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This volume is the eighth in a series of annual publications from the World Intellectual Property Organization (WIPO) and the World Trade Organization (WTO). Prepared by the WIPO-WTO Colloquium for Teachers of Intellectual Property, this collection of academic papers represents an important contribution to international scholarship in the field of intellectual property (IP). Today we witness ever increasing, more diverse forms of international interaction on IP, yet equally we see growing attention to differing national policy needs and social and developmental priorities in this field. The Colloquium Papers series highlights the importance of fostering scholarship in emerging IP jurisdictions, harvesting the insights from policy and academic debates from across the globe, and promoting mutual learning through the sharing of research and scholarship on a broader geographical base.

For over a decade, the annual WIPO-WTO Colloquium itself has played a central role in the joint capacity building programmes of WIPO and the WTO. This cooperation seeks to enrich dialogue on IP issues and to address the developmental and wider policy considerations that form an integral part of IP law and policy today. The Colloquium responds to the recognition that developmental benefits from the IP system can only be reaped through skilled adaptation to national circumstances and judicious use by informed practitioners. Equally, effective policy development at the national level needs increasingly to draw upon skilled, informed and sophisticated policy analysis. The Colloquium bolsters the capacity of those best placed to ensure truly sustainable, long-term benefits from the adept use of the IP system – those who teach the IP practitioners of the future, and those who conduct research on IP law and policy.

The programme has produced more than 350 alumni. This is a diverse and active network of highly engaged teachers and researchers, which reaches across the developing world. Whilst this network is the principal focus of the programme, it also includes a number of developed countries. It is heartening to see the contributions of these scholars in many avenues – through their academic publications, through their active participation in national and international policy debates, through their own teaching and through their own contribution to capacity building in the developing world.

We see the Colloquium Papers – an edited, peer-reviewed academic journal – as epitomizing the trend towards more diverse and yet more rigorous capacity building in IP law and policy. The publications issued since 2010 draw together the participants’ original insights into current IP issues in their countries, and give greater substance to the network of mutual learning and intellectual exchanges that characterize the Colloquium programme.

The latest publication, a selection of papers from the 2017 Colloquium, covers an impressive range of IP subject matter, including patents, copyright and trademarks. The papers discuss policy issues, including access to medicine, protection of traditional knowledge and protection of geographical indications, all of which are vital to the
development of IP systems in developing countries. This publication series may now be presented as a significant academic journal with unique coverage of IP law and policy focused on emerging IP jurisdictions.

In today’s changing global economy, IP significantly influences the everyday lives of all citizens around the world. An international IP system that can adjust to the shifting global economic landscape, while also stimulating innovation and furthering development, demands the understanding, participation and cooperation of all peoples across the societal spectrum. Initiatives such as the Colloquium play an important role in building capacity, raising awareness, and engaging all societies that are affected by the evolution of the international IP system.

We 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, and for their careful review of papers submitted, which has helped establish the Colloquium Papers as a credible academic publication. We should also record our appreciation for the work of our colleagues in the WIPO Academy and the WTO IP Division in organizing the Colloquium and facilitating the publication. 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.

Francis Gurry
Director General
World Intellectual Property Organization

Roberto Azevêdo
Director-General
World Trade Organization
PREFACE

The eight volumes now produced in the WIPO-WTO Colloquium Papers series serves as a tangible reminder of the vitality and richness of collaboration between the two organizations since the conclusion of a bilateral agreement in 1995, shortly after the WTO was established. The content of this journal, representing emerging scholarship from across the developing world, encapsulates much that is challenging, significant and fascinating in the field of intellectual property (IP) today, and 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. Intellectual property has been the subject of complex, multifaceted debates at the multilateral, regional and national levels over the rights of indigenous people, the conservation of biodiversity, the ethics and use of genetic resources, Internet governance, climate change technology, and access to education and medicine. And behind these debates lies an essential question: how to come to grips with the significant responsibility of IP systems in the current world economy, in international trade, and in national policy environment: how should 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 a deeper and wider research effort; 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. But 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; it builds upon and extends an 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; it 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, in more permanent form, the many insights gleaned from these few days of intensive, vigorous discussion. Participating teachers and researchers expressed important new ideas and insights to global debates that could enrich and inform the exchange 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 series of publications, 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. The WIPO-WTO Colloquium Papers is now well established as a unique and valuable peer reviewed scholarly journal, with a unique focus on research by emerging scholars from across the globe, addressing issues of IP law and policy that are of particular current interest for developing countries and emerging economies.

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. 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 also 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 we 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.
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 2018, and coordinating this publication. Thanks are extended to Irene Calboli and her team Taylor Allan, Lee Chedister, Evangeline Lim, Nicole Ann Lim and Kristin Bussell Newby, and Harrison Ottaway 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 many other colleagues not mentioned here, who have done so much to make the Colloquium initiative a success.
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1. THINKING OUTSIDE THE BOX: THE LEGAL AND NON-LEGAL OBJECTIVES OF GEOGRAPHICAL INDICATIONS

Suelen Carls*

ABSTRACT

This paper discusses the legal and non-legal objectives of geographical indications (GIs) as an intellectual property right, and introduces the issue of GI management in Brazil in terms of laws and policies. The author presents some approaches adopted by Brazilian GI holders, and highlights their successes and failures. The author argues that GI holders must rethink their strategies to achieve success and further development. Finally, the author suggests specific policy changes focusing on the non-legal objectives of GIs, and the provision of access to a coordinated quality support and advice service.

Keywords: geographical indications, development, policy, law, Brazil

1. INTRODUCTION

Geographical indications (GIs) are a contentious topic worldwide. They are more than just an intellectual property (IP) right, especially after the adoption of the Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement) in 1994. They are currently seen, for example, as: (a) a factor in development; (b) differentiation tools in marketing strategies; and, (c) a way to preserve traditional knowledge and cultural expressions.1

For these reasons, GIs have attracted increasing attention from policymakers and trade negotiators, as well as producers, lawyers and economists across the world, interested in both international and local GI issues. This is also due to the TRIPS Agreement’s section on GIs, which involves almost the entire world in GI protection.2 In the previous framework, GI issues were restricted to only the countries that have traditionally protected and promoted GIs (eg France, Italy, Portugal, and Spain).

While there are several aspects in the TRIPS Agreement that need improvement, many countries have begun to build or develop GI protection frameworks based on its agenda, regardless of the nature of protection. There are sui generis systems, such as the European Union (EU) and Brazil; collective and certification marks, eg the United States and Australia; and laws focusing on business practices, often used in conjunction with one of the previous options.

Developing nations are pursuing how to best achieve their community and social expectations.3 They view GIs not merely as a type of IP, but also as means to provide very real benefits to rights holders. In this sense, GI-related success stories demonstrate that, if well managed, GIs can be intangible assets with an interesting potential for product differentiation, creation of added value, and have incidental effects in areas related to the primary product for which the GI is known.

Therefore, there is a stronger call for attention to be paid to the relationships between quality products or services, the environment, territories, cultural heritage, and communities.4 Those aspects should be part of the whole process; otherwise, the GI register is just a piece of paper. However, it is not easy to achieve legal and public policy maturity as well as development, and many challenges remain, particularly in developing countries5 such as Brazil. In this context, taking into consideration international rules, the Brazilian legislation, and available

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policies, the Brazilian scenario should be investigated to see whether GIs are achieving stated goals.

