A. INTRODUCTION

This module deals with the provisions of several sections of the TRIPS Agreement, namely Sections 4, 6, 7 and 8 of Part II of the TRIPS Agreement entitled "Industrial Designs" (Article 25, 26), "Layout-Designs (Topographies) of Integrated Circuits" (Articles 35 to 38), "Protection of Undisclosed Information" (Article 39) and "Control of Anti-Competitive Practices in Contractual Licences" (Article 40) respectively. Thus this module covers eight articles as noted above and deals with a variety of topics.

Each section covered in this module has to be read, like other sections in Part II of the TRIPS Agreement that cover standards of intellectual property rights, together with the relevant provisions of pre-existing treaties in the area of international intellectual property law which are incorporated by reference into the TRIPS Agreement. Reference will be made to these treaties in the sections below.

This module will also have to be read in conjunction with other relevant provisions of the TRIPS Agreement that are explained in other modules. Wherever appropriate, cross-references are made to other Modules.

B. INDUSTRIAL DESIGNS

WTO Members' obligations with respect to the protection of industrial designs are set out in Articles 25 and 26, which make up Section 4 of Part II of the TRIPS Agreement. Under these provisions, at least 10 years of protection must be available for industrial designs, during which owners of protected designs must be able to prevent the manufacture, sale or importation for commercial purposes of articles bearing or embodying a design which is a copy, or essentially a copy, of the protected design. Members must also comply with the relevant provisions of the Paris Convention on industrial designs.

1. What is an industrial design?

The term "industrial design" is not defined in the TRIPS Agreement, but is generally understood to refer to the ornamental or aesthetic aspect of an article rather than its technical features. Designs can consist of three-dimensional features, such as the shape of an article, or of two-dimensional features, such as patterns, lines or colours. Industrial designs are present in a wide variety of industrial products including medical instruments, watches, jewellery, electrical appliances, and vehicles.

2. What has to be eligible for protection as an industrial design?

According to Article 25.1 of the TRIPS Agreement, industrial design protection must be available for designs that are:

- new or original; and
- independently created.
Members may provide that designs are not new or original if they do not significantly differ from known designs or combinations of known design features (Article 25.1). The additional requirement of independent creation allows Members to provide for a cumulative application of novelty and originality as is the case under certain Members' laws. Members may provide that design protection shall not extend to designs dictated essentially by technical or functional considerations. This means that Members can exclude from design protection features that are necessary for the technical functioning of the product.

Many products to which designs are applied are not themselves novel and are produced by a large number of manufacturers, such as belts, shoes or screws. If a design for one such article, for example, screws, is dictated purely by the function which the screw is intended to perform, it would not generally be eligible to be protected as an industrial design.¹

This provision leaves considerable scope for Members to tailor their system for the protection of industrial designs more towards a copyright type system (based on protection against copying of original works) or more towards a patent type system (creating an exclusive rights over technological innovation), or by combining the elements identified in the provision in different ways.

(a) General formalities for the protection of industrial designs

(i) Formalities

The TRIPS Section 4 on industrial designs does not prescribe any formalities to be fulfilled before protection can be accorded to the right owner. However, Article 62.1 of the TRIPS Agreement explicitly recognizes that Members may require compliance with reasonable procedures and formalities. Members are therefore free to prescribe formalities in their laws and regulations, e.g. with respect to the filing of applications, the fees to be paid, the examination and publication of such applications and their eventual registration. Members that choose to prescribe such formalities must, however, respect the provisions of Article 62 which provide that any such procedures must permit a reasonably speedy grant or registration so as to avoid unwarranted curtailment of the period of protection.

