison of the Rand with the currency of the foreign jurisdiction is more appropriate, as it accords more with local income levels, is fair and would better maximise the welfare of local consumers.¹¹¹ Finally and although insignificant in determining reasonableness of needletime tariff, the SCA took cognizance of the promotional benefit to music producers of having their music played in retailers' stores.¹¹²

In his review of the above cases, Karjiker rightly compared the above cases. According to him,

In the Foschini case, the Copyright Tribunal agreed with SAMPRO that the royalty should simply be determined on the total area of a retail store (and not simply the area to which customers had access). It rejected factors such as the economic value which the background music added to retailers' businesses when played in their stores, or the

⁹⁷ *ibid* para 68.

⁹⁸ *ibid* para 72-74.

⁹⁹ *ibid*, para 60-62.

¹⁰⁰ *ibid* para 69.

¹⁰¹ *ibid* para 35 and 63.

¹⁰² *ibid* para 65-66.

¹⁰³ *ibid* para 70 and 52.

¹⁰⁴ *South African Music Performance Rights Association (SAMPRO) v Foschini Retail Group (Pty) Ltd* [2015] ZASCA 188.

¹⁰⁵ *Foschini v SAMPRO* (n 42).

¹⁰⁶ Sadulla Karjiker, 'Needletime Royalties' (2015) Without Prejudice 55.

¹⁰⁷ *SAMPRO v Foschini* (n 104) para 11.

¹⁰⁸ *ibid* para 37-38.

¹⁰⁹ *ibid* para 38-39.

¹¹⁰ *ibid* para 42.

¹¹¹ *ibid* paras 47, 49 and 51.

¹¹² *ibid*.

number of consumers attending the retailers' stores, for calculating royalty. Similarly, the Supreme Court of Appeal in the NAB case rejected the notion that, in the context of radio broadcasting, audience reach should be used to determine the royalty or that royalty rates should differ for the different times of the day because of the difficulties of valuation. It held that the royalty should be determined on a flat rate based on a broadcaster's actual revenue and its fraction of editorial content, rather than on notional revenue.¹¹³

Indeed, the SCA's approach in the foregoing cases cannot be faulted. It finds support in a decision of the Court of Justice of the European Union (CJEU).¹¹⁴ The CJEU's decision was based on a referral from the administrative division of the Supreme Court of Latvia flowing from a decision of its Competition Council (LCC), which imposed a fine on the Consulting Agency on Copyright and Communications/Latvian Authors' Association, Latvia (AKKA/LAA)¹¹⁵ for abuse of dominant position. AKKA/LAA is the only CMO administering rights in musical, dramatic, literary, artistic and audio-visual works in Latvia.¹¹⁶ The fine relates to the royalty rate being collected by AKKA/LAA for public performance of music in shops and other service areas among others. The LCC regarded the rate as excessively high. The referral was based on Article 102 of the Treaty on the Functioning of the European Union, 2012/C 326/01 (TFEU). One of the issues determined by the CJEU was how to determine fairness of price under Article 102 TFEU and whether it is appropriate to make comparison with foreign countries for this purpose. Although the case was decided on the principles of competition law applicable to CMOs, a discussion of which is beyond the scope of this paper, the CJEU's decision on the issue is relevant here since it gives some insights on how royalty rates in circumstances similar to

the above South African cases may be determined. According to the CJEU,

[...] for the purposes of examining whether a [CMO] applies unfair prices ... it is appropriate to compare its rates with those applicable in neighbouring [countries] as well as with those applicable in other [countries] adjusted in accordance with the PPP index, provided that the reference [countries] have been selected in accordance with objective, appropriate and verifiable criteria and that the comparisons are made on a consistent basis. It is permissible to compare the rates charged in one or several specific user segments if there are indications that the excessive nature of the fees affects those segments.¹¹⁷

In the CJEU's view, 'objective, appropriate and verifiable criteria' may include 'consumption habits and other economic and sociocultural factors, such as gross domestic product per capita and cultural and historical heritage.'¹¹⁸

D. INTERNAL MANAGEMENT, TRANSPARENCY AND ACCOUNTABILITY

As stated in 1 above, the CRC found issues relating to significant weakness in internal control; outdated constitutive documents; lack of internal audit; lack of independent directors; lack of issuance of audited financial statements; and lack of publication of annual reports, among others, within SAMRO, SAMPRA and the defunct SARRAL.¹¹⁹ These informed the CRC's recommendation that the CS Regulations be extended to all CMOs and that the CIPC be empowered to take-over the administration of a CMO conducting its affairs in a manner detrimental to the interests of copyright owners.¹²⁰

¹¹³ Karjiker (n 106) 57.

¹¹⁴ *Autortiesību un komunikēšanās konsultāciju aģentūra / Latvijas Autoru apvienība v Konkurences padome*, unreported Case C-177/16 (14 September 2017).

¹¹⁵ Acronym for *Autortiesību un komunikēšanās konsultāciju aģentūra/Latvijas Autoru apvienība*.

¹¹⁶ CISAC 'AKKA-LAA (LATVIA)'

<<https://members.cisac.org/CisacPortal/directorySociety.do?meth od=detail&societyId=20>> accessed 13 July 2020.

¹¹⁷ Case C-177/16 (n 114) para 51.

¹¹⁸ *ibid* para 42.

¹¹⁹ DTI (n 3) 52-53.

¹²⁰ *ibid*.

Provisions of the CS Regulations aimed at ensuring good governance only apply to needletime CMOs. Specifically, needletime CMOs are always required to inform the Registrar, in writing, of changes in their organisational structure, operational features, and legal representatives within 30 days of such change. In particular, they are obligated to furnish the Registrar with copies of their constitutive documents; any reciprocal agreements with foreign CMOs; changes to such documents and report stating the reason for such changes; and particulars of their auditors.¹²¹ Such CMOs are also bound to furnish the Registrar with their tariffs and any amendments thereto; annual and updated list of members and agreements with foreign CMOs; annual audited financial statements; and any document or report the Registrar may reasonably require.¹²² The Registrar is empowered to withdraw the needletime CMO's accreditation or apply for an appropriate relief, including an order placing the CMO under judicial administration, winding-up or dissolution, in the event of failure by the CMO to furnish the Registrar with the required documents.¹²³

The foregoing does not preclude needletime CMOs from complying with relevant provisions of the Companies Act relating to internal management, transparency and accountability, especially where the CS Regulations are silent. In the same vein, non-needletime CMOs are subject to the principles of good governance under the Companies Act.¹²⁴ Overall, as private companies and NPCs, needletime and non-needletime CMOs are bound by the good governance codes contained in the KING IV Report on Corporate Governance for South Africa 2016.¹²⁵

3. PROPOSED REGULATORY FRAMEWORK FOR CMOs IN SOUTH AFRICA

The CRC's recommendations, based on identified gaps in the current copyright regime, informed the amendments proposed in the Copyright Amendment Bill, 2017 (CAB). In relation to CMOs, the CRC's recommendations include creating a regulatory framework that brings all CMOs under the control of the CIPC; and addresses specific concerns relating to CMOs' membership, royalty distribution, licensing practices, and corporate governance, among others. This part examines the proposed regulatory framework for CMOs in the CAB, as contained in clause 25 thereof, to determine if it addresses the existing gaps in the current regulatory mechanism. Clause 25 of the CAB contains proposed sections 22B to 22F.¹²⁶

In terms of the proposed section 22B,¹²⁷ all persons intending to function as CMOs in SA will be required to obtain accreditation from the CIPC. The CIPC will be empowered to grant accreditation only when it is satisfied that the applicant is able to adequately, effectively and efficiently administer royalty collection; comply with any conditions for accreditation, provisions of the Companies Act and other applicable legislation; and has adopted a constitution that meets the prescribed requirements.¹²⁸ Furthermore, the proposed amendments would enable the CIPC to provide necessary assistance for the formation of CMOs in respect of rights for which no CMO exists. The proposed section 22B also stipulates a five-year life span for accreditation granted by the

¹²¹ CS Regulation (South Africa) (n 10), Regulation 4(3).

¹²² *ibid.*

¹²³ CS Regulation (South Africa) (n 10), Regulation 4(4).

¹²⁴ Companies Act (South Africa) (n 11), ss 28, 30, 33, Chapter 2, Part f, Schedule 1 para 2 and 5.

¹²⁵ *KING IV Report on Corporate Governance for South Africa 2016* (Institute of Directors Southern Africa, 2016)

<https://c.yimcdn.com/sites/www.iodsa.co.za/resource/resmgr/king_iv/King_IV_Report/loDSA_King_IV_Report_-_WebVe.pdf>

accessed 5 October 2019; *Minister of Water Affairs and Forestry v Stilfontein Gold Mining Co Ltd* [2006] ZAGPHC 47; Stephanie Luiz and Zuene Taljaard, 'Mass resignation of Board and Social Responsibility of the Company: *Minister of Water Affairs and Forestry v Stilfontein Gold Mining Co Ltd*' (2009) 21 South African Mercantile Law Journal 420.

¹²⁶ Copyright Amendment Bill, 2017 (South Africa) (n 9).

¹²⁷ *ibid.*

¹²⁸ *ibid.*, proposed s 22B(4).

CIPC, subject to renewal every five years.¹²⁹ The proposed Section 22B prescribes a transition period for CMOs existing at the time the CAB is enacted and comes into force. Such CMOs will be obligated to apply for accreditation within 18 months from the coming into force of the Act enacted from the CAB.¹³⁰ Pending the outcome of such application and subject to such conditions as the CIPC may indicate in writing, the CMOs will be allowed to continue to operate. Operation of a CMO without accreditation by the CIPC will be an offence punishable by a fine or a five-year jail term.¹³¹

What is certain, however, is that the CIPC will be empowered, in terms of the proposed Sections 22E-F,¹³² to suspend and/or cancel an accreditation. The proposed Section 22E will require all CMOs to submit returns and reports as prescribed by the CIPC. Further, it will empower the CIPC to demand any report or record from CMOs to ensure that CMOs are administered according to the conditions of their registration and that royalties are being utilized and distributed in accordance with the Copyright Act. In terms of the proposed Section 22F, the CIPC will be able to issue compliance notices to CMOs or apply to the Copyright Tribunal for an inquiry into their affairs if it is satisfied that they are being mismanaged. Pending such inquiry, the CIPC will be empowered to apply to the Copyright Tribunal for an order suspending the registration of the CMOs. Based on the outcome of the inquiry, the CIPC will be able to apply to the Copyright Tribunal for an order cancelling the registration of the CMO. Where a CMO's registration is suspended or cancelled, the CIPC will be able to take-over the affairs of the CMO. To this end, it may apply to the Copyright Tribunal to appoint any suitable person to assist it.

This being said, the proposed Section 22C of the CAB speaks to the administration of rights by CMOs for which they will be enabled to accept exclusive authorisation from copyright owners, subject to the copyright owners' right to withdraw such authorisation.¹³³ The proposed Section 22C also

itemised major functions of CMOs, which are highlighted 1 above. Further, in terms of the proposed provision, CMOs will be able to deduct a prescribed amount to defray administrative cost from royalties collected, but the drafters of the CAB failed to propose the maximum amount to be deducted.

The proposed Section 22D seeks to bring CMOs entirely under the internal control of copyright owners, subject of course to the overall supervision of the CIPC. Specifically, it seeks to subject the collection and distribution of royalty, and the use of collected royalties to the CMOs' constitution; and to obligate CMOs to provide their members regular, full and detailed information of their activities. Also, the proposed section will require CMOs, as far as may be possible, to distribute collected royalties to copyright owners in proportion to the actual use of their works and as soon as possible but not later than three years from when the royalties were collected. In terms of sub-section (3) of the proposed Section 22D, where a CMO,

[...] for whatever reason, is unable to distribute the royalties within three years from the date on which the royalties were collected, that [CMO] shall— (a) invest the royalties in an interest-bearing account with a financial institution, the rate of which may not be less than the rate applicable to a savings account with that financial institution; and (b) upon demand by the performer or copyright owner, or their authorised representatives, pay over the royalties together with the interest earned on the investment contemplated in paragraph (a).¹³⁴

It is not clear why a three-year period for royalty distribution is proposed. The general practice, which was confirmed by the CRC,¹³⁵ is that royalties are distributed at the end of each financial year. The fact that CMOs, as corporate entities, are obligated to file annual returns with the CIPC also lays credence to this position. Nonetheless, the proposals on how

¹²⁹ *ibid*, proposed s 22B(5).

¹³⁰ *ibid*, proposed s 22B(7)(a).

¹³¹ *ibid*, proposed s 22B(8).

¹³² *ibid*.

¹³³ Copyright Amendment Bill, 2017 (South Africa) (n 9).

¹³⁴ *ibid*.

¹³⁵ DTI (n 3) 71.

to deal with undistributed royalties are commendable. One major flaw in the proposed Section 22D, however, is the failure to make specific proposal on how CMOs are to handle royalties belonging to non-members. Even so, the proposed section may be interpreted broadly to apply to all royalties collected whether belonging to members or non-members of the CMOs with the implication that the three-year rule and the proposal in sub-section (3) applies to royalties belonging to non-members. This interpretation is based on the use of the phrase 'for whatever reason' and the repeated reference to 'performers' and 'copyright owners' and not members of CMOs. Another possible interpretation of the proposed section, a narrow one, is that since the opening paragraph of the section refers to 'performers and copyright owners whose rights [the CMOs] administers', then the presumption is that the provision is meant to apply only to royalties belonging to members of the CMOs. Such conflicting interpretation can be avoided by an insertion of a specific proposal on how CMOs should deal with royalties belonging to non-members copyright owners.

4. CONCLUSIONS

Although CMOs in South Africa are generally under the supervision of the CIPC, only needletime CMOs currently require accreditation to operate. However, this may change once the CAB is signed into law. Even so, the existing (and proposed) rules are silent on the consequences of non-accreditation. Further, the rules do not prescribe any particular type of legal form for CMOs. Depending on the type of legal form chosen, CMOs are subject to relevant provisions of the Companies Act.

Further, CMOs are generally required to distribute royalties among the members whose rights they manage. Specifically, needletime CMOs are required to retain no more than 20% of collected royalties. The regulatory framework is silent in the case of non-needletime CMOs and this gap has not been filled by the proposal in the CAB thus calling to question the adequacy of the proposed regulatory framework under the CAB to cater for the regulation of CMOs in South Africa. However, depending on the developmental stage of the CMO, a maximum of 30% is considered allowable in practice. Also,

there is no express provision on the handling of non-member royalties collected by CMOs and there is no specific provision in the CAB to cure this lacuna.

The gaps identified in the existing and proposed regulatory framework for CMOs in SA is not enough to call for withdrawal of the CAB. Such calls will only render worthless the efforts put into bringing copyright law reform in SA to its present state. Indeed, the lacunae identified can be filled by a subsidiary regulation made by the relevant Minister, pursuant to the relevant provision when the CAB is eventually assented to by the President.

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13. PAVING THE WAY FOR THE FILTERING OBLIGATION IN CHINA: INCORPORATING WITH SAFE HARBOUR AND FAIR USE

Di Liu*

ABSTRACT

In the data-driven age, the progress of filtering technologies applied to online copyright content would revolutionarily change the traditional copyright legal system, especially as far as rights management and infringement are concerned. With the rapid development of online content-sharing platforms and massive infringements that followed, increasing attention has been focused on internet service providers' *ex-ante* obligations, such as monitoring the use of copyright content online. Although the European Union (EU) Copyright Directive sets an example, the filtering obligation of internet service providers was still controversial in China because of the potential inconsistencies with the safe harbour and fair use regimes. However, the filtering mechanism has its own rationality for balancing the interests of all parties in the context of the platform economy, which meanwhile, can be improved technically along with algorithmic copyright enforcement. In the future, these obstacles in law-making may be removed by the 'bottom-up' way that a hierarchical filtering system in China has been established.

Keywords: *filtering obligation, notice and takedown, fair use, platform economy, algorithmic copyright enforcement.*

* Di Liu (China) is currently an Assistant Researcher and Post-doctor in the areas of Intellectual Property Law and Competition Law, at Tsinghua University School of Law (Beijing, China). Doctor of Laws (2018) from Tongji University Shanghai International Institute of IP (Shanghai, China), including one-year as a visiting researcher at Max Planck Institute of Innovation and Competition (Munich, Germany). Master of Laws (2010) from Monash University Law School (Melbourne, Australia). Lecturer in Tongji Zhejiang College since 2010. All errors in the paper remain to be mine. The author can be reached at: liudi1025@mail.tsinghua.edu.cn.

1. INTRODUCTION

Since 2016, the controversial filtering obligation (monitoring obligation), which is currently in Article 17 of the EU Directive on Copyright in the Digital Single Market (hereafter DSM Directive),¹ changed the internet service providers' (hereafter the ISPs) role in the copyright enforcement process from reactive to proactive. Prior to the introduction of the DSM Directive in the EU, filtering technology about copyright was only a self-developed mechanism of ISPs. Accordingly, its main purpose was to prevent and control the risk of online copyright infringement. In fact, the European Parliament imposed this substantial proactive liability on ISPs, especially online content-sharing service providers (hereafter OCSSPs),² and increased the cost of copyright compliance. As far as the EU policymakers are concerned, the purpose of the filtering obligation is indeed to strengthen copyright protection, though it seems like an arrangement for avoiding liability for indirect infringement. Nevertheless, the benefits and costs involved in filtration far exceed copyright *per se*, because filtration actually constitutes a benefits and costs distribution system for the right holder, the end-user and the ISP, and it even has an impact on public interests.

Therefore, this article scrutinises the possibility and rationality of formulating a filtering obligation (or system) in China, provided the following two problems are addressed adequately: (1) will it completely disrupt the current, controversial safe harbour regime (also known as notice and takedown)?³ and (2) what would be the impact on the fair use doctrine which is regarded as an exception and limitation of the exclusive rights? The overall purpose of the paper is to

¹ Council Directive (EU) 2019/790 of the European Parliament and of the Council of 17 April 2019 on copyright and related rights in the Digital Single Market and amending Directives 96/9/EC and 2001/29/EC [2019] OJ L130/92 (DSM Directive).

² *ibid*, DSM Directive, Recital 61 and art 17 etc.

³ The 'notice and takedown' regime, which was championed by Digital Millennium Copyright Act passed in 1998 [hereinafter DMCA], became a model for many nations in the world.

offer some reasons to support the formulation of a filtering obligation (or system) in China, and to provide general policy guidance for policymakers in China and other nations currently considering such reform in accordance with international trends.

This research paper analyses the topic in four parts: Part 1 is the introduction. Part 2 will discuss the possibility of formulating the filtering obligation from the perspective of four parties (namely platform, authority, right holder and end-user), and the rationality of this obligation in light of three factors (technology, economy and law) in China. Part 3 will analyse the obligation's possible inconsistencies with safe harbour and fair use. Finally, Part 4 will provide a feasible model and propose a method for the establishment of a hierarchical and comprehensive system of filtering instead of a simple obligation, in the context of algorithmic copyright enforcement.

2. POSSIBILITY AND RATIONALITY OF THE FILTERING OBLIGATION

A. FOUR PARTIES' GAME OF COPYRIGHT

In the age of the platform economy, platforms create value by organizing and utilising content markets.⁴ For instance, 'YouTube', the emerging intermediary (platform) which is mainly focused on user-generated content (hereafter UGC), provides the basic infrastructure for connecting creators of videos (right holders) with consumers of videos (end-users). From an economic perspective, such a platform was described to be founded on 'two-sided markets', which are commonly characterised as markets where one or more platforms allow interactions between end-users and attempt to integrate both (or more) sides by charging them properly

on either side. Platforms court each side in these markets when seeking to make, or at least not lose, money overall.⁵ At present, the role of the platform is more important than ever, particularly for copyright enforcement in content markets. And the prevailing model of liability for infringement through UGC is that the platform and the right holders are both involved in the enforcement of exclusive copyright rights. Hence, to extend this argument, it is necessary to analyse the filtering issue through the lenses of four parties: the platform, the authority (including the administration and the courts), the right holder and the end-user.

(i) The Increasing Status of the Platform

As mentioned earlier, the platform economy is an innovation of the traditional business model. According to its features (for example the two-sided market and the externality of cross-networks), the platform economy means that the increase in buyers join the platform, has a direct impact on the potential revenue of the seller on the platform, or *vice versa*. The relationship between buyers and sellers is a kind of positive feedback, and the platform plays a core role in maintaining it. Accordingly, the key goal of the platform is to promote dynamic equilibrium between various individual demands and mass supply, in order to morph each end-user into a potential supplier. The rising status of platforms has fundamentally challenged the traditional dichotomy of producers and consumers.⁶ Correspondingly, platforms should be of greater importance in the context of copyright systems than before. One should keep in mind that this disrupts the Coase theorem which is based on 'one-sided markets',⁷ as the effective bargain between right holders and end-users may not be achieved without the platform in light

⁴ Catherine Jewell, 'Creative industries in the platform economy' (*WIPO Magazine*, December 2018) <https://www.wipo.int/wipo_magazine/en/2018/06/article_0001.html> accessed 21 September 2019.

⁵ Jean-Charles Rochet and Jean Tirole, 'Two-sided markets: a progress report' (2006) 37(3) *The RAND Journal of Economics* 645 <<https://www.tse->

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⁶ Hanhua Zhou, 'Research on the Internet Law' (2015) 03 *China Legal Science* 20.

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⁷ Ronald H. Coase, 'The Problem of Social Cost' (1960) 3 *Journal of Law and Economics* 1.

of the 'two-sided market' it creates.⁸ Furthermore, in the world, the robust copyright protection has already been one of the giant OCSSPs' (like Google (YouTube), Facebook, Apple and Amazon, known as 'GAFA') priority concerns. In China, giant OCSSPs, such as Baidu, Alibaba and Tencent (known as 'BAT'), pay attention to this as well.

According to weaknesses in current copyright laws, these platforms began to set their own rules by the development of new technologies (like content filtration) in cyberspace.⁹ In the US, Content ID of YouTube, which started in 2007, is by far the most famous filtering mechanism. When it has detected a suspected infringing work, Content ID provides four options to the right holders: (1) eliminate the infringing part of the work; (2) take the entire work down; (3) benefit from the advertising revenue of the work; (4) track the number of viewers of the work.¹⁰ Content ID also concurrently attempts to apply the principles of fair use to these works according to features, defects, hashes, search algorithms, and data quality.¹¹

In China, Tencent launched an online system called 'video genes comparison technology' (hereafter VGCT) in 2018.

VGCT automatically detects and determines whether a video infringes copyright by extracting the key frame and MD5¹² algorithm¹³ from copyright works, and creating an enormous matching database based in the 'Tencent Cloud' (clouding computing). If the work is infringing copyright, the system would then take the infringing video down, or block the deep link, which provides access to illegal websites.¹⁴ On 12 December 2018, the 'BAT' and other large platforms in China released a statement together – 'Convention on China Network Short Videos' Copyright Self-Regulation', which states that: '[...] to strengthen copyright management and adopt effective measures [...] for preventing users from illegally uploading and sharing their works without permission.'¹⁵ This shows that Chinese platforms (most are OCSSPs) had adopted the same requirements in establishing a proactive automated rights management system like in other countries.

⁸ Rochet and Tirole (n 5).

⁹ Maayan Perel, Niva Elkin-Koren, 'Guarding the Guardians: Content Moderation by Online Intermediaries and the Rule of Law' (2020) SSRN <<https://ssrn.com/abstract=3542992>> accessed 20 April 2020; Katrina Geddes, 'Meet Your New Overlords: How Digital Platforms Develop and Sustain Technofeudalism' (2020) 43 Columbia Journal of Law and the Arts <<https://ssrn.com/abstract=3473990>> accessed 20 April 2020; Jane K. Winn, 'The secession of the successful: The rise of Amazon as private global consumer protection regulator' (2016) 58 Arizona Law Review 193.

¹⁰ Maayan Perel, Niva Elkin-Koren, 'Accountability in Algorithmic Copyright Enforcement' (2016) 19 Stanford Technology Law Review 473.

¹¹ Toni Lester, Dessislava Pachamanova, 'The Dilemma of False Positives: Making Content ID Algorithms More Conducive to Fostering Innovative Fair Use in Media Creation' (2017) 24 University of California Los Angeles Entertainment Law Review 51.

¹² MD5 (Message-Digest algorithm 5) is a widely used cryptographic hash function with a 128-bit hash value. It is commonly used to check the integrity of files. It proposed that an algorithm MD5 would

encrypt copyright content. View Xijin Wang, Linxiu Fan, 'The application research of MD5 encryption algorithm in DCT digital Watermarking' (2012) 25 Physics Procedia 1264.

¹³ In practice, the relevant case is: *Baidu v. Focus Technology Ltd., Nanjing*, Jiangsu High Court, SU MIN ZHONG 1514 (2018). In the case, the appellee has attempted to testify regarding the infringement of the platform by means of MD5 codes extracted from copyright works. <<https://xin.baidu.com/wenshu?wenshud=ad11540a0cc442c5056fb87b413c8228a50536d7>> accessed 21 April 2020.

¹⁴ Xiaojun Tian, Yudi Guo, 'The Copyright Governance on the Short Video Platforms: in the view of Establishing the Platform's Filtering Obligation' (2019) 03 Publishing Research 66. <<http://www.cnki.com.cn/Article/CJFDTotal-CBFX201903021.htm>> accessed 21 April 2020.

¹⁵ Zhiming Qi, 'With the High-Quality Development of the Short Video Industry, How Should the Way of Copyright Protection Be Opened?' (*People.cn*, 21 December 2018)

<<http://media.people.com.cn/n1/2018/1221/c14677-30481302.html>> accessed 23 September 2019.

(ii) The Ambiguous Standpoints of Authorities

In China, there is usually a long negotiation between platforms and authorities to reach an agreement on copyright issues. Because of varying motivations, the administration paid more attention to reducing costs of governance in cyberspace.¹⁶ However, in the past decade, viewpoints on China's copyright-related administrations were sometimes paradoxical in the field of filtering (monitoring) obligations. In 2014, the Legislative Affairs Office of the State Council issued the 'Notice of the Legislative Affairs Office of the State Council on Promulgating the Copyright Law of the People's Republic of China (Revised Draft for Examination) for Public Comments.'¹⁷ In this notice, Article 73 (1) states that: 'A network service provider, while providing storage, search, interlinking and other simple network technical services to network users, shall not bear the obligations of examination (it means filtering or monitoring) in respect of copyright or related rights.' On the contrary, in 2015, the National Copyright Administration of China (hereafter NCAC) promulgated the 'Notice on Regulating Copyright Order of Online Disk Services'¹⁸ wherein, Article 2 states: 'The network disk service provider shall establish the necessary management mechanism and use effective technical measures to actively block and remove the infringing works to prevent users from illegally uploading, storing and sharing other works.' Subsequently, several short video platform companies emerged in the content markets such as

ByteDance ('TikTok'). By the end of 2018, the audience of short videos in China numbered approximately 648 million, accounting for 78.2% of the total end-users.¹⁹ Due to the massive infringing works on such short video platforms, the NCAC ordered these short video companies to rectify and reform, and hence, 570,000 infringing works were removed in 2018.²⁰ However, there are still a number of unauthorised works that are hosted on these platforms. Thus, presently, the governance of copyright-related administration in China is far from adequate.

From the perspective of the courts, the opinions of the Supreme People's Court (hereafter SPC) and the Lower Peoples' Courts were different in some cases. The SPC hold a negative view on the monitoring obligation. In 2011, the SPC issued notice on the 'Opinions on Issues concerning Maximizing the Role of Intellectual Property Trials in Boosting the Great Development and Great Prosperity of Socialist Culture and Promoting Independent and Coordinated Development of Economy' (hereafter 2011 Opinions),²¹ in which Section II Para. 6 demonstrated that: '[...] not imposing a general obligation of prior examination and a relatively high degree of duty of care upon the network service providers [...].' Then, in 2012, Article 8, Para 2 of the 'Provisions of the Supreme People's Court on Certain Issues Related to the Application of Law in the Trial of Civil Cases Involving Disputes over Infringement of the Right of Dissemination through

¹⁶ Zhou (n 6).

¹⁷ The Legislative Affairs Office of the State Council, 'Notice of the Legislative Affairs Office of the State Council on Promulgating the Copyright Law of the People's Republic of China (Revised Draft for Examination) for Public Comments' (10 June 2014) <http://www.gov.cn/xinwen/2014-06/10/content_2697701.htm> accessed 14 September 2019.

¹⁸ The NCAC, 'Notice on Regulating the Copyright Order of Online Disk Services' (14 October 2015) <<http://www.ncac.gov.cn/chinacopyright/contents/483/266843.html>> accessed 13 September 2019.