Part II of the paper will provide an overview of the legal and non-legal GI goals, with theoretical emphasis on development issues, relying on well-known examples from the GI world. Part III will deal with the Brazilian context, relevant in terms of law and policies, bringing examples from the reality of the national GIs. In Part IV, the author will argue that the producers must rethink their management strategies, as well as highlight the need for policy changes.

2. THE LEGAL AND NON-LEGAL OBJECTIVES OF GEOGRAPHICAL INDICATIONS

IP, in all its forms, has proved to be an invaluable tool to generate social, cultural and economic growth and development. That is because “intellectual property (IP) comprises not only the valuable economic assets of private firms, but also the social and cultural assets of society”, which is the scenario where GIs are readily found.6

In considering GIs among all types of IP rights (IPRs), it is remarkable that having the geographical name protected is not enough—this is just the beginning. A GI represents a unique blend of intellectual and cultural property, embodied in traditional knowledge, pride, local customs and traditions; these are valued forms of expression for a community. When all those things are brought together and managed in a consistent manner, there will be opportunity for development of the community around the GI.

“The potential impact of intellectual property assets is so great that it is certain to have a considerable effect on national and international economic development in the future.”7 Therefore, IP needs to achieve much more than just its legal expression, ie the registration certificate. The certificate formally ensures that the IP owner has the right to prevent others from making illegal use of the protected intellectual asset, both directly and indirectly, and especially with regards to unfair competition and counterfeiting.

Formal GI registration is also reputed to work on behalf of development objectives, helping producers to add value and gain competitive advantage, since: They exist in a broader context as an integral form of (...) development that offers a valuable framework for powerfully advancing commercial and economic interests while potentially integrating local needs that are anchored in cultural tradition, environment and broad levels of participation. GIs may be as close to a comprehensive, equitable and market-oriented (...) development package (...).8

GIs are a good example of what the literature calls “glocalization,” a term that refers to certain products or services that are present in global markets, and that are concurrently supporting local culture and economies. Therefore, besides a legal function, GIs are market-oriented tools. They may work as an upmarket brand, because GIs usually meet emerging trade demands by quality and food safety standards, which are subject to traceability.

As a function of trade demand, GIs might produce positive impacts on the entire supply chain: they promote the originating territory as a “basket” where the consumer may find other products and services related to the one protected by the GI. The consumer appeal of the territory means that there would be a corresponding increase in the pool of activities among the producers and their families in the area, with the consequent growth of the territory’s income through higher consumer activity.10

GIs have the power to reunite a collection of characteristics, such as traditional methods of production and processing known by the community, and special flavours of the raw material. That distinctiveness creates a higher level of desirability for GI products, and provides them with a valuable competitive advantage that is difficult to erode when compared to non-GI similar products that have no commitment to specific quality and food safety standards.

GIs also contribute to comprehensive development. This occurs when a GI generates measurable economic benefits for the greatest possible number of people directly or indirectly involved in its existence, and concurrently improves (or at least refrains from compromising) the social, cultural and environmental conditions of the region in question.11 In this regard, the

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7 ibid.
9 ibid.
11 Giovannucci et al (n 8).
interpretive scope of sustainable development of the Our Common Future Report presupposes economic development for the achievement of development in other spheres of life.12

A good example of a GI that has achieved development—the non-legal GI goal—is the well-known French cheese Comté. This product generates economic, social and environmental benefits to the relevant area, and has continued to do so. For comparison purposes, Comté will be contrasted with Emmental cheese (which is not under GI protection) in terms of development issues and local community benefits.

Comté cheese, produced since the 12th century, is a French Appellation d’Origine Contrôlée (AOC) and was the first GI to be recognised in France in 1958, where it is also protected as a national cultural heritage. At the EU level, it was recognised in 1996.13

Presently, Comté production is the most significant among the GI cheeses in France, and has shown continuous growth for the past 20 years. It is well-connected to the EU Common Agricultural Policy (CAP), where the dairy sector is one focus of the common internal market strategy.14

The Comité Interprofessionnelle de Gruyère de Comté (CIGC) successfully manages milk producers, cheesemakers, and people responsible for the cheeses’ maturation, in addition to others involved in the production of Comté, such as suppliers, distributors, and tourism agents.15 It is a professional network that comprises intermediaries, economic, political, administrative and academic partners, and represents an association of producers, cooperatives and private companies, linked by history, culture and economic interdependence.16

As previously indicated, Comté is often compared to the non-GI Emmental cheese. They share geographical origin and are similar with respect to the final product. Comté, however, opted for a strategy of local development and protection of cultural heritage based on GI. Meanwhile, Emmental follows an industrial production line, without name protection and without geographical link, being produced in several regions in France and abroad, wherever the price of milk is more attractive.17

At the microeconomic level, the Comté GI-based strategy offers added value to the production chain. Milk producers for Comté and the dairy sector in the region have a constant increase in profitability, which averages 30% more than for similar products in the Franche-Comté region outside of the GI area.18 Comté producers can set higher prices for the product and are paid by consumers; this avoids information asymmetry, as well as the risk of buying products with unsecured quality.19 Also, in the case of Comté, the increase applies to the entire production and supply chain, whereas in the case of Emmental, price increases only benefit the retailers.20

With regard to the meso-economic aspects, Comté plays an important role in attracting tourists to the region, contributing to the development of the hotel and food chain, as well as developing the rural properties involved in tourist activities.21 The “Comté route” leads the tourist through beautiful landscapes and points of reference connected to the cheese. It is an important project for the cultural identity of the region, its products and its way of life.22

The strategies adopted by Comté (GI) and Emmental (industrial production) also have different effects on the generation and maintenance of jobs. The former generates five times more jobs per litre of milk

16 Gerz and Dupont (n 12).
18 Dupont (n 16).
21 Ibid.
22 Gerz and Dupont (n 12).
throughout the entire production chain than the latter. Registered migration is also half that in the same region, but where the GI is not in use; so the GI allows the development of more lucrative businesses in the same area of land.

Regarding the environment, Comté’s production rules limit the intensification of agriculture, which results in a more restricted use of fertiliser and pesticide inputs, and a more protected environment.

This example shows that a GI strategy, if well managed by the holders, with a coherent legal policy, and support able to ensure the proper law enforcement, is able to generate a comprehensive development (in the EU case, the legal framework is the CAP).

3. THE SCENARIO RELEVANT TO BRAZIL

Before joining the World Trade Organization (WTO) and signing the TRIPS Agreement, Brazil did not cover the topic of GIs in its legislation. However, the TRIPS Agreement demanded that WTO members had GI protection in their laws. In 1996, the 1945 Brazilian Code of Industrial Property was replaced by new legislation, the Law of Industrial Property (Law n. 9,279 from 1996, also known as LPI).

The LPI does not define GIs, but establishes that they can be found as (i) an indication of source (IS) or (ii) as a denomination of origin (DO). Both types of GI enjoy the same legal protection according to the federal legislation, but there are a few differences between them. While the first is directly related to the reputation of the geographical area, the second is associated with the natural and human factors of the given geographical area.

The different features of the two types of GI offer a significant flexibility in terms of recognition strategies for Brazilian producers, although the IP characterisation might allow it to be seen as just an indication of source, not an IPR. Furthermore, Brazilian legislation grants GI protection not only to agricultural products but to all sorts of goods, from handicrafts to industrialised products. The scope of GI protection even includes services, as in Peru and Switzerland.

The law also contains three articles dealing with “crimes against geographical indications and other indications.” The penalties for the three crimes are the same: imprisonment of one to three months, or a fine.

In 1999, three years after the LPI came into force, the first recognition request was made by Região do Cerrado Mineiro for coffee, and in 2000, Vale dos Vinhedos for wines. The first was granted six years later, and the second, two years later. Until 2010, the number grew slowly but has been noticeably increasing since then.