(ii) Priority

As with patents and trademarks, the right of priority deriving from Article 4 of the Paris Convention, as incorporated into the TRIPS Agreement by Article 2.1, applies equally to the area of industrial designs. As already mentioned, this means that on the basis of a regular application for an industrial design filed by a given applicant in one of the Member countries, the same applicant (or the successor in title) may, within six months, apply for protection in the territories of all the other Members. Within this six-month period, such later applications will be regarded as if they had been filed on the same day as the earliest application and therefore enjoy a priority status with respect to all applications relating to the same design filed after the date of the first application.

(b) Provisions regarding formalities for industrial designs in the textile sector

Textile designs typically have a short product-cycle, are numerous and are particularly liable to copying. They are therefore given special attention under Article 25.2 of the TRIPS Agreement. According to this provision, requirements for obtaining protection of textile

designs, in particular as regards their cost, examination or publication, must not unreasonably impair the opportunity to seek and obtain such protection.

The provision recognizes three areas in particular where problems could arise, namely costs, examination and publication. High fee levels could deter applicants in the textile sector where numerous applications may be necessary to secure effective protection; this would especially present difficulties for small enterprises and firms in developing countries. Examination of applications should not unreasonably delay the granting of protection or curtail its duration in such a way as to render the protection ineffective. Finally, publication, which is generally considered one of the basic principles of registration systems could in the case of textile designs, produce the adverse effect of facilitating the counterfeiting of the published design before the original articles can be put on the market.

The provision explicitly recognizes that Members are free to meet this obligation through industrial design law or through copyright law, where protection is accorded without formalities (see Module II).

"Textile designs" could cover two-dimensional designs (e.g. the pattern on a tie or on a clothing material or embroidery) as well as three-dimensional designs (e.g. model for a dress).

3. What are the rights to be conferred on an owner of a protected industrial design?

According to Article 26.1 of the TRIPS Agreement, the owner of a protected industrial design must have the right to prevent third parties not having the owner's consent from making, selling or importing articles bearing or embodying a design which is a copy, or substantially a copy, of the protected design, when such acts are undertaken for commercial purposes.

It is important to note the difference between the protection for industrial designs and that for trademarks. While TRIPS requires that trademark owners must be able to also prevent the use of similar signs where their use may cause confusion among consumers, owners of industrial designs only have to be protected against the making, selling or importing of goods that carry or include a design that is a copy, or substantially a copy, of the protected design. In other words, the test for infringement essentially concerns the act of copying, rather than deception or confusion of consumers.

Article 5B of the Paris Convention provides that the protection of industrial designs may not, under any circumstances, be subject to any measure of forfeiture as a sanction in cases of failure to work or where articles corresponding to those protected are imported. "Forfeiture" in this provision includes equivalent measures, such as cancellation, invalidation or revocation. This means that Members cannot provide for the revocation or cancellation of design protection where a design is not produced in, or is only imported into, a country.

4. What are the permissible exceptions to rights conferred?

According to Article 26.2 of the TRIPS Agreement exceptions to the rights conferred on the owner of industrial designs are allowed if these:

- are limited;

- do not unreasonably conflict with the normal exploitation of protected industrial designs; and
• do not unreasonably prejudice the legitimate interests of the owner of the protected design, taking account of the legitimate interests of third parties.

This provision uses language similar to that found in Article 13, Article 17 and Article 30 of the TRIPS Agreement. Article 26.2 itself has never been considered in a WTO dispute settlement ruling, and so there is no direct guidance as to how this provision would be interpreted. However, dispute settlement rulings have addressed each of these three similar provisions, considering these concepts in ways which may have a bearing on the interpretation of Article 26.2, even though disputes are decided independently based on the facts of each case and the legal and policy context of exceptions to design rights is distinct from these other areas of IP law. See the explanations of Article 30 in Module V, of Article 13 in Module II and of Article 17 in Module III for more details. Some Members' laws provide for exceptions such as private use, use for experimental or teaching purposes or prior use of a protected design.

5. How long does the protection of an industrial design have to last?

According to Article 26.3 of the TRIPS Agreement the duration of protection available shall amount to at least 10 years.