¹⁹ The China Online Audio-visual Program Service Association, '2019 China Network Audiovisual Development Research Report' (28 May 2019) <http://www.cac.gov.cn/2019-05/28/c_1124552171.htm> accessed 20 April 2020.

²⁰ The NCAC, 'Copyright rectification to short-video platforms achieved staged results, and 570,000 works were off the shelf' (07 November 2018) <<http://www.ncac.gov.cn/chinacopyright/contents/518/388297.html>> accessed 16 July 2020.

²¹ FA FA 18 (16 December 2011) <<http://en.pkulaw.cn/display.aspx?id=75782a20e39b904dbdfb&lib=law&SearchKeyword=Notice%20of%20the%20Supreme%20People%27s%20Court%20on%20Issuing%20the%20Opinions%20on%20Issues%20concerning%20Maximizing%20the%20Role%20of%20Intellectual%20Property%20Right%20Trials%20in%20Boosting%20the%20Great%20Development%20and%20Great%20Prosperity%20of%20Socialist%20Culture%20and%20Promoting%20the%20Independent%20and%20Coordinated%20Development%20of%20Economy&SearchCKeyword=>>> accessed 20 April 2020.

Information Networks' (hereafter 2012 Provisions)²² stated that: 'Where a web service provider fails to take the initiative to examine a web user's act of infringement of the right of dissemination through information networks, the people's court shall not decide that it is at fault on these grounds.' To the contrary, lower courts delivered some judgements to uphold the proactive duty of care. For example, the decisions in *Universal Music v Yahoo.cn* (2007),²³ *iQIYI.com v ByteDance* (2017),²⁴ and *Douyin v Baidu.com Inc. & Baidu network communication Tech Ltd.* (2018)²⁵ all addressed this issue in the affirmative. It is worth noting that in *iQIYI.com v ByteDance* (2017),²⁶ the Beijing Haidian District Court held that, provided the infringement was so obvious that the defendant should have actual knowledge or a 'red flag' knowledge of the infringement, the act of defendant should constitute the contributory infringement. In Prof. Xiong's opinion, the divergence between China's courts, as mentioned above, can be attributed to the rigid legal transplantation of the 'notice-and-takedown' regime from the US (common law) to China (civil law); so that the 'notice-and-takedown' clause in copyright laws and the joint infringement clause in tort law are difficult to both be consistently applied in China. Hence, courts would misinterpret the existing duty of care (red flag) and affiliate

the active monitoring obligation to this duty.²⁷ For preventing such misinterpretation in the future, the timely reform of the duty of care doctrine is imperative in China.

(iii) The Aggravating Helplessness of Right Holders and End-Users

In general, right holders and end-users are both facing the same problems in relation to platforms: (1) hard to track, identify and prove the infringements online; (2) unmeasured transaction costs on licensing; (3) failure of copyright collective management in cyberspace; (4) abuse of the safe harbour by platforms, invalid notices and imperfect complaint and redress mechanisms.²⁸ These problems have become worse in accordance with the increase in UGC.²⁹

According to traditional copyright frameworks, right holders need to conduct online monitoring by themselves, find infringing content and send notices, then follow the platform's 'counter notice feedback takedown' constantly.³⁰ In this circumstance, on numerous platforms with the technical advantages, the right holders are undoubtedly in a weaker position and bear the huge burden of protection. While the right holders are expected to identify and notify the infringing content that they wish to remove, the platform

²² FA SHI 20 (17 December 2012)

<<https://uk.practicallaw.thomsonreuters.com/PLCCoreDocument/ViewDocument.html?DocumentGuid=Ib4c39068480811e498db8b09b4f043e0&ViewType=FullText&HasDraftingNotes=False&ResearchReportViewMode=False&SessionScopelsValid=True&IsCourtWireDocument=False&IsSuperPrivateDocument=False&IsPrivateDocument=False&ClientMatter=Cobalt.Website.Platform.Web.UserData.ClientMatter&AuthenticationStrength=0&IsMedLitStubDocument=False&IsOutOfPlanDocumentViewClicked=False&TransitionType=Default&ContextData=%28sc.Default%29&BillingContextData=%28sc.Default%29>> accessed 20 April 2020.

²³ Beijing Second Intermediate Court, ER ZHONG MIN CHU 02622 (2007).

²⁴ Beijing Haidian District Court, JING 0108 MIN CHU 24103 (2017); Beijing Intellectual Property Court, JING 73 MIN ZHONG 1012 (2019).

²⁵ Beijing Internet Court, JING 0491 MIN CHU 1 (2018).

²⁶ Above n 24, paras 1-2 in the section of the Court's decision.

²⁷ Qi Xiong, 'Legislative Theory and Interpretive Theory in the China's Copyright Law' (2019) 04 Intellectual Property 3.

<<http://www.airitilibrary.com/Publication/alDetailedMesh?DocID=zscq201904001>> accessed 21 April 2020.

²⁸ Jennifer M. Urban, Joe Karaganis and Brianna L. Schofield, 'Notice and Takedown: Online Service Provider and Rightsholder Accounts of Everyday Practice' (2017) 64 Journal of the Copyright Society of the USA 371.

²⁹ Martin Senftleben, 'Bermuda Triangle—Licensing, Filtering and Privileging User-Generated Content under the New Directive on Copyright in the Digital Single Market' (*Filtering and Privileging User-Generated Content Under the New Directive on Copyright in the Digital Single Market*, 4 April 2019)

<<https://ssrn.com/abstract=3367219>> accessed 20 September 2019.

³⁰ Guobin Cui, 'Research on the Content Filtering Obligation of Internet Service Providers' (2017) 2 China Legal Science 215. <<https://www.civillaw.com.cn/uploadfile/Impic/20181121/20181121104127179.pdf>> accessed 16 July 2020.

must react by assessing the notices and by taking action appropriately. In the last few years, the right holders begun advocating for reconstructing the 'notice and takedown' regime. Some right holders expressed a preference that the platform, not only take down the notified content, but also prevent its reappearance in the future. In this context, the so-called 'notice and staydown' model emerged.³¹ In addition, end-users are more eager to use and share online content (some content contain copyright works) freely and legally. The application of the fair use regime therefore becomes more important in relation to the UGC.

In a word, the platform's governance is a systematic program. The traditional 'notice and takedown' regime only offers right holders an ex-post infringement management of copyright. However, as analysed above, it is currently more important to adopt ex-ante solutions to prevent infringements, one of which is establishing a filtering obligation.

B. RATIONALE FOR ESTABLISHING THE FILTERING OBLIGATION IN CHINA

(i) Technological Factor: The Data-Driven Age and Mature Technologies

In the current data-driven age, the best way to regulate a platform is to think alike, which means that regulations should become data-driven as well. With the development of new technologies and phenomena such as Big Data, Cloud Computing, Blockchain, and Artificial Intelligence (hereafter the AI), automated rights managements have matured.³² In particular, AI, including machine learning and hash-based file identification, is capable of detecting bulk information faster and smarter. In practice, the duty of care on the platform, would be determined by the following four aspects: (1) the types of service offered; (2) the types of behaviour of users; (3) the object of rights; and (4) the sophistication of

technological levels.³³ Over 20 years ago, the formulation of the Digital Millennium Copyright Act passed in 1998 (hereafter DMCA) was based on the technological level of that time in the US, and at present it may be reasonable to set up a filtering mechanism because of the three factors: (1) emerging OCSSPs; (2) a dramatical increase in UGC, and (3) mature filtering technologies. However, the next issue of concern is how to balance the relationship between the protection of incentives and the dissemination of works.³⁴

(ii) Economical Factor: The Benefit of Right Holders Outweighs the Cost of Filtering Technologies

In theory, the benefits of using a filtering mechanism by right holders far outweigh the costs of developing filtering technologies.³⁵ As technological progress leads to a sharp rise in the benefits to both the platforms and the right holders, copyright laws may not require adjusting, provided the market itself can promote voluntary cooperation between the two parties. According to the Coase theorem,³⁶ the most efficient agreement would be achieved regardless of whether the platform or the right holders undertook a filtering obligation in the case of negligible transaction costs, as long as the cooperative installation of filtering measures can effectively prevent online piracy, thereby increasing the benefits of right holders (or reducing their losses). Nevertheless, in practice, it is impossible that transaction costs are negligible, so that the probability of coming to a unanimous agreement between right holders and platforms is very low. Thus, formulating a filtering obligation could probably eliminate or reduce those transaction costs and increase the benefits to right holders accordingly. In terms of the Kaldor Hicks Principle, along with the decreasing costs of technologies, a filtering obligation can effectively enhance the redistribution of social resources, and the Pareto

³¹ Martin Husovec, 'The Promises of Algorithmic Copyright Enforcement: Takedown or Staydown: Which is Superior: And Why?' (2018) 42 *Columbia Journal of Law & the Arts*, 53.

³² Husovec (n 31) 53.

³³ Xiao Si, 'Formulating the Duty of Care to Intellectual Property rights on Network Service Providers' (2018) 1 *Science of Law* 78.

<<http://www.airitilibrary.com/Publication/alDetailedMesh?DocID=flkx201801008>> accessed April 21, 2020.

³⁴ Senftleben (n 29).

³⁵ Cui (n 30).

³⁶ Coase (n 7).

improvement may therefore finally reach online content markets.³⁷

(iii) Legal Factor: The Uncertainty on the Existing Duty of Care

Reviewing the application of the ‘notice-and-takedown’ regime in China over the past decade, the courts and administration continuously enriched the online copyright infringement liability regime, for example the ‘red flag’ development. Article 9 of 2012 Provisions, defined a list of six circumstances where the ‘red flag’ knowledge of ISP may be presumed. Article 9 can be deemed to be a duty of care in the copyright legal system in China. In practice, the ‘notice-and-takedown’ reflects the objectivity of the procedure, while the duty of care is slightly subjective, and it should be noted that its implementation depends on the judges. Thus, Article 9 is usually interpreted differently in a case by case approach. This caused the uncertainty of the liability regime to be aggravated gradually.

In summary, these three factors of technology, economy, and law, are important reasons for establishing the filtering obligation (mechanism) in China. However, two controversial problems that remain are: (1) What is the effect on the safe harbour regime, and (2) what is the effect on the fair use

doctrine? In order to protect the unity and integrity of the Chinese copyright legal system, these questions have to be answered before any legislation can be enacted on a filtering obligation.

3. THE POSSIBLE INCONSISTENCIES WITH THE SAFE HARBOR RULE AND THE FAIR USE DOCTRINE

A. IS THE SAFE HARBOR IN DEEP WATERS?

In general, the emergence of a filtering obligation is not only a challenge to safe harbour,³⁸ but also an opportunity for its reform. Historically, safe harbour was a result of a compromise between the content industry (such as right holders) and the technology industry (such as platforms). Due to a lack of consideration of public interests (like the rights of end-users), this regime was criticised for a long time. The ex-post enforcement mechanism created by the DMCA did not provide ISPs with enough motivation to protect copyright.³⁹ In the past, it was challenging to achieve an agreement between right holders and ISPs under the safe harbour regime. However, because of the emerging platform economy, the role of platforms has currently changed from ‘mere conduits’ to ‘gatekeepers.’⁴⁰ A case in point is the establishment of the filtering obligation in the DSM Directive.⁴¹

³⁷ Nicholas Kaldor, ‘Welfare Propositions of Economics and Interpersonal Comparisons of Utility’ (1939) vol. 49, no. 195 *The Economic Journal* 549; John R. Hicks, ‘The Foundations of Welfare Economics’ (1939) vol. 49, no. 196 *The Economic Journal* 696.

³⁸ We can find the safe harbor regime stipulated in different jurisdictions: (1) China: *Tort Law of People’s Republic of China* (2009) art 36, and *Regulation on the Protection of the Right to Network Dissemination of Information* (2006, revised in 2013) arts 14-16, 24; (2) US: the DMCA art 512; (3) EU: art 14 of Council Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market [2000] OJ L178/1 (E-Commerce Directive).

³⁹ Zhiwen Liang, ‘The Copyright Regulatory Model for Internet Service Providers’ (2017) 2 *Science of Law* 100. <<http://www.airitilibrary.com/Publication/alDetailedMesh?DocID=flkx201702009>> accessed 21 April 2020.

⁴⁰ Giancarlo Frosio, Sunimal Mendis, ‘Monitoring and Filtering: European Reform or Global Trend?’ (2019) No. 05 Centre for International Intellectual Property Studies (CEIPI) Research Paper <<http://dx.doi.org/10.2139/ssrn.3411615>> accessed 28 September 2019.

⁴¹ European Commission, ‘Modernisation of the EU Copyright Rules’ (last update: 8 July 2019) <<https://ec.europa.eu/digital-single-market/en/modernisation-eu-copyright-rules>> accessed 20 April 2020; European Commission, ‘Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Promoting a Fair, Efficient and Competitive European Copyright-based Economy in the Digital Single Market, COM (2016) 592 final’ (14 September, 2016) <**Error! Hyperlink reference not valid.**<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52016DC0592>> accessed 23 December 2019.

From an economic perspective, filtration could help to close the value gap. In 2016, the EU draft directive aimed to close the value gap that was an alleged unfair distribution of revenues generated from the online use of copyright works between parties along the value chain.⁴² According to the safe harbour, right holders usually could not monetize the exchange of UGCs and ad-funded platforms like YouTube. However, many empirical studies have shown that the digital environment for the content industry has actually promoted the benefits and so-called 'added value' of technological innovation, rather than the value gap.⁴³ In terms of the Hand Formula,⁴⁴ when the product of the probability of infringement and infringing loss is more than the cost of the preventive measure, it is economically reasonable to take the preventive measure. Accordingly, it is only feasible to require a filtering obligation for platforms when the risk of copyright infringements has reached a high level. Since the cost of copyright compliance for giant platforms already increased dramatically, as mentioned before, Google found it worthwhile to develop its own filtering mechanism called 'Content ID.' Therefore, even though the cost of developing their own filtering systems are too high for the most platforms, it is obviously beneficial to the whole value chain (especially right holders) to close the value gap.

From a legal perspective, an automated filtering mechanism might increase the probability of 'false positives.' However, a complaint and redress mechanisms that exists in safe harbour could make up for this shortcoming. The monitoring ability of

platforms was so far, not perfect due to the technological imperfections and the number and variety of works that exist in the digital environment, which easily lead to the phenomenon of 'false positives' in filtration.⁴⁵ Some scholars, however, pointed out that: (1) the accidental and wrong takedown did exist, but the incidences of wrongful takedown was not equal to the instances of abuses of technological measures; and (2) the remedy after the delete-by-mistake was unfavourable in practice.⁴⁶ Therefore, the 'notice-and-staydown' mechanism based on algorithmic copyright enforcement was recommended, to set up unified filtering standards and to reduce 'false positives.'

B. DOES IT MEAN THE DEATH OF THE FAIR USE?

It should be noted that, the emergence of a filtering obligation would not eliminate the application of fair use, especially in light of algorithmic copyright enforcement.⁴⁷ In fact, the algorithm would make the filtration more quantitative and feasible in the digital realm. Nevertheless, as Bell said, if an automated rights management system (like filtration) can give platforms the power to monitor various uses and reuses of copyright works, it can also give them the ability to bar such usage as they find objectionable.⁴⁸ In practice, the current situation is that a filtering mechanism, such as YouTube's Content ID, was still treated as threat to fair use (like the parody exception for UGC) in the US.⁴⁹ In 2015, in *Lenz v Universal Music Corp.*,⁵⁰ the US Court of Appeals for the Ninth Circuit held that YouTube had abused its Content ID and violated fair use. In the EU, the European

⁴² *ibid.*

⁴³ Giancarlo Frosio, 'To Filter, or Not to Filter - That Is the Question in EU Copyright Reform' (2018) 36 *Cardozo Arts & Entertainment Law Journal* 331.

⁴⁴ $\text{Probability} \times \text{Loss} > \text{Burden}$ ($P \times L > B$). See *U. S. v. Carroll Towing*, 159 F. 2d 169, 173 (2d Cir. 1947).

⁴⁵ Perel and Elkin-Koren (n 10).

⁴⁶ Zoe Carpou, 'Robots, Pirates, and the Rise of the Automated Takedown Regime: Using the DMCA to Fight Piracy and Protect End-Users' (2016) 39 *Columbia Journal of Law & the Arts* 551.

⁴⁷ We can find the fair use stipulated in: (1) China: Copyright Law of the People's Republic of China (2010) [hereinafter 2010 Copyright Law], art 22; Regulation on the Protection of the Right to Network

Dissemination of Information (2006), art 6; (2) European Union: Council 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 [2001], art 5; (3) US: Copyright Act (1976), art 107.

⁴⁸ Tom W. Bell, 'Fair Use vs. Fared Use: The Impact of Automated Rights Management on Copyright's Fair Use Doctrine' (1998) 76 *The North Carolina Law Review* 557.

⁴⁹ Taylor B. Bartholomew, 'The Death of Fair Use in Cyberspace: YouTube and the Problem with Content ID' (2015) 13 *Duke Law & Technology Review* 66.

⁵⁰ 801 F.3d 1126 (9th Cir. 2015).

Court of Justice (hereafter the ECJ) case – *Belgische Vereniging van Auteurs, Componisten en Uitgevers CVBA (SABAM) v Netlog NV*,⁵¹ pointed out that peer-to-peer service provider that adopt filtering measures to prevent the spread of pirated files, will damage users' personal data and users' dissemination and access to information rights. In *Scarlet Extended SA v Société belge des auteurs, compositeurs et éditeurs SCRL (SABAM)*,⁵² the ECJ upheld similar opinions.

If the algorithm was constructing a new paradigm in copyright enforcement, then fair use should automatically be applied in the algorithmic environment. Even if the perfection of this mechanism with the help of all parties would take many years, it is still deemed worth the wait.⁵³ In addition, although they are almost automated, algorithmic mechanisms have to offer right holders some independent choices, including the abandonment of rights. In the data-driven age, and in order to spread the work more widely, right holders may allow end-users to create derivative works thereby generating more revenue and influence for such right holders. It follows that when designing the filtering mechanism, right holders should be given more choices, including an option of abstaining.⁵⁴

A 'Ratio Test'⁵⁵ is the current method of setting parameters of permitted use, and the execution is dependent on appropriate and proportionate content recognition technologies (algorithms). With the development of technologies, it is possible that the rates of underreporting or

misreporting by filtering mechanisms would be greatly reduced or even negligible. Subsequently, questions arise about how to set up filtering standards relating to fair use and whether those standards are reasonable and legal. In law, a reasonable standard should achieve a balance between the low rate of underreporting and the low rate of misreporting. That is, the lower the rate of underreporting, the higher the rate of misreporting. The right holders expect a low rate of underreporting, while end-users prefer a low rate of misreporting, in order to enjoy more content. Hence, the choice of the standard is the result of weighing up different interests.⁵⁶

4. PROPOSAL: SHIFTING FROM FILTERING OBLIGATION TO FILTERING SYSTEM

The analysis has shown that soon the establishment of a filtering obligation in China may face three main obstacles. First, in respect of technology, the reasonableness and feasibility of filtrations will still be questionable; meanwhile, a filtering standard based on an algorithm would be hard to set up and unified. Second, in respect of the economic considerations and to reach a balance among all the parties, a precise, flexible and dynamic distribution of filtering costs would be required. It should be noted that even in the EU, the balance remains illusory and the status quo is unfulfilled.⁵⁷ Third, in respect of the law, the State Council has not revised the Copyright Law since 2010.⁵⁸ One of the reasons for the

⁵¹ [2012] Case C-360/10.

⁵² [2011] Case C-70/10.

⁵³ Niva Elkin-Koren, 'Fair Use by Design' (2017) 64, no. 5 University of California Los Angeles Law Review 1082.

⁵⁴ Matthew Sag, 'Internet Safe Harbors and the Transformation of Copyright Law' (2017) 93 Notre Dame Law Review 499.

⁵⁵ Fred von Lohmann, 'Fair Use Principles for User Generated Video Content' (The Electronic Frontier Foundation (EFF), 31 October 2007) <<https://www.eff.org/deeplinks/2007/10/fair-use-principles-ugc>> accessed 12 October 2019.

⁵⁶ See Cui (n 30). Prof. Cui suggested that the 'absolute quantity' and 'relative proportion' standards, and the algorithm that should be used reasonably and designed according to these two standards.

⁵⁷ It is noticeable that art 17 para.10 of DSM Directive planes a stakeholder dialog to discuss the filtering obligation from various

communities in the EU. View EU commission, 'Copyright Stakeholder Dialogues' (*Streaming Service of the European Commission*, 15 October 2019)

<<https://webcast.ec.europa.eu/copyright-stakeholder-dialogues>> accessed 17 October 2019.

⁵⁸ Though the Legislative Affairs Office of the State Council launched a promotion for revision (in fact, the forthcoming 3rd revision), the proposal never went any further until 26 April 2020, the Draft Amendment to the 2010 Copyright Law was submitted to the 17th meeting of the standing committee of the 13th National People's Congress for deliberation. However, unfortunately, there was none of clauses related to 'Duty of Care' or 'Monitoring Obligation' in this draft. View Tian Lu, 'Punitive damages introduced into the Draft of the Amended Copyright Law of China'

lack of revision is the fact that the revision of the liability regime of ISPs is so controversial that the legislature could not balance the varying interests and coordinate such liability with other regimes (like the safe harbour provisions or the fair use doctrine). Hence, in the context of platforms and data-driven economies, when compared with the EU and US, the practical and feasible way to achieve this objective in China is formulating a hierarchical filtering system rather than a simple filtering obligation.

A. FORMULATING A HIERARCHICAL FILTERING SYSTEM IN CHINA

(i) Top-Level Doctrine

As mentioned above, formulating a clause for a general duty of care (without specifying the filtering obligation)⁵⁹ on ISPs in China's copyright law,⁶⁰ may currently be more feasible. The general duty of care will make room for interpretation by judges on a case-by-case basis and could be elaborated on in the emerging case guidance project on intellectual property cases.⁶¹ In China's copyright infringement liability system, there are two ways of disseminating works by the an ISP: (1) the ISP disseminates the work by itself and strictly bears the direct infringing liability; (2) the ISP does not disseminate the work, but provides the 'conduit' to the end-users, therefore incurring contributory infringement liability. The second scenario may ascribe a duty of care to the ISP, but this duty cannot be found in the 2010 Copyright Law, Civil Code or Tort Law of China. Accordingly, under the current legal system, the limitation of the duty of care is blurred. In clarifying the limitations of the duty of care, the solution is to set up a general duty of care in China's copyright law in coordination with other laws (or other rights, such as privacy). The general

(IPKat, 26 May 2020)

<<http://ipkitten.blogspot.com/2020/05/punitive-damages-introduced-into-draft.html>> accessed 16 July 2020.

⁵⁹ Cui (n 30). Prof. Cui said that adopting technical filtering measures is the most reasonable choice to fulfil this duty of care, but it is not the only option.

⁶⁰ In this paper, the phrase of 'copyright law' stands for the Copyright Law of the People's Republic of China rather than relevant regulations, norms or opinions from the SPC.

duty of care would offer courts on the lower levels a guidance for following regulations.

(ii) Mid-Level Regulations

In copyright-related regulations and other relevant administrative regulations, the authorities could specify a general clause for the duty of care in copyright Law, such as filtering obligations, ratio tests, and the complaint and redress mechanisms. Firstly, the regulation could clearly stipulate that: 'eligible platforms (the ISP) should establish a copyright filtering mechanism.' Such statute would guide platforms to cooperate with the right holders to establish a feasible filtering mechanism and information synchronization mechanism. Secondly, in the light of Article 17 Para. 6 of the DSM Directive, some platforms will enjoy exemptions from filtering obligations, in accordance with the different levels of their annual turnover, market power, scale and so on. Thirdly, the regulations may provide some exceptions to the filtering obligation, such as stipulating 'high industry standards' and 'professional diligence' provisions.⁶² Lastly, courts can interpret the laws and regulations, but they can neither directly design technical standards nor indicate the direction of development for technologies. Hence, the NCAC could organize and guide major platforms to formulate filtering technical standards which should be revised constantly.

(iii) Ground-Level Norms

As mentioned before, because of their role's transition from the technical 'gatekeeper' to the algorithmic 'cyber-regulator', giant platforms, such as 'GAFA' and 'BAT', attempted to establish a number of standardised self-disciplines in order to balance the interests of all the parties.⁶³

⁶¹ Mei Gechlik, Chenchen Zhang and Li Huang, 'China's Case Guidance System: Application and Lessons Learned' (*Stanford Law School*, 2018) <<https://cgc.law.stanford.edu/guiding-cases-surveys/issue-3/>> accessed 30 August 2019.

⁶² DSM Directive (n 1), art 17, para 4(b).

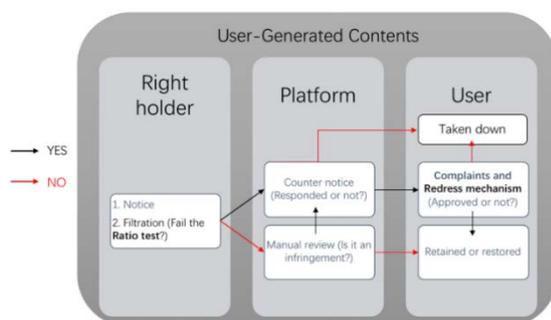
⁶³ Maria Lillà Montagnani and Alina Yordanova Trapova, 'Safe harbours in deep waters: a new emerging liability regime for Internet intermediaries in the Digital Single Market' (2018) 26.4 *International Journal of Law and Information Technology* 294.

In fact, under the filtering mechanism, platforms not only play the role of ‘gatekeeper’, but also that of the executor of the algorithms. Thus, it is possible that platforms’ obligation might become the obligation of the algorithms *per se*.⁶⁴ In order to maintain the balance between users, platforms, right holders and authorities, it is necessary to: (1) establish a reasonable algorithm design obligation for ISPs; (2) disclose the notification and counter-notices; (3) introduce an exemption clause for the black-box test;⁶⁵ (4) add human intervention while training the algorithm; and (5) strengthen the traceability and transparency of the algorithm. The platform should be encouraged to disclose relevant algorithms and especially, to enhance the credibility of the transparency reports.⁶⁶

B. THE SUGGESTED MODEL OF FILTERING SYSTEM IN ALGORITHMIC COPYRIGHT ENFORCEMENT

To sum up, a comprehensive system of filtration, in coordination with the safe harbour provisions and the fair use doctrine, is illustrated in the Fig. 1, as follows:

Figure 1. A Suggested Model of Filtering System



As shown above, in algorithmic copyright enforcement, it is important to establish the communication mechanism between the right holders, the platforms and the end-users.

At the first stage, the right holder has two options: (1) the traditional ‘notice-and-takedown’; (2) subscribe to the automated filtering system. In this regard, option (1) would be to go through the ‘notice-counter-notice-takedown-or-staydown’ procedure. Option (2) would be to let automated filtration apply firstly to find an infringing work through the ratio test of fair use, and subsequently provide a double-checked opportunity for manual review. Finally, the mechanism would decide whether to retain, delete or restore works for future filtering (back to the first stage). It is noticeable that the algorithm involved in the system would be viewed and would be accountable for its efficacy, in the light of transparency, due procedure and public oversight.⁶⁷

5. CONCLUDING REMARKS

In conclusion, there are three factors concerning the whole analysis: technology, economy, and the law. Obviously, reform of the law is more difficult than the technology and economy. According to the prevailing ‘two-sided’ markets,⁶⁸ traditional social governance may be transformed from the consubstantial oneness of society to a multiplex society. In other words, the ‘top-down’ way of the rule-of-law may change into a ‘two-sided’ interaction between the authority and the society consisting of various communities. Under the guidance of the authority, and when the time is right, the ‘bottom-up’ way of law-making will become true, particularly for intellectual property law. This would provide a more flexible framework to accommodate emerging and innovative business models and public interests. Therefore, provided these technological, economical, and legal issues are solved, it is expected that the filtering obligation would be provided for in copyright law, and would in future be managed at all levels from the ground and mid-level to the top-level.

⁶⁴ Yang Tan, ‘The Copyright Regulatory Model for Internet Service Providers’ (2017) 2 Science of Law 100.

<<http://www.airitilibrary.com/Publication/alDetailedMesh?DocID=zscq201906008>> accessed 21 April 2020.

⁶⁵ In fact, opening source code of the algorithm will seriously affect the trade secrets of the platforms. At present, the simplest method in the industry is to check whether the content of the input end of

the algorithm has a blind spot, so the content of the input end of the training algorithm is retained and provided. For the purposes of third-party testing and verification, it should also meet the requirements of third parties.

⁶⁶ Lester and Pachamano (n 11).

⁶⁷ Perel and Elkin-Koren (n 10).

⁶⁸ Rochet and Tirole (n 5).