Besides the eight foreign GIs recognised in Brazil—all with DO status—there are currently 55 registered Brazilian GIs, being 10 DO and 45 IP, as can be seen from Table 1. Immediately obvious is the wide variety of these GIs: while 30 are related to agriculture and foodstuff, in particular wines and coffee, GIs have also been registered for handicrafts and service.

Table 1. Registered national geographical indications up to October 2017

<table>
<thead>
<tr>
<th>GI</th>
<th>Product/Service</th>
<th>Status</th>
<th>State</th>
<th>Year of recognition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Região do Cerrado Mineiro</td>
<td>Coffee</td>
<td>IP/DO</td>
<td>Minas Gerais</td>
<td>2005/2013</td>
</tr>
<tr>
<td>Pampa Gaúcho da Campanha Meridional</td>
<td>Beef</td>
<td>IP</td>
<td>Rio Grande do Sul</td>
<td>2006</td>
</tr>
<tr>
<td>Paraty</td>
<td>Spirit</td>
<td>IP</td>
<td>Rio de Janeiro</td>
<td>2007</td>
</tr>
<tr>
<td>Vale dos Sinos</td>
<td>Leather</td>
<td>IP</td>
<td>Rio Grande do Sul</td>
<td>2009</td>
</tr>
<tr>
<td>Vale do Submédio São Francisco</td>
<td>Grapes and mangoes</td>
<td>IP</td>
<td>Pernambuco/Bahia</td>
<td>2009</td>
</tr>
<tr>
<td>Pinto Bandeira</td>
<td>Wines</td>
<td>IP</td>
<td>Rio Grande do Sul</td>
<td>2010</td>
</tr>
<tr>
<td>Litoral Norte Gaúcho</td>
<td>Rice</td>
<td>DO</td>
<td>Rio Grande do Sul</td>
<td>2010</td>
</tr>
</tbody>
</table>

23 Giovannucci et al (n 8).
24 Dupont (n 16).
25 Gerz and Dupont (n 12).
26 Law No. 9,279 of 14 May 1996 (Brazilian Industrial Property Law).
28 ibid.
<table>
<thead>
<tr>
<th>Region/Location</th>
<th>Product/Handcrafted Items</th>
<th>Region/State</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Região da Serra da Mantiqueira de Minas Gerais</td>
<td>Coffee</td>
<td>Minas Gerais</td>
<td>2011</td>
</tr>
<tr>
<td>Costa Negra</td>
<td>Shrimp</td>
<td>Ceará</td>
<td>2011</td>
</tr>
<tr>
<td>Região do Jalapão do Estado do Tocantins</td>
<td>Golden grass handcrafted pieces</td>
<td>Tocantins</td>
<td>2011</td>
</tr>
<tr>
<td>Pelotas</td>
<td>Sweeties</td>
<td>Rio Grande do Sul</td>
<td>2011</td>
</tr>
<tr>
<td>Goiabeiras</td>
<td>Claypot cooker</td>
<td>Espirito Santo</td>
<td>2011</td>
</tr>
<tr>
<td>Serro</td>
<td>Cheese</td>
<td>Minas Gerais</td>
<td>2011</td>
</tr>
<tr>
<td>São João del Rei</td>
<td>Tin handcrafted pieces</td>
<td>Minas Gerais</td>
<td>2012</td>
</tr>
<tr>
<td>Franca</td>
<td>Leather shoes</td>
<td>Sao Paulo</td>
<td>2012</td>
</tr>
<tr>
<td>Vales da Uva Goethe</td>
<td>Wines</td>
<td>Santa Catarina</td>
<td>2012</td>
</tr>
<tr>
<td>Canastra</td>
<td>Cheese</td>
<td>Minas Gerais</td>
<td>2012</td>
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<tr>
<td>Pedro II</td>
<td>Opals and handcrafted opals jewellery</td>
<td>Piauí</td>
<td>2012</td>
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<td>Região Pedra Cinza Rio de Janeiro</td>
<td>Rock</td>
<td>Rio de Janeiro</td>
<td>2012</td>
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<tr>
<td>Cachoeiro de Itapemirim</td>
<td>Marble</td>
<td>Espirito Santo</td>
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<td>Norte Pioneiro do Paraná</td>
<td>Coffee</td>
<td>Paraná</td>
<td>2012</td>
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<tr>
<td>Manguzeais de Alagoas</td>
<td>Red propolis and red propolis extract</td>
<td>Alagoas</td>
<td>2012</td>
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<td>Linhares</td>
<td>Cocoa beans</td>
<td>Espirito Santo</td>
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<td>Paraiba</td>
<td>Natural coloured cotton textiles</td>
<td>Paraíba</td>
<td>2012</td>
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<tr>
<td>Região de Salinas</td>
<td>Spirit</td>
<td>Minas Gerais</td>
<td>2012</td>
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<tr>
<td>Porto Digital</td>
<td>Digital services</td>
<td>Pernambuco</td>
<td>2012</td>
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<tr>
<td>Altos Montes</td>
<td>Wines</td>
<td>Rio Grande do Sul</td>
<td>2012</td>
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<td>Divina Pastora</td>
<td>Handcrafted lace</td>
<td>Sergipe</td>
<td>2012</td>
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<tr>
<td>São Tiago</td>
<td>Cookies</td>
<td>Minas Gerais</td>
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<td>Alta Mogiana</td>
<td>Coffee</td>
<td>São Paulo</td>
<td>2013</td>
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<td>Mossoró</td>
<td>Melons</td>
<td>Rio Grande do Norte</td>
<td>2013</td>
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<td>Cariri Paraibano</td>
<td>Handcrafted lace</td>
<td>Paraíba</td>
<td>2013</td>
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<td>Monte Belo</td>
<td>Wines</td>
<td>Rio Grande do Sul</td>
<td>2013</td>
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<td>Piauí</td>
<td>Cajuína (non-alcoholic beverage)</td>
<td>Piauí</td>
<td>2014</td>
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<tr>
<td>Rio Negro</td>
<td>Ornamental fishes</td>
<td>Amazonas</td>
<td>2014</td>
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<tr>
<td>Microrregião Abaíra</td>
<td>Spirit</td>
<td>Bahia</td>
<td>2014</td>
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<tr>
<td>Pantanal</td>
<td>Honey</td>
<td>Pantanal</td>
<td>2015</td>
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<tr>
<td>Farroupilha</td>
<td>Wines</td>
<td>Rio Grande do Sul</td>
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Brazil is formally divided into 26 states plus a federal district, where the federal government is based. However, not all of them have registered GIs and there are many that hold just one granted GI, such as Santa Catarina and Tocantins, for example.

Having the legal protection available is obviously not enough. Public policies are needed to allow for the full use of this IPR. Within the national context, a wave of optimism has been felt since the enactment of the LPI. It has proven especially useful to target potential benefits of using GI recognition strategies to intensify the given goods’ appeal, and at the same time, to provide protection to the relevant productive activities that are proven to have and preserve a distinct reputation, quality or another relevant characteristic due to the geographical area.

In spite of the lack of a unified federal policy—in Brazil there is nothing like the CAP, which could put all the relevant government bodies and issues together—there are some initiatives that deserve credit at the federal level. Those actions come from (i) MAPA, the Brazilian Ministry of Agriculture, Livestock and Food Supply; (ii) Embrapa, the Brazilian public agricultural research corporation; (iii) INPI, the Brazilian National Institute of Industrial Property; and, (iv) Sebrae, the Brazilian Micro and Small Business Support Service, which is “a non-profit private entity with the mission of promoting the sustainable and competitive development of small businesses.”