The wording "amount to" allows Members to maintain systems where the term is divided into, for example, shorter successive periods of protection that can be renewed upon request of the right holder. As the TRIPS regime on industrial designs does not oblige Members to require registration of designs the provision is not specific on the starting point of the period of protection. This could therefore be the date of creation, as is the case under copyright law, or the date of application or the date of grant under specific industrial design laws.

C. LAYOUT-DESIGNS (TOPOGRAPHIES) OF INTEGRATED CIRCUITS

The provisions on the protection of layout-designs of integrated circuits are found in Articles 35 to 38, which make up Section 6 of Part II of the TRIPS Agreement. According to Article 35 of the TRIPS Agreement, Members are required to protect the layout-designs ("topographies") of integrated circuits in accordance with provisions of the Treaty on Intellectual Property in Respect of Integrated Circuits ("IPIC Treaty") and the additional provisions of Articles 36 to 38 of the TRIPS Agreement. The latter provisions relate to the term of protection, the treatment of innocent infringers, the application of the protection to articles containing infringing integrated circuits, and compulsory licensing.

The IPIC Treaty had been negotiated under the auspices of WIPO and signed in Washington in 1989 but has never entered into force as only an insufficient number of countries had ratified it. It is therefore only through their incorporation into the TRIPS Agreement that a number of provisions from the IPIC Treaty have become binding on WTO Members.

1. What is a layout-design (topography) of an integrated circuit?

An integrated circuit (or "chip") is an electronic device that incorporates individual electronic components within a single "integrated" platform of semiconductor material, typically silicon, configured so as to perform a complex electronic function. Typically, an integrated circuit comprises active elements such as electronic switches and gates (like transistors or diodes) and passive electronic components (such as resistors and capacitors). Broadly, integrated circuits are classified into microprocessors and memories. A microprocessor typically performs information-processing functions because it has logic circuits capable of
electronically performing information processing. Memories enable storing and retrieval of data.

An integrated circuit is thus formed when a miniaturized electrical circuit is embodied within a chip. All the active and passive components are created in the semiconductor wafer during the fabrication process itself and are therefore inseparable once the chip has been produced.

A layout-design, also known as an integrated circuit topography, is defined in Article 2(i) of the IPIC Treaty, as incorporated into the TRIPS Agreement, as the three-dimensional disposition, however expressed, of the elements at least one of which is an active element, and of some or all of the interconnections of an integrated circuit, or such a three-dimensional disposition prepared for an integrated circuit intended for manufacture. In other words, a layout-design is the three-dimensional layout of an integrated circuit, i.e. the arrangement in a chip (usually made of semiconductor crystal) of active and passive electronic components.

Such layout-designs do not fall easily under the pre-existing categories of intellectual property law. They may be too functional for copyright or design protection but not inventive enough to merit patent protection. Thus the TRIPS Agreement contains rules specifically addressing their protection. However, these rules are flexible enough to allow countries to use more patent-like approaches with formalities or more copyright-like approaches without formalities as they see fit.

Article 4 of the IPIC Treaty as incorporated in the TRIPS Agreement recognizes that Members are free in the manner in which they implement this protection of layout-designs in their national law and explicitly mentions the possibility to achieve such protection through copyright, patent, utility model, industrial design or unfair competition law, or any other law or combinations thereof. Members, therefore, are not obliged to create a separate law for layout-designs of integrated circuits, but can meet their obligation to protect layout-designs by providing for it in existing categories of intellectual property or in other laws.

2. **What has to be eligible for protection as a layout-design of an integrated circuit?**

According to Article 3(2) of the IPIC Treaty, as incorporated into the TRIPS Agreement, protection extends to such layout-designs that are:

- original in the sense that they are the result of their creators' own intellectual effort; and
- not commonplace among creators of layout-designs and manufacturers of integrated circuits at the time of their creation.