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14. ISSUES AND CHALLENGES FOR THE PROTECTION OF GENETIC RESOURCES AND TRADITIONAL KNOWLEDGE: THE KOREAN EXPERIENCE

Myung-Hyun Chung*

ABSTRACT

The protection of traditional knowledge and genetic resources, which belong to the indigenous people and local communities, have been a long-standing debate in international fora such as CBD, WIPO IGC, UNDRIP, WTO TRIPS Agreement and Nagoya Protocol. However, there are still many unsolved issues, including how to approach for the protection of traditional knowledge and genetic resources within human right issues, and how to define rights holders, beneficiaries, and the scope of protection. Furthermore, other key issues pertain to the prevention of unauthorized use by third parties and acknowledgement as a rights holder. The Republic of Korea became a Party to the Nagoya Protocol in 2017. For the development of access to genetic resources and benefit sharing legal framework, Republic of Korea needs to develop the sectorial guidelines for users, to provide information of the main provider countries' domestic measures and to develop the case studies, to prepare to comply with applicable laws and deal with possible legal disputes. Other key issues are to discover domestic genetic resources and traditional knowledge, to keep them in the database system or registries. The Nagoya Protocol and its implementing measures involve many uncertainties with

obscure meaning since they were created by coordinating varying interests of different stakeholders and views of various countries. The issues for the protection of genetic resources and traditional knowledge should focus on the right holders' interests and balance between users and providers. Special concerns should extend to cases where simplified measures or exemption of access procedure is essential for expeditious access especially during a public health emergency.

Keywords: *genetic resource, traditional knowledge, WIPO IGC, Nagoya Protocol, indigenous people*

1. INTRODUCTION

How to protect traditional knowledge and genetic resources that belong to the indigenous people and local communities is an issue that has been extensively discussed internationally. This long standing debate emerged in several international fora such as the 1992 Convention on Biological Diversity (CBD),¹ the 2002 Bonn Guidelines on Access to Genetic Resources and Fair and Equitable Sharing of the Benefits Arising out of their Utilization (Bonn Guidelines),² the World Intellectual Property Organization Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore (WIPO IGC), the 2007 United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP),³ the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement)⁴ Review of Article 27.3(b) regarding traditional knowledge and

* Myung-Hyun Chung is a research professor at Korea University School of Law and vice director of Cyber Law Centre. She graduated from the University of Iowa (LL.M. in international & comparative law) and Korea University with Ph.D. in international law. She teaches international law, international trade law, international intellectual property law, data protection law, and cyber law. She has advised the Personal Information Protection Commission and Korea Research Institute of Bioscience and Biotechnology. She is a member of the Korean Society of International Law, Korean Society of International Economic Law, and a board member of Korean Society of Trade Remedies and International Cyber Law Studies in Korea.

¹ The Convention on Biological Diversity of 5 June 1992 (1760 U.N.T.S. 69) [hereinafter CBD].

² The Bonn Guidelines on Access to Genetic Resources and Fair and Equitable Sharing of the Benefits Arising out of their Utilization, COP 6 Decision VI/24, UNEP/CBD/COP/6/20 (adopted 14 June 2002) [hereinafter Bonn Guidelines].

³ United Nations Declaration on the Rights of Indigenous Peoples, UNGA Res A/RES/61/295 (adopted 2 October 2007) [hereinafter UNDRIP].

⁴ Agreement on Trade-Related Aspects of Intellectual Property Rights, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (15 April 1994) [hereinafter TRIPS Agreement].

biodiversity, and the 2010 Nagoya Protocol on Access to Genetic Resources and Fair and Equitable Sharing of the Benefits Arising out of their Utilization (Nagoya Protocol).⁵ There are, however, still many unsolved issues, including whether the approach for the protection of traditional knowledge and genetic resources should be made for inherent right and human right issues, or economic right and property right issues. Moreover, other key issues pertain to defining right holders and beneficiaries, the scope of protection, prevention of unauthorized use by the third parties, and acknowledgement of rights holders.

The Republic of Korea (hereinafter, Korea) has made continuous efforts to establish domestic follow-up measures to implement the Nagoya Protocol after its adoption in 2010. The Nagoya Protocol provides a transparent legal framework for the effective implementation of one of the three objectives of the CBD: the fair and equitable sharing of benefits arising out of the utilization of genetic resources. After Korea signed the Nagoya Protocol on 20 September 2011, the Korean government launched a Cooperative Action Plan with twelve relevant government authorities on 8 November 2011.⁶ The Cooperative Action Plan of 2011 carried out several tasks to implement the Nagoya Protocol. These tasks include survey and discovery of genetic resources in Korea; survey and discovery of traditional knowledge in Korea; survey of the current state in export of biological resources originated in Korea; establishment of comprehensive management system on the national

biological resources; and revision of national legislation system.

As of August 2017, 'The Act on Access to and Utilization of Genetic Resources and Benefit-Sharing' (ABS Act)⁷ and 'Enforcement Decree of the Act on Access to and Utilization of Genetic Resources and Benefit-Sharing' (Enforcement Decree)⁸ became effective. 'Implementing Rules on the Act on Access to and Utilization of Genetic Resources and Benefit-Sharing' (Implementing Rules)⁹ became effective in August 2018. In this article, section 2 will review the ABS Act and its implementation mechanism in Korea, section 3 will further explain issues pertaining to the protection of genetic resources and traditional knowledge and section 4 will suggest way forward to develop ABS mechanism nationally and internationally.

2. LEGAL FRAMEWORK FOR PROTECTION OF GENETIC RESOURCES AND TRADITIONAL KNOWLEDGE IN KOREA

A. OVERVIEW OF ABS ACT

The ABS Act aimed to implement the Nagoya Protocol and establish a national policy on access to and utilization of genetic resources, as well as to contribute to the conservation and sustainable use of biological resources; improve the quality of citizens' life; and enhance international cooperation in transaction of genetic resources. However, it took more than three years after the Notice of Legislation, for the enactment of the final ABS Act. Korea, as a user country

⁵ Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization to the Convention on Biological Diversity, UNEP/CBD/COP/DEC/X/1 (adopted 29 October 2010, entered into force 12 October 2014) [hereinafter Nagoya Protocol].

⁶ Ministry of Environment, Cooperative Action Plan in Response to the Nagoya Protocol (8 November 2011). As of November 2011, the relevant twelve government authorities were following: Ministry of Science, ICT & Future Planning; Ministry of Environment; Ministry of Justice; Ministry of Agriculture, Food & Rural Affairs; Ministry of Trade, Industry & Energy; Ministry of Health & Welfare; Ministry of Oceans & Fisheries; Ministry of Food & Drug Safety; Rural Development Administration; Korea Forest Service; and Korean

Intellectual Property Office.

⁷ Act on Access to and Utilization of Genetic Resources and Benefit-Sharing (Act No. 14533, 17 January 2017, Amended by Act No. 14839, 26 July 2017, entered into force 17 August 2017) [hereinafter ABS Act].

⁸ Enforcement Decree of the Act on Access to and Utilization of Genetic Resources and Benefit-Sharing (Presidential Decree No. 28246, 16 August 2017, entered into force 17 August 2017) [hereinafter Enforcement Decree].

⁹ Implementing Rules on the Act on Access to and Utilization of Genetic Resources and Benefit-Sharing (Ordinance of the Ministry of Environment No. 720, 27 November 2017).

of genetic resources, took a careful approach to ratify the Nagoya Protocol since it would bring potential economic impact on relevant industries once it came into full effect. Furthermore, the government needed to coordinate varying demands of stakeholders, as well as review other countries' practices. In this line, the government engaged researchers on various occasions to examine other countries' practices and to establish a Korea-specific benefit-sharing model based on such research.

B. OTHER ABS LEGAL FRAMEWORK

In addition to the ABS Act, relevant Ministries also operate several ABS bills under the Ministries' authority for genetic resources concerned. Most of the ABS bills were recently revised in response to the Nagoya Protocol. Further, these concerned Ministries are considered as Competent National Authorities and the National Check Points under the ABS Act.

Table 1. ABS Legislations and Relevant Ministries

Ministries	ABS Legislations
Ministry of Science and ICT	Act on the Acquisition, Management, and Utilization of Biological Research Resources ¹⁰
Ministry of Agriculture, Food and Rural Affairs	Act on the Conservation, Management, and Use of Agricultural Bio-resources ¹¹

¹⁰ Act on the Acquisition, Management, and Utilization of Biological Research Resources (Act No. 16016, 24 December 2018),

https://elaw.klri.re.kr/kor_service/lawView.do?hseq=49586&lang=EN accessed 30 May 2020.

¹¹ Act on the Conservation, Management and Use of Agricultural Bio-resources (Act No. 14644, 21 March 2017),

https://elaw.klri.re.kr/kor_service/lawView.do?hseq=42736&lang=EN accessed 30 May 2020.

¹² Act on the Promotion of Collection, Management, and Utilization of Pathogen Resources (Act No. 14839, 26 July 2017),

https://elaw.klri.re.kr/kor_service/lawView.do?hseq=49006&lang=EN accessed 30 May 2020.

¹³ Act on the Conservation and Use of Biological Diversity (Act No. 15833, 16 October 2018)

Ministries	ABS Legislations
Ministry of Health and Welfare	Act on the Promotion of Collection, Management, and Utilization of Pathogen Resources ¹²
Ministry of Environment	Act on the Conservation and Use of Biological Diversity ¹³
	Wildlife Protection and Management Act ¹⁴
Ministry of Oceans and Fisheries	Act on Securing, Management, Use, ETC. of Marine and Fisheries Bio-resources ¹⁵

C. COMPETENT AUTHORITIES

As the Nagoya Protocol requires to designate a national focal point, competent national authorities¹⁶ and the checkpoints,¹⁷ the ABS Act provides national authorities to manage ABS measures for those governing genetic resources.

(i) National Focal Points

In accordance with Article 13(1) of the Nagoya Protocol, the ABS Act designated two responsible National Focal Points: The Ministry of Foreign Affairs and the Ministry of Environment.¹⁸ As per the Enforcement Decree, the Ministry

https://elaw.klri.re.kr/kor_service/lawView.do?hseq=44471&lang=EN accessed 30 May 2020.

¹⁴ Wildlife Protection and Management Act (Act No. 15835, 16 October 2018)

https://elaw.klri.re.kr/kor_service/lawView.do?hseq=49116&lang=EN accessed 30 May 2020.

¹⁵ Act on Securing, Management, Use, ETC. of Marine and Fisheries Bio-resources (Act No. 14605, 21 March 2017)

https://elaw.klri.re.kr/kor_service/lawView.do?hseq=42825&lang=EN accessed 30 May 2020.

¹⁶ Nagoya Protocol, arts 13(1), (2).

¹⁷ Nagoya Protocol, art 17(1)(a).

¹⁸ ABS Act, art 7.

of Foreign Affairs mainly liaises as a contact point with the CBD secretariat, and the Ministry of Environment carries out the dissemination of information with regard to ABS matters.¹⁹

(ii) Competent National Authorities

The ABS Act also designated five Competent National Authorities that have managed genetic resources within their competency: the Ministry of Science and ICT (Biological research resources); the Ministry of Agriculture, Food and Rural Affairs (Agro bio resources); the Ministry for Health and Welfare (Pathogenic resources); the Ministry of Environment (Biological resources); and the Ministry of Oceans and Fisheries (Marine-fishery bio resources).²⁰ Competent National Authorities carry out the following functions: i) the processing of access declaration or modified declaration on domestic genetic resources,²¹ ii) prohibition of access to and utilization of domestic genetic resources,²² iii) supporting fair and equitable benefit sharing on domestic genetic resources,²³ and iv) other matters determined by Enforcement Decree regarding ABS.²⁴

(iii) National Check Points

The ABS Act requires National Check Points in Article 13 to carry out, i) processing of declaration on compliance with procedures,²⁵ ii) investigation and advice on compliance with procedures,²⁶ and iii) supporting domestic users who utilize overseas genetic resources.²⁷ Furthermore, the Enforcement Decree may determine other tasks of check points regarding ABS. Five National Competent Authorities and the Ministry of Trade, Industry and Energy are responsible for National Check Points. The Ministry of Trade, Industry and Energy is included

given the concern of economic impact of ABS rules to those relevant industries.

D. DEFINITIONS

The ABS Act defines some key terms in the context of the Act.²⁸

(i) Genetic resource

Genetic resource means materials, which have practical or potential value, among plants, animals and microorganisms or other genetic material, which becomes genetic origins including a genetic functional unit. This definition has been ascribed verbatim in Article 2, Section 4 of the Act on the Conservation and Use of Biological Diversity.²⁹

(ii) Traditional knowledge

Traditional knowledge means knowledge, technology and practice, etc. of individuals or local communities, which maintained a traditional lifestyle appropriate for the conservation and sustainable use of genetic resources.³⁰

(iii) Access

Access means the collection of information regarding the acquisition of a specimen or substance of a genetic resource, or of a genetic resource and its associated traditional knowledge. In the ABS Act, genetic resources and associated traditional knowledge are called, 'genetic resource(s)', collectively.³¹

(iv) Utilization

Utilization means, to conduct research and development, through the application of biotechnology, on the genetic or

¹⁹ Enforcement Decree, art 2.

²⁰ ABS Act, art 8.

²¹ *ibid*, art 9.

²² *ibid*, art 12.

²³ *ibid*, art 8(2)(3).

²⁴ Enforcement Decree, art 3.

²⁵ ABS Act, art 15.

²⁶ *ibid*, art 16.

²⁷ *ibid*, art 13(3).

²⁸ *ibid*, art 2.

²⁹ *ibid*, arts 2.1 and 2(4).

³⁰ *ibid*, art 2(2).

³¹ ABS Act, art 2(3).

biochemical components, by the utilization of genetic resources.³²

(v) Benefit

Benefit means monetary benefits, such as royalties and revenue, and non-monetary benefits including but not limited to sharing of research results and transfer of technology, etc., arising from the utilization of genetic resources.³³

E. SCOPE OF APPLICATION

The ABS Act applies to the following genetic resources:³⁴

- (i) Human genetic resources;
- (ii) Genetic resources in the area beyond state jurisdiction including Antarctica;
- (iii) Genetic resources accessed for the purposes other than utilization described in Article 2(4);
- (iv) Genetic resources that are subject to other international agreements relevant to the access and benefit sharing of genetic resources;
- (v) Genetic resources have been granted patent pursuant to Article 87(1) of the Patent Act.³⁵

F. ACCESS REPORT ON DOMESTIC GENETIC RESOURCES

(i) Duty of Access Report

Where foreigners, overseas Koreans, foreign institutions and international organizations, and those other persons designated by Ordinance of the Ministry of Environment seek access to domestic genetic resource(s), they must report such

access to the head of the Competent National Authority in accordance with the procedures of Presidential Decree.³⁶ However, if the approval, permission or report has been made and granted in accordance with other ABS legal framework, it will be deemed that the duty to report under the ABS Act has been fulfilled.³⁷

Table 2. Approval, permission, or declaration system under other ABS legislations

<p>[Approval, permission, or report system under other ABS legislations]</p> <p>(i) Approval under Art. 11(2) of Act on the Conservation and Use of Biological Diversity or report under Art. 13(1) of same Act</p> <p>(ii) Approval under Art.18(1) of Act on the Conservation, Management, and Use of Agricultural Bio-resources</p> <p>(iii) Permission under Art. 11(1) of Act on Securing, Management, Use, ETC. of Marine and Fisheries Bio-resources or approval under Art. 22(1) of the same Act.</p> <p>(iv) Approval or permission under Art. 16(1) or Art. 18(1) of Act on the Promotion of Collection, Management, and Utilization of Pathogen Resources or report under Art. 16(2) of the same Act.</p>
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Korean nationals, who have access to the domestic genetic resources for the purpose of utilization, may report to the Competent National Authority subject to the procedures of Enforcement Decree, including when it is necessary to verify that the provider country of the genetic resource is Republic of Korea.³⁸ According to the Nagoya Protocol, provider can be either a country of origin of genetic resources or a country that acquired the genetic resources in accordance with the Convention of Biological Diversity.³⁹ If a person, who has

³² *ibid*, art 2(4).

³³ *ibid*, art 2(5).

³⁴ *ibid*, art 3.

³⁵ Patent Act (Act No. 15582, Apr. 17, 2018) art 87(1). ‘A patent shall take effect when the grant of the patent is registered.’

<https://elaw.klri.re.kr/kor_service/lawView.do?hseq=47910&lang=EN> accessed 30 May 2020.

³⁶ ABS Act, art 9(1).

³⁷ *ibid*, art 9(2).

³⁸ ABS Act, art 9(4).

³⁹ Nagoya Protocol, art 5(1).

reported access to domestic genetic resources, and seeks to modify the contents of report required in Enforcement Decree, that person shall report the modification to the Competent National Authority.⁴⁰ This duty of access report became effective on 18 August 2018, which enjoyed one-year grace period after the enforcement of the ABS Act.

(ii) Procedure of Access Report

The Enforcement Decree on the ABS Act provides the procedure for report of access to domestic genetic resources. Anyone who seeks to access report shall submit the report document containing following information to Competent National Authority:

- User information (name, affiliation, address, contact etc.)
- Name, quantity or concentration of the genetic resources
- Methods of access, period of utilization
- Provider information (name, affiliation, address, and contact, etc.)
- Purpose of access; methods of utilization including application of biotechnology
- Country to utilize the genetic resources; and
- Mutually agreed terms, if any.⁴¹

A Competent National Authority that received access report must notify its decision to the user, as to whether the report is approved, within 30 days from its receipt. If the report is approved, the Competent National Authority shall issue a certificate of report.⁴²

Where a person, who reported access to domestic genetic resources, and seeks to change the contents of report in accordance with Article 9(3) of the ABS Act, such person must

submit a report on notification of change to the Competent National Authority. This must include modified purpose of access, modified purpose of utilization, increase of quantity or concentration of genetic resources, or modification of mutually agreed terms, if any.⁴³ The Ministry of Environment may establish a comprehensive report system to promote electronic processing and efficient management of access report procedure.⁴⁴

G. EXCEPTIONS TO REPORT OF ACCESS TO DOMESTIC GENETIC RESOURCES

There are some exceptions to the duty of a report for access to domestic resources. The procedures and requirements of the access report may be simplified or waived, where a Competent National Authority recognizes the need for expeditious access to or utilization of genetic resources. These may arise for developing therapeutic treatment or food security, due to threat or damage to the life and health of humans, animals, or plants, or in case of access for the purpose of non-commercial research. However, when the purpose of non-commercial research is changed, the user shall report, without delay, in accordance with Article 9(1).⁴⁵

H. SHARING THE BENEFIT OF DOMESTIC GENETIC RESOURCES

The users and providers of genetic resources must agree to share the benefits of domestic genetic resources fairly and equitably.⁴⁶ This agreement may not be necessarily made at the time of access and only stipulates the manner of benefit sharing agreement and does not provide any further details.

I. PROHIBITION AGAINST CERTAIN ACCESS TO AND UTILIZATION OF DOMESTIC GENETIC RESOURCES

The Competent National Authority may seek to prohibit or restrict the access and utilization of domestic genetic

⁴⁰ ABS Act, art 9(3).

⁴¹ Enforcement Decree, art 4(1).

⁴² *ibid*, art 4(3).

⁴³ *ibid*, art 4(5), (6).

⁴⁴ *ibid*, art 7.

⁴⁵ ABS Act, art 10.

⁴⁶ ABS Act, art 11.

resources in case of threat or likely to threaten the conservation and sustainable use of biodiversity, or adverse socio-economic effect on the value of biodiversity.⁴⁷ Any person who accesses or uses genetic resources that are prohibited or restricted from access or utilization, in violation of Article 12(1), shall be punished by imprisonment for not more than three years or by a fine not exceeding 30 million KRW.⁴⁸ In case of the above punishment in accordance with Article 26, the applicable genetic resources shall be confiscated. However, if confiscation is not possible, then equivalent fee thereof shall be collected.⁴⁹

J. COMPLIANCE WITH PROCEDURES FOR ACCESS TO AND UTILIZATION OF OVERSEAS GENETIC RESOURCES

(i) Duty of Compliance Report

When the user seeks to access to foreign genetic resources for their utilization in the territory of Korea, they shall observe and comply with the measures and procedures established by the providing country. The user should endeavor to share the benefit arising from utilization of genetic resources with the provider, fairly and equitably.⁵⁰

The user of foreign genetic resources shall report to the National Check Points that they have complied with the measures of the provider country. The duty of compliance report is limited to the cases where it is used in Korea, by accessing to the genetic resources of the provider country which is a party to the Nagoya Protocol and has established procedures for access and utilization of genetic resources.⁵¹

(ii) Procedure of Compliance Report

Where a person seeks to report compliance with the measures of the provider country in accordance with Article 15(1) of the ABS Act, such person shall submit a report of the procedural compliance to one of the six designated National Check Points within 90 days from the date of approval of prior

informed consent (PIC). The declaration shall include the following information:

- User information (name, affiliation, address, contact etc)
- Name of the provider country; name and address of the provider;
- Issuer of PIC (name of issuing authority, date of PIC, issuance number);
- Name of the genetic resources that PIC is approved, quantity or concentration;
- Purpose and utilization of genetic resources; and
- Whether mutually agreed terms are concluded and its contents, if any.⁵²

Pursuant to the Enforcement Decree, the Ministry of Environment established a comprehensive report system to promote electronic processing and efficient management of procedural compliance declaration.⁵³

K. INVESTIGATION ON COMPLIANCE WITH PROCEDURES

National Check Points may seek to investigate whether the domestic user of foreign genetic resources complied with provider country measures in the following cases:⁵⁴

- (i) Where there is an objection to the user's compliance with procedural violations from the provider country; or
- (ii) Where a third party has provided information regarding the procedural violations of the provider country measures; or
- (iii) Where there is reasonable doubt that the user has not complied with the provider country measures.

⁴⁷ *ibid*, art 12(1).

⁴⁸ *ibid*, art 26

⁴⁹ *ibid*, art 27.

⁵⁰ *ibid*, art 14.

⁵¹ *ibid*, art 15.

⁵² Enforcement Decree, art 6.

⁵³ *ibid*, art 7.

⁵⁴ ABS Act, art 16(1).

National Check Points may, after the investigation, recommend that the user of foreign genetic resources observe the provider country procedures, if necessary.⁵⁵ The Enforcement Decree shall determine the content and method of the investigation.

3. DOES THE CURRENT ABS LEGAL FRAMEWORK PROTECT GENETIC RESOURCES AND TRADITIONAL KNOWLEDGE PROPERLY?

A. SUBJECT MATTER

Although the Nagoya Protocol and the ABS Act stipulated some definitions of genetic resources and traditional knowledge, it is still not clear what kind of, and to what extent are genetic resources and traditional knowledge covered. Users such as academic researchers and biotechnological industries are concerned whether the ABS Act covers their R&D subjects. The problem, in most cases, will be decided by depending upon what and how the provider countries are regulating in their domestic measures, since the Nagoya Protocol empowered its Parties with wide discretion regarding the establishment of their domestic measures.

In this respect, WIPO IGC states, 'International harmonization, standard-setting and cooperation across the field of IP have not, overall, been dependent on the determination of definitive, exhaustive definitions of the subject matter of protection. There has been a tendency to leave specific determinations of the boundaries of protectable subject matter up to domestic authorities, and for terminology at the international level to be used more to express a common policy direction.'⁵⁶ However, if a providing

country sets strict standards and widens the scope of subject matter, users will try to circumvent by accessing those genetic resources and traditional knowledge and find or develop other complementary suitable sources. This situation will not improve the protection of genetic resources and traditional knowledge in the providing country.

B. DEFINITION OF 'TRADITIONAL'

There is an uncertainty about what could constitute traditional knowledge, especially the meaning of 'traditional.' In this regard, WIPO IGC states that, '[W]hile it is often thought that tradition is only about imitation and reproduction, it is also about innovation and creation within the traditional framework. Thus, the term 'traditional' does not necessarily mean 'old', but rather that the knowledge and cultural expressions derive from or are based upon tradition, identify or are associated with an indigenous people or a local community, and may be made or practiced in traditional ways.'⁵⁷ Further, Article 8(j) of the CBD provides that, '[E]ach contracting Party shall [...] respect, preserve and maintain knowledge, innovations and practices of indigenous and local communities embodying traditional lifestyles relevant for the conservation and sustainable use of biological diversity [...].'⁵⁸ In these contexts, it is understood that traditional knowledge is the knowledge identified or associated with indigenous and local communities, maintained in traditional ways. During the 12th CBD Conference of Parties, the parties adopted the use of the term 'indigenous peoples and local communities' (IPLC) which replaced 'indigenous and local communities' in Article 8 (j).⁵⁹ The adoption of the term IPLC is interpreted in favour of some countries without indigenous

⁵⁵ *ibid*, art 16(2).

⁵⁶ WIPO, Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore, Traditional Knowledge-Operational Terms and Definitions, WIPO/GRTKF/IC/3/9 (20 May 2002), paragraph 4; WIPO, Information Note for IGC 39, Prepared by Mr. Ian Goss, the IGC Chair, WIPO/GRTKF/IC/39/CHAIRS INFORMATION NOTE (26 February 2019), para 19.

⁵⁷ WIPO, Information Note for IGC 39, Prepared by Mr. Ian Goss, the IGC Chair, WIPO/GRTKF/IC/39/CHAIRS INFORMATION NOTE (26 February 2019), para 24.

⁵⁸ The Convention on Biological Diversity of 5 June 1992 (1760 UNTS 69), art 8(j).

⁵⁹ Convention on Biological Diversity, Decision Adopted by the Conference of the Parties of the Convention on Biological Diversity, XII/12. Article 8(j) and related provisions, F. Terminology 'indigenous peoples and local communities', UNEP/CBD/COP/DEC/XII/12 (13 October 2014), para 2 (a), (b) and (c).

people in their territory, for a basis to argue that there exists traditional knowledge of local communities. Thus, the concept of traditional knowledge originated from strictly limited areas was broadened by the application of the term 'IPLC.' Recently, many countries, including Korea, have been establishing databases for genetic resources and traditional knowledge, which is found within their countries, claiming that these genetic resources and traditional knowledge belong to their local communities. Although there are no indigenous people in Korea, this is an argument for the protection of traditional knowledge, which Korean people with their long historical and traditional background have developed using traditional local methods, such as Kimchi, Korean traditional herbal medicine, or Koryo celadon. Whether such extensions to the meaning of traditional knowledge is appropriate for the further protection of traditional knowledge is questionable.

C. LINKAGE WITH INTELLECTUAL PROPERTY RIGHTS, MISUSE AND MISAPPROPRIATION

There has been extensive discussion over the last two decades in WIPO IGC regarding how to protect genetic resources and traditional knowledge within the intellectual property regime. In this context, the WIPO Secretariat has intensively published documents regarding the protection of genetic resources and traditional knowledge, describing how to protect them at the international level, existing gaps, and possible options that may be developed to address any identified gaps.⁶⁰ If genetic resources and traditional knowledge met with requirements for granting intellectual property right, they are certainly able to enjoy those rights. Some resources are not by themselves qualified as intellectual property, but hold a high level of value to be recognized as a prior art. In those cases, a prior art shall not be misused or misappropriated by the third party. Some countries argue that such recognition of prior art should be

obligatory for patent applicants, and that patent applicants disclose the origin of resources and the proof of prior informed consent (PIC) and mutually agreed terms (MAT) in their patent applications. According to this approach, if these disclosure requirements are not fulfilled, those patent applications may be refused or the patents invalidated. In this regard, proposals were made to review and amend Article 27.3(b) of the TRIPS agreement and the debate continues in the WIPO IGC.

To prevent unauthorized use and misappropriation, the possibility of establishing databases and other complementary or defensive measures have been suggested.⁶¹ However, there are key issues that need to be considered: Who should be responsible for compiling and maintaining the databases? Should there be standards to harmonize their structure and content? Who should have access to the databases? What would be their content? In what form would the content be expressed? Should there be accompanying guidelines? What would be the benefits and risks of facilitating and encouraging the development of publicly accessible databases?⁶²

D. ECONOMIC BENEFIT

The Nagoya Protocol originally focused on the economic aspects of genetic resources and associated traditional knowledge, including benefit sharing arising from their utilization. The intellectual property debate also based on conferring exclusive property rights. However, it should be considered whether the financial rewards or any licensing fees from the use are in the fundamental interest of rights holders.

A distinction should be made in this regard between economic rights and moral rights. For example, moral rights may be more appropriate for traditional knowledge that is

⁶⁰ 'The Protection of Traditional Knowledge: Undated Draft Gap Analysis,' WIPO/GRTKF/IC/40/7 (WIPO, 9 April 2019).

⁶¹ Joint Recommendation on the Use of Databases for the Defensive Protection of Genetic Resources and Traditional

Knowledge Associated with Genetic Resources, WIPO/GRTKF/IC/39/14 (WIPO, 26 February 2019).