Because of Brazil’s remarkable agricultural importance and variety of products, including coffee, sugar, soybean, orange, cocoa, beef, tobacco, and cotton, more protection is traditionally given to food products, even though the legislation offers protection for all kinds of goods. This is the case for Embrapa and MAPA actions.

Embrapa has driven initiatives directed towards the animal feeding, soil, climate and vegetation analyses needed for the provenance of the distinct characteristics of the GI-protected geographical areas. Embrapa has offices in each state, and has a distinct specialisation in each region. For example, in the state of Rio Grande do Sul, it focuses on grapes and wines, which is decisive for this state’s wine GIs; in the state of Santa Catarina, the institution is focused on swine and birds, and is currently supporting studies for a pig and sausage GI.

MAPA has done similar work, but has its own IP and agricultural technology department that deals with all relevant kinds of Intellectual Property Rights (IPRs), including patents, plant variety, and GIs. The ministry promoted various introductory and GI-specific courses in the area of IP and innovation in agribusiness from 2009 to 2015. These courses were introduced to build competencies for understanding and implementing IPRs in the agricultural sector, using a distance education platform with participants from all over the country. The courses proved to be an effective way to spread information on IPRs’ potential and possible uses in the...

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agribusiness world, and this written material is still used as a reference in Brazil.

Sebrae specialises in small businesses, and does not have restrictions in regard to the kind of good or service. Therefore, it helps various producers, including non-foodstuff ones. It works through a network of accredited consultants, who mainly help producers to prepare the necessary documentation for GI registration. The organisation depends on public funding and producers’ financial remuneration for the services.

INPI, the national body responsible for evaluating requests for GI protection, has developed a strategy of sending its collaborators to GI events across Brazil to spread the GI requesting process, explaining the law requirements more easily to a wider audience.

This is the extent of Brazil’s national actions. Unlike the EU, there is no quality policy to drive GI matters. However, the country’s continental dimension and the regional products’ diversity (due to the distinct natural environments and influence from various periods of European colonisation) provide abundant grounds for GI strategies.

An indirect stimulus to the traditional production can be found in the policy initiatives for family farming, a reality in many parts of the country. These policies play a role in introducing products in public procurement, mainly in the case of school lunches. For the producers, it represents income without accessing new markets, in a country that has no federal tradition of GI-style protection.¹⁰ For traditional production, however, the policies are an option that does not allow for the cultural and historical spread that could work with GI.

The scenario is slowly changing, and nowadays there is a genuine concern for quality and food security standards. This was not present in the older movements supporting family farming, which sought mostly the promotion and consolidation of agrarian reform settlements.

Several distinct but convergent factors have driven attention to the need for institutional support for the GI strategy in Brazil. Embrapa, for instance, is making a difference in the Rio Grande do Sul state, where the institution is specialised in viticulture. The state houses six of the seven national wine GIs. This area is the location of the first Brazilian GI, Vale dos Vinhedos.

GI strategy plays a relevant role in the evolving Rio Grande do Sul wine sector. It highlights quality and reputation associated with origin to face the global transformations occurring in the market, through a GI label that is recognised worldwide.

However, in most cases, there is still not enough information about GIs’ impact on development, though research is in progress. In any case, the lack of a comprehensive policy is pointed out by scholars and producers as a concern.

In 2007, empirical research was conducted as part of a doctoral thesis aimed at evaluating the development in Vale dos Vinhedos based on the following indicators: (i) in the political-institutional field, the level of social participation; socioeconomic indicators such as the level of cooperation or competition; the existence of information dissemination mechanisms and technical cooperation between the different enterprises, and the level of social exclusion; (ii) in the field of ecology, the implementation (if any) of the principle of ecological precaution in local institutional mechanisms; and (iii) in the cultural aspect, the definition of identity related to geographical limits, as well as the level of valorisation of products associated with local identity.³¹

At that time, when GI protection was five years old and there was barely any local experience using the protection, the research concluded that for a developmental continuity scenario, it was necessary to strengthen social capital through the valorisation of cultural heritage, aiming to intensify the social relations networks and their ties. By this valorisation process, the problem of weakening the sense of belonging to the territory could be avoided. Therefore, a rescue of community relations would be achieved.³²

While this GI project started out based on an external market target, the researcher concluded that it was changing, and “the future trajectory of the Vale dos Vinhedos has in the internal behaviour of its social groups a decisive factor, which concerns the possibility of these groups to adequately address the challenges related to the search for cooperation, solidarity, and social participation.”³³

Six years later, more empirical research found that quality was being endogenously determined, following a bottom-up process, and attention was carefully paid to the influence of the region’s historical, social, cultural,

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³² Ibid.

³³ Ibid.
economic, human, natural and environmental context, implying that value was added not only to products but also to the territory. The result has been the identification of a quality of fine wines, and the dynamics of a new level of development for the micro-region.\textsuperscript{34} Presently, 15 years after GI protection was introduced, it is possible to recognise development benefits for the whole community in the Vale dos Vinhedos region. Besides the strengthening of the wine sector, the tourism sector is continuously growing, along with the restaurants, hotels, and even handcrafted or homemade goods such as cookies, which benefit from being produced in that region. They have now achieved the basket goods offer model.

While the collective engagement was an issue in the initial years of existence for Vale dos Vinhedos when community participation was not a constant, it is not a concern in Região de Corupá, where producers have made a request for a GI for bananas.

The region includes four cities in the north of Santa Catarina state. In 1994, the Associação dos Bananicultores de Corupá (ASBANCO) was established, a producers’ association to deal with banana growers’ needs. People were moving away from the rural areas, because of the very low prices and the devaluation of the activity by the other members of the region’s society.\textsuperscript{35} Since then, ASBANCO has developed many social and cultural activities in addition to supporting production on a daily basis, including the collective purchase of inputs, for example.\textsuperscript{36} At the time ASBANCO was created, bananas from Corupá were seen as a lower quality product because of their appearance, which could have small black spots due to the climate conditions, but were perfect inside.\textsuperscript{37} The association did good work regarding the producers’ and the region’s community, and in 2006, during the XVII Reunión Internacional da Asociacion para la Cooperacion en Investigacion de Banano en el Caribe y en America Tropical (ACORBAT), they were informed by renowned specialists that the time that the bananas take to be ready for consumers in Corupá – 14 months, almost twice as long as in the rest of the world – gives them an unparalleled sweetness.\textsuperscript{38}

This distinctiveness was later proven by Epagri, the Santa Catarina State Agricultural Research and Rural Extension Agency.\textsuperscript{39} Based on this, ASBANCO started to pursue GI recognition in 2014, in conjunction with the producers and the community.\textsuperscript{40} Currently, the level of collective engagement is high. The whole local community, not only banana producers, is involved in the project and understands what a GI means for the people and for the bananas, and are looking forward to the grant. That level of awareness is thanks to the work of more than 20 years of the association. And now if the producers are questioned why the price of their bananas is the same or even higher than the outside perfect ones, they promptly answer, “But mine is sweeter!”\textsuperscript{41}

Another problematic situation in the GI establishment is compliance with the code of practice. This was a sensitive issue for the only wine GI outside the Rio Grande do Sul. In Santa Catarina, the GI Vale das Uvas Goethe (for wines), is currently the only registered GI in the whole state.