While the originality requirement is similar to the concept of originality in copyright, the requirement of the layout-design not being commonplace is closer to the more objective test of novelty in industrial property law. It is explicitly recognized in Article 3(2)(b) of the IPIC Treaty that a layout-design using elements that are commonplace can still meet these criteria if the combination of these elements is original and not commonplace.

Neither the TRIPS Agreement nor the incorporated provisions of the IPIC Treaty stipulate formality requirements for obtaining protection of a layout-design of integrated circuits. However, Article 7 of the IPIC Treaty explicitly states that Members are free to require, as a condition of protection:
that the layout-design has been ordinarily commercially exploited somewhere in the world (Article 7(1));

- the application for registration of the layout-design with the competent public authority, including the disclosure of information on its electronic function. This may include specifying that filing has to be effected within a certain time period from the date of the first commercial exploitation and the payment of a fee for the registration of the layout-design (Article 7(2)).

Members are therefore free to prescribe such formalities or not in their law. However, Members that choose to prescribe such formalities must respect the provisions of Article 62 of the TRIPS Agreement which provide that any such procedures must permit a reasonably speedy grant or registration so as to avoid unwarranted curtailment of the period of protection.

3. **What are the rights to be conferred on the owner of a protected layout-design?**

According to Article 36 of the TRIPS Agreement and Article 6 of the IPIC Treaty, Members are to consider unlawful:

- the reproduction; and

- the importation, sale or other distribution for commercial purposes

of a protected layout-design, if it was not authorized by the right holder. These prohibitions also extend to integrated circuits incorporating such a design, and to articles which contain such integrated circuits.

This means that the owner of the layout-design has the exclusive right to authorize the reproduction and the commercial distribution of the protected layout-design itself, as well as of products incorporating such a design (e.g. mobile phones or other consumer electronics).

4. **What are the limitations and exceptions to rights conferred?**

The TRIPS Agreement and the IPIC Treaty provide for a number of limitations to the owner's exclusive rights.

(a) **Reproduction for private or research purposes**

Article 6(2)(a) of the IPIC Treaty as incorporated in the TRIPS Agreement provides that it shall not be considered unlawful if a third party, without the authorization of the right holder, engages in the reproduction of a protected layout-design:

- for private purposes; or

- for the sole purpose of evaluation, analysis, research or teaching.

This means that private (i.e. non-commercial) reproduction and reproduction for the purposes indicated above cannot be prevented by the right holder.
Parallel creation

Article 6(2)(c) of the IPIC Treaty as incorporated in the TRIPS Agreement provides that the right owner of a protected layout-design may not exercise his rights in respect of an identical layout-design that was independently created by a third party.

Innocent infringement

The rights of the owner of a protected layout-design are also limited with regard to so-called "innocent infringement". According to Article 37.1 of the TRIPS Agreement, it shall not be considered unlawful to import, sell or otherwise commercially distribute an integrated circuit incorporating an unlawfully reproduced layout design (or a product incorporating such a chip), where the person performing or ordering such acts did not know or had no reasonable grounds to know that such was the case at the time of acquiring the integrated circuit or product. This means that the commercial distribution of an unlawfully copied layout-design (either in a chip or a product incorporating such a chip) cannot be prevented, if the person was legitimately unaware that the chip was unlawful.

Even after such an "innocent infringer" has been sufficiently notified of the offending chip, he must be allowed to continue distributing his existing or pre-ordered stock of such chips or products in return for compensation to the right owner equivalent to a reasonable commercial royalty rate. So even after the innocent infringer has learned about the infringing chip in the products he is distributing for commercial purposes, he must be allowed to sell off the remaining stock of the product or chip in question, as long as he pays royalties at the going commercial rate to the right owner. It is worth noting, however, that this privilege of the "innocent infringer" exists only with respect to acts of commercial distribution of unlawfully reproduced layout-designs, and not with respect to the reproduction itself.