⁶² Information Note for IGC 39, Prepared by Mr. Ian Goss, the IGC Chair, WIPO/GRTKF/IC/39/CHAIRS INFORMATION NOTE (WIPO, 26 February 2019), para 36.

publicly available or widely known, but still attributable to specific indigenous peoples and local communities. Differentiated protection in the form of a tiered approach offers an opportunity to reflect the balance referred to in the mandate of the IGC and that is integral to an intellectual property system. The balance referred to is that between the interests of the holders of intellectual property rights, on the one hand, and the general public, including users and re-users of IP, on the other. In the traditional knowledge context, differentiated protection in the tiered approach offers an opportunity to respond to the reality of differences among secret, narrowly diffused and widely diffused traditional knowledge.⁶³

E. PUBLIC HEALTH

Special concerns should be given to cases where simplified measures or exemptions of access procedures are essential for expeditious access, such as public health emergencies. In line with public health concerns and access to genetic resources, the World Health Organization published comments on the issue of digital sequence information, stating that, 'Rapid, timely and broad sharing of digital sequence information (DSI) is essential to global health; it enables surveillance, response, preparedness, routine control and optimal clinical management of infectious diseases.'⁶⁴

4. CONCLUSIONS

Many questions surrounding the protection of genetic resources and traditional knowledge remain unanswered since the Nagoya Protocol only deals with economic aspects of those resources and rights over them. The starting point for this debate dates back to when a big multinational company performed bio-prospecting activities in an isolated indigenous community with a good source of information and made big financial gains without compensation to the

indigenous communities. Furthermore, there has been a need to prevent unauthorized use of genetic resources and traditional knowledge because sometimes they contain a high value or spirit of indigenous communities. Recent debates, however, seem more likely to give weight to economic interests of providing countries, which may not promote the protection of valuable resources. Whether the protection mechanism should be approached, as a human rights issue, or as an economic and property right issue are additional unsolved issues and still under discussion. As economic and property rights issue, the discussion involves defining rights holders, beneficiaries and the scope of protection, methods to prevent unauthorized use by third parties, methods to be acknowledged as a rights holder, terms of protection, trans-boundary cooperation, formalities, exceptions and limitations. Therefore, the issues of protection for genetic resources and traditional knowledge should focus on the genuine rights holders' interests and balance between users and providers. Special concerns should be given to the cases where simplified measures or exemptions of access procedures are essential for expeditious access, such as public health emergencies.

With regard to the ABS legal framework in Korea, the future challenges are to promote an understanding of the Nagoya Protocol and its implementation mechanism among industries and researchers who utilize genetic resources, and to develop sectorial guidelines. It is also necessary to provide information on main provider countries' domestic ABS measures and mechanism, and develop case studies, in order to prepare Korea to fully comply with applicable laws and regulations and deal with possible legal disputes. Other key issues are to discover domestic genetic resources and associated traditional knowledge by survey and research, and to keep them in a database system or registries, so that third parties do not abuse them in bad faith. The Nagoya Protocol

⁶³ Information Note on Traditional Knowledge/Traditional Cultural Expressions for IGC 40, Prepared by Mr. Ian Goss, the IGC Chair, WIPO/GRTKF/IC/40/CHAIRS INFORMATION NOTE (WIPO, 6 June 2019) paras 17-20.

⁶⁴ Comments by the World Health Organization on the Draft Fact-finding and Scoping Study 'The Emergence and Growth of Digital Sequence Information in Research and Development: Implications for the Conservation and Sustainable Use of Biodiversity, and Fair and Equitable Benefit Sharing' (WHO, 9 November 2017).

and implementing measures of its Parties contain many terms with rather obscure meaning, possibly because they were created by coordinating varying interests of different stakeholders, and reflect diverging views of various countries. Competent authorities and ABS Help-Desks should consult experts and their counterparts in the provider countries to clarify these uncertainties. Although Korean law stipulates the access report procedures and requirements may be simplified or waived where a Competent National Authority recognizes the need for expeditious access to genetic resources for developing therapeutic treatment or food security, due to threat or damage to the life and health of humans, animals, or plants, or in case of access for the purpose of non-commercial research, there is no specified regulation for the requirement of simplified or waived procedure. The Korean ABS legal framework need to develop rules and regulations in a manner to clarify where and when the ABS Act is applied and to ensure that relevant industry and research development is not hindered.

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15. THE EVOLUTION OF RUSSIA'S IP SYSTEM

Darya Soldatenko*

ABSTRACT

The Russian Federation demonstrated such high rates of growth in the beginning of the 21st century that experts put it in the category of the world's fastest growing markets and predicted weighty ratings in the global hierarchy. However, the following recession confirmed the vulnerability of the raw material model of economic development. In 2011, the Russian Parliament adopted the Innovation Development Strategy of the Russian Federation until 2020. The goals set in the document are quite ambitious, and nowadays, their achievement is facing a number of institutional barriers. However, the country's accession to the WTO and the policy of the Russian Federation within the framework of the Eurasian economic union can dramatically change the current situation. Market volume, harmonization of legislation to international standards and adoption of best practices, along with deeper integration into the global economic system are likely to increase competitiveness, attract investment in the IP sphere and improve the business climate in the Russian Federation.

Keywords: *IP legislation, Russian patent system, IP, economic development*

[▫] Lecturer at Moscow state institution of international relations University (MGIMO University) at the department of international economic relations and foreign economic ties. She accomplished her Master degree and Ph.D in economics at the same university. Ms. Soldatenko is the author of a number of articles subject to international economic relations covering such topics as IP trade and the role of IP in the era of digitalization of the world economy. She has a number of publications both in academic and business journals. The author teaches the following academic subjects: international business negotiations in the field of IP, international economic relations. Darya is fluent in Russian, English, Spanish and French. Interested in all sorts of international projects, including in collaboration with international organizations/research centers/universities/charities.

¹ E.I. Platonova 'Сравнительный анализ патентной активности в России и за рубежом в контексте перехода на инновационный

1. INTRODUCTION

In the former USSR, innovation activity developed rapidly with about 300,000 inventions annually, accounting for almost a third of all significant inventions of the world.¹ It is worth mentioning that the majority of these inventions were registered in the Russian Soviet Federative Socialist Republic (RSFSR). The RSFSR was one of the 15 Soviet socialist republics within the former USSR.² It had the largest territory, and was one of the most populated and economically developed. It accounted for three-quarters of the territory, more than half of the population, two-thirds of the industrial production and about half of the agricultural products of the Soviet Union.³ It was widely noted that inventions were created in one republic, used in another, improved in the third, and all technical and scientific developments belonged to the state. A vivid example of such an approach is the patent for electrolyte for electrochemical etching of aluminium and its alloys.⁴ Although a group of scientists (Gillier, Gambarova, Yuriev) created it in 1959 in RSFSR, it was widely used in the Kazakh SSR, Belarusian SSR and other republics i.e. in the Soviet industry in general during the period of its existence. The most important point is that there was no need to sign licensing agreements. The State was the unique intellectual property (IP) rights holder. In addition, since the State had a monopoly on foreign trade activities until 1991, the Chamber of Commerce and Industry of the USSR tightly controlled all

путь развития' in ИСИЭЗ, 22 July 2010

<<https://www.hse.ru/org/hse/isiez/press/20788235.html>> accessed 22 December 2019.

² Constitution of USSR (as amended on August 8, 1953)

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³ Н. Kessler, А. Markevich, 'Электронный архив Российской исторической статистики, XVIII – XXI вв.' <<https://ristat.org/>> accessed 27 June 2020.

⁴ USSR patent № 134093 'Электролит для электрохимического травления алюминия и его сплавов' <<https://patents.su/1960/01/01>> accessed 27 June 2020.

procedures for international patenting and international trade in licenses.⁵

Drastic changes took place during 1990 to 2018 – almost three decades that saw a complete degradation in the field. The USSR ceased to exist in 1991, and thereafter the number of patent applications in Russia (Russia officially became the legal successor of the USSR in 1991) decreased dramatically. 34,571 patent applications and 8322 utility model applications per year are registered on average in Russia (the period under review is 1992 - 2018),⁶ compared to about 300,000 annually in the former USSR⁷ (due to the socialist approach to property it is quite possible to find an exact number of patent and utility model applications in the USSR). Consequently, the Russian Federation dropped to the end of the list of technologically developed countries.⁸ This posed some challenges for the new government and first required creation of new international trade and economic ties as far as the formation of internal trade mechanism - the market one. A strong need to change pre-existing socialistic system became a reality. The most important consequence of transition to a market economy was the emergence of private property including the intellectual one. Another significant issue to be taken into consideration was the possibility of registering private companies with foreign investments, which also raised a number of regulatory issues.

2. THE CURRENT LEGAL IP SYSTEM

A number of legislative acts have been adopted to solve the above-mentioned problems. Today, the country's main official document is the Constitution of the Russian Federation,⁹ which is also the basis of the existing system of intellectual property regulation. The Constitution enshrines the basic rights of the country's population. However, the main legislative act regulating civil law relations between business entities is the Civil Code of the Russian Federation,¹⁰ Part 4 of which is entirely devoted to IP rights. Of course, there are a number of Presidential Decrees, Federal laws and Government decrees that directly or indirectly regulate IP rights in the country.

An important event in the formation of the Russian IP regulation system was the creation of 'Rospatent' (currently also named Federal Service for Intellectual Property) which replaced the Committee on Inventions and Discoveries. Rospatent is the assignee of the Federal Service for Intellectual Property, Patents and Trademarks, as well as the assignee of the Ministry of Justice of the Russian Federation with regard to legal protection of the interests of the state in the process of economic and civil law, circulation of the results of research, development, and technological works of military, special and dual purpose, including obligations arising from the execution of court decisions.¹¹ Later, by Decrees of the President of the Russian Federation, the Russian Agency for Patents and Trademarks was transformed

⁵ A. Stepanova, 'Сколько изобретателей нужно российской экономике' in Роспатент, 30 January 2018

<<https://rupto.ru/ru/news/izobretateleconomics>> accessed 2 May 2020.

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⁷ B. Rudenko, 'Изобретение: путь к патенту' <<https://www.viam.ru/interview/370>> accessed 30 June 2020.

⁸ Stepanova (n 5)

⁹ Constitution of the Russian Federation (as amended up to Federal Constitutional Law No. 11-FKZ 21 July 2014)

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¹⁰ Civil Code of the Russian Federation (Amended in accordance with the Federal law 358 dated 28 November 2015 № 358-FZ) [hereafter Russian Civil Code], part IV art 1225.

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¹¹ 'О Роспатенте' (Rospatent) <<https://rupto.ru/ru/about>> accessed 30 June 2020.

into the Federal Service for IP (at the same time, it was decided to keep the short name 'Rospatent').¹²

Rospatent is called upon to solve a number of important tasks related to the circulation and protection of IP in Russia. The most important function is the provision of services for registration and legal protection of various intellectual property objects (trademarks and service marks, appellations of origin, utility models, inventions, industrial designs, databases, topologies of integrated circuits, computer programs, etc.). Rospatent is the national patent office of Russia. Another important objective of the functioning of Rospatent is to ensure the interests of the country in international economic relations concerning the circulation of special and dual-use technologies. Additionally, it is important to note that the activities of Rospatent although based on the Russian legal system are fully consistent with the country's international obligations.

In accordance with the World Bank's updated classification for 2019-2020, Russia is a country with a GNI per capita above the world average.¹³ The distinctive feature of the national innovation systems of this group of countries is the active use of possibilities of international technology transfer, attraction of foreign direct investment in 'intelligent' and innovative industries, as well as the desire to increase and accelerate economic growth by deepening international specialization and cooperation. Another important economic feature of countries with GNI per capita above the global average is the formation and active use of national intellectual capital as far as the desire to ensure the protection of IP rights in both the domestic and foreign market.

¹² Decree of the President of the Russian Federation No. 314 of 9 March 2004 on the System and Structure of Federal Bodies of Executive Power (with the Amendments and Additions 20 May 2004, 15 March, 14 November, 23 December 2005, 27 March 2006, 15 February, 24 September 2007)
<https://www.wto.org/english/thewto_e/acc_e/rus_e/WTACCRUS58_LEG_85.pdf> accessed 22 December 2019.

¹³ World Bank Analytical Classifications [Electronic resource] / World Bank.

In 2012, the Russian Federation became a member of the World Trade Organization (WTO), thus getting access to the important mechanism of the WTO in letting the members defend the interests of national IP right holders, namely the Dispute Settlement Body. It is important that this is not only a legal field for providing protection and enforcement of IP rights but also a mechanism for protecting IP in trade and economic relations.

The law on enforcement of IP that existed at the time of the start of negotiations did not fully comply with the standards and principles of the TRIPS Agreement. In 2007, the first results of improving the national IP regulation system were presented, which were repeatedly reviewed and supplemented, and as a result by 2011 were drawn up in the document, 'Participation in International Conventions for the Protection of IP Rights and in Regional and Bilateral Agreements.'¹⁴ The report contains important provisions regarding the country's participation in international treaties and agreements; defines standards for access, coverage and use of IP, as well as law enforcement practice (legal and administrative procedures). In the national legal system, these provisions were enshrined in Part IV of the Civil Code of the Russian Federation, which as it was mentioned, still remains one of the major legal acts of the country in the field of IP.

The country's participation in regional trade agreements plays a great role in shaping the national legislative system of Russia in the field of IP. Currently, one such agreement, which has achieved the greatest economic progress with the participation of Russia, is the Eurasian Economic Union (EAEU). Within the framework of the EAEU, issues concerning

<<https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>> accessed 30 June 2020.

¹⁴ List of Treaties Concerning Intellectual Property Issues to which the Russian Federation is a Party (as of 4 October 2007) 7 November 2007, JOB(07)/171; Membership of International Intellectual Property Conventions and of Regional or Bilateral Agreements, 17 January 2011, JOB/ACC/16.

IP protection are of high priority, and are paid significant attention in cooperation between the participating countries. The Working Group published a report containing the section 'Border Measures,' which contains provisions defining the powers of the customs services of the countries of the EAEU.¹⁵ According to the Report, customs services are authorized to take all necessary measures to protect IP rights in relation to objects included in the national register of IP objects and unified registries of the countries of the EAEU, which is regulated in accordance with Section 46 of the Customs Code of the Russian Federation.¹⁶ Besides, within the EAEU, there is a unified register of IP objects. However, its full functioning is limited by the fact that there are some IP objects are not included (patents, industrial designs and plant varieties). Although there was an adoption of a number of basic documents, a lot of work remains to unify IP regulations and protection systems of EAEU countries and minimize the risks of IP violation within the territory of the Union.

Current Russian legislation however, is in accordance with the minimum international standards for IP protection, which is largely due to the country's participation in all major international treaties that affect the regulation of IP. Among the most significant are the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, as well as the Patent Cooperation Treaty, the Madrid Agreement Concerning the International Registration of Marks, etc. Of particular note is the Agreement on Trade-Related Aspects of

Intellectual Property (TRIPS Agreement), which entered into force in the territory of the Russian Federation on 22 August 2012.¹⁷ The TRIPS Agreement had a significant role in the development of the national IP system of many WTO members. Russia is not an exception.

Russian manufacturers are required to comply with WTO rules regarding respect and non-violation of IP rights of other economic entities engaged in business activities in the territory of the Russian Federation. The current level of technological development of the global economy poses certain challenges in terms of ensuring the enforcement of IP rights at the national level. These obligations, along with international obligations arising from the country's participation in WTO agreements, particularly TRIPS, are fully reflected in Section IV of the Civil Code of the Russian Federation (Civil Code). It goes on to state that, 'the results of intellectual activity and equivalent means of individualization [...] intellectual rights are recognized that include exclusive the right, ... also personal non-property rights and other rights (the right of succession, the right of access and others).'¹⁸ The list of intellectual activity to be protected according to Article 1225 of the Civil Code is of special interest:

- (i) works of science, literature and art;
- (ii) programs for electronic computers (computer programs);
- (iii) databases;
- (iv) performance;
- (v) phonograms;
- (vi) broadcasting or cable radio or television broadcasts;

¹⁵ Report of the Working Party on the Accession of the Russian Federation to the World Trade Organization (17 November 2011) <https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S006.aspx?Query=%20@Symbol=%20wt/acc/rus/*&Language=ENGLISH&Content=FomerScriptedSearch&languageUIChanged=true> accessed 22 December 2019.

¹⁶ Treaty on the Customs Code of the Eurasian Economic Union (11 April 2017) <https://docs.eaeunion.org/docs/ru-ru/01413569/itia_12042017> accessed 22 December 2019.

¹⁷ Paris Convention for the Protection of Industrial Property (as Amended on 28 September 1979) <<https://wipolex.wipo.int/en/text/287556>> accessed 22 December 2019; Berne Convention for the Protection of Literary and Artistic

Works (as Amended on 28 September 1979) <<https://wipolex.wipo.int/en/text/283693>> accessed 22 December 2019; Patent Cooperation Treaty (PCT) (as Modified on 3 October 2001) <<https://wipolex.wipo.int/en/text/288637>> accessed 22 December 2019; Madrid Agreement Concerning the International Registration of Marks (as Amended on 28 September 1979) <<https://wipolex.wipo.int/en/text/283529>> accessed 22 December 2019; Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) 15 April 1994 <https://www.wto.org/english/docs_e/legal_e/27-trips_01_e.htm> accessed 22 December 2019.

¹⁸ Russian Civil Code (n 10), part IV art 1225.

- (vii) inventions;
- (viii) utility models;
- (ix) industrial designs;
- (x) selection achievements;
- (xi) topology of integrated circuits;
- (xii) production secrets (know-how);
- (xiii) company names;
- (xiv) trademarks and service marks;
- (xv) appellations of origin;
- (xvi) commercial designations¹⁹

Following Article 1225, protection extends to traditional industrial property objects (industrial designs, geographical indications, patents, etc.), as well as copyright and related rights. In addition, specific objects of protection, such as the rights of breeders, databases, topologies of integrated circuits, along with the secrets of production or know-how, are recognized as well.

3. SOME SPECIAL IP FEATURES ARISING FROM PREFERENTIAL TRADE AGREEMENTS

As far as the principle of exhaustion of IP rights is concerned, the Russian Federation recognizes the territoriality of IP rights, namely any action is possible only within the Russian jurisdiction, unless otherwise provided by multilateral and bilateral agreements.²⁰ An example of such exception is the regional trade agreement, the Treaty on the Eurasian Economic Union.²¹

The EAEU provides for the free movement of goods, services, capital and labor, pursues coordinated, harmonized and single policy in the sectors determined by the Treaty and international agreements within the Union. The members of the EAEU are the Republic of Armenia, the Republic of

Belarus, the Republic of Kazakhstan, the Kyrgyz Republic and the Russian Federation. The EAEU was created to comprehensively upgrade, raise the competitiveness of and bring about cooperation between the national economies, and to promote stable development in order to raise the living standards of the nations of the members.²² The special feature of the EAEU is that it includes a country that is not a member of the WTO i.e. the Republic of Belarus, which implies different international obligations in the multilateral trading system.

Along with the existence of national systems for registering IP objects, a unified register of member countries was created within the EAEU. However, after the opening of borders within the members, the difficulties of double registration arose. This is one of the specific features of the EAEU and has roots in the joint history of economic development under the USSR. To solve this problem, it is quite acceptable to consider the European Union (EU) experience in creating a single trademark and forming a single electronic market. Besides, some steps have already been taken, in that the Eurasian Economic Commission (ECE) adopted several documents and created an Advisory Committee on IP.

The issue of exhaustion of rights in the territory of the EAEU countries with parallel imports is of particular interest. Like the EU, the principle of regional exhaustion of rights is applied. In particular, to enter the EAEU's market, the producer is obliged to obtain a permit that is not required when parallel imports are allowed.²³ On one hand, this measure acts as a certain restriction on competition and leads to higher prices. On the other, it reduces the risks of filling the market with low-quality imported goods, and gives a greater

¹⁹ Russian Civil Code (n 10), part IV art 1225.

²⁰ R&D Report 'Влияние ограничения параллельного импорта на товарные рынки Российской Федерации', in Фонд Центр стратегических разработок, 2013
<<http://www.eurasiancommission.org/ru/act/finpol/dobd/intelsob/s/Documents/Итоговый%20Отчет%20ФОНДА%20ЦСР.pdf>> accessed 2 May 2020.

²¹ Treaty on the Eurasian Economic Union (29 May 2014)

<https://www.wto.org/english/thewto_e/acc_e/kaz_e/WTACKAZ85_LEG_1.pdf> accessed 22 December 2019.

²² 'About the Union' (The Eurasian Economic Union official website) <<http://www.eaeunion.org/?lang=en#about>> accessed 27 September 2019.

²³ Agreement on Unified Principles of Regulation in the Spheres of Intellectual Property Rights Protection, 9 December 2010
<<https://wipolex.wipo.int/en/text/285392>> accessed 2 May 2020.

degree of protection to foreign investors.²⁴ Due to that fact, there is no clear unified position among EAEU members concerning parallel imports, since in some countries, it is not clearly reflected in national legislation and therefore can be interpreted in two ways.

A special Working Group was created by the EAEU Council to work out an optimal solution for the unification of legislations.²⁵ The purpose was to study the international competitiveness of Member States and work out a compromise version of the principle of exhaustion of the exclusive rights. There were five Working Group meetings since its creation and a questionnaire was conducted among the members of the Working Group to study and analyze proposals for the further application of the principle of exhaustion. As a result it was accepted that,

‘the Eurasian Intergovernmental Council may temporarily establish, for certain types of goods, the application of the principle of exhaustion of the exclusive right to a trademark, trademark of the Union, in accordance with which there is no violation of the exclusive right to a trademark, trademark of the Union, the use of this trademark, trademark of the Union in relation to goods that have been lawfully entered into civil circulation in the territory of any of the Member States or in the territory of a third country directly by the trademark holder or other persons with his consent. The application of this principle is established subject to the obligations of Member States arising from international treaties with third countries regarding certain types of goods in case that such goods are not available on the domestic market of the Union, available in insufficient quantities or/and at excessive

prices, as well as in other cases based on social - economic interests of member states.’²⁶

It is clear that the main objective of further EAEU development is the creation of a balanced unified system of IP protection, contributing not only to economic development but also to the dissemination of knowledge, technology transfer and innovations. The above-mentioned opportunity to make an exception from the regional principle of exhaustion (see previous paragraph) could become a solution to existing difficulties and play an important role in the economic development of EAEU countries. Although its impact on relevant indicators is rather controversial and varies from country to country. In general, it may affect the price level of goods (in some studies concerning the international principle of exhaustion and the allowance of parallel import, a predicted decrease in prices varies from 1 - 2% to 60-80% depending on product groups),²⁷ diversification of assortments, and change unemployment rates as well. In addition, it should be mentioned that the possibility of changing the functions of customs services and antimonopoly authorities can contribute to solving the problem of intra-brand competition but requires additional analysis.

4. THE EFFICIENCY OF THE RUSSIAN IP SYSTEM

World export of high-tech products is one of the indicators reflecting the degree of IP implementation. Globally, exports of this category of goods in 2016 amounted to USD 2.25 trillion. Russian high-technology exports amounted USD 7.01

²⁴ ‘Роль интеллектуальной собственности в развитии евразийской интеграции’ в ЕЭК, 2016
<http://www.eurasiancommission.org/ru/SiteAssets/Pages/library/_!eec_intellect_08.09.2016_ФИНИШ_направлен%20в%20печатать.pdf> accessed 2 May 2020.

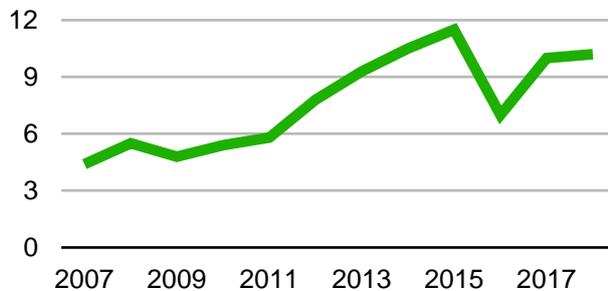
²⁵ The EAEU Council Decision №45, 23 June 2014
<<http://www.eurasiancommission.org/ru/act/finpol/dobd/intelsob/Document/Решение%20Совета%20№%2045%20от%2023%20июня%202014%20г.pdf>> accessed 2 May 2020.

²⁶ ЕЭК Коллегия Распоряжение №30, 24 April 2017
<<http://www.eurasiancommission.org/ru/act/finpol/dobd/intelsob/Document/Распоряжение%20Коллегии.pdf>> accessed 2 May 2020.

²⁷ Роль интеллектуальной собственности в развитии евразийской интеграции. ЕЭК, Moscow 2016
<http://www.eurasiancommission.org/ru/SiteAssets/Pages/library/_!eec_intellect_08.09.2016_ФИНИШ_направлен%20в%20печатать.pdf> accessed 2 May 2020.

billion, which comprises only 0.3% of the global volume.^{28, 29} The dynamics of this indicator for the Russian Federation is presented in Figure 1.

Figure 1. Volume of high-technology exports from the Russian Federation (in Billion U.S. dollars)



Source: High technology exports dataset, World Bank database, United Nations, Comtrade database through the WITS platform <<https://data.worldbank.org/indicator/TX.VAL.TECH.CD?locations=RU>>

As can be seen in Figure 1, after the 2009 recession, there was a tendency towards increase in the export of high-tech products from the Russian Federation, and only in 2016, a significant decrease was noted again which mainly was a result of political factors. The astonishing fact is that the pre-crisis levels of export were already exceeded in 2011 (although not significantly).

This long-term positive trend is explained by first, the fact that the government took special efforts to improve the national IP system vis-a-vis. infrastructure development, harmonization of legislation in accordance with international standards, development of information technologies, etc.

²⁸ 'High-technology exports - World dataset' (World Bank database) <<http://data.worldbank.org/indicator/TX.VAL.TECH.CD>> accessed 20 October 2019; 'High-technology exports – the Russian Federation dataset' (World Bank database) <<https://data.worldbank.org/indicator/TX.VAL.TECH.CD?locations=RU>> accessed 22 December 2019.

²⁹ Calculated by author (7014125696/22471188736,61=0,3121) Statistics source: World Bank database

<<http://data.worldbank.org/indicator/TX.VAL.TECH.CD>> accessed 20 October 2019.

³⁰ Decision of the Government of the Russian Federation No. 2227 8 December 2011

Second, WTO membership in 2012 allowed the Russian Federation and its trade partners to reach a new level of mutual trade regulation in the field of IP, which helped intensify high-tech Russian exports. Third, to improve the general economic situation, the change of development strategy for the Russian economy, moving away from raw materials towards innovation.³⁰ As a result, a number of competitive advantages were created that allowed Russian companies to enter the global IP market.

Among the above-mentioned measures is the Strategy for Russia's Innovative Development 2020, adopted in the end of 2011 by Government Order No. 2227-r of 8 December 2011, with two implementation stages envisaged.³¹ For the first stage (i.e. 2011-2013), key governmental programs were approved. They have a determining effect on the achievement of the strategy goals, since they embrace steps to develop the national innovation system. The implementation of the roadmaps for emerging industries development has started.³²

According to the Strategy, major tasks of the current state policy are:

- to increase the share of Russian high-tech exports;
- increase the number of patents registered by Russian residents abroad;
- increase public and private investment in education;

<<https://www.garant.ru/products/ipo/prime/doc/70006124/>> accessed 22 December 2019.

³¹ The Strategy for Russia's Innovative Development 2020 adopted by Government Order No. 2227-r 8 December 2011 [hereinafter Strategy] <http://www.consultant.ru/document/cons_doc_LAW_123444/2f806c88991ebbad43cdaa1c63c2501dc94c14af/> accessed 19 September 2019.

³² 'The Government Has Approved the Roadmap for developing industries,' Ministry of economic development of the Russian Federation, 30 August 2017.

<<http://economy.gov.ru/en/home/press/news/2017300804>> accessed 24 October 2019.

- development of human capital, creative activity of the population;
- increase the role of business in the innovation process; and
- create incentives for the influx of highly qualified specialists in innovative sectors of the economy, etc.³³

It is important to understand that the country's participation in the world IP market is primarily determined by the general state of the national economy, the development of necessary institutions and infrastructure, as well as the proper financing of scientific activities. One of the elements of the Strategy for Innovative Development of the Russian Federation until 2020 is an increase in research and development spending up to 3% of GDP.³⁴ The current dynamics of this indicator is presented in Table 1.

Table 1. Gross domestic expenditure on R&D (GERD) of the Russian Federation, (%) of GDP

Year	GERD
2012	1,03
2013	1,03
2014	1,07
2015	1,1
2016	1,1
2017	1,11

Source: *Science, technology and innovation. Research and experimental development full dataset. UIS. Stat* <http://data.uis.unesco.org/Index.aspx?DataSetCode=SCN_DS&lang=en#>

According to the Table 2 the average GERD among high-income countries is about 2.5% of GDP.