Here, producers could not comply with the code of practice requirements when the first crop after the recognition was harvested, because it had been written in a way disconnected from the reality of daily work. As a result, they needed to seek governmental financial support and university-level technical knowledge to adapt the rules to the reality.

This is a common issue in Brazilian GIs. When the project starts, the producers want their products to be the best in the world and establish rules that will not be met in the future, precisely because they do not match the reality. They forget that the original product is the one that has a distinct reputation, quality or other characteristic due to the geographical origin, and so qualifies for GI recognition.

The same has happened with the Pampa Gaúcha da Campanha Meridional GI for beef. Producers faced issues


\textsuperscript{35} Adolar Behnke, Asbanco E O Papel Do Associativismo Em Corupá (ASBANCO 2017).

\textsuperscript{36} ibid.

\textsuperscript{37} Eliane Cristina Müller, A Experiência Da ASBANCO E a Banana Da Região de Corupá: Impactos Nos Produtores E Na Comunidade (ASBANCO 2017).

\textsuperscript{38} ibid.

\textsuperscript{39} Outside the federal level, there are pro-GI institutions in charge of the states’ needs. In Santa Catarina, that institution is Epagri. Besides the only Santa Catarina state recognised GI – the Vale das Uvas Goethe, for wines, Epagri is supporting other initiatives, like Região de Corupá, for bananas and Campos de Cima da Serra, for artisanal cheese, both with registration requested made. A third is almost ready to ask for the registration – Planalto Norte Catarinense, for mate herb, and there are others in initial stages.

\textsuperscript{40} Eliane Cristina Müller, A Experiência Da ASBANCO e a Banana Da Região de Corupá: Impactos Nos Produtores e Na Comunidade (ASBANCO 2017).

\textsuperscript{41} ibid.
regarding the exclusion of a large part of the region’s available breeders, because the code of practice was over-demanding and had been drafted unrealistically. Like in Vale dos Vinhedos, the project started with a focus on external demand, based on internal market segmentation, or even European markets, but without preparing the producers and community. \(^{42}\)

A different situation occurred in Minas Gerais state with Cachaça de Salinas GI. There, since the beginning of the project, the code of practice was treated as critical to the GI’s success. The drafting of the production rules was carefully thought out, and when the GI was granted, the producers already knew how to comply with the standards, which had been established with a solid basis on the daily routine of historical production. \(^ {43}\)

Another relevant matter, related to the code of practice compliance, is the non-existence of a public body in charge of production inspection. This exists in other countries, such as the French Institut national de l’origine et de la qualité (INAO) or the Instituto dos Vinhos do Douro e do Porto, in Portugal.

In Brazil, producers are free—but obliged—to choose among a self, internal or external control, and they need to bear all the resulting costs. The first two are particularly sensitive in terms of assurance, since they are performed by the producers or by a group of people close to the producers. This works when producers are committed, but this is not always the case. Some actions have been taken by MAPA, especially after the first Brazilian GI achieved registration at EU level, but it is still a work in progress.

4. RETHINKING STRATEGIES

To achieve the GIs’ non-legal objectives and the level of development as expressed by the Our Common Future report is not easy. Field research and literature reviews point out that, for a GI to be successful and to consequently generate development, four components are essential. First, a “[strong] organizational and institutional structures to maintain, market, and monitor the GI,” including high commitment to the geographical area demarcation, a fair organisation of the real practices and standards into the code of practice, and a long-term cooperation.\(^ {44}\)

Second, “[equitable] participation among the producers and enterprises in a GI region.” Third, “[strong] market partners committed to promote and commercialize over the long term”, since most of the successful market GIs “(...) are the result of mutually beneficial business relations via which consistent market positionining and effective commercialization have led to a long-term market presence.”\(^ {45}\)

Finally, “[effective] legal protection including a strong domestic GI system” to “(...) permit effective monitoring and enforcement in relevant markets to reduce the likelihood of fraud that can compromise not only the GI’s reputation but also its legal validity.”\(^ {46}\)

When those circumstances are favourable it is easier to achieve success. However, this is not the situation found in Brazil. From the 55 recognised GIs, only a small proportion are sufficiently capable of managing this IPR in such a way as to collect benefits, due to the lack of a relevant strong and comprehensive system.

As mentioned, there is some support being offered by a few institutions, but the scenario is characterised by a lack of coordination among them. When envisioning a single program of regulation, support, and promotion, collective commitment is not seen.\(^ {47}\)

That is also critical when it comes to the information asymmetry as to the notion of a GI, which varies among producers, policies, and consumers. Authorities must be in control of those questions. They should establish policies that are suited to the realities of production.

It is obvious that, in terms of policy, the necessary changes should be related to the need for coordination among the institutions that develop actions in regard to GIs. There is also need for more involvement of other public bodies, especially for the non-foodstuff GIs; protection is offered, but there is no public agency committed to such coordination.

From the producers’ point of view, it is evident that there are difficulties in: drafting the code of practice and controlling the production; sharing the project with the community and making them feel part of it; drawing a coherent and lasting market strategy; making partnerships; achieving a situation where the whole chain gains; and having the financial capacity to meet all goals.

Producers who are already GI holders or are seeking to have a GI recognised need quality advice and support to achieve that, and to rethink the less promising or already unsuccessful strategies. In a scenario where there is not enough on offer from the public agencies, they should rely on each other, building a cooperation network to help them to achieve the non-legal objectives of GIs.

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44 Giovannucci et al (n 8).

45 Ibid.

46 Ibid.

47 Cerdan et al (n 41).
In the end, it is not all a rosy picture. GIs are neither easy nor are they cheap to establish. There might be high costs not only for organisational and institutional structures, but also for upcoming operational needs such as marketing promotion and legal enforcement.

Especially in developing countries like Brazil, it is imperative that GIs are based on good products or services; otherwise, a project could be damaging to the community and may not benefit it at all. When a GI is poorly structured because its foundation is weak, it can be detrimental to the people involved, their traditions and the environment.

From the producer’s side, success requires a good project and commitment to a product that has distinct features, and a community that is engaged and feels part of it. From the legal and policy side, success requires not only commitment to the legal objectives of the GI protection, but even more, to the non-legal.

5. CONCLUDING REMARKS

GIs are often perceived as a path to development. In truth, they are capable of working towards this achievement. However, this requires a strong institutional environment, as well as producers who fully understand the requirements of a successful GI.

The Brazilian institutional environment needs to be strengthened. On the one hand, although the Brazilian GI legislation, in general, offers enough to achieve the GI protection legal goal, a certain greater depth would be welcomed. This is especially so because there is a need for more wide-spread action connected to the definition and request process, and there is also need for more awareness of the possibility of crime.

On the other hand, in terms of policies, the institutional reality is weak and needs to be strengthened, particularly with regard to the coordination of policy initiatives and full coverage of the GI process. There is a call for the policymakers to pay attention to the non-legal objectives of GIs, in a way that provides those interested in GIs with the best information and advice on how to prepare the projects as a whole. This needs to cover each stage from the very first step of production, to delivery to the consumer, thereby providing support for the development of GI holders.

However, those interested in GIs and GI holders should bear in mind that public institutions change slowly, so the key is collaboration. They need to help each other to avoid committing unnecessary mistakes. By rethinking strategies, they can mirror the successes and avoid the failures of their peers, and, consequently, enjoy the full potential of this IPR.