Exhaustion

The issue of exhaustion and the fact that Members are not obliged to adopt a particular exhaustion regime under the TRIPS Agreement has already been discussed in the introductory Module I. Article 6(5) of the IPIC Treaty as incorporated in the TRIPS Agreement specifically states that Members may provide for the exhaustion of distribution rights with regard to layout-designs of integrated circuits that have been put on the market by, or with the consent of, the holder of the right.

Compulsory licensing

With regard to compulsory licensing regarding layout-designs of integrated circuits, Article 37.2 of the TRIPS Agreement provides that the same conditions apply as in the patent area under Article 31(a) to (k) of the TRIPS Agreement. For more details on Article 31, see Module V. While the TRIPS Agreement does not generally make provisions regarding the grounds on which compulsory licences can be granted by Members, Article 31(c) of the TRIPS Agreement stipulates that, in the case of semiconductor technology, compulsory licences may only be granted for non-commercial use or to remedy a practice that has been determined to be anti-competitive.

How long does the protection of a layout-design have to last?

According to Article 38 of the TRIPS Agreement protection is to last for a minimum of 10 years counted from either the date of filing an application for registration or from the first commercial exploitation wherever it occurs in the world. As the TRIPS regime on the protection
of layout-designs contains no obligation for Members to require, as a condition for protection, the registration or the commercial exploitation of a layout-design. Article 38 provides thus alternative starting points for the required 10 year period of protection. As a further possibility, Article 38.3 of the TRIPS Agreement suggests that Members may also provide for protection of a layout-design to lapse 15 years after the creation of the layout-design.

D. UNDISCLOSED INFORMATION

The protection of undisclosed information, which covers both trade secrets and test data submitted to government agencies, is not explicitly covered by pre-existing international intellectual property law, such as the Paris Convention. However, the protection for this subject matter under Article 39 of the TRIPS Agreement is framed in terms of the more general concept of ensuring effective protection against unfair competition pursuant to Article 10bis of the Paris Convention.

Article 10bis of the Paris Convention, as incorporated into the TRIPS Agreement, obliges Members to assure effective protection against acts of competition that are contrary to honest practices in industrial or commercial matters. It contains a non-exhaustive list of some acts of unfair competition which must be prohibited by Members, including all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor; false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor; and indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.

1. Undisclosed information (trade secrets)

The TRIPS Agreement builds on the Paris Convention to introduce specific obligations to protect undisclosed information. Accordingly, its Article 39.2 obliges Members to protect information that:

- is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;

  It is not necessarily the case that trade secrets should be only known to one or two persons to be entitled to protection, but they should not be generally known to the public or other persons in the same trade or business. The information as a whole can be secret, such as the formula for "COCA-COLA", or the information may be composed of individual pieces of information that may be in the public domain, but the compilation of which is not, such as a law firm's client list.

- has commercial value because it is secret;

  The information should be of commercial value to its holder or the holder's competitors and this value would be lost or impaired if the information ceased to be secret. For example, the formula for Coca-Cola would be of less value to that company if all competitors also had access to it.

- has been subject to reasonable steps under the circumstances by the person lawfully in control of the information, to keep it secret.
What constitutes "reasonable steps" to keep information secret may vary from case to case, mostly depending on the nature and value of the information to be protected. For example, in one case, an issue before a court was whether a chemical company should be required, as a reasonable step, to put a roof over the machinery in its plant in order to protect its secret process of making methanol from aerial photography. The court held that, as such a requirement would be too costly to the company, it was not reasonable.

The TRIPS Agreement requires that a natural or legal person lawfully in control of such undisclosed information must have the possibility of preventing it from being disclosed to, acquired by, or used by others without his or her consent in a "manner contrary to honest commercial practices". According to a footnote to the provision, a manner contrary to honest commercial practices means at least the following practices:

- breach of contract,
- breach of confidence,
- inducement to breach of contract or confidence,
- acquisition of undisclosed information by third parties who knew, or were grossly negligent in failing to know, that the above-mentioned practices were involved in the acquisition.