Table 2. Gross domestic expenditure on R&D (GERD) of high-income countries, (%) of GDP

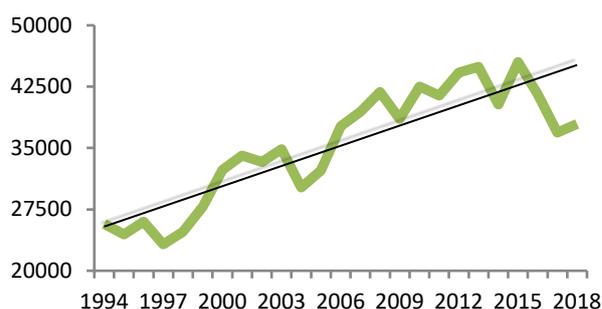
Year	GERD
2012	2,4
2013	2,4
2014	2,5
2015	2,5
2016	2,5
2017	2,6

Source: World Bank Data Bank <<https://databank.worldbank.org/source/world-development-indicators#>>

The presented data indicates the need to increase research funding in the Russian Federation to global levels, which would strengthen the country's position in the global markets for high-tech products containing big share of IP.

Given the current level of support for basic research by both the state and businesses is rather modest, the general trend for protection and registration of most IP objects in the Russian Federation is upward. According to the data presented in the Figure 2, it is also true for a number of patent applications in the longer term.

Figure 2. Total patent applications (direct and PCT national phase entries) received by Rospatent



Source: *Total patent applications (direct and PCT national phase entries) dataset. WIPO IP Statistics data center.* <<https://www3.wipo.int/ipstats/index.htm?tab=patent>>

The year 2017 was witness to the most negative growth rate of 11% during the period under review (1994-2018), which was largely caused by a decrease in the number of applications from residents (a decrease of 15%) than from

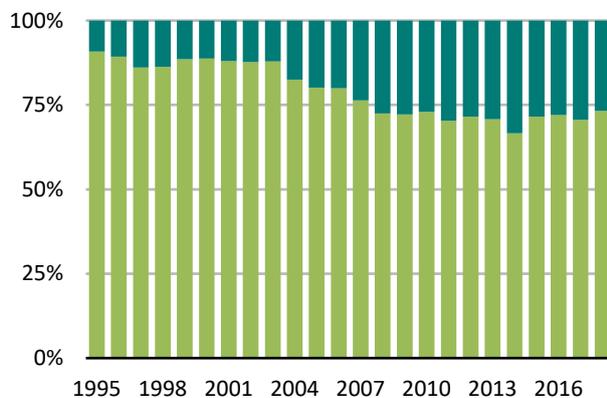
³³ Strategy (n 31) (Author's translation of original document).

³⁴ *ibid.*

non-residents (a decrease of 5%). Moreover, over the past 10 years, starting in 2008, the number of applications filled by residents has declined four times (previously - in 2009, 2011 and 2014).³⁵

Another important feature of the patent protection system in the Russian Federation is that over the period under review, there is a long-term trend towards an increase in the number of applications under the Patent Cooperation Treaty (PCT) (see Figure 3).

Figure 3. PCT national phase entries (dark green) and direct patent applications (light-green) received by Rospatent, % of total



Source: Calculated by author based on: PCT national phase entries dataset. WIPO IP Statistics data center <<https://www3.wipo.int/ipstats/index.htm?tab=patent>>; Direct patent applications dataset. WIPO IP Statistics data center <<https://www3.wipo.int/ipstats/index.htm?tab=patent>>

The data shows that in 2014, there was a record number of applications for patent protection in the Russian Federation according to the PCT (33.4% of the total number of applications) i.e. every third application. The analysis of Figure 3 allows us to draw a very important conclusion. It indicates a slow increase of the country's participation in international registration systems and the interest of IP rights holders in the Russian market. Confirming this issue,

according to the Global Innovation Index 2019, the Russian Federation was ranked 46th (there was no change in comparison with the report of 2018), showing the progress in such fields as: IP receipts as a percentage of total trade (an income group strength), patents and utility models by origin / billion purchasing power parity USD GDP.^{36, 37}

5. CONCLUSIONS

There have been positive changes in the Russian Federation's national IP system. Many of them are subject to the improvements in Russian legislation, which is created taking into account the recommendations of international economic organizations and TRIPS Agreement standards. Ongoing work in the field of IP policy demonstrates the structural changes in the context of the country's transition to an innovation model of economic development. Both the signing and ratification of many international agreements under the auspices of WIPO and accession to the WTO are positive contributions to the Russian Federation's participation in global IP flows. Moreover, adapting to best practices and the ability to promote national interests equally with the largest IP exporters may facilitate the access to the Russian domestic market and attract foreign IP holders.

The regional principle of exhaustion applied in the EAEU has affected Russia's economy in different ways. First, the ban on parallel imports has created additional incentives for the localization of production in Russia and contributed to economic growth, but at the same time, it has led to a decline in product quality due to monopoly position of companies in the market. This fact, together with the analysis of the efficiency of the Russia's IP regime, leads to the conclusion that the country is on the path towards efficient use of existing intellectual resources, and its conversion to a new competitive advantage in global IP market. However, much

³⁵ Calculated by author based on Figure 2 and Resident and non-resident total patent application dataset. WIPO IP Statistics datacenter <<https://www3.wipo.int/ipstats/lpsStatsResultvalue>> accessed 22 December 2019.

³⁶ *Global Innovation Index 2018: Energizing the World with Innovation* (Cornell University, INSEAD, and WIPO, Ithaca, Fontainebleau, and Geneva, 2018) 313.

³⁷ *Global Innovation Index 2019: Creating Healthy Lives — The Future of Medical Innovation* (Cornell University, INSEAD, and WIPO 2019) <<https://www.globalinnovationindex.org/gii-2019-report>> accessed 30 June 2020.

remains to be done, especially within the framework of regional integration, since the globalization of world markets of goods and services implies close interaction in all areas of international economic relations.

In order to increase the economic efficiency of existing intellectual potential as well as to increase the competitiveness of Russia in the global IP market, the role and potential of IP should be explained to small and medium enterprises, and be accompanied by government support in research and development activities of business entities. Taking into account the increasing intellectualization of the world economy, it can be argued that the accumulated intellectual potential, liberalization and the creation of a harmonized system of regulating IP rights within the EAEU, will allow Russia to improve its performance in the world IP market.

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16. TRADEMARK DISPUTES UNDER FRANCHISE LAW IN SAUDI ARABIA

Abdulrahman S. Aldossary*

ABSTRACT

The passing of the new Saudi Franchise Law in October 2019 raised questions about the implications of this law on trademark and other intellectual property rights, which primarily drive franchise rights and interests. This research paper explores the potential impact of this new law by exploring the key differences between franchise contract and trademark law. This research will aid foreign investors who intend to invest in a trademark by licensing a franchise as well as make note of possible legal ramifications in Saudi Arabia. This study will compare franchise contract and trademark law in order to fill the gaps that may lead to disputes between parties. Case studies, including relevant on-going disputes before courts in Saudi Arabia, will provide some concrete examples of interpretation and consequences of owning a franchise, specifically those arising out of trademark and contract law.

Keywords: *trademark; franchise; contracts; entrepreneurs; licensing; intellectual property*

1. INTRODUCTION

Saudi Arabia has been a member of the World Trade Organization (WTO) since 2005. Prior to that year, it amended several laws in order to meet WTO's minimum requirements.

*The author of this research paper holds Bachelor, M.S, and LL.M degrees in law and commercial law. He practiced as a lawyer from 2008 until 2012. Then he has become a lecturer at Law School at King Faisal University in Saudi Arabia. Meanwhile, he was appointed to a number of legal roles such as legal advisor, legal research editor, and legal contracts mediator. He is also the founder of Legal Clinics in 2016, and co-founder of Legal Services Center at King Faisal University in 2018. He is currently a PhD researcher.

¹ Ahmed Makhloof, *Intellectual Property Rights* (Dar Elejeda, 2nd edn, 2018) 13.

² Paris Convention for the Protection of Industrial Property, concluded in 1883, was revised at Brussels in 1900, at Washington

in 1911, at The Hague in 1925, at London in 1934, at Lisbon in 1958 and at Stockholm in 1967, and was amended in 1979, WIPO, '*Treaties and Contracting Parties*', <https://www.wipo.int/treaties/en/remarks.jsp?cnty_id=1754C> accessed 1 October 2019.

Saudi Arabia has also joined other international conventions and treaties such as the Paris Convention for the Protection of Industrial Property.² However, there are other treaties and conventions that Saudi Arabia has not joined, or are being assessed by the Saudi Arabian government, such as the Nice Agreement, which concerns the International Classification of Goods and Services for the Purposes of the Registration of Marks.³

Saudi Arabia's history of forming a country-wide position statement on intellectual property laws began when intellectual property authorities were divided between several government agencies such as the Ministry of Commerce and King Abdulaziz City for Science and Technology. In 2018, however, Saudi Arabia took a significant step towards a countrywide intellectual property position when the government established the Saudi Authority for Intellectual Property (SAIP) as an independent governmental authority.⁴

To date, the SAIP has played an important role in reassessing numerous national laws such as the copyright law and other regulations.⁵ Further, in order to be more engaged with the international community, SAIP has adapted many initiatives to join international conventions such as the Budapest Treaty

in 1911, at The Hague in 1925, at London in 1934, at Lisbon in 1958 and at Stockholm in 1967, and was amended in 1979, WIPO, '*Treaties and Contracting Parties*', <https://www.wipo.int/treaties/en/remarks.jsp?cnty_id=1754C> accessed 1 October 2019.

³ Saudi Authority for Intellectual Property <<https://www.saip.gov.sa/en/>> accessed 20 December 2019.

⁴ Saudi Authority for Intellectual Property <<https://www.saip.gov.sa/en/>> accessed 20 September 2019.

⁵ Makhloof (n 1) 7.

on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (Budapest Treaty), Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (Madrid Agreement), and Hague Agreement Concerning the International Registration of Industrial Designs (Hague Agreement). They are still under assessment.⁶

The significant progress of Saudi Arabian government is being led by the 2030 Saudi vision. That vision aims to achieve substantial economic reforms, which will also make Saudi Arabia more attractive to foreign investors. Consequently, protecting intellectual property is one of the major objectives that has been steadily improved in recent years. As 2030 vision indicates, building a strong legal ground will support economic reforms.⁷

In alignment with the 2030 vision, the Saudi General Authority for Small and Medium Enterprises (Monshaat) proposed the Franchise Law to the Saudi Council of Ministers for approval. The Council officially approved the Franchise Law on 10th October 2019, denoting the first law passed related to franchise interests.⁸

In addition to the new Franchise Law, Monshaat has also proposed two franchise contracts to the entrepreneurs as samples and guidance. The Trademark Law (2004), Franchise Law (2019), and Monshaat's sample contracts contribute heavily to the basis of this research paper. These sources will

be assessed in the light of possible brand disputes between parties to franchise contracts.⁹

Trademarks have a significant role in franchise contracts. Instead of starting a new brand, entrepreneurs reduce their risks by obtaining a license from successful entrepreneurs and pay a small portion of fees as royalties. The franchisor will not only license his trademark to the franchisee, but he may also license other intellectual property such as patents and know-how.¹⁰ In addition, the franchisor will provide training and other technical support to the franchisee in order to avoid misuse or weakening of the brand.¹¹

Therefore, one of the main purposes of the franchisee seeking a franchise, if not the main purpose, is to benefit from the popularity of trademarks that the franchisor owns. Thus, there is always a relationship between the franchise and trademarks, since franchise is simply the sale of brands to others.¹²

From here, this paper will consider both franchise and trademark laws. It will point out common rules between trademark and franchise laws. Moreover, it will particularly study certain legal matters in the new Franchise Law. After taking the trademark and Franchise Laws and sample contracts into consideration, the main research question here concerns the possible legal disputes that may occur in the area of trademarks between franchise parties. In addition, this paper will identify the best legal suggestions to avoid such disputes.

⁶ Saudi Authority for Intellectual Property, *Request for Public Consultations* <<https://www.saip.gov.sa/en/public-opinions/>> accessed 20 September 2019.

⁷ 2030 Vision, *THRIVING ECONOMY* <<https://vision2030.gov.sa/en/node/383>> accessed 19 September 2019.

⁸ Franchise Law 2019 (نظام الفرنشايز), also see Saudi Press Agency, *King Salman Chairs Cabinet's Session 4 Riyadh* <<https://www.spa.gov.sa/viewstory.php?lang=en&newsid=1979846>> accessed 15 October 2019.

⁹ Small and Medium Enterprises General Authority 'Monshaat', *Franchise Contracts*

<<https://emtiyaz.monshaat.gov.sa/en/contracts>> accessed 15 October 2019.

¹⁰ Saleh Abdulkarim Sawi, *The Commercial Franchise Contract - an Islamic Applied Jurisprudential Study*, PhD thesis, Yarmouk University (2014), 59.

¹¹ WIPO, *Making a Mark, An Introduction to Trademarks for Small and Medium-sized Enterprises* (WIPO publication), 70 <https://www.wipo.int/edocs/pubdocs/en/wipo_pub_900_1.pdf> accessed 30 September 2019.

¹² Makhloof (n 1) 169.

2. THE NATURE OF THE RELATIONSHIP OF THE FRANCHISE PARTIES AFTER THE NEW FRANCHISE LAW WAS PASSED

The relationship between franchisee and franchisor is originally a contractual relationship. The passing of the new Franchise Law, however, prompts an examination of whether the new law affects this relationship. In Saudi Arabia, contractual relations are mainly ruled by *Fiqh*, which is mainly the scholarly books written by Islamic scholars. *Fiqh* can also be called the jurisprudence of Sharia Law.

In addition, *Fiqh* has many rules and principles that Saudi Arabian judges professionally apply.¹³ As a result, *Fiqh* is sufficiently flexible for contractual relationships. This new law is primarily based on the general rules of *Fiqh*. However, after enforcing the Franchise Law, the law will be the dominant regulation on this relationship.

In other words, franchise parties will be regulated by Franchise Law, which is compatible with Sharia's principles. However, if the disputes have not been regulated in the law, then courts will consider the principles of *Fiqh* as next source of regulation. Furthermore, the competent court is the commercial court, which is primarily ruled by Sharia law when there is no a specific law that governs the dispute.¹⁴

3. THE CAUSES AND CONSEQUENCES OF POSSIBLE TRADEMARK DISPUTES BASED ON INFRINGEMENT OF FRANCHISE CONTRACTS

Monshaat has provided two samples of franchise contracts to the public. Contractors, of course, can create their own contract without even looking at these samples. However, these samples are only for guidance to help make franchise contractors aware of typical duties and rights. Consequently, such sample contracts are usually used by businesses or at least are affected by these samples. Due to the important role

that these samples have, they will be studied to provide perspective on what franchise contracts look like in Saudi Arabia.

In fact, the only relevant difference between the two samples is their degree of exclusivity. One agreement is non-exclusive and the other is an exclusive country/area franchise agreement.¹⁵ Accordingly, this research will study them as one contract since the difference does not directly affect our subject here.

The first point that needs to be discussed is in the preamble, which states the sample contract's assumption that the trademark is officially registered. However, it does not state the consequences for possible deception by a franchisor who falsely reports that his trademark is registered.¹⁶

Although the law regulates this possibility, the franchisee can stipulate damages for harm caused by the deception. In Sharia law, the range of stipulations is relatively unlimited so long as it is not against Sharia principles.¹⁷ Therefore, the franchisee has the right to stipulate any condition that protects his interests.

A franchisee can also be brought to court by the general prosecutor for selling or licensing unauthorized trademark products. Therefore, it is important to have an appropriate contract and a legitimate authorization on the trademark that franchisee uses.¹⁸

The second point is that the sample contract makes it unambiguously prohibitive for the franchisee to attempt to register or procure to register the trademark and associated intellectual property rights or any such rights that are similar to the franchisor's trademark. This prohibition is to protect the franchisor rights on his trademark.¹⁹

¹³ Saleh Alglayga, *Forms of Contracts in Fiqh* (1st ed. Konooz Eshbilia 2007) 23.

¹⁴ Alglayga (n 13) 25.

¹⁵ Monshaat Franchise Contracts (n 7), Preamble.

¹⁶ *ibid.*

¹⁷ Alglayga (n 13) 35.

¹⁸ Saudi Commercial Court, case number 1/4472, 2008, 1428 Hijri, It is important to mention that Saudi Courts do not mention the names of case's parties. The cases can only be referenced by the number of the case and date.

¹⁹ Monshaat Franchise Contracts (n 7), art Fourteen/5.

Although such prohibition is mainly ruled by regulations on competition laws, a franchisor can take further steps to protect his trademark. For example, in addition to invalidating the contract, franchisors can stipulate in the contract that the franchisee must forfeit the franchise, even if they only attempt to register a similar trademark or if they take an action that poses a competitive threat to the trademarked brand.²⁰

Broadly, laws are mainly in place to protect the public's rights; however, contract laws primarily protect private rights. Consequently, contracting parties should stipulate conditions that protects their rights, so long as these conditions do not damage others' rights.²¹

The sample contract also stipulates a similar prohibition on unauthorized registration or establishment of a company or use of a corporate name under the trademark or any of the franchisor's intellectual property rights or any such rights. As mentioned earlier, this action of using unauthorized registration should result to forfeit the franchise.²²

However, affiliated companies can cause more damage since the franchisee has extensive knowledge of how to compete with the original company. Saudi Arabian courts have a number of such cases, which should direct contractors to take additional steps to protect their contractual obligations and rights from this possible violation by taking further preventative actions.²³

For example, a franchisor should have to pay more attention to the franchisee's legal history, such as previous claims and charges, if found. Another example is that contracting parties should manage the franchise arrangement. Many franchisors

do not carefully follow up with the franchisee's business as long as the franchisee has a good income, which is wrong.²⁴

As a result of the agreement, a franchisee is going to use the franchisor's trademark and name. Therefore, there is a possibility that the franchisee could damage a trademark's reputation through misused practice. To reduce the risk of this possibility, the franchisor should closely observe the franchisee's business according to the agreement.²⁵

The sample contract also mentions that 'Franchisee shall take all necessary or appropriate action to cancel all fictitious or assumed name or equivalent registrations relating to the Franchisee's use of any of the Franchisor's Trademarks and associated Intellectual Property Rights.'²⁶

To clarify, this rule is intended to protect not only the franchisor's trademark, but also protect the franchisee's business, since he significantly relies on the popularity of the franchisor's trademark. Therefore, it should not only be the franchisor's interest to protect his trademark, but also in the interest of the franchisee since he has local competitors that may negatively affect his business.

Therefore, a franchisee has an obligation to take all necessary action against all other businesses who use similar trademarks or any other activities that may affect the franchise success. For example, franchisee has an obligation to sue any business who use a trademark that may take away benefits from the popularity of franchisor's trademark.²⁷

There is also a possibility for the franchisee to face claims that arise in connection with the business where the franchisee has operated the business in compliance with the contract and guidance of franchisor. The question here is whether the franchisee can be held liable or at least obligated to

²⁰ Abdulrahman S. Aldossary, *Commercial Contracts and Bank Transactions* (1st ed Elketaab Aljamai 2018) 155.

²¹ *ibid* 156.

²² Mohammed Alibar, *Commercial Contract and Bank Transactions* (2nd ed King Saud University Press 1998) 109.

²³ Monshaat Franchise Contracts (n 7), art Fourteen/8.

²⁴ Aldossary (n 20) 149.

²⁵ *ibid*.

²⁶ Monshaat Franchise Contracts (n 7), Article Twenty-Two/11.

²⁷ Mohammed Shyaab, 'Saudi Sight on Famous Trademark,

Comparative Study' (2019) Jordan University Volume 46, 757.

<<https://journals.ju.edu.jo/DirasatLaw/article/view/103660/9971>> accessed 29 September 2019.

compensate the franchisor for his losses. The sample contract explicitly states that the franchisor shall indemnify and hold the franchisee and his affiliates harmless against any liability or claims.²⁸

4. THE CAUSES AND CONSEQUENCES OF TRADEMARK POSSIBLE DISPUTES BASED ON THE INFRINGEMENTS OF TRADEMARK AND FRANCHISE LAWS.

In the past, the Ministry of Commerce used to partially refer to the Commercial Agencies Law as the model of rules for franchise contracts since there was no a formal franchise law.²⁹ However, after appointing the Monshaat as the competent authority for franchising in 2016, it legislated the first Franchise Law in October 2019. It primarily aimed to encourage franchise businesses and to protect the rights of both the franchisor and franchisee. Consequently, Franchise Law was legislated to clarify the rules, and create binding, concrete rules in order to reduce conflicts and to protect parties' rights.³⁰

As per the trademark law, the obligations in franchise contracts should be constant with the trademark's legal protection.³¹ However, some possible exceptions need to be addressed. For example, well-known marks do not always need to be renewed to keep the protection; they receive protection even when the owner has not renewed its registration.³²

According to the Paris Convention for the Protection of Industrial Property (Paris Convention)³³ and the Agreement on the Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement),³⁴ popularity is a method that may protect

trademark without registration. Since Saudi Arabia is bound by the Paris Convention and TRIPS Agreement, well-known trademarks are protected even if they are not registered. Although, it is advisable to always seek registration, especially small entrepreneurs since some countries like Saudi Arabia still need to take further steps to control unauthorized use of trademarks which may weaken their values.³⁵

Having said that, there should be no difference between small and big companies with reference to the concept of well-known trademark protection. In fact, most franchises are small and medium entrepreneurs.³⁶

In Trademark Law, it is prohibited to resell the trademark license to a sub-franchisee unless all parties have agreed to do so.³⁷ Although Franchise Law has the same rule, it adds that franchisee must practice the franchise license for at least one year in Saudi Arabia before they can resell to sub-franchisee. This means that the contracting parties cannot resell the license to sub-franchisee until they complete one year according to Franchise Law.³⁸

On the other hand, if the franchisee is willing to abandon the contract for a new franchisee, he can do so within the exceptions of at least five specific cases. One exception arises when the abandonee has insufficient assets to run the business.³⁹ Second, is when the abandonee is unable to meet the franchisor's requirements and standards.⁴⁰

Third, is when the abandonee is not licensed to conduct a particular business. Fourth, is when the abandonee has not contractually accepted responsibilities of the franchise.⁴¹ Fifth is when the abandonee does not pay the requisite fees

²⁸ Monshaat Franchise Contracts (n 7), art Twenty-Five/2.

²⁹ Aljbar (n 22) 111.

³⁰ Franchise Law 2019, art 2.

³¹ Franchise Law 2019, art 11.

³² Shyaab (n 27) 757.

³³ The Paris Convention for the Protection of Industrial Property (adopted in 1883) [hereinafter the Paris Convention].

³⁴ Agreement on the Trade-Related Aspects of Intellectual Property Rights (15 April 1994) 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994) [hereinafter TRIPS Agreement].

³⁵ WIPO (n 8) 15.

³⁶ Donald F. Kuratko, *Entrepreneurship: Theory, Process, Practice* (10th ed, Boston MA, Cengage Learning, 2017) 81.

³⁷ Franchise Law, art five/1.

³⁸ *ibid.*

³⁹ Saudi Commercial Court Case number 10018/1 2012-1433hijri ruled in 2015-1436 Hijri, 2060.

⁴⁰ *ibid.*

⁴¹ Franchise Law, art thirteen.

to the franchisor. In addition, executive regulations, which have not been declared yet, may indicate more exceptions.⁴²

5. CASE STUDY⁴³

This is a brief case of trademark and franchise that was litigated at the commercial court in Riyadh, the capital city of Saudi Arabia, in 2014 and ruled in 2016.

A. FACTS:

The plaintiff, who is the franchisor, entered into a 10-year franchise agreement with the defendant, who is the franchisee, to use trademarks and sell goods and services exclusively in Riyadh in 2005. The agreement should last until 2015.

(i) Plaintiff's Claims:

- 1) Defendant breached the agreement by selling competitor's products.
- 2) Defendant counterfeited the franchisor's brand and used it on his own products. His intent was to create confusion between the franchisor's mark and his own mark. This resulted in damage to the franchisor's trademark reputation.
- 3) Defendant also used other intellectual property rights such as promotional phrases, packaging and designs to make the products appear similar to the original goods and services.
- 4) In 2007, Defendant received a Commercial Registration with a similar name and trademark to that of plaintiff. Defendant aimed to use the licensed trademark under this registered corporation.
- 5) Therefore, the plaintiff requested the following:
 - a) Compensation of 100,000 SAR (33.333 USD) as the agreement stated, 'when the second party (franchisee)

breached one of the agreement's terms, he must pay the franchisee 100,000 SAR as compensation.'

- b) Payment of 5,000,000 SAR (1,333,333 USD) for the damages and loses caused by the defendant.
 - c) To terminate the agreement with the franchisee. To invalidate the franchisee's corporation that was established in 2007.
- 6) After deliberations, plaintiff narrowed his requests to only the payment of 5,000,000 SAR for the damages.

(ii) Defendant's Responses:

- 1) Defendant denied that he breached the franchise agreement. Defendant claimed that he fully adhered to the agreement protecting the plaintiff's intellectual property rights. Thus, defendant said the plaintiff does not deserve the 100,000 SAR because there was no breach.
- 2) The agreement stated that: 'After the franchisor sends a written notice, the agreement is terminated if franchisee fails to solve and correct his violations of the agreement within three months starting from the date of receiving the written notice,' however, plaintiff has failed to send a written notice. Instead, this emphasizes that the plaintiff is violating the agreement by not sending a notice when he believed there was a violation.
- 3) In responding to the request of termination, the defendant has already terminated the agreement since the plaintiff stopped supplying the products according to the agreement. Moreover, the defendant paid 498,600 SAR (132,960 USD) for 1500 cartons of certain products according to the agreement. However, the defendant had not received the products since then. Instead, plaintiff blocked the money and had not returned it back. The plaintiff admitted that he has this money as a guarantee until he secures the damages.

⁴² *ibid.*

⁴³ Saudi Commercial Court Case number 15860/1 Year 2014-1434 Hijri and ruled in 2016-1436 Hijri, 2064 – 2079.

4) The defendant admitted that he received commercial registration in 2007, two years after the franchise agreement. He emphasized this was not a registration of trademark, nor had any relevance to any goods or the business related to the agreement with the plaintiff. Thus, there was not any confusion between this corporation's goods and services and the franchisor's. Defendant also questioned why the plaintiff had presumptively remained silent for seven years since he believed that the corporation was violating his rights. This should be considered as evidence of non-violation.

5) The defendant demanded to return the amount of 498,600 SAR as an undue money.

B. ISSUES:

Whether defendant violated trademark law by exploiting the mark against the franchise agreement. Whether the amount of 498,600 SAR is due money to be paid for the franchisor.

C. HOLDING:

Plaintiff is bound to pay the defendant 498,600 SAR. The Court rejected other requests.

D. REASONS:

(i) The plaintiff's claim is mainly based on the defendant's failure to comply with the franchise agreement. However, according to the agreement, plaintiff should have sent a notice as a required action when franchisee failed to meet the agreement's terms and give allow him three months to comply with the agreement, which the franchisor failed to do. This failure to send a notice results in rejection of the franchisor's claim that franchisee failed to comply with the agreement.

(ii) In addition, plaintiff did not submit any evidence of his damages. As general rule, any compensation claim must meet three conditions: (1) proof of damages; (2) a

mistake has occurred; and (3) there must be proof of the relationship between the damage and mistake.

(iii) The court rejected the claim that defendant established a new corporation in 2007 for the purpose of selling counterfeited products because the plaintiff was silent for seven years while he should have acted within a reasonable amount of time after the violation. This indicates that there are no damages as long as there is no similarity between the commercial name of that corporation and the franchisor's trademark.

(iv) The court ruled in the defendant's favor, holding the plaintiff owed 498,600 SAR to the defendant for the following reasons:

1. This matter came from the agreement, which is the main basis of the dispute.
2. The plaintiff admitted having this money.
3. The plaintiff did not deserve the money since he admitted that he did not send out the products to the franchisee.

E. OBSERVATIONS:

The objective of this case is to give a sense of how Saudi Arabian courts consider trademark under the franchise agreements. This case is also intended to provide a sense of the importance of contractual conditions so long as they do not conflict with the law. Although judges rule by Sharia law, they take into consideration the agreement as the dominant legal source.

There was no franchise law at the time of that case. The question here is whether the new Franchise Law will change the basis of similar disputes in the courts today. To illustrate, Franchise Law comes only to clarify the rules and make some of them more stabilized by making them binding in order to protect parties' rights. Therefore, there is no vital change in the Franchise Law today. Consequently, it is expected that franchise rules and judgments will be more consistent. After the new law was legislated, parties should be more aware of their rights and obligations before engaging into any franchise agreement because the law is now written and unambiguous.