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2. THE CONCEPT OF “GLOBAL PUBLIC GOODS” AND ITS APPLICATION ON PATENTED INVENTION IN SOLVING THE PROBLEM OF ACCESS TO MEDICINES

Philibert Baranyanka*

ABSTRACT

The problem of patents in access to medicines arose after the TRIPS Agreement came into force in January 1995. Although the question is well known and documented, the proposed solutions did not allow for resolving the issue. This paper is in support of the idea that the approach adopted up to this point, essentially based on the idea of public aid in development or on the ethical considerations, is not adequate. It thus suggests changing paradigm and analyzing the question under another approach, that of the concept of the global public goods.

With this issue of patents and access to medicines, the challenge lies in finding the balance between promoting the widespread use of knowledge and creating incentives to produce that knowledge. In this way, medical innovations, including formulas and processes of manufacturing drugs, must be, as all other knowledge, considered as global public goods, so that any individual who needs it can claim the benefit. After analyzing the definition and the characteristics of this concept of global public good, the paper concludes that patented data go into this category of goods. It is so necessary, in the general interest of all, people and countries, to find another way to finance this medical research other than by increasing the price of medicines, the only possibility advocated by the current patent policy.

Key words: Access to medicines, patents, global public goods, drugs, TRIPS Agreement

1. INTRODUCTION

The TRIPS Agreement equates medicines and other medical goods with ordinary goods. However, drug use is not simply a response to a need like any other, but an essential act of survival that cannot be dispensed with. In fact, a drug is a product needed only when one has health problems. For this, the drug has an important human aspect, which is not sufficiently highlighted by its current legal status in WTO agreements. Even if, at the Doha Ministerial Conference, WTO members took steps to develop a certain “health exception” in trade with regard to the application of the TRIPS Agreement to drugs, this would have been the first act of awareness of the existence of a peculiarity with regard to trade in pharmaceuticals that are essential in safeguarding health.

The approach adopted in this paper, in the search for a response to the problem of access to medicines in developing countries, is in line with the logic of the internationalization of traditionally internal issues that reflect a certain inability of the Markets and states to solve some global problems, given that with globalization, “states have become too small for big problems and too big for small problems.” Martin et al saw that “in the narrow sense, the global public good is the one for which the market is failing in its production.” These market and state failures are also reflected in the production of accessible and affordable medicines for all those who need them. This implies the idea of shortage, which means, in the end, that a certain danger threatens humanity. There must be other structures to overcome these shortcomings of the market, and of States acting in solo in pursuit of their selfish interests.

Thus, in order to address this inability of States to manage health issues individually, the response of this problem must be at an international level because “objectively, the world’s population increasingly forms an involuntary community of risks.” Indeed, the rise of interdependencies makes transnational collective actions necessary, since neither market forces, nor those of isolated nation states, nor the profitability strategies of private firms can meet the challenges of globalization of health problems. It is this fact that motivated the choice of the “global public goods” approach to respond to these challenges. Contrary to the notion of the common heritage of humanity, the concept of the global public good has not yet been embodied in international law, but is gradually becoming an instrument of international policy and contributing to a theoretical basis for policies...

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1 Amelle Guesmi, Le Médicament A L’omc: Droit Des Brevets Et Enjeux De Santé (Larciel, Bruxelles, 2011) 481.


and to certain interventions by international organizations.

Moreover, while the concept of global public goods is much more common in political science, there is some confusion, especially in the determination of its content. The use of the legal definition of the term “good” makes it possible to see a little more clearly and to remove ambiguities about certain elements that are often considered as global public goods without actually being so. After defining this concept of “global public goods,” special attention will be given to the characteristics of such goods. This will allow us to make a link between this concept and the goods protected by pharmaceutical patents.

2. DEFINITION AND CHARACTERISTICS OF GLOBAL PUBLIC GOODS

Generally, “goods” are all those things, material or immaterial, usable or having a use value. They can range in size from planetary to local, regional or national. A distinction must be drawn between these assets and those other essential dimensions relating to them, such as the rights to access those assets, the institutions that take them over, and the private or public services that produce, distribute or protect them. In this work, even if these elements (human rights, institutions or services) play an important role or raise crucial issues in the problem under study, they are not “goods” in the sense of this paper and do not enter in consideration in this approach. What does the concept of “global public good” mean then?

In order to understand the concept of the global public good, one must first know what a public good is. Kaul et al define the public good as one that is freely accessible to all and cannot be reserved for any person, as opposed to private good, which implies the possibility of exclusive appropriation. Strictly speaking, a public good is a good provided by the public authority, a good that the latter considers to be compulsorily financed and must be accessible to all without any exclusion or discrimination. Its public nature may result from its intrinsic nature or be the result of a political choice that is always likely to evolve or change. There is a difference between public goods and collective or common goods. All collective goods are not necessarily public goods: a building managed by a private foundation is a collective building belonging solely to the members of the foundation. Similarly, the common spaces of a residence for the elderly constitute common property, but only for the persons housed at that residence. External persons cannot claim access to or use of these places. To confuse public goods with collective goods thus amounts to ignoring the political reasons that induce the public authorities to produce or finance them. While the production of collective goods can be analyzed using an individualistic approach, the production of public goods is a political choice, and an organizational approach of a State or a Community. Thus, the difference between Collective goods and Public goods is reflected in their mode of production, financing or management: public goods are the prerogative of a public institution, whereas collective goods may be the result of collective or associative initiatives, even private in certain circumstances.

Thus, public goods are in principle related to a legal person governed by public law (such as State, Community or any other public entity) which finances and produces them, by itself or by the private operators that it has delegated. This public entity is free to define what its general interest is, in order to motivate public funding, in derogation from the principles of competition. However, goods are public not because they are produced by a public entity, but because of their positive externalities (beneficial effects) on society as a whole, in the short, medium and long term; for the benefit of present and future generations. A public good is one which, placed in the public domain, is available to all and to which accessibility is possible for the majority, if not for all. Nowadays, the public domain remains limited to or within national borders despite transnational interdependencies. Yet, for some of them, the benefits associated with them, as well as the misdeeds of their

9 Ibid.
12 Ibid.
14 Philippe Hugon, Les Frontières de L’ordre Concurrentiel et du Marché (n 5) 268.
16 Philippe Hugon, Les Frontières de L’ordre Concurrentiel et du Marché (n 5) 268.
lack, insufficiency or mismanagement, go beyond the borders of nation-states.

Moreover, the beneficiaries of these public goods do not always correspond to the national constituencies. Thus, there is a discrepancy between the open and universal character of certain public goods and the closed or national nature of the way public policies are formulated for their production or management.\textsuperscript{17} The concept of the “global public good” can then be mobilized to transpose internationally the concept of public good (national or internal), elaborated and formalized by Samuelson.\textsuperscript{18} Indeed, for Smouts, global public goods “belong to the whole humanity and must be considered as elements for which everyone is responsible, for the survival of all.”\textsuperscript{19} The World Bank adopted a political and mobilizing definition, defining global public goods as “goods or resources with positive consequences transcending national borders, with an interest in development and poverty reduction and cannot be implemented without concerted action by the international community.”\textsuperscript{20} Even if they have different purposes, all these definitions are relevant and derive certain characteristics that must be assumed by each asset to be described as global public good.

3. CHARACTERISTICS OF GLOBAL PUBLIC GOODS AND THEIR APPLICABILITY TO PATENTED INVENTION

To be qualified as a global public good, an asset must satisfy, not only the classical or general characteristics of public goods, but also the specific characteristics to those public goods which are needed for use at an international or world level. It must benefit all countries and all social groups inside and outside their countries, both for present and future generations.\textsuperscript{21}

A. THE CLASSICAL OR GENERAL CHARACTERISTICS OF PUBLIC GOODS

A public good must be non-exclusive and not rival in its use or consumption. These two properties make the public good a specific good that requires special management. Indeed, non-rivalry and non-exclusion do not allow private producers to realize profits on these goods; this is why they cannot be provided in a satisfactory way by the market. In addition to non-rivalry and non-exclusion, a public good is also characterized by its non-attributability or indivisibility, according to some authors.\textsuperscript{22} It is necessary to specify the content of these three characteristics of public goods: non-exclusivity, non-rivalry and non-attributability (or indivisibility).