Unlike other intellectual property rights, such as patents and copyright, for which the term of protection is finite, the protection of undisclosed information continues unlimited in time as long as the conditions for its protection continue to be met, i.e. it meets those conditions mentioned above. However, unlike patent protection, there is no protection against a competitor that develops the information independently.

2. Undisclosed test and other data

Most countries require pharmaceutical or agricultural chemical producers to submit test and other data as a condition of approving the marketing of their products, especially when they utilize new chemical entities. Pharmaceutical test data are generated through extensive pre-clinical trials on animals and clinical trials on humans and submitted to governmental agencies in order to provide evidence with respect to the safety, quality and efficacy of these products. Data on the efficacy and environmental effect of agricultural chemicals, such as pesticides or herbicides, are collected through field trials and similar tests. Considerable efforts by the originator company may be required to obtain such test data, both in terms of time and costs. The TRIPS Agreement is the first international instrument in the field of intellectual property that contains obligations specifically with respect to the protection of undisclosed test and other data required to be submitted in order to get marketing approval for pharmaceutical or for agricultural chemical products. This issue is dealt with in Article 39.3, which tries to achieve a balance between competing interests. Protection under Article 39.3 is available independent of other intellectual property rights, including patents. Members have to provide for test data protection irrespective of whether or not the products are covered by patents. The test data may have been generated by a firm or entity that is entirely different from the holder or holders of one or more patents that cover the use of the product in question, and if a patent has been filed on the product, this usually takes place years before the bulk of the trials or tests that produce data on safety, efficacy and environmental effect.

Article 39.3 of the TRIPS Agreement requires Members to protect such test or other data when:
• the data have not been disclosed;
• their submission is required as a condition of approving the marketing of pharmaceutical or agricultural chemical products;
• the products utilize new chemical entities; and
• the origination of the test or other data has required a considerable effort.

There are two forms of protection to be accorded to such test and other data. First, the TRIPS Agreement requires Members to protect them against unfair commercial use. In addition, Members are required to protect such data against disclosure. An exception to this obligation is available where disclosure is necessary to protect the public or where steps are taken to ensure that the data are protected against unfair commercial use.

An issue that has been much debated is whether a pharmaceutical regulatory authority can rely on test data supplied by the originator of a drug in its application for marketing approval to show its safety and efficacy when granting marketing approval for generic versions; in other words, whether it can limit itself to requiring only data necessary to demonstrate the bio-equivalency, or the same uptake in the body, of the generic version.

Members have differing perspectives on the obligation to protect test data against unfair commercial use under Article 39.3 of the TRIPS Agreement. Some are of the view that the most effective method of implementing Article 39.3 is to give the originator of the data a reasonable period of exclusivity during which the regulatory authorities must not rely on the data when approving other versions. Some others believe that there are other ways in which such data can be protected against "unfair commercial use" other than through periods of data exclusivity.

There is no WTO jurisprudence on the question. The matter was at issue in a dispute settlement proceeding between the US and Argentina. While on other issues the parties reached a mutually satisfactory solution, they only agreed on this issue that differences should be resolved under the rules of the WTO dispute settlement system (document WT/DS196/4). However, the issue has not been addressed under the DSU since the resolution of that specific dispute.

E. CONTROL OF ANTI-COMPETITIVE PRACTICES IN CONTRACTUAL LICENCES

1. Introduction

An important element of the overall balance embodied in the TRIPS Agreement is a recognition of the legitimate role of competition law and policy vis-à-vis intellectual property rights and licensing practices. The term "competition law and policy" refers to laws and related policies that address anti-competitive practices of enterprises (sometimes they are also referred to as "antitrust" or "anti-monopoly" laws and/or policies). The set of practices that can be addressed by such laws typically includes anti-competitive and/or collusive agreements (cartels), mergers that lessen competition and abuses of a dominant position or
"monopolization". In addition, the competition laws of some countries contain specific provisions relating to the abuse of intellectual property rights.