6. CONCLUSIONS

This research started with a definition of the legal basis of trademark and franchise disputes in Saudi Arabia. It introduced *Fiqh* as the jurisprudence of Sharia law, which Saudi judges mainly consider in the ruling of contractual disputes. It discussed the consequences that the new Franchise Law on the contractual relationship since it used to depend on mainly the general rules of *Fiqh*.

Essentially, the research discussed the contract that the competent authority has offer to the public. Even if the sample contract is a good model, this research discussed some suggested rules that the contractors should be aware of.

This paper argued that relying on franchise law is not sufficient to protect the franchisor's trademark. Rather, it suggested that franchisor could take further steps to protect his trademark by stipulating additional conditions in the franchise contract.

This paper argued that since the sample contracts are intended to be guidance only, they should not be offered by any governmental authority. The government authorities' main duty is to legislate laws and observe the implementation of these laws. This is what the authorities should focus on. After legislating Franchise Law, rules of franchise are no longer exclusively dependent on contracts. Hence, franchise contracts are now ruled by Franchise Law.

Contracts' conditions are primarily based on parties' needs. Their needs vary based on many factors such as region, laws and regulations, and the nature of goods and services.⁴⁴ Although sample contracts are helpful, they should be accompanied with further consultations and discussions. Thus, this can only be done through legal advice rather than government authorities.

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⁴⁴ Aldossary (n 20) 15

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17. INTRODUCTION OF THE REGIME OF NATIONAL EXHAUSTION OF TRADEMARK RIGHTS IN SERBIA: EMERGING COMPETITION POLICY CONCERN

Novak Vujičić*

ABSTRACT

This paper analyses the transition from the regime of international to national exhaustion of trademark rights in Serbia. The analysis is divided into three parts. First, the paper provides some remarks about the history of the rule of exhaustion of trademark rights in Serbia. Next, the paper analyses more thoroughly the introduction of this regime, as well as issues concerning its application. Two main findings appear from this analysis. The first finding is that the reasoning for the introduction of the regime of national exhaustion in Serbia was unclear and not well thought out by Serbian legislators. The second finding is that the application of the rule of national exhaustion has resulted in a serious competition policy concern. The rule of national exhaustion of trademark rights represents a barrier to entry for genuine products into Serbia at lower prices, which has the potential to generate a significant negative influence on competition and free movement of goods in the Serbian market. In particular, the regime of national exhaustion of trademark rights seems unsuitable for a small import-based economy, like Serbia. Bearing in mind the previously mentioned, the paper proposes how to approach this competition policy concern in Serbia. Three options are suggested. First, returning to the regime of international exhaustion. Second, the national competition authority could try to mitigate negative effects of the rule of national exhaustion of trademark rights by conducting on a large scale the proactive actions against targeted trademark holders. Third, switching to the regime of regional exhaustion (for the region of

Western Balkans or European Economic Area) or controlled national exhaustion.

Keywords: *trademark, exhaustion of intellectual property rights, parallel imports, competition policy, intellectual property policy, Serbia*

1. INTRODUCTION

Application of the principle of exhaustion of trademark rights continues throughout time to be a subject of intense debates among intellectual property policymakers, as well as lawmakers and academia around the globe. The end of those debates is not in sight, at least for now. The differences in national approaches to the exhaustion of trademark rights remain contested and are no less important than 30 years ago when the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) was being negotiated. This paper aims to contribute to the ongoing discussions by sharing the Serbian experience of the application of the rule of exhaustion of trademark rights. More precisely, by sharing the recent experience of the introduction of the regime of national exhaustion of trademark rights in Serbia.¹

The rule of exhaustion represents one of the limitations of trademark rights (as well as of other intellectual property rights). Simply defined, once a product is put on the market under a trademark either by the trademark holder or with his consent, the rights conferred by a trademark shall not extend to further acts relating to that product – they shall be exhausted by the first authored act of market distribution. A trademark holder shall not be entitled to control or to oppose further commercial distribution or resale of such product under his trademark.

*Novak Vujičić is a lecturer at the University of Belgrade, Faculty of Law where he teaches Intellectual Property Law. He obtained degrees LL.B. (2012) and LL.M. (2014) from the University of Belgrade, Faculty of Law and currently is pursuing LL.D. degree in Copyright Law at the same University. He is a Managing Editor of the Belgrade Law Review, one of the oldest academic journals for legal and social sciences in Serbia. He regularly publishes papers in the

area of enforcement and infringements of intellectual property rights in Serbia. Prior to his work engagement at the University of Belgrade, Faculty of Law he had worked as an attorney at law in a Belgrade based law office for several years. The focus of his legal practice was on advising clients on various intellectual property issues.

¹ The paper addresses situation in Serbia as it is on 28 October 2019.

In practice, this means that if person A purchases a car labelled with registered mark X owned by person B (trademark holder), he (person A) shall be free to resell that car to person C, and person C shall be free to resell it to person D, etc. Person B as a trademark holder for mark X shall not have authority to oppose these resales of the car labelled with his mark X. From the latter, we can see that the rule of exhaustion of trademark rights is crucial for enabling a free flow of trademarked goods on the market.

This rule limits the rights of the trademark holder only to the act of first commercialization of the product under his trademark on the market. In that way, the trademark holder has the opportunity to set the first price of the product bearing his mark on the level he deems appropriate (to act as a monopolist). However, he cannot influence the further circulation of such product on the market. The further circulation of the product on the market remains free. In other words, the rule of exhaustion of trademark rights stands as a compromise between interests of trademark holders (to solely use their marks), on the one hand, and interests of the society (for the free flow of goods on the market), on the other hand. Furthermore, the doctrine of exhaustion of rights conferred by a trademark is fully compliant with the essential function of a trademark, as an intellectual property right – the origin function (denoting the trade source from which products bearing the mark stem).² The origin function of the trademark is fulfilled considering that the product, which is bearing the protected mark, can be first put on the market solely by the trademark holder.

One of the key questions in relation to the exhaustion of trademark rights is the question of territorial scope. The

effects of the exhaustion of trademark rights can be limited only to the territory of the country where the product is put on the market under the trademark for the first time (national exhaustion) or to some other territory larger than one-state territory, i.e. a region where the product is first put on the market (regional exhaustion), or can be territorially unlimited (international exhaustion). These three regimes of the territorial scope of trademark rights exhaustion are the predominant ones at the global level. Considering different parameters, primarily the interests of the economies of their countries, national legislators and policymakers are opting for one of the indicated regimes of territorial scope for the exhaustion of trademark rights.³ The practical implication of the differences between those regimes of trademark rights exhaustion is the extent to which parallel imports to a certain country shall be allowed, i.e. the imports of products bearing protected marks. Hence, in case of national exhaustion, parallel imports are forbidden (an option considered favourable to trademark holders), while in case of international exhaustion parallel imports are allowed (an option favourable to consumers, at least in a short-term perspective).⁴ Here lies the importance of the issue under consideration.

In this paper, the issue of the territorial scope of trademark rights exhaustion shall be analyzed from the perspective of Serbia. Therefore, some facts about Serbia, such as the surroundings for application of this legal instrument, should be indicated first. Serbia is a small European country (area: 88.361 km²; population: around 6.9 million) situated on the crossroads of Central and Southeast Europe in the so-called Western Balkans region. In 2018, the Gross Domestic Product

² See James Mellor and others, *Kerly's Law of Trade Marks and Trade Names* (15th edition, Sweet & Maxwell 2011) 7–10, 512–513; William R. Cornish, David Llewelyn, Tanya Aplin, *Intellectual Property: Patents, Copyrights, Trade Marks and Allied Rights* (7th edition, Sweet & Maxwell 2010) 810–811.

³ See Irene Calboli, 'Market Integration and (the Limits of) the First Sale Rule in North American and European Trademark Law' 2011 51 *Santa Clara Law Review* 1241, 1255–1258; Chung-Lun Shen, 'Intellectual Property Rights and International Free Trade: New

Jurisprudence of International Exhaustion Doctrine under the Traditional Legal System' 2012 7(3) *Journal of International Commercial Law and Technology*, 176.

⁴ Samuel Dobrin, Archil Chochia, 'The Concepts of Trademark Exhaustion and Parallel Imports: A Comparative Analysis between the EU and the USA' 2016 6(2) *Baltic Journal of European Studies*, 29 <<https://www.degruyter.com/downloadpdf/j/bjes.2016.6.issue-2/bjes-2016-0011/bjes-2016-0011.pdf>> accessed 20 October 2019.

in Serbia was estimated at 50.51 billion US dollars⁵ (it represented 0.08 percent of the world economy)⁶, the value of exports amounted to 19.226,5 million US dollars, while the value of imports amounted to 25.882,5 million US dollars.⁷ The major strategic goal of Serbian politics is joining the European Union (EU). Currently, Serbia is an EU candidate country. Negotiations to join the EU commenced in January 2014 and in 2017, the negotiating Chapter 7 – ‘Intellectual Property Law’ was opened. The objective of this negotiating Chapter 7 is that Serbia implements all the *acquis* in relation to the protection of intellectual property rights. Bearing in mind the aforesaid, we can determine two facts about Serbia important for the analysis.⁸ Firstly, Serbia is a small import-based economy. Secondly, Serbian intellectual property regulations are highly influenced by the EU *acquis* and EU intellectual property policy.

The analysis encompasses three parts. First, remarks regarding the history of the rule of exhaustion of trademark rights in Serbia are made. Afterwards, the introduction of the regime of national exhaustion of trademark rights, as well as a more thorough analysis of issues concerning its application (emerging competition policy concern) in Serbia. In the end, certain recommendations for the future are proposed.

2. HISTORY OF THE RULE OF EXHAUSTION OF TRADEMARK RIGHTS IN SERBIA

In Serbia, the rule of exhaustion of trademark rights has been explicitly prescribed for the first time by the Law on Trademarks enacted in 2004 (Article 36), according to which:

A trademark does not entitle its holder to prohibit its use in connection with goods marked with such trademark and placed in circulation anywhere in the world by the holder of the trademark or other person authorized by the holder.

Provision of paragraph 1 of this Article shall not apply if the holder of the trademark has a legitimate interest to oppose further placement in the circulation of goods marked with such trademark, especially if a defect or other fundamental change of condition of the goods has occurred after their placement into circulation for the first time.⁹

Nonetheless, the principle of the exhaustion of trademark rights has been applied by courts in Serbia even before it was explicitly prescribed, based on teleological interpretations of other provisions on trademark protection.¹⁰

One of the main reasons for introducing an explicit rule of exhaustion of trademark rights by the Law on Trademarks from 2004 was a tendency of Serbian legislators¹¹ and policymakers to align national provisions with EU intellectual property protection standards. At that time, First Council

⁵ Statistical Office of the Republic of Serbia, ‘Gross Domestic Product, 2018’ (News, 1 October 2019)

<<http://www.stat.gov.rs/en-us/vesti/20191001-bruto-domaci-proizvod-2018/?s=090201>> accessed 20 October 2019.

⁶ ‘Serbia GDP,’ (Trading Economics)

<<https://tradingeconomics.com/serbia/gdp>> accessed 20 October 2019.

⁷ ‘External Trade, December 2018’ (Statistical Office of the Republic of Serbia, 31 January 2019) <<http://www.stat.gov.rs/en-US/vesti/20190131-spoljnotrgovinska-robna-razmena-decembar-2018>> accessed 20 October 2019.

⁸ ‘Negotiating Position of the Republic of Serbia for the Intergovernmental Conference on Accession of the Republic of Serbia to the European Union for Chapter 7’ (Government of the Republic of Serbia, January 2017)

<http://www.mei.gov.rs/upload/documents/pristupni_pregovori/regovaracke_pozicije/Negotiating_Chapter_7_pregovaracka_pozicija_EN.pdf> accessed 20 October 2019.

⁹ Law on Trademarks No. 61/04 and 7/05 of 2004 (Serbia and Montenegro), art 36.

¹⁰ See Sonja Spasojević, ‘Defect or Altering of Goods Marked with a Trademark Occurring after Its First Entering the Market,’ 2009 Law and Economy 106, 108–109.

¹¹ The term ‘legislators’ is hereby used to encompass all the bodies of the Republic of Serbia involved in the process of law making in Serbia, particularly the Parliament (the National Assembly of the Republic of Serbia) which enacts the laws in Serbia (as a parliamentary republic) and the Government of Republic of Serbia and its ministries (which usually make the proposals of laws).

Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trademarks ('First Directive') was in force. The First Directive contained the rule of regional exhaustion of trademark rights in Article 7 ('the trademark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Community under that trademark by the proprietor or with his consent...').¹² If we compare the formulations of the provisions on exhaustion from the Serbian Law on Trademark from 2004 to the First Directive, it is obvious that the words of the provision of Serbian Law are influenced by the EU law provision. In spite of that, considering that Serbia in 2004 was not (and still is not) an EU (then EC) member country, Serbian legislators were not obliged to accept Community-wide exhaustion of trademark rights. Instead, Serbian legislators had opted for the regime of international exhaustion of trademark rights, as we can see from the cited provision (goods 'placed in circulation anywhere in the world' under the trademark). Thus, parallel imports were generally allowed in Serbia, except in situations where there is a legitimate reason for the trademark holder to oppose further commercialization of the goods (e.g. especially if a defect or another fundamental change of condition of the products has occurred after they have been put on the market for the first time).

In the early 2000s, the Serbian regime of international exhaustion of trademark rights seemed like a logical solution for a small country that was facing the first years of transitioning from the socialist period. Parallel imports of goods were not deemed negative, the protection and usage of trademarks were not at their peak, and the influence and lobbying of trademark holders were not so powerful back then. Moreover, a rule of international exhaustion was

considered to be more appropriate for a trademark, as an intellectual property right, and its essential function – the origin function. It was believed that for the fulfillment of this function, it was enough that the trademark holder can control the first act of commercialization of the product under his trademark.¹³ Further, control of commercialization of such products by a trademark holder did not appear as needed.

The regime of international exhaustion of trademark rights also outlived the enactment of the new Law on Trademarks in 2009 (Article 40).¹⁴ In the official explanation of the Proposal of that Law, keeping the provisions on international exhaustion of trademark rights unamended was justified as follows:

In essence, it is about preventing the trademark holder from abusing the monopoly right granted to him by extending his monopoly beyond the scope allowed by the classic trademark law. Each trademark holder may, on the basis of a contractual obligation, prevent third parties from reselling the goods marked with his mark, but cannot do so on the basis of intellectual property rights, as a trademark holder. This enables the so-called parallel imports [...]

The only situation where the trademark holder can prohibit the so-called parallel imports is prescribed in paragraph 2 of the proposed article. The condition for such a prohibition is that the trademark holder has a legitimate reason to oppose placing further the goods on the market.¹⁵

However, even though these words demonstrate that Serbian legislators were undoubtedly in favour of the regime of international exhaustion of trademark rights in Serbia in 2009, four years later, in 2013, this regime was replaced by a regime of national exhaustion under unclear circumstances.

¹² First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks [1989] OJ L040, art 7.

¹³ Slobodan M. Marković, *Intellectual Property Law* (Magistrat, University of Sarajevo Faculty of Law 2007) 158–159; Spasojević (n 10) 106–107; Slobodan M. Marković, Dušan V. Popović, *Intellectual*

Property Law (6th ed, University of Belgrade Faculty of Law 2018) 165–166.

¹⁴ Law on Trademarks No. 104/2009 of 2009 (Serbia), art 40.

¹⁵ 'Proposal of the Law on Trademarks 2009 (official explanation of the Article 40)' (Government of the Republic of Serbia, 2009) 11 <<https://www.srbija.gov.rs/prikaz/101854>> accessed 22 October 2019.

3. INTRODUCTION OF THE REGIME OF NATIONAL EXHAUSTION OF TRADEMARK RIGHTS IN SERBIA

By amending its Law on Trademarks in 2013 (the version of the Law from 2009), Serbian legislators switched from a regime of international to national exhaustion of trademark rights. The Law on Trademarks (Article 40, Paragraph 1) after the amendments envisages that:

A trademark does not entitle its holder to prohibit its use in connection with goods marked with such trademark and placed in circulation in the territory of the Republic of Serbia by the holder of the trademark or other person authorized by the holder.¹⁶

In such a way, the effects of the exhaustion of trademark rights are limited only to the territory of Serbia. Trademark holders are now able to oppose the use of their trademarks in connection with products marked with such trademarks and placed into circulation anywhere in the world outside the territory of Serbia, even by trademark holders or other persons authorized by them. To put it simply, trademark holders are enabled to prohibit parallel imports of their products to Serbia.

In an effort to better understand this switch, arguments in favour and against, as well as comparative solutions in the Western Balkans region, are examined. First, the rationale of Serbian legislators (as stated in the Proposal of the Law on Amendments) shall be presented (A) – arguments in favor. Afterwards, the standpoint of Serbian legal theory (B) and an unsuccessful attempt to oppose the new rule by Serbian courts (C) are discussed – arguments against. Last but not

least, a comparison of the regimes of trademark rights exhaustion in other Western Balkans countries is made (D).

A. RATIONALE OF THE SERBIAN LEGISLATOR

Serbian legislators, in the official explanation of the Proposal of the Law on Amendments and Addenda to the Law on Trademarks enacted in 2013, indicated two main reasons for introducing national exhaustion of trademark rights and restricting parallel imports. First, it was deemed that the regime of national exhaustion should increase the level of legal certainty for trademark holders. Considering that national exhaustion enables trademark holders to control commercialization of products marked with their trademarks on the Serbian market, the risks associated with distortion of the reputation of goods bearing their trademarks are reduced. Second, by preventing parallel imports, a possible unfair competition that could undermine the interests of exclusive distributors of products marked with the trademarks (in the case of parallel imports) could be prevented as well.¹⁷ The legislators have not provided further explanations on these reasons.¹⁸

Two observations regarding the presented explanations of the legislators can be pointed out here. Primarily, the provided reasoning is not persuasive enough. There is no doubt that the regime of national exhaustion leads to the ability of trademark holders to restrict parallel imports into Serbia, which some may argue could reduce also the chances for possible unfair competition. Still, this argument is only one side of the coin. The other side are the interests of consumers in Serbia, as well as the general needs of the Serbian domestic market, and the advantage that parallel imports could bring in this respect. In the official explanation for the amendments, legislators did not address the possible effects (positive or

¹⁶ Law on Amendments and Addenda to the Law on Trademarks No. 10/2013 of 2013 (Serbia), art 40 (1).

¹⁷ 'Proposal of the Law on Amendments and Addenda to the Law on Trademarks 2013 (official explanation of the Article 11),' (Government of the Republic of Serbia, 2013) <<https://www.srbija.gov.rs/prikaz/175502>> accessed 22 October 2019.

¹⁸ The (more or less) same reasoning is provided in the official analysis of the effects of the draft Law on Amendments from 2013. See 'Analysis on the Effect of the Law on Amendments and Addenda to the Law on Trademarks' (Republic Secretariat for Public Policies, December 2012) 4 <<http://vs3836.cloudhosting.rs/misljenja/569/ana/Analiza%20efekata%20Nacrta%20zakona%20o%20izmenama%20i%20dopunama%20Zakona%20o%20zgovima.pdf>> accessed 24 October 2019.

negative) of the switch towards a regime of national exhaustion, neither for consumers nor for the needs of the domestic market in Serbia. Serbian legislators should have asked themselves four logical questions here. First, could the introduction of a regime of national exhaustion of trademark rights (and in turn a restriction of competition in the national market) result in negative effects on free competition on the Serbian domestic market? And, if so, to what extent? This question is important since the rule of trademark rights exhaustion (as a legal instrument which directly affects competition on the market) should be a matter of both state intellectual property policy, and state competition policy.¹⁹ Second, what would be the effects of this measure for consumers' welfare in Serbia? And, if these effects are negative, how much would it be? Third, would the effects of this change be positive for trademark holders and to what extent, and did domestic trademark holders have the same amount of interest for a regime of national exhaustion as foreign trademark holders (considering that Serbia is an import-based economy)? Last, would the expected positive effects of introducing a regime of national exhaustion of trademark rights prevail in comparison to the possible negative ones taking into account the different interests of market competition, consumers, and trademark holders? As mentioned, nothing in the legislative history and related debates shows that these questions were taken into account in the process of writing the amendments.

Secondly, if we compare legislators' explanations on the provisions on exhaustion of trademark rights in the laws from 2009 and 2013, we notice a fundamental change in their point of view. In 2009, legislators were of the opinion that parallel imports should generally be allowed and those trademark holders should not use a trademark, as an intellectual

property right, to restrict it. In 2013, the reasoning was completely different, meaning that legislators were categorically against allowing parallel imports. How this happened and what triggered such a drastic change in just a few years remains uncertain for now.²⁰

Furthermore, it should be noted that there is a perception among some practitioners and scholars that this change to the national regime of exhaustion of trademark rights is influenced by the process of harmonization with EU laws and their concept of regional exhaustion – the European Economic Area (EEA) wide exhaustion.²¹ This perception is debatable, keeping in mind that the EU does not require (at least not officially) candidate countries to align their rules on exhaustion of the trademark rights with the EU rule before the acceptance of EU membership.²² At most, Serbia could have chosen a middle ground of an EEA-wide exhaustion of trademark rights. That would represent the actual harmonization with the EU laws.

To conclude, it seems that the possible effects of this switch to a regime of national exhaustion on the Serbian domestic market should have been examined more carefully and the findings should have been available to the wider public before the amendment enactments. The former is especially true given that the regime of the international exhaustion of trademark rights had been in force for almost a decade prior to amendments and its application did not have any serious repercussions on the Serbian market (at least not known to the wider public and the author).

B. PERSPECTIVES FROM SERBIAN LEGAL SCHOLARS

The standpoint of leading Serbian legal scholars over the territorial scope of trademark rights exhaustion, before and

¹⁹ For parallel imports and its regulation by intellectual property law and competition law from the Serbian and EU perspective, see Dušan Popović, *Exclusive Intellectual Property Rights and Free Competition* (University of Belgrade Faculty of Law 2012) 169–249.

²⁰ Compare Proposal of the Law on Trademarks 2009 – official explanation of the Article 40 (n 15) and Proposal of the Law on Amendments and Addenda to the Law on Trademarks 2013 – official explanation of the Article 11 (n 17).

²¹ Republic Secretariat for Public Policies (n 18) 4.

²² 'European Union Common Position Chapter 7: Intellectual Property Law,' Council of the European Union AD 14/17 CONF-RS 10/17
<http://www.mei.gov.rs/upload/documents/pristupni_pregovori/pregovaracke_pozicije/ch_7_common_position.pdf> accessed 25 October 2019 [hereinafter European Union Common Position Chapter 7: Intellectual Property Law] 4.

after the amendments in 2013, has been more or less unanimous. Legal theory in Serbia supports the regime of international exhaustion of trademark rights as the most appropriate one.²³ It is believed that the trademark (as an intellectual property right) does not essentially aim at providing a monopoly to trademark holders on products marked with their marks. On the contrary, it essentially aims at enabling the marks to denote the origin of products and to differentiate the products on the market. Both of these essential trademark objectives are achieved when the trademark holder, for the first time, places the product, under his mark, on the market anywhere in the world. Hence, there is no need to additionally grant the monopoly to trademark holders to control the first commercialization of products bearing their marks on every single national market.²⁴

Having that in mind, from the perspective of Serbian legal theory, the examined switch from an international to the national regime of exhaustion of trademark rights is generally not deemed as reasonable or necessary. In that respect, thoughts of two distinguished Serbian legal scholars are worth mention here. Prof. Dr. Slobodan Marković has noted in his analysis, as follows:

Being unable to access the official rationale of this change, we can only speculate about the reasons that led to it. The “suspicion” first falls on the mantra of harmonization with EU law [...] Regardless of this, we are convinced that no attempt has been made to analyze the effects of parallel

imports on Serbia’s economic interests, which indicates that the exhaustion of IP rights has not been recognized as an instrument of economic policy. The fact is that staying in the regime of international exhaustion of IP rights would lead to a greater degree of integration of the Serbian market with the EU market, meaning that the actual introduction of the national exhaustion of trademark creates an additional barrier to the movement of goods between the EU and Serbia, which is somehow contrary to the spirit of the accession process.²⁵

Prof. Dr. Siniša Varga in his paper emphasized:

The geographical scope of the exhaustion of trademark rights cannot be determined one-sidedly only considering the private interests of the right holders. While determining the geographical scope of the exhaustion of rights, it is necessary to take into account: protection of an unimpeded trade in goods and services, protection of consumers and competition, as well as the size of the market, market structure and intensity of competition, and finally whether the country is a predominant importer or exporter of intellectual property. Bearing in mind the mentioned criteria and the absence of a serious economic analysis to prove the contrary, the most suitable for the Republic of Serbia is to have the international, or given the existing normative situation, the controlled national exhaustion of trademark rights (as a modern approach).²⁶

²³ Marković, Popović (n 13) 165–166. See similar: Vesna Besarović, *Intellectual Property: Industrial Property and Copyright* (5th ed, University of Belgrade Faculty of Law 2011) 177; Zoran Miladinović, *Intellectual Property Law* (University of Kragujevac Faculty of Law 2009) 93; Vladimir Borovac, ‘Trademark Law – From the Protection of the Informational Function of a Trademark to the Protection of a Trademark as a Value in Itself’ (DPhil, University of Belgrade 2017) 53.

²⁴ *ibid*; A similar standpoint regarding this issue is present in the legal theory on the world level, as well: Lionel Bently, Brad Sherman, *Intellectual Property Law* (3rd edition, OUP 2009) 943; Irene Calboli, ‘Trademark Exhaustion in the European Union: Community-Wide or International? The Saga Continues’ 2002 6(1) *Marquette Intellectual Property Law Review*, 47–48

<<http://scholarship.law.marquette.edu/cgi/viewcontent.cgi?article=1034&context=iplr>> accessed 22 October 2019.

²⁵ Slobodan M. Marković, ‘The Exhaustion of Intellectual Property Rights in the Context of International Free Trade Agreements’ in Dušan V. Popović (ed), *Legal Implications of Trade Liberalization Under SAAS and CEFTA* (University of Belgrade Faculty of Law 2018) 154. See additionally Slobodan M. Marković, *Intellectual Property Law and Information Society* (2nd edition, Službeni glasnik 2018) 208–209.

²⁶ Siniša Varga, ‘The Geographical Scope of Trademark Exhaustion and Parallel Trade in the Republic of Serbia Law’ in Miodrag Mićović (ed), *Services and Protection of Service Users* (University of Kragujevac Faculty of Law 2015) 647.

As seen, leading Serbian legal scholars share an opinion that the shift from an international to national exhaustion of trademark rights in Serbia lacks a solid justification. The Serbian legislators' rationale for the introduction of the regime of national exhaustion (see the previous sub-chapter) does not seem convincing enough to the legal scholars. On the one hand, the national exhaustion of trademark rights differs from the traditional theoretical understanding of the essential function of the trademark in the Serbian legal theory (to denote the origin of products). On the other hand, its introduction could have potential negative economic impacts on the domestic market that, as it appears; the Serbian legislators had not taken into consideration.

C. COURT PRACTICE: AN EXAMPLE OF THE UNSUCCESSFUL ATTEMPT TO AVOID THE RULE OF NATIONAL EXHAUSTION²⁷

The introduction of the regime of national exhaustion of trademark rights has not been accepted by all judges in Serbia with ease. Some judges have tried to avoid its application teleological, (mis)interpreting the provisions of the Law on Trademarks. One such case shall be briefly presented here.

The subject dispute has arisen in connection to parallel imports of motor oils bearing international trademarks registered for the territory of Serbia by the plaintiff, a United States based company. The defendant was a Serbian company that had been importing the plaintiff's products (labelled with three protected marks) from the EU to Serbia for more than ten years. In this particular case, the defendant had imported the plaintiff's motor oils from a company situated in Slovenia and distributed the imported products in Serbia. The Slovenian company purchased the products from a Croatian company that was the official distributor of the plaintiff for the territory of EU, but not for the territory of Serbia. The exclusive right of distribution of the plaintiff's product in the territory of Serbia had one Serbian company, whose owner

and director was the owner and director of the Croatian company.