(i) PUBLIC GOOD IS NON-EXCLUSIVE

The first characteristic of a public good, its non-exclusivity, implies that it is impossible, or technically costly, to prohibit access or use of this good to those who wish to use it. Once produced, this good is available to all, and it is difficult to prevent anyone from enjoying it. Such a good cannot be reserved only for certain users, even those who would like to pay the price charged for access.\textsuperscript{23} The impossibility of enjoying these goods in an exclusive way to the detriment of others can be guaranteed by the nature of the good itself, or by a set of techniques or rules. In these latter cases, ownership of exclusion or non-exclusion of a good can evolve with technical progress.\textsuperscript{24} Indeed, as a result of the mechanisms allowing the introduction of access control through a tariff or a toll, it may be possible, although often expensive, to exclude certain persons from access to the good that was supposed to be non-exclusive. Examples of goods deemed to be public but subject to exclusion by tolls are many: the toll highway, information via encrypted television, water in distribution networks, air conditioning, etc. Those who cannot pay the price charged for the use of these goods are in fact excluded, which is the same in the case of goods or inventions protected by patents on medicinal products.

Justification of the monopoly and the exclusivity conferred by patents on inventions are based on the characteristics of such intellectual property, in particular, that it is not possible to prohibit third parties from using the invention once disclosed if there is not some form of protection. Without patents and other intellectual property titles, it would not be possible to prevent someone from unfairly deriving benefits by enjoying products that they had no contribution to developing.

\textsuperscript{17} Ibid. 272.
these inventions. Prior to patent protection, the formulas of the active ingredients and the production processes of the drugs are the property of the inventor, who keeps them at his discretion. In granting a patent, the State or the society in general expects in return for the inventor to make public “in a clear and complete way” the results of such research so that “any person skilled in the art may be able to use it.” The purpose of the patent is to prevent unfair competition from those who have not invested in the long process that has led to the development of these intangible goods. Patented inventions have a cost, and under the current system, this cost is borne by the users of these innovations. But, as for other public goods, its production could also be supported by the community and it is this perspective that is privileged in the context of this article.

Indeed, there are at least two possibilities of financing public goods. For example, State or other communities may decide to build a road, and finance it by introducing a toll system where there is a fee for use; or, by requesting the support of all, whether users or not, through taxes, given that everyone benefits finally. The difference between the two financing channels is that the toll highway becomes exclusive, and thus “less public,” especially when the toll price is prohibitive or above the financial capacity of a part of the users. The same applies to patents, which act as a toll: they regulate or limit access to the invention to any person who is not able to pay the royalties, which are in reality the “entry or passage fees” as required by the patentee. The result is that patented goods (formulas and processes of production) that should be accessible to all, as being non-exclusive, are reserved for a few or some people. The current patent system introduces price exclusion or discrimination and transforms an asset, which is public according to its normal characteristics, into a reserved or a “club” good. Thus, the exclusive right conferred by the patent allows innovative products and services to be characterized as a “club good” (a private good in a way). Those pharmaceutical findings, however, must stay accessible and available to all, under the guarantee of the public authority, which is itself constituted by the joined forces of members of the international community. This is in order to keep up this public aspect of the pharmaceutical inventions protected by patents. But, more than non-exclusion which can be circumvented, it is non-rivalry that is the determinant in the purity of the public good. It is rare to find a good for which there are no possibilities to exclude certain beneficiaries in order to force them to an individualized payment. The non-rivalry of public goods is their defining characteristic.

(ii) PUBLIC GOODS ARE NOT RIVALROUS IN THEIR USE

In addition to being non-exclusive in its use, a public good must also have the characteristic of being non-rivalrous in its consumption. This characteristic implies that the use of the good by one person does not prevent the use of the same item by others. In other words, its use by a person, even repeated, does not affect the substance, quality or utility of the good in question. Thus, the use of a public good by someone does not affect the possibility of use by others, does not alter the quality of the good and does not decrease the quantity available for others. This is distinct from a rival good, which runs out at the first use or belongs to its first user. This non-rivalrous feature is the determining characteristic of a public good because it cannot be derogated from. It is virtually impossible to transform a public good into a rival one, that is to say that this good will be depleted or destroyed at first use, when it was not before. In some cases, the enjoyment of use can only be inconvenienced by the phenomena of congestion. This is the case of traffic congestion on roads, crowded beaches, saturated geostationary orbit, etc. This does not alter the quality or quantity of the public good in question. It is enough that the users take turns, so that everyone finds satisfaction of the good in its totality (for instance, a motorist who arrives after the passage of others finds the road intact and will leave it in the same situation for others after its passage. The same is true for public beaches).

What about patents? A drug exists independently of its trademark or the patent that protects it. It is identifiable by its active ingredient (its formula or its recipe) or the processes of its manufacture. These data protected by pharmaceutical patents fall under the criterion of non-exclusion which can be circumvented, it is non-rivalry which is the determinant in the purity of the public good. It is rare to find a good for which there are no possibilities to exclude certain beneficiaries in order to force them to an individualized payment. The non-rivalry of public goods is their defining characteristic.

27 Ibid.
30 Jarret & Mahieu, Théories Économiques de L’interaction Sociale, (n 24) 57.
31 Thoyer (n 25) 4.
32 Moine-Dupuis, ‘Santé et Biens Communs’ (n 6) 6-8.
company does not impair the possibility of its subsequent use by others for the production of the same medicinal product. The formula used for the production of the first unit or dose has the ability to be reproduced indefinitely for the unlimited manufacture of the same medicinal product. It can then be used by several companies, simultaneously or successively, all without possibility of congestion.

The non-rivalry of the goods protected by patents, pharmaceutical or not, is a fact, be it at the national or international level. In theory then, once a formula has been developed, its use to produce a drug dosage for treatment of one patient does not deteriorate the ability of others to use it for producing additional doses. The same applies to all scientific discoveries that can be used by a person without diluting the potential benefits that other users may derive from them. It should be remembered, however, that scientific discoveries, while not unrivaled, may be exclusive.\(^{33}\) As already stated, it is the nature of the patent system which makes the invention exclusive by requiring the authorization of the inventor (often upon payment of a royalty) for it to be used by other parties. This still allows for it to retain its characteristic of non-rivalry, so that several entities can exploit it simultaneously. As a consequence of the non-exclusive and non-rivalrous nature in the consumption of a public good, one cannot individualize the share of the good which is consumed by each user, and thus attribute a price to its use. This is then the third characteristic of public goods: non-attributability or indivisibility.

(iii) NON-ATTRIBUTABILITY AND INDIVISIBILITY OF PUBLIC GOODS

Non-attributability is the consequence of the indivisibility of the public good, which is not amenable to fragmentation, since it would take away its utility or a part of it.\(^{34}\) A fragmented road would cease to be useful, just as a fraction of a drug formula cannot be used to produce the drug in question. The principle of indivisibility thus ensures that the public good is accessible, equally and in its entirety, to all users. The consequence of this principle is that the public good becomes logically non-attributable, since it is difficult, if not impossible, to fix its unit price since it cannot be subdivided into customizable parts. Constantin describes public goods as those things whose costs are externalisable, and whose unitary production is inexpensive.\(^{35}\) In other words, the total cost of the good is large, but the cost of serving a single consumer is minimal, since there are no additional costs.