The TRIPS Agreement provisions on competition law and policy, to be discussed in this section, reflect concerns regarding potential anti-competitive effects of intellectual property rights protected under the Agreement that were expressed particularly by developing countries during the negotiation of the Agreement in the course of the Uruguay Round of multilateral trade negotiations. They are intended to enable governments to implement appropriate remedies in relation to harmful anti-competitive practices, so long as they act in ways that are consistent with the relevant provisions of the Agreement.

It is important to note that, properly understood, the goals and modalities of intellectual property right systems, and of the TRIPS Agreement, are not intrinsically in conflict with competition law and policy. Indeed, in general, both competition policy and intellectual property serve the same overall objectives - i.e., those of promoting a dynamic and innovative economy, while also facilitating appropriate diffusion of new technologies, and thereby promoting the welfare of citizens. For example, competition law and policy can serve to prevent/deter practices such as collusive pricing or the use of abusive clauses in licensing agreements that unreasonably restrict access to new technologies or the uses to which such technologies can be put.

A related point worth emphasizing is that intellectual property rights normally do not confer "monopolies" to right holders in the sense that they are recognized under competition law. The reason is that in most (though not all) cases, substitutes are available for products and technologies that are protected by intellectual property rights. For this reason, under the competition laws of most countries, the mere existence or exercise of intellectual property rights is not, by itself, treated as being in violation of competition law (just as the mere existence/exercise of other forms of property rights, for example over real property, is not viewed as a violation of such law). Rather, competition law is likely to come into play only in a minority of circumstances where there are few, or no, close substitutes for IP-protected technology or products and/or where rights are deliberately employed in an abusive manner.

Apart from the enforcement of competition law, many countries attach importance to the advocacy of competition principles in relation to other government policies, including intellectual property. An important example of this is a 2003 report by the US Federal Trade Commission which argued in favour of greater attention to the preservation of competition in aspects of US patent policy.

2. Overview of the relevant provisions of the TRIPS Agreement

The main provisions of the TRIPS Agreement having a bearing on the application of competition policy are Article 8.2 dealing with the abuse of intellectual property rights generally, Article 40 dealing with anti-competitive licensing practices, and elements of Article 31, particularly Article 31(k), relating to the use of a patent without the authorization of the right-holder. At a broad level, Article 8.2 of the Agreement stipulates that:

Appropriate measures, provided that they are consistent with the provisions of this Agreement, may be needed to prevent the abuse of intellectual property rights by right-holders.

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holders or the resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology.

It is noted that Article 8.2 is not necessarily concerned only with competition law violations but with the arguably more general concept of "abuse" of intellectual property rights.

In a related vein, but focusing on the specific issue of licensing practices that restrain competition, Article 40.1 of the Agreement notes that:

Members agree that some licensing practices or conditions pertaining to intellectual property rights which restrain competition may have adverse effects on trade and may impede the transfer and dissemination of new technology.

To address this concern, Article 40.2 recognizes the right of WTO Member governments to take measures to prevent anti-competitive abuses of intellectual property rights, provided that such measures are consistent with relevant provisions of the Agreement. Article 40.2 also contains a short illustrative list of practices which may be treated as abuses. These are exclusive grant-back conditions, conditions preventing challenges to validity and coercive package licensing.4

A further important aspect of Article 40 is the authority that it provides for WTO Members to ask for consultations with other Members in cases of possible anti-competitive abuses. Specifically, Article 40.3 of the Agreement provides that a Member considering action against an intellectual property owner that is a national or domiciliary of another Member can seek consultations with that Member. The latter Member is required to cooperate through the supply of publicly available non-confidential information of relevance, and of other information available to that Member, subject to domestic law and to the conclusion of mutually satisfactory agreements concerning the safeguarding of its confidentiality. In addition, Article 40.4 provides that a Member whose nationals are subject to proceedings in another Member concerning alleged violation of that other Member's laws shall, upon request, be granted an opportunity for consultation by the other Member.