The plaintiff filed a claim before the Commercial Court in Belgrade (the court of the first instance) in 2015, after a few unsuccessful warning letters sent to the defendant and after Serbian Customs had seized one delivery of the plaintiff's products ordered from Slovenia by the defendant. The plaintiff, among others, asked the court to determine the trademark infringement and order the defendant to stop parallel imports. The defendant pointed out that he had bought the plaintiff's products from the Slovenian company, which had legally acquired the product from the Croatian company as the official distributor for the EU. Neither the Slovenian company nor the Croatian company had given notice to the existence of the territorial trade limitations for the plaintiff's products. Moreover, the director of the Croatian company, who was the owner and the director of the company that was the exclusive distributor for Serbia, should have been familiar with the practice of the Slovenian company (selling products for imports in Serbia) and should have done something to stop it. The court of the first instance had not accepted the defendant's arguments and ultimately allowed the plaintiff's claim at the end of 2015. In the reasoning of the judgment, the court explicitly noted that after the amendments to the Law on Trademark, the national exhaustion of trademark rights regime applied in Serbia.²⁸

The defendant filed an appeal to the Commercial Appellate Court (the appellate court). This court had a different opinion from the court of the first instance and reversed their judgment in 2017. In the judgment's reasoning, the appellate court used the facts of the case to justify the application of the rule of international exhaustion. The court came to the following conclusions. First, considering that the director and founding member of the Serbian company (the plaintiff's exclusive distributor for Serbia) was acting at the same time

²⁷ I wish to thank Ms. Natalija Popović Maksimović, Attorney at Law from Belgrade, Serbia for providing me with the court decisions presented in this sub-chapter. Of course, the responsibility for any

of the remaining errors and the presented attitudes lies solely with the author.

²⁸ Commercial Court in Belgrade, Case No. 9. P. 5042/2015, 13 November 2015.

as a director and founding member of the Croatian company (the plaintiff's official distributor for the EU), it could be concluded that the Serbian company had control over the Croatian company as its subsidiary.²⁹ The Serbian and Croatian companies are connected. Second, in the Distribution Agreement between the plaintiff and the Serbian company, it was prescribed that the Serbian company may distribute the plaintiff's products through its subsidiaries. Third, having in mind the former and given that the Croatian company is a subsidiary of the Serbian company (the exclusive distributor), it should be deemed that the rights conferred by plaintiff's trademarks had been exhausted for the territory of Serbia the moment the Slovenian company had acquired the plaintiff's product from the Croatian company. Finally, in this case, there is no trademark infringement while the plaintiff's trademark rights had exhausted.³⁰

Logically, the plaintiff was not satisfied with the appellate court's judgment and filed an appeal on points of law, as an extraordinary legal remedy, before the Supreme Court of Cassation. The Supreme Court in 2018 decided to reverse the judgment of the appellate court and confirmed the judgment of the court of first instance. Regarding the issue of exhaustion of trademark rights, the Supreme Court noted two reasons supporting this decision. First, the Croatian company cannot be deemed a subsidiary of the Serbian company, as defined in the Distribution Agreement between the plaintiff and the Serbian company. Second, the application of the Agreement is of limited territorial scope, encompassing Serbia and a few neighboring countries, not including Croatia.

²⁹ In the Distribution Agreement between the plaintiff and the Serbian company, it has been prescribed that every company in which the Serbian company has more than 50% controlling interest shall be deemed as its subsidiary. The appellate court based its argumentation on that provision.

³⁰ Commercial Appellate Court of the Republic of Serbia, Case No. 11. Pž. 359/2016, 26 June 2017. The reasoning of the Serbian court regarding the connected companies has similarities with the reasoning of the European Court of Justice in the Case 291/16 *Schweppes SA v Red Paralela SL and Red Paralela BCN SL* [2017] ECLI:EU:C:2017:990.

³¹ Supreme Court of Cassation of the Republic of Serbia, Case No. Prev. 381/2017, 17 May 2018.

Further, in this case, there is no room for the application of the rule of exhaustion because the Law on Trademarks accepts the regime of national exhaustion and the defendant was the one that had, for the first time, placed the products under the plaintiff's trademark on the Serbian market.³¹

The reasoning of the Supreme Court of Cassation was expected, given the fact the provision of the Law on Trademarks on the national exhaustion is more or less clear. Nevertheless, the reasoning of the appellate court and its attempt to avoid application of the rule of national exhaustion are understandable and show the lack of proper justification for the transition from international to a national regime of exhaustion of trademark rights in Serbia.³² This attempt of the court to avoid application of the rule of national exhaustion of trademark rights is not alone.³³ It seems that certain judges were cautious towards the implementation of this transition as if they were aware of its inherent pitfalls.

D. REGIMES OF TRADEMARK RIGHTS EXHAUSTION IN OTHER WESTERN BALKANS COUNTRIES: A COMPARISON

The common trend for all Western Balkans countries is their aspiration to join the EU. Although the stages they have achieved on their path to the EU differs. One of them even became a Member State (Croatia), two are candidates that started accession negotiations (Serbia and Montenegro), two have candidate status and are waiting for negotiations (Albania, North Macedonia) and the last one, Bosnia and Herzegovina, has applied to join but has not received

³² Still considering the fact case in this dispute, even in situation that the Supreme Court of Cassation had supported the decision of the second instance court, its influence on other dispute about exhaustion would be questionable. Also, we should have in mind that Serbia is a civil law country.

³³ For another case in which the court accepts the international exhaustion of trademark rights even after the amendments, see: Commercial Appellate Court of the Republic of Serbia, Case No. 11. Pž. 5035/2017, 15 September 2017. For opposite see: Commercial Appellate Court of the Republic of Serbia, Case No. Pž. 1905/2017, 6 April 2017.

candidate status yet. As mentioned, EU law explicitly regulates the issue of exhaustion of trademark rights. According to Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trademarks (Article 15) that succeeded the above-mentioned First Directive (Article 7), the regional exhaustion is a mandatory EU standard for the EU member countries.³⁴ However, the EU does not require that candidate countries accept this regime of the regional exhaustion prior to becoming the members. We can see this from the EU negotiations with Serbia.³⁵

Without conditions posted by the EU, the countries in the Western Balkans can choose the regime of the trademark rights exhaustion that is most appropriate for their needs. Their solutions vary and all three regimes of the exhaustion of trademark rights (national, regional and international) are present in the region. Apart from Serbia, Croatia (prior to an EU membership), Montenegro,³⁶ North Macedonia,³⁷ and Albania³⁸ opted for national exhaustion of trademark rights as well. The regime of the regional exhaustion now applies in Croatia, as an EU Member State.³⁹ Bosnia and Herzegovina

stands alone and explicitly prescribes the application of the rule of international exhaustion.⁴⁰

By comparing the solutions of the Western Balkan countries on the territorial scope of trademark rights exhaustion, we can conclude that there is no commonly accepted regime in the region. Even so, it is obvious that the regime of national exhaustion of trademark rights is predominantly accepted. What stands behind this 'dominance' of the regime of national exhaustion of trademark rights in the region we do not know for sure? Many factors could play a role here, e.g. lobbying of trademark holders, protectionist national economic policies (for any sake), various economic interests, just 'copying' the legal solution from the closest neighbor country or some developed country without proper rethinking (which should not be excluded) or something else. Whether some of those factors and which one(s) played the curtailed role in the dominant adoption of the regime of national exhaustion of trademark rights in the region remains unclear to us.

³⁴ Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks [2015] OJ L336, art 15. For more about the history and issues related to the regional exhaustion of trademark right in the EU see: Calboli (n 24) 47–86; Irene Calboli, 'Reviewing the (shrinking) principle of trademark exhaustion in the European Union (ten years later)' 2012 16(2) *Marquette Intellectual Property Law Review* <<https://scholarship.law.tamu.edu/facscholar/363/>> accessed 22 October 2019 257–281; Mellor, et al (n 2) 528–541.

³⁵ European Union Common Position Chapter 7: Intellectual Property Law 4; See also Stabilisation and Association Agreement (SAA) between the European Communities and their Member States and the Republic of Serbia 2008 (signed in April 2008, entered into force on 1 September 2013) (2008) – this Agreement sets the transition provisions on circulation of goods between Serbia and the EU, but it does not contain provisions on the exhaustion of intellectual property rights. The same is true with the SAAs concluded between the EU and its member states and other Western Balkan countries. See Marković, 'The Exhaustion of

Intellectual Property Rights in the Context of International Free Trade Agreements' (n 25) 152. Moreover, the practice of the 'newest' EU member states from South East Europe – Slovenia (joined in 2004), Bulgaria, Romania (joined in 2007), and Croatia (joined in 2013) was to implement the regime of EAA-wide exhaustion upon entry in the EU. Damian Simeonov, 'Parallel Import: EU and South East Europe' (Balkan Legal Forum, Romania, 2006) <<https://www.bma-law.com/wp-content/uploads/2011/02/Simeonov-Parallel-Import-Lecture.pdf>> accessed 28 October 2019 13–15; Law on Industrial Property No. 45/01, 96/02, 37/04, 20/06 and 51/06 (Slovenia), art 50.

³⁶ Law on Trademarks No. 72/2010, 44/2012, 18/2014, 40/2016 and 2/2017 (Montenegro), arts 15, 65a.

³⁷ Law on Industrial Property No. 21/2009, 24/11 of 2009 (North Macedonia), art 209.

³⁸ Law on Industrial Property No. 9947, 10/2013, 55/2014, 35/2016 of 2008 (Albania), art 158.

³⁹ Law on Trademark No. 14/2019 (Croatia), art 17.

⁴⁰ Law on Trademark No. 53/10 (Bosnia and Herzegovina), art 51.

4. APPLICATION OF THE NATIONAL EXHAUSTION OF TRADEMARK RIGHTS IN SERBIA

The regime of national exhaustion of trademark rights has been applied for 6 years now in Serbia. Here, first one downside of its application shall be presented – an emergence of the competition policy concern (A). After that, the overview of the reactions of the Commission for Protection of Competition of the Republic of Serbia (Commission), a Serbian national competition authority, associated with that emerging competition policy concern is provided (B).

A. THE RESULTING EMERGING COMPETITION POLICY CONCERN

The application of the rule of national exhaustion of trademark rights has exerted a certain negative influence on competition and free movement of goods on the market in Serbia by restricting, to some extent, the price and qualitative competition of genuine products. Namely, the reasons for such negative influence on competition and free movement of goods in the Serbian market are twofold. First, the rule of national exhaustion of trademark rights has been, to a large degree, used for the total prohibition of parallel imports into Serbia, particularly concerning consumer products such as clothing, footwear, technical appliances, certain foods, cars, industrial machinery, etc.⁴¹ From a logical point of view, this was the expected scenario given that the main purpose of the rule of national exhaustion of trademark rights is to enable trademark holders to stop parallel imports. Yet, the authorities in Serbia have anticipated that things here would turn out differently and that the restriction of parallel imports would not occur on such large-scale. They have based their expectations on the fact that a great number of importers (trademark holders) have publicly spoken against the prohibition on parallel imports and committed to use this

right merely in cases of unfair competition.⁴² Thus, the focus of the Serbian authorities was on that positive aspect of the regime of national exhaustion of trademark rights (and possibly some others). The worries about the accompanying negative aspects appear to have been set aside in the first instance. However, despite the commitments of importers (trademark holders), when analyzing the state of competition on the market in Serbia, the Commission has noticed a significant degree of protectionism by them, especially regarding those consumer products, 'in respect of which consumers are exhibiting the highest degree of sensitivity and showing the most prominent extent of consumer habits.'⁴³ An increase in the number of claims filed by trademark holders before the Commercial Court in Belgrade, which were aimed at banning parallel imports, was notable.⁴⁴

Secondly, the main supply source of those consumer products (whose parallel imports stopped after the introduction of the national exhaustion) for the Serbian market is imports. The domestic production of such products is negligible. As noted above, Serbia is a relatively small import-based economy.

Because of the combination of those two factors, trademark holders and/or their exclusive importers are becoming the sole distributors of products bearing the protected marks, who do not have market correction factor, because of the rule of national exhaustion (there is no intra-brand competition). As an outcome, the concept of national exhaustion of trademark rights turns out to be a barrier to entry for genuine products at lower prices. Such a barrier has the potential to generate a significant influence on competition and free movement of goods on the Serbian market by restricting price and qualitative competition on genuine products bearing trademarks.⁴⁵ The resulting state of affairs might have severe negative effects on the economy of Serbia in general, where its negative influence is particularly targeting the welfare of

⁴¹ 'Opinion on the Draft Law on Amendments to the Law on Trademarks' (Commission for Protection of Competition of the Republic of Serbia, 7 May 2018) [hereinafter Opinion of the Commission 2018] 2 <<http://www.kzk.gov.rs/kzk/wp-content/uploads/2018/12/OPINION-on-the-Draft-Law-on->

[Amendments-to-the-Law-on-Trademarks.pdf](#)> accessed 24 October 2019.

⁴² *ibid.*

⁴³ *ibid.*

⁴⁴ *ibid.*

⁴⁵ Opinion of the Commission 2018, 1–3.

Serbian consumers. Here, one more question should be addressed: what about the typical advantages of the regime of national exhaustion of trademark rights? Primarily, one of the main arguments in favour of the regime of national exhaustion of trademark rights is that it protects domestic trademark holders, more precisely their businesses, from unfair competition and free-riding of parallel importers.⁴⁶ Besides, it is argued that the parallel importers would unduly exploit the investments in local marketing, promotional campaigns, and pre and post-sale services made by trademark holders, and therefore cut into such incentives to invest locally. The regime of national exhaustion of trademark rights prevents that.⁴⁷ These positive effects of the national exhaustion of trademark rights are undeniable, but their scope in Serbia is dubious. Serbia, as an import-based economy, lacks domestic businesses engaged in the production of goods (especially in the field of consumer products),⁴⁸ that would be able to perhaps, enjoy the benefits of this regime of national exhaustion of trademark rights. Moreover, the domestic trademark holders usually put their products on the market for the first time in Serbia since they regularly do not have production facilities situated abroad or developed export networks.⁴⁹ On the other hand, the foreign commercial entities that own trademarks protected in the territory of Serbia, and their business partners (both predominantly operating as importers) are undoubtedly the beneficiaries of the identified 'positive' effects of the national exhaustion of trademark rights. Still, the question is whether their private interests prevail over the interests of consumers in Serbia.⁵⁰

Nevertheless, one can claim that allowing parallel imports will reduce the incentives for the commercial entities to invest in production and market development in Serbia, which may

manifest negatively on the Serbian market on the long run.⁵¹ This especially applies to the foreign commercial entities whose products are the main target of parallel imports. The problem of such argumentation is that we cannot predict how the foreign commercial entities will use the rule of national exhaustion of trademark rights. Whether they will invest more in the production of goods in Serbia or mainly use that rule to act as sole importers of their goods produced abroad. Additionally, the commercial entities (foreign and domestic) are generally controlling their distribution networks by using contracts and other mechanisms. Thus, to a certain extent, they have the ability to legally limit parallel imports of their goods, regardless of the applicable regime of exhaustion of trademark rights.

To summarize, it appears that foreign commercial entities that own trademarks protected in the territory of Serbia, and their business partners, are currently the only ones that have specific interests in the application of the regime of national exhaustion of trademark rights in Serbia.

Bearing this in mind, the competition policy concern presented has provoked a response from the competent authorities in Serbia (see below).

B. ACTIONS CONDUCTED BY THE SERBIAN NATIONAL COMPETITION AUTHORITY

The Serbian Commission, as the national competition authority and the main competition policymaker in Serbia, has dealt with this emerging competition policy concern related to the introduction of a regime on national exhaustion of trademarks. Two phases of the Commission's actions in addressing this issue can be noted: a passive one and an active one. Before making the remarks on those phases, it should be

⁴⁶ Varga (n 26) 639; Andrea Zappalaglio, 'International Exhaustion of Trade Marks and Parallel Imports in the US and the EU: How To Achieve Symmetry?' 2015 5(1) *Queen Mary Journal of Intellectual Property* 68, 69

⁴⁷ Enrico Bonadio, 'Parallel Imports in a Global Market: Should a Generalised International Exhaustion be the Next Step?' 2011 33(1) *European Intellectual Property Review* 153, 157.

⁴⁸ Opinion of the Commission 2018, 2; See also Varga (n 26) 644–646.

⁴⁹ In that respect see: Vuk Miletić, Slavko Božilović, 'Analysis of Possibilities for Improving Serbian Companies' Business Activity' 2015 12(4) *Facta Universitatis* 259, 263–265.

⁵⁰ See Varga (n 26) 644–646.

⁵¹ Bonadio (n 47) 157.

said that we are not informed whether the Commission participated in amending the Law on Trademarks in 2013 that introduced national exhaustion or if they had the opportunity to tackle this issue *a priori*.

During the first phase, the Commission was not conducting any active measures to address problems developing with the application of the rule of national exhaustion of trademark rights. This is, to some degree, understandable taking into account that at the beginning, the real effects of the analyzed legal instrument were not instantaneously noticeable. Even though the Commission was mostly 'quiet' during this phase, upon request in 2013, it issued the 'Opinion on the implementation of competition policy regulations on the institutes of "Exhaustion of rights" and so-called "Parallel imports".' Here, the Commission had to answer the question as to what 'circumstances from the competition policy perspective must be taken into consideration when planning and/or conducting acts and actions based on the trademark regulations concerning the option of the legitimate trademark holder to prevent parallel imports of goods (marked with its trademark) on the territory of the Republic of Serbia.'⁵² The core of the Commission's answer was as follows:

[...] It should be noted that regulations governing competition policy are without prejudice to intellectual property rights regulations, but solely concern their implementation. The extension of exclusive rights in terms of enabling prohibition of parallel imports as described in the concrete case and pursuant to the Law on Trademarks can truly have a significant influence on the state of competition and free movement of goods on markets, thus may restrict static competition (price competition occurring due to limitations) and advance dynamic competition, that is innovations. At first glance, it could be concluded that restrictions in implementing these rights could lead toward the improved position of consumers because they may cause reduction of prices, but on the long run and as per

position and practice of the EU, they might dissimulate innovations thus ultimately causing damages for consumers. Implementation of both systems should be balanced so to function in the interest of consumers because as we have previously stated, this interest represents a joint objective for regulations governing intellectual property rights as well as competition policy. Thus, it is necessary to establish effects on a case-by-case basis that might be achieved on the long or short run, i.e. set relevant criteria that would offset interests between competition policy regulations and intellectual property rights policies while observing the aforementioned context of achieving consumer benefits...

The Commission will, on an overall basis, take into consideration principles and criteria incorporated in the EU regulations and practice, and appropriately adjust them to our legal system. The European Justice Court already has [...] taken a stance that intellectual property rights are indisputable, but their usage may be the subject of prohibition and restrictions imposed by the European Commission if concerning infringements from Articles 81 and 82 of the EC Treaty – restrictive agreements and abuse of dominant position (currently Articles 101 and 102 of the Treaty on the Functioning of the European Union).⁵³

The language of this opinion seems a bit too 'mild' and leaves the impression that the Commission is not aware of the potential drawbacks of the transition to national exhaustion of trademark rights, or perhaps tries to justify such transition. Regardless, the Commission emphasized that it shall stop any actions of trademark holders that can be qualified as prohibited restrictive agreements or an abuse of dominant position.

In the second phase, the Commission drastically changed the course of its opinion. Therefore, the Commission issued the 'Opinion on the Draft Law on Amendments to the Law on

⁵² 'Opinion on implementation of competition policy regulations on the institutes of "Exhaustion of rights" and so-called "Parallel imports"' (Commission for Protection of Competition of the Republic of Serbia, 2013) [hereinafter Opinion of the Commission

2013] para 1 <<http://www.kzk.gov.rs/en/misljenja-u-vezi-primene-propisa-u-oblasti-zastite-konkurencije>> accessed 24 October 2019.

⁵³ *ibid* para 2.

Trademarks'⁵⁴ in 2018 by which it officially proposed a return to the regime of the international exhaustion of trademark rights. The Commission justified this return by referring to two sets of reasons. Firstly, the evident negative influence of the national exhaustion on competition and free movement of goods on the market in Serbia. Secondly, return to parallel imports would bring various positive effects on the market. These expected positive effects include intra-brand competition, a decrease of the present price disparities appeared as a consequence of parallel imports prohibition, increasing the number of potential bidders that procure goods from different sources for public procurement needs, etc. Allowing parallel imports should result in the instigation and development of the well-being of consumers, given that imports from countries offering lower prices of products create pressure on existing merchants in Serbia to reduce prices.⁵⁵ In spite of the sound reasoning, the proposal of the Commission was not accepted by Serbian legislators.⁵⁶

Furthermore, it should be noted that regardless of the fact that impediment of competition has been apparent for a long period of time (since 2013-14), the Commission has yet to start systematically conducting procedures against trademark holders who might be misusing the rule of national exhaustion of trademark rights in a way which constitutes a competition law infringement.⁵⁷ At least for now, reasons for the absence of such a step are unclear.

To conclude, the actions of the Commission to this point have not successfully addressed the negative effects on competition and free movement of goods on the Serbian market, which are influenced by the introduction of a regime of national exhaustion of trademark rights in 2013. In case Serbia does not give up on this rule of national exhaustion of

trademark rights, the Commission should make more efforts to find a way to effectively cope with this issue in the future.

5. CONCLUDING REMARKS

Rules on the exhaustion of trademark rights, as a legal instrument, affect competition on the market as shown in the analysis. Their implementation and application, therefore, should be subject to analysis and planning by not just intellectual property policymakers, but competition policymakers as well. Otherwise, competition and free movement of goods on the market stand jeopardized, as in the case of Serbia.

As this paper has shown, the poorly thought-out introduction of a regime of national exhaustion of trademark rights in a small import-based economy as Serbia, in combination with a lack of action from the national competition authority has had negative effects on the Serbian economy. Precisely, the application of the rule of national exhaustion of trademark rights has restricted price and qualitative competition on genuine products bearing a protected trademark, which had a certain negative influence on competition and free movement of goods on the market in Serbia. Moreover, these negative effects tend to worsen, particularly targeting the welfare of consumers in Serbia. It appears that the regime of national exhaustion in Serbia is mostly in the interest of foreign commercial entities with trademarks registered in the territory of Serbia and their business partners. The question here is: should trademark, as an intellectual property right whose essential function is to denote the origin of goods or services under the protected mark in favour of all participants in the market, be granted and used in such a way? It seems not.

⁵⁴ The Opinion has been issued upon the request of the Ministry of Education, Science and Technological Development in the process of drafting the new amendments to the Law on Trademarks.

⁵⁵ Opinion of the Commission 2018, 2–3.

⁵⁶ See the Law on Amendments and Addenda to the Law on Trademarks No. 44/2018 (Serbia).

⁵⁷ At least following the annual work reports and data publically available on the website of the Commission. Commission for Protection of Competition of the Republic of Serbia, 'Work reports' (2013–2018) <<http://www.kzk.gov.rs/izvestaji?lng=lat>> accessed 24 October 2019.

However, there is a solution to every problem. Three possible ways to approach this competition policy issue will be noted here. The first one and the most radical one is a return to the regime of international exhaustion of trademark rights, as proposed by the Commission. Not only are the upsides of this approach apparent, but it seems the most suitable. The second one represents merely an adaptation to the existing situation, i.e. the national exhaustion. It implies conducting on a large scale the *ex officio* procedures on investigation of competition infringements against targeted trademark holders by the Commission, as a national competition authority. The aim of these Commission's proactive actions would be to prevent and divert the trademark holders from (mis)using the rule of national exhaustion of trademark rights in a way that impedes competition. That should mitigate the negative effects of the rule of national exhaustion of trademark rights on economic welfare. This approach could be implemented immediately based on existing regulations, but it would not solve all the issues. The third one is a moderate approach, which means switch to a regime of regional exhaustion or controlled national exhaustion. The introduction of regional exhaustion would extend the effects of the exhaustion to a wider region and soften the negative influence of national exhaustion. One of the possible settings for the application of a regime of regional exhaustion of trademark rights would be the region of Western Balkans (non-EU members), which encompasses geographically close countries of similar economic development levels that are all members of the Central European Free Trade Agreement.⁵⁸ Another option is the territory of the EEA, because of the EU accession process and the fact that a significant amount of imports to Serbia come from the EEA. Controlled national exhaustion means that the national exhaustion would be a general rule. Nevertheless, if a trademark holder uses that

rule in an anti-competitive manner, the international exhaustion may be restored for the sake of protecting public or other legitimate interests.⁵⁹

In July 2019, the official draft of the new Serbian Law on Trademarks was published for public discussion. The drafted Law envisages the acceptance of the regional EEA-wide exhaustion (new Article 53).⁶⁰ Serbian legislators have been considering to adopt regional EEA-wide exhaustion for Serbia (the moderate approach), although it is not an official requirement before formal accession to the EU. In the text of the official explanation of the drafted law, competition policy concerns related to national exhaustion are stated as one of the reasons for the proposal of transition to regional exhaustion.⁶¹ The regime of EEA-wide exhaustion of trademark rights may not be the most suitable solution for Serbia, but in comparison to the regime of national exhaustion, it is certainly a step forward. Here, it should be noted that new drafted Law could be changed, so the introduction of regional exhaustion is still in question.

In the end, we can say that, in case Serbia accepts a regime of regional EU exhaustion in the near future, or even returns to international exhaustion, the introduction and application of the regime of national exhaustion of trademark rights for the past six years will remain a 'dark period' in the history of trademark protection in Serbia. Nonetheless, it can serve as a lesson for countries with similar economies that largely rely and depend on imports.

⁵⁸ Marković (n 25) 155.

⁵⁹ Central European Free Trade Agreement 2006 (adopted 19 December 2006, entered into force for all countries on 22 November 2007) (2006). See Varga (n 26) 646 and WIPO, 'Interface between Exhaustion of Intellectual Property Rights and Competition Law' (CDIP/8/INF/5, 1 September 2011) 8 <https://www.wipo.int/meetings/en/doc_details.jsp?doc_id=182864> accessed 27 October 2019.

⁶⁰ Draft of the Law on Trademarks from July 2019 (Serbia), art 53 <http://www.zis.gov.rs/upload/documents/pdf_sr/vesti/Nacrt%20zakona%20o%20C5%BEigovima.pdf> accessed 27 October 2019.

⁶¹ Explanation of the Draft of the Law on Trademarks from July 2019 (Serbia), art 53 <http://www.zis.gov.rs/upload/documents/pdf_sr/vesti/Obrazlo%20C5%BEenje.pdf> accessed 27 October 2019.

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18. CONSEQUENCES OF THE ACCESSION OF THE REPUBLIC OF UZBEKISTAN TO THE PHONOGRAMS CONVENTION

Ilkhom Khamidov; Madina Tursunova*

ABSTRACT

Uzbekistan acceded to the Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of their Phonograms (Phonograms Convention) in January 2019. The paper discusses potential legal and economic implication of the accession of Uzbekistan to the Phonogram Convention and possible impact on the Uzbek legislative system. The authors argue that the drastic change in the socio-political agenda of Uzbekistan and commitments to ensure the trade relations were the main reasons for accession to the Phonograms Convention. Uzbekistan is considered a country with weak intellectual property enforcement, especially in the field of copyright. Lack of analytical data precluded the country from being listed in Global Innovation Index. Nevertheless, Uzbekistan has repeatedly been included in the Special 301 Report by the United States Trade Representative to Congress. One of the main recommendations made in the reports was to advocate for Uzbekistan to accede to the Phonograms Convention. The desire of Uzbekistan to improve its ranking and to improve trade relationships have forced it to comply with these recommendations. Although the domestic legislation of Uzbekistan is fully in compliance with the main standards of the Phonograms Convention, accession

to the Convention would create a clash between the works protected under the Berne Convention and under the Phonograms Convention. Moreover, the merging system of collective management of rights would negatively affect the development of the market of creative works in the country. It is crucial to improve the protection of copyrights and to create a beneficial legal system that would trigger the development of creative industry in Uzbekistan.

Keywords: *Phonograms Convention; Uzbekistan; phonograms; producers of phonograms; collective management; copyright; related rights*

1. INTRODUCTION

Lack of effective law enforcement mechanisms against copyright infringement, in particular piracy, in the context of audiovisual works and sound recordings, remains one of the most significant challenges for the Republic of Uzbekistan (hereafter 'Uzbekistan') in providing sound IP protection infrastructure. Although Uzbekistan joined the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention)¹ in 2005, piracy level remains incredibly high.

Major music labels such as Sony Music,² Universal Music³ and Warner Music Group⁴ do not have offices or representatives in Uzbekistan. Although Uzbekistan is one of the biggest

* Ilkhom Khamidov (Uzbekistan) is a lawyer, owner of legal consulting firm, who is specialized in intellectual property law, media law, business law. He is an Associate Professor of Intellectual Property Law at University of World Economy and Diplomacy. He gives legal consultations and awareness trainings about legal issues and freedom of information rights for media, journalists and bloggers.

MadinaTursunova (Uzbekistan) is a lawyer, trademark attorney and head of legal practice at Legalmax Law Firm, Uzbekistan. Madina is alumni of WIPO Academy-Turin University joint master program in intellectual property 2015-2016. Madina has been practicing IP law since 2008 as well as teaching Intellectual Property Law, Civil Law and Information Law in Tashkent State University of Law since 2013.

¹ Berne Convention for the Protection of Artistic and Literary Works (adopted 9 September 1886, entered into force 5 December 1887)

828 U.N.T.S. 221 [hereinafter Berne Convention].

<<https://wipolex.wipo.int/en/treaties/textdetails/12214>> accessed 7 January 2020.

² Sony Music offices in different countries

<<https://www.sonymusic.com/facts-and-figures/>> accessed 17 May 2020.

³ Universal Music Group owns and operates a broad array of

businesses engaged in recorded music, music publishing, merchandising, and audiovisual content in more than 60.

countries.<<https://www.universalmusic.com/labels/global/>> 1 May 2020.

⁴ Warner Music Group is a global music company, which operates in more than 50 countries through various subsidiaries, affiliates and non-affiliated licensees. <<https://www.wmg.com/faq>> 1 May 2020.

markets in Central Asia⁵ with a population of more than 33 million, the presence of foreign businesses and levels of investment remain relatively low.⁶

Since 2017, Uzbekistan has been implementing an ambitious social-economic development agenda and has renewed its commitment to join the World Trade Organization (WTO). The government adopted the Strategy for Innovative Development in September 2018,⁷ which includes quantitative targets for 81 indicators to be achieved through 2030.⁸ Uzbekistan is committed to joining the list of top 50 innovative countries of the Global Innovation Index⁹ by 2030. The Global Innovation Index ranks and breaks down the innovation performance of 129 countries and economics around the world. Notably, Uzbekistan's last ranking was in 2015, when the country took the 122nd place in the 2015 Global Innovation Index¹⁰ among 141 countries of the world.¹¹

Although it was mentioned that Uzbekistan is making a progress in data collection, the country was not included in the Global Innovation Index rankings for 2019.¹²

Uzbekistan is considered as a jurisdiction with weak enforcement of intellectual property rights, specifically in the area of copyrights. Uzbekistan has been listed in the US Special 301 Report (301 Report),¹³ from 2011¹⁴ to 2019¹⁵ respectively. The 301 Report, as prepared by the United States Trade Representatives indicates the main jurisdictions where United States companies are facing trade barriers due to intellectual property protection, such as copyright, patents and trademarks. All the reports continually listed Uzbekistan as a country with lack of copyright protection for foreign sound recordings. Other concerns raised in previous Special 301 Reports included the areas of border enforcement, resourcing administrative and enforcement IP agencies, and

⁵ Uzbekistan is the 89th largest export economy in the world and the 96th most complex economy according to the Economic Complexity Index (ECI) <<https://oec.world/en/profile/country/uzb/>> assessed 15 May 2020.

⁶ 'Foreign direct investment, net inflows (BoP, current US\$) – Uzbekistan' (World Bank) <<https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?locations=UZ>> assessed 27 July 2020.

⁷ Resolution on Measures to Implement the National Goals and Tasks on the Sustainable Development for 2030, No.841 of 20 October 2018 (Uzbekistan) <<http://lex.uz/ru/docs/4013358>> accessed 9 October 2019 (Resolution on Goals and Tasks for 2030) 'On measures to implement the national goals and tasks on the sustainable development for 2030.'

⁸ Trushin Eskender, 'Uzbekistan - Toward a New Economy: Country Economic Update' (World Bank Group, Washington DC, 2019) <<http://documents.worldbank.org/curated/en/866501562572675697/Uzbekistan-Toward-a-New-Economy-Country-Economic-Update>> accessed 7 January 2020.

⁹ *The Global Innovation Index 2018: Energizing the World with Innovation* (Cornell University, INSEAD and WIPO, Ithaca, Fontainebleau, and Geneva 2018) <https://www.wipo.int/global_innovation_index/en/> accessed 7 January 2020.

¹⁰ *The Global Innovation Index 2015: Effective Innovation Policies for Development* (Cornell University, INSEAD and WIPO, Ithaca, Fontainebleau, and Geneva 2015)

<https://www.wipo.int/edocs/pubdocs/en/wipo_gii_2015.pdf> accessed 9 October 2019.

¹¹ See *ibid.* Uzbekistan has not been included into Global Innovation Index since 2016 due to the absence of data. Uzbekistan took the 122nd place in the Global Innovation Index among 141 countries of the world.

¹² *The Global Innovation Index 2019: Creating Healthy Lives—The Future of Medical Innovation* (Cornell University, INSEAD and WIPO, Ithaca, Fontainebleau, and Geneva 2019) <https://www.wipo.int/edocs/pubdocs/en/wipo_pub_gii_2019.pdf> accessed 9 October 2019.

¹³ Office of the United States Trade Representative, Special 301 Report <<https://ustr.gov/issue-areas/intellectual-property/Special-301>> accessed 9 October 2019. 'The "Special 301" Report reflects the outcome of a Congressionally-mandated annual review of the global state of intellectual property rights (IPR) protection and enforcement' <<https://ustr.gov/sites/default/files/files/Press/Reports/2018%20Special%20301.pdf>> accessed 9 October 2019.

¹⁴ Special 301 Report (Office of the United States Trade Representative, 2011) <<https://ustr.gov/sites/default/files/uploads/gsp/speeches/reports/2011/301/2011%20Special%20301%20Report.pdf>> assessed 09 October 2019.

¹⁵ Special 301 Report (Office of the United States Trade Representative, 2019) [hereinafter 2019 Special 301 Report] 71 <https://ustr.gov/sites/default/files/2019_Special_301_Report.pdf> accessed 9 October 2019.

addressing software piracy. Each Special 301 Report stated that Uzbekistan had not acceded to the Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of their Phonograms (Phonogram Convention),¹⁶ and included a recommendation to accede to the Phonogram Convention. The United States attaches great importance to the accession of its trading partners to the Phonogram Convention, since the United States is not a member of the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (Rome Convention).¹⁷

The Phonograms Convention¹⁸ allows for protection of phonograms in its 94 member countries. Considering that in the world music industry, the United States remains the largest market with music sales growing by 10.5%,¹⁹ the need to protect rights of its local phonogram producers seems natural.

For the first time, the President of Uzbekistan, Sh. M. Mirziyoyev, made a political statement on the accession of Uzbekistan to the Geneva Convention at a meeting with the

US President in Washington in May 2018.²⁰ On 22 December 2018, the Law of the Republic of Uzbekistan 'On the Accession of the Republic of Uzbekistan to the Convention on the Protection of the Interests of Phonogram Producers from Unlawful Reproduction of their Phonograms (Geneva, 29 October 1971)'²¹ was published. While Uzbekistan remains on the 'Watch List' of the 2019 Special 301 Report,²² efforts made by Uzbekistan to join the Geneva Convention have been acknowledged. According to the 301 Report of 2019, 'Uzbekistan needs to make progress to address other concerns raised in previous Special 301 Reports, including with regard to ex officio authority for enhanced border enforcement, allocating resources to administrative and enforcement IP agencies, and mandating government use of licensed software via presidential decree, law, or regulation.'²³

In 2019, Uzbekistan took significant steps and joined two international Internet Treaties in the field of copyright and related rights, that is, WIPO Copyright Treaty (WCT)²⁴ and WIPO Performances and Phonograms Treaty (WPPT).²⁵

¹⁶ Office of the United States Trade Representative, Special 301 Report current and previous editions <<https://ustr.gov/issue-areas/intellectual-property/Special-301>> accessed 17 May 2020

¹⁷ Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (adopted 26 October 1961, entered into force 18 May 1964) <<https://www.wipo.int/treaties/en/ip/rome/index.html>> accessed 9 Oct 2019.

¹⁸ The Phonograms Convention, adopted in Geneva in October 1971, provides for the obligation of each Contracting State to protect a producer of phonograms who is a national of another Contracting State against the making of duplicates without that producer's consent, against the importation of such duplicates, where the making or importation is for the purpose of distribution to the public; and against the distribution of such duplicates to the public. <<https://www.wipo.int/treaties/en/ip/phonograms/>> accessed 1 May 2020.

¹⁹ IFPI annual Global Music Report (IFPI 2020) <<https://www.ifpi.org/news/IFPI-issues-annual-Global-Music-Report>> accessed 17 May 2020.

²⁰ 'Uzbekistan I SSHA zavavili o namerenii narashivat sotrudnichestvo v oboronnoysfere I ekonomike' (Sputnik, Astana, 17 May 2019)

<<https://ru.sputniknews.kz/politics/20180517/5659953/usa-uzbekistan-mirziyoev-vizit.html>> accessed 9 October 2019.

²¹ 'Zakon Respubliki Uzbekistan o Prisoedinenii Respubliki Uzbekistan k Konvenciiob Ochrane Interesov Proizvoditelei Fonogrammot Nezakonnogo Vosproizvodstva ix Fonogramm (Jeneva 29 oktyabrya 1971 goda) No. ZRU-511 26.12.2018 goda (obnovlen 27.12.2018 r., Ne 03/18/511/2376) // Accession of the Republic of Uzbekistan to the Convention on the Protection of the Interests of Phonogram Producers from Unlawful Reproduction of their Phonograms Act (Geneva, October 29, 1971) No. ZRU-511 dated as of 26 Dec 2018 (amended on 27.12.2018 r. Ne 03/18/511/2376) [hereinafter Phonogram Act 2018] <<http://lex.uz/ru/docs/4127872>> accessed 9 October 2019.

²² 2019 Special 301 Report (n 15) 71.

²³ *ibid* 71.

²⁴ WIPO Copyright Treaty (adopted 20 December 1996, entered into force 6 March 2002) 2186 U.N.T.S. 121; 36 I.L.M. 65 (1997). <<https://wipolex.wipo.int/en/text/295157>> accessed 9 October 2019 (WCT).

²⁵ WIPO Performances and Phonograms Treaty (adopted 20 December 1996, entered into force 2002) 2186 U.N.T.S. 203; 36 I.L.M. 76 (1997) [hereinafter WPPT] <<https://wipolex.wipo.int/en/text/295477>> accessed 9 October 2019.

Table 1. International treaties in the sphere of copyright and related rights, accessed by Uzbekistan

Treaty/Convention	Accession	In Force
Berne Convention for the Protection of Literary and Artistic Works (Paris Act)	19 January 2005 ²⁶	19 April 2005 ²⁷
Geneva Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms	25 January 2019 ²⁸	25 April 2019 ²⁹
WIPO Copyright Treaty (WCT)	17 April 2019 ³⁰	17 July 2019 ³¹
WIPO Performances and Phonograms Treaty (WPPT)	17 April 2019 ³²	17 July 2019 ³³

2. ADVANTAGES AND DISADVANTAGES OF JOINING THE PHONOGRAM CONVENTION FOR COUNTRIES IN TRANSITION

There is little research on the advantages and disadvantages for the countries in transition after joining the Phonograms Convention. The paper intends to analyse potential advantages and disadvantages of Uzbekistan's accession to the Phonograms Convention.

²⁶ Accession by the Republic of Uzbekistan to the Berne Convention for the Protection of Literary and Artistic Works [hereinafter Berne Notification No. 244] <https://www.wipo.int/treaties/en/notifications/berne/treaty_berne_244.html> accessed 9 October 2019.

²⁷ *ibid.*

²⁸ Accession by the Republic of Uzbekistan to the Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of their Phonogram [hereinafter Phonograms Notification No. 89] <https://www.wipo.int/treaties/en/notifications/phonograms/treaty_phonograms_89.html> accessed 9 October 2019 (Phonograms Notification No. 89).

²⁹ *ibid.*

³⁰ Accession by the Republic of Uzbekistan to the WIPO Copyright Treaty [hereinafter WCT Notification No. 92] <https://www.wipo.int/treaties/en/notifications/wct/treaty_wct_92.html> accessed 9 October 2019.

³¹ *ibid.*

The main provisions of the Phonograms Convention³⁴ are reflected in Chapter 61 of the Civil Code of the Republic of Uzbekistan³⁵ and the 'Law of the Republic of Uzbekistan On Copyright and Related Rights' (hereinafter, copyright Law).³⁶ Historically, the Law on copyright and related rights had existed since the 1990s, and was reintroduced in 2006 when Uzbekistan acceded to the Berne Convention. While developing the draft Law during the period from 2003 to 2006, legislators took into account requirements of most international conventions and treaties concerning copyright and related rights that were in force at that time.

The approach of voluntary implementation of international standards was justified with the aim to create a modern law that would meet all current international standards. The rapid development of the Internet and developing trends in the creative industry were also taken into account, and the list of exclusive rights was amended to grant a right of communication to the public.

Therefore, all the main provisions and minimum requirements for the protection of phonogram producers established by the Phonograms Convention were implemented into the Law. Most provisions regarding terms of protection, scope of rights and exclusive economic rights concerning phonograms

³² Accession by the Republic of Uzbekistan to the WIPO Performances and Phonograms Treaty [hereinafter WPPT Notification No. 97] <https://www.wipo.int/treaties/en/notifications/wppt/treaty_wppt_97.html> accessed 9 October 2019.

³³ *ibid.*

³⁴ Phonograms Convention (n 18), art 2. 'Each Contracting State shall protect producers of phonograms who are nationals of other Contracting States against the making of duplicates without the consent of the producer and against the importation of such duplicates, provided that any such making or importation is for the purpose of distribution to the public, and against the distribution of such duplicates to the public.'

³⁵ Civil Code of the Republic of Uzbekistan (Part II) 1996 (amended 04 December 2019) [hereinafter Civil Code 1996] <<http://lex.uz/docs/180550>> accessed 9 October 2019.

³⁶ Copyright and Related Rights Act of the Republic of Uzbekistan 2006 (amended 24 May 2019) [hereinafter Copyright Act 2006] <<http://lex.uz/docs/1023494>> accessed 9 October 2019.

reflected in the Law provide even more extensive protection than required by the Phonograms Convention. Thus, the Law provides even broader protection for phonograms. In particular, the Law provides for a period of protection within 50 years after the first publication of the phonogram or within 50 years after its first recording, if the phonogram was not published during this period.³⁷

Phonogram producers treated as separate right-owners and enjoy a full range of economic rights such as the right to reproduce, distribute, rental rights, right to communicate to the public, right to broadcast, right to import phonograms, and the right to alter.³⁸

Phonogram producers should exercise their rights with due respect for the rights of authors and performers of used works and performances.³⁹ Phonogram producers are entitled to remuneration for each type of use of his phonogram. Phonograms are deemed to have been used regardless of whether it was used for generating income or not.⁴⁰

The use of phonograms without authorization, with payment of remuneration is allowed in case of public performance of the phonogram, broadcasting, or cable communication of the phonogram, including its retransmission.⁴¹ According to the Law, the collection of remuneration can be conducted by collective management organizations (CMO).⁴²

The system of collective management of copyright and related rights was introduced in 2006, in time for the accession of Uzbekistan to the Berne Convention.⁴³ Although CMOs are crucial for establishing a legal platform for users, only one CMO, 'The Guild of Authors and Performers' was created and functioned from 2006 to 2013 in Uzbekistan. Currently, the number of CMO have increased to three organizations, registered as non-profit, non-governmental organizations at the Ministry of Justice of the Republic of Uzbekistan.

One of the provisions absent in the current Law and legislation of Uzbekistan is the concept of compulsory licenses. However, the absence of the provision for compulsory license for sound recordings is in compliance with the minimum standards of the Phonograms Convention. Member States have the right to provide a mechanism for obtaining compulsory licenses, but are not obligated to do so. The main advantages for the industry are that foreign phonograms, after 25 April 2019, are protected in Uzbekistan through the Phonograms Convention without any exemptions and retroactive effect as well as Uzbek phonograms in other member states.⁴⁴ Before accession to the Phonograms Convention, phonograms of Uzbek producers were not under legal protection in the territories of the Member States of the Geneva Convention. CMO's functioning in the Phonograms Convention Member States used to classify Uzbek phonograms published before 25 April 2019, as fallen into public domain. The disadvantages from accession to the Phonograms Convention are hard to estimate since the creative industry market is merging in Uzbekistan and has no significant presence of foreign music labels.

3. EXPECTED CONSEQUENCES OF UZBEKISTAN JOINING THE PHONOGRAM CONVENTION:

A. LEGAL IMPLICATIONS

It is necessary to consider the issues related to the implementation of the Phonogram Convention within the legal system of Uzbekistan and the assessment of possible consequences of the accession of Uzbekistan to the Convention. Ensuring effective law enforcement and protection for rights of producers of phonograms, especially those belonging to Member States of the Phonograms Convention, is an unfinished agenda in Uzbekistan.

The Phonograms Convention entered into force for Uzbekistan on 25 April 2019, three months after the

³⁷ *ibid*, art 35.

³⁸ *ibid*, art 50.

³⁹ *ibid*, art 50.

⁴⁰ *ibid*, art 50.

⁴¹ *ibid*, art 51.

⁴² *ibid*, art 51.

⁴³ *ibid*, Chapter 4.

⁴⁴ Phonograms Convention (n 18), art 7.

notification to the WIPO of the deposit of the instrument of accession by Uzbekistan.⁴⁵ Thus, as per Article 2 of the Phonograms Convention, all phonograms created on 25 April 2019⁴⁶ and later, will be subject to automatic protection on the territory of Uzbekistan. Phonograms created in Uzbekistan will also be automatically protected in the Member States, starting from 25 April 2019.⁴⁷ The inclusion of phonograms created in the territory of the Member States on 25 April 2019 and later to the scope protected phonograms is stipulated in paragraph 4⁴⁸ of the Law on the Accession of the Republic of Uzbekistan to the Convention on the Protection of the Interests of Phonogram Producers from Unlawful Reproduction of their Phonograms: 'In accordance with this Law, the related rights of foreign legal entities and individuals are also recognized protected in the Republic of Uzbekistan in accordance with international treaties of the Republic of Uzbekistan.'

However, all the phonograms created before 25 April 2019, the date on which the provisions of the Phonograms Convention came into force in Uzbekistan, fell within public domain. Until Uzbekistan joined the Phonograms Convention, the provisions of the Law in Part 2 of Article 43 provided that:

The rights of the producer of a phonogram are protected under this Law subject to one of the following conditions:

- the phonogram producer is a citizen of the Republic of Uzbekistan or a legal entity located in the territory of the Republic of Uzbekistan;

- the phonogram was first published on the territory of the Republic of Uzbekistan, regardless of the citizenship or location of the phonogram producers.⁴⁹

In accordance with paragraph 3 of Article 7 of the Phonograms Convention, Member Countries are not entitled to demand the implementation of the provisions of the Convention with respect to phonograms recorded before the entry into force of the Convention on the territory of the acceding state. On the other hand, Uzbekistan has been a member of the Berne Convention since 2005, which has a retroactive effect. The accession of Uzbekistan to the Berne Convention was subject to the following declaration: 'The Republic of Uzbekistan declares that the above-mentioned Convention shall not apply to the literary and artistic works which on the date of entering into force of this Convention for the Republic of Uzbekistan are already public domain on its territory.'⁵⁰ The declaration under Article 18 of the Berne Convention was withdrawn on 8 January 2014.⁵¹ Thus, works that are not in public domain in the country of origin, are protected in Uzbekistan through the Berne Convention, including copyright for phonograms.

⁴⁵ Parties to the Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of Their Phonograms <<https://www.wipo.int/export/sites/www/treaties/en/documents/pdf/phonograms.pdf>> accessed 9 October 2019.

⁴⁶ Phonograms Notification No. 89 (n 28).

⁴⁶ *ibid.*

⁴⁷ *ibid.*

⁴⁸ The Law of the Republic of Uzbekistan 'On the Accession of the Republic of Uzbekistan to the Convention on the Protection of the Interests of Phonogram Producers from Unlawful Reproduction of

their Phonograms (Geneva, October 29, 1971), art 2 <<http://lex.uz/ru/docs/4127872>> accessed 9 October 2019.

⁴⁹ Copyright Act 2006 (n 36), art 43, Part 2.

⁵⁰ Berne Notification No. 244 (n 26).

⁵¹ Parties to the Paris Act 1971 of the Berne Convention <https://www.wipo.int/treaties/en/ActResults.jsp?act_id=26> accessed 15 May 2020; Notification by the Republic of Uzbekistan: Withdrawal of Declaration Concerning Article 18 of the Paris Act (1971) [hereinafter Berne Notification No. 261] <https://www.wipo.int/treaties/en/notifications/berne/treaty_berne_261.html> accessed 15 May 2020.

Table 2. Comparison on consequences of accession to the Berne Convention and the Phonogram conventions

The Phonograms Convention came into force on 25 April 2019	The Berne Convention came into force on 19 April 2005
No retroactive effect	Retroactive effect since 7 October 2013
Protection granted to phonograms created after 25 April 2019	Protection granted to works after 19 April 2005
Phonograms created before 25 April, 2019 are in public domain	Works created before 19 April 2005, are not in public domain

It is resulted in a situation when a large volume of phonograms published in foreign countries before Uzbekistan's accession to the Phonograms Convention would be in the public domain, and *de jure* devoid from legal protection in the territory of Uzbekistan.

At the same time, there will be another volume of phonograms published in the Member States of the Phonograms Convention after 25 April 2019, which will be protected in Uzbekistan. Moreover, following the Berne Convention, which has retroactive effect for Uzbekistan from October 2013, copyrights to musical works with or without text are being protected in the territory of Uzbekistan.

Such difference in the scope of protected work between the Phonograms Convention and the Berne Convention can cause difficulties for CMOs dealing with producers of phonograms and authors. It will be challenging to ensure efficient collection and distribution of remuneration for protected and unprotected phonograms in the territory of Uzbekistan. Alternatively, CMOs could collect and distribute remuneration

for the use of foreign phonograms, despite the date when phonograms were made public either before or after 25 April 2019. Subsequently, it would result in providing protection to phonograms published before 25 April 2019 through copyright. The lapse of phonograms into the public domain would happen after the expiration of the term of protection for copyright rather than sound recordings term of protection. Such practice, if accepted in Uzbekistan, could have a positive impact on the protection of Uzbek producers of phonograms outside Uzbekistan in the Member States of the Phonograms Convention. It would be similar to the principle of 'retroactive protection' under the Berne Convention and would provide an example of a broader application of the Phonograms Convention. However, applying the practice of collecting and distributing remuneration for all the phonograms under such 'retroactive protection' would affect the users and extend the term of protection for sound recordings.

Overall, the Phonograms Convention would have a positive impact on the further development of the legislation, specifically by providing the equal protection for domestic and foreign works. However, the long-term legislative impact of the convention could not be assessed at this point.

B. MARKET IMPLICATIONS

Surveys of piracy and market share of counterfeited works in Uzbekistan have never been conducted. There are no official statistics related to the number of phonograms produced or imported annually. However, the analysis of Uzbek Internet sources shows that the majority of web pages upload sound recordings and music videos of domestic and foreign authors without authorization⁵². Online music streaming services such as Spotify are not accessible in Uzbekistan and most users tend to download music from free Internet websites or watch YouTube.⁵³

⁵² The majority of the internet web-sites offering the foreign music for free download do not have any reference to the rightholders or license granted for making the works (phonograms) available to the public. <<https://musictop.uz/zarubezhnye-novinki/>> accessed 17 May 2020; <<http://tax.uz/music/>> assessed 17 May 2020; <<http://musical.uz/>> accessed 17 May 2020.

⁵³ The short survey conducted by the authors among 65 respondents using Google Forms showed that the majority of respondents (42%) downloads sound recordings for free. Moreover 43 % of the respondent use various websites and 12 % watch Youtube. Only 12% of the respondents use streaming services such as Apple Music, Google Music. 60 % of the respondent prefer foreign music and only

After joining the Berne Convention in 2005, some experts predicted that a large number of music companies and right owners would enter the Uzbek market with demands for royalties on the use of foreign works, which would cause a sharp rise in prices for accessing foreign works. There is no official data or cases where foreign rights owner or record labels a major music label has entered Uzbekistan to protect its rights or collect remuneration, since Uzbekistan acceded to the Berne Convention. It means that the legislation in force and even international treaties would not simply endorse the merging of the creative market. Market players need more favourable circumstances to place their interest and invest in the creative industry in Uzbekistan. To benefit from the system of international protections for copyright and phonograms, Uzbekistan should foster changes in the various fields.

In general, it can be asserted that the substantive Law regarding protection of phonograms in Uzbekistan fully complies with the provisions of not only the Phonograms Convention but also with the WIPO Performances and Phonograms Treaty. However, Uzbekistan's accession to the Phonograms Convention does not mean that companies that own phonograms are likely to enter the Uzbek market to protect their rights and begin to file multimillion-dollar lawsuits against violators.

There is no clear statistical information about the market for musical works in Uzbekistan. It is not known how many musical works are produced; what is the monetary capacity of the market; how many legal, semi-illegal, illegal players are on the market; what are their financial indicators; what segments does the market of phonograms consist of (shares of analog, digital sales, other ways of using phonograms). Thus, with the

merging of the domestic market for phonograms, it would be possible to estimate the economic ratio of foreign rights owners and major music labels.

Besides, the lack of information about the musical market makes it impossible to predict the development of the market; planning a return on investment; and predicting the amount of potential profit. Difficulties in doing business⁵⁴ in Uzbekistan negatively affect creative industries. In general, low rankings of Uzbekistan in various international business ratings, the rule of law index⁵⁵, and perception of corruption and others do not allow expectations of the imminent entry of major phonogram producers into the market.

One of the main areas to improve related to enforcement of copyright and related rights, including mechanisms to combat copyright infringement on the Internet is extensive educational and awareness campaigns. They aimed at increasing respect for intellectual property rights could trigger development of a culture of compliance with intellectual property laws by the general public and businesses.

Another important area is development of CMOs for managing the intellectual property rights of phonogram producers in Uzbekistan. The experience of many developed and developing countries demonstrates that the creation and promotion of CMOs is a crucial tool for providing adequate protection and collection of the remuneration for domestic and foreign authors and phonogram producers.

Finally, it is essential to impose the adequate monetary compensation and legal consequences for infringement of copyright and related rights in Uzbekistan, and to enhance administrative and criminal liability for the violation of exclusive economic rights of rights owners.

18 % of the respondents spent less than 1 dollar for purchasing the music. <<https://docs.google.com/forms/d/1ZNV-xD3hWhSpSMB8ZEqH-pxSIGEHJLRkDwlzFu7pg2s/edit?ts=5d70e0a8#responses>> accessed 28 October 2019.

⁵⁴ *Doing Business 2020* (The World Bank Group, 24 October 2019) <<https://russian.doingbusiness.org/ru/data/exploreconomies/uzbekistan>> accessed 28 October 2019. According to the World Bank Doing

Business 2020 Uzbekistan improved in ranking from 79 to 69 ranking score.

⁵⁵ Uzbekistan scores for overall rule of law from 2015 to 2020.

According to the Rule of Law Index 2020 the Uzbekistan ranked 92 across 128 countries. The World Justice Project Rule of Law Index 2020: Uzbekistan insights. <<https://worldjusticeproject.org/rule-of-law-index/country/Uzbekistan>> assessed 29 July 2020.

4. CONCLUSIONS

In general, the current legal system for copyright and related rights complies with the minimum standards stipulated by the Phonograms Convention and the Berne Convention. Phonograms, created in Member States of the Phonograms Convention, have been protected in Uzbekistan since 25 April 2019. The Uzbek Law even provides high level protection for the right owners. However, the possible legal clash in determining the scope of protected works under the Phonograms Convention and the Berne Convention could affect implications concerning copyright clearance and functioning of CMOs in the region.

The challenge for Uzbekistan is to become a part of the world's creative industry market, while the country continues to develop the system for the protection of copyright and related rights. But, accession to the main international treaties is neither a guarantee of changes in the market nor that it would lead to a raise in the creative industry's impact on economic benefits. The robust IP regime is a prerequisite for market development, but not the only incentive. It requires implementing effective enforcement mechanisms and introducing intensives for emerging of market of creative works.

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CONTACT PERSONS

<p>Ms Martha Chikowore Counsellor WIPO Academy World Intellectual Property Organization (WIPO) Tel: +41 (0)22 338 8585 Fax: +41 (0)22 740 1417 Email: martha.chikowore@wipo.int</p>	<p>Ms Xiaoping Wu Counsellor Intellectual Property, Government Procurement and Competition Division World Trade Organization (WTO) Tel: +41 (0)22 739 5256 Fax: +41 (0)22 739 5790 Email: xiaoping.wu@wto.org</p>
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World Trade Organization (**WTO**)
Rue de Lausanne 154
CH-1211 Geneva 2
Switzerland

Telephone:

+4122 739 51 14

Fax:

+4122 739 57 90

Email:

ipd@wto.org

www.wto.org

World Intellectual Property Organization (**WIPO**)
34, chemin des Colombettes
P.O. Box 18
CH-1211 Geneva 20
Switzerland

Telephone:

+4122 338 91 11

Fax:

+4122 733 54 28

www.wipo.int

ISBN: 978-92-870-5122-6



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