Article 31 of the TRIPS Agreement, relating to the use of a patent without the authorization of the right-holder, sets out detailed conditions that must be respected in the granting of compulsory licences by Member states. However, subparagraph (k) of Article 31 makes clear that Members are not obliged to apply certain of these conditions in circumstances where the compulsory licence is granted "to remedy a practice determined after judicial or administrative process to be anti-competitive." In particular, requirements to show that a proposed user has made efforts to obtain voluntary authorization from the right holder on reasonable terms and conditions and that such efforts have not been successful within a reasonable period of time (see Article 31(b)) are not applicable in these circumstances. In addition, the requirement in Article 31 (f) that authorization for use of a patent under a compulsory licence be predominantly for the supply of the domestic market of the Member authorizing such use can be rendered inapplicable by such a finding. Moreover, authorities may consider the need to correct anti-competitive practices while determining the amount of remuneration due under Article 31(h).

4 "Exclusive grantback conditions" refer to any obligation on a licensee to grant an exclusive licence to the licensor in respect of its own improvements to or its own new applications of the licensed technology. "Conditions preventing challenges to validity" are those that impose an obligation on a licensee not to challenge the validity of intellectual property rights held by the licensor. "Coercive package licensing" refers to an obligation on a licensee to accept a licence on several different technologies when the licensee's interest is limited to only part of these technologies.
It is important to note that the provisions described above leave important issues to be resolved at the national level. For example, neither Article 8.2 nor Article 40.2 indicates that specific practices must be treated as abuses or specifies remedial measures that must be taken. In this sense, the competition provisions of the Agreement are permissive rather than mandatory. In addition, with respect to Article 31(k), this provision does not define the basis on which practices may be deemed to be anti-competitive – i.e. the evaluative standards to be employed. Further, the full set of practices that may be deemed anti-competitive (beyond the three examples mentioned) is left undefined. The Agreement also provides relatively little in the way of guidance regarding the remedies that may be adopted in particular cases, beyond making clear that any measures adopted must be consistent with other provisions of the Agreement. In this context, it is of interest that, in a number of jurisdictions, national governments have found it useful to put in place guidelines that address some or all of these matters. Typically, these guidelines draw on past case decisions and economic learning in addition to the relevant agencies’ experience on related issues.\(^5\)

3. Three current issues of interest

There is a range of issues that fall within the interaction of competition and intellectual property policy. Some of these are as follows:

- The application of competition law to the acquisition of IP rights, particularly when IP rights are acquired by one firm from another firm, for example, under competition law provisions relating to mergers and acquisitions.

- The treatment of licensing and related practices, such as grantbacks, exclusive dealing requirements, tie-ins, territorial market limitations, field-of-use restrictions and price maintenance clauses. National approaches have been reported as varying, with different approaches on whether such practices should be assessed case by case for their impact on competition.

- Issues concerning patent thickets: for example, the scenario in which a single semiconductor product can be potentially subject to hundreds or thousands of patents owned by diverse firms. In some cases, the challenges posed by patent thickets have been addressed, or partially addressed, through the establishment of patent pools or cross-licensing arrangements that permit enterprises the use of technologies held by multiple rights-holders. However, some of these arrangements can raise attention because of potential anti-competitive impact and measures may be necessary to ensure they are pro-competitive.

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The treatment of settlements in patent infringement cases: one scenario in which competition issues may arise is when they potentially impede public policy interest in facilitating market entry by generic competitors of an original pharmaceutical.

Refusals to licence: there are differing views in diverse jurisdictions about whether, and in what particular circumstances, such behaviour may be treated as a competition law violation, or whether, an in what circumstances, patent holders can be presumed to have an entitlement to refuse to licence their inventions.