Once the first units are produced, the marginal cost of the following units is very small compared to the cost of producing the first unit; that is, the cost of the public good itself in its entirety. Its total cost cannot be borne by a single person, when compared to the enjoyment or utility that will derive from its use. On the other hand, since the public good is non-rivalrous, the rationing of the consumption or the use of such a good is useless.\(^{36}\) In addition, consumers whose payment capacities are less than the price of the first cost of production are excluded economically from the use of the good, even though they could benefit from it at a lower cost or even free of charge.\(^{37}\) For example, an additional spectator to a fireworks show organized during a national public celebration does not imply an additional cost by his or her presence. Preventing a person from attending is unjustified because it does not extend the duration of the show nor does it increase or decrease the enjoyment of those who attend. Under this criterion of non-accountability, it is known that research involving pharmaceuticals requires a lot of financial, human, and temporal investments.

In addition to the fact that it is not possible to determine the cost of a part of the formula for the manufacture of a medicinal product, it is also irrational to attribute the costs of developing it to a particular person or group of people. Putting the cost of medical research on patients (as is currently the case) results in practices characterized by selective, speculative or discriminatory research, lack of transfer of technology, etc., in short, the opposite of the official goals sought by the TRIPS Agreement. If it is accepted that patented properties have the characteristics attributed to public goods, are they also global? The following paragraphs describe the characteristics attributable to global public goods and their applicability to goods protected by pharmaceutical patents.

B. SPECIFIC CHARACTERISTICS TO GLOBAL PUBLIC GOODS

The theoretical basis of global public goods has been progressively established by extending the classical characteristics of public goods (non-rivalry, non-exclusivity and non-attributability) to goods having a global or international dimension.\(^{38}\) Kindleberger, the

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33 Sandler, Global Collective Action (n 23) 6.
37 Ibid.
inventor of this concept, starts from these characteristics and extends them to International Relations, in defining global public goods as “all goods accessible to all States but not necessarily of interest of an individual to produce them.”9 Apart from the fact that these public goods have no border exclusion or rivalry in use between countries, their effects reach several countries and a large part of the world’s population. They are also beneficial for both present and future generations.40 Thus, the notion of the global public good, while retaining the usual characteristics that determine a national or internal public good, proceeds from a double degree of analysis: by their universal and timeless dimension.41 From a legal point of view, Smouts42 considers that these characteristics of universality and timelessness derive from article 4 of the 1979 Moon Treaty, which states that

The exploration and use of Moon are the prerogative of all humanity and are for the good and in the interest of all countries, whatever their degree of economic or scientific development. Due attention shall be paid to the interests of the present and future generations and to the need to promote the raising of standards of living and conditions for economic and social progress and development in accordance with the Charter of the United Nations.43

It is then these two characteristics (universal and timeless) that distinguish global public goods from national public goods.

(i) THE UNIVERSAL OR EXTRATERRITORIAL CHARACTER OF GLOBAL PUBLIC GOODS

Like internal or domestic public goods, global public goods are also non-rival, non-exclusive and non-attributable. In addition, they are also global in their character: its externalities affect all or almost countries. According to Kindleberger,44 the distinction between global public goods and national public goods is the extent of their validity: they are public goods envisaged on a global scale, “which play upon national spaces and borders.”45 Petrella considers as global “those goods that must be considered essential to the security of living together globally.”46 They are intended for the realization of the common welfare and goals of humanity. Thus, global public goods are those that involve all countries or whose effects cross borders and whose benefits reach a large part of the planet or the world population47 or “a broad spectrum of countries.”48 Indeed, having no border exclusion or no rivalry of consumption between countries, they have trans-border externalities that can benefit others and high individual costs with uncertain returns, which does not encourage States, individually, to produce them.49 Given that these benefits do not stop at the borders of States, and benefit everyone, the universality of global public goods highlights the problem of their production, which requires some coordination between States, since the costs of their production must be at the charge of all.50 Global public goods must thus be analyzed in space, because several countries benefit from them or suffer from their lack or insufficiency.

Thus, global public goods are public in two respects, as opposed to the private goods and the national public goods at the State level.51 They are not substitutes for locally endangered goods; this type of goods responds to new needs arising from the increasing interaction of societies at the global level.52 Water, forest, high seas, geostationary orbit, common heritage of humanity, information and, as far as we are concerned, scientific discoveries or knowledge in general, are the main global public goods. For all these goods, their costs of production, management or conservation cannot be borne by a single State, as they result from the sum of the efforts of all the countries in their production, each on its territory according to its capacities and competences. For example, the production of knowledge, such as the development of vaccines against diseases, falls into this category.

41 Ballet, (n 29) 2.
43 Art. 4 of the 1979 Moon Treaty.
47 Isabelle Grunberg & Inge Kaul, Les Biens Publics Mondiaux: La Coopération Internationale au 21ème (n 41) 35.
48 Boidin et al. (n 39) 1.
49 Quenault (n 16) 16.
50 Isabelle Grunberg & Inge Kaul, Les Biens Publics Mondiaux: La Coopération Internationale au 21ème (n 41) 2.
51 Id. 14.
52 Dalode, (n 46) 2006.
Indeed, the research carried out by a state on the eradication of an epidemic on its territory is beneficial for other countries which must also benefit from it, so that their territories do not constitute places or foci where this epidemic will proliferate and threaten other countries.  

In relation to the goods covered by pharmaceutical patents, the universal or extraterritorial character of global public goods manifests itself in two aspects. On one hand, formulas or manufacturing processes, once developed in one country, are not operational only within the territorial boundaries. They are or can also be used in all other countries. Although there may be research for diseases specific to certain regions, there is nothing to prevent their results from being applied to similar or related diseases that are prevalent or that can proliferate in other regions. On the other hand, and in the same vein, the drugs that result from this research can be used to fight against pathologies or epidemics elsewhere, because the epidemics do not respect the borders of the States. Indeed, with a world that is increasingly becoming a “global village,” diseases are circulating as fast as people and goods. In the current context of increasing mobility and cross-flow of goods, and people who go with them, and the resulting economic, social and political interdependence, the threats of diseases and epidemics prevailing in one country affect almost all others.  

Nowadays, the local or national dimension is being reduced more and more, including in terms of health. The HIV/AIDS pandemic, SARS, H1N1 and, more recently, the Ebola haemorrhagic virus, are examples that show that “many local health problems can rapidly have an impact on the international dimension and a global echo.”  

Indeed, globalization of trade (food, plant and animal), as well as migratory and tourist movements have accelerated, in a dramatic way, the microbial and viral unification of the planet. Global public goods share the essential characteristic of generating externalities across national borders and social groups. They present this dimension not only because of their universality, but also because of the timelessness they cover.

(ii) TIMELESS CHARACTER OF GLOBAL PUBLIC GOODS  

For Verschave, global public goods are items that people have a right to produce, preserve, distribute and use, in the conditions of equity and freedom that are the definition and the very mission of the public service, whatever the statutes of the undertakings or bodies which carry out this task. They find their source in a sort of common denominator of rights from which no human should be deprived. Future generations have as many rights to these goods as present generations, making it difficult to balance needs. Indeed, the use of global public goods must meet the needs of present generations, without hindering or damaging those of the next generations.

The absence (or lack) of production, conservation or management of global public goods has implications for human development, now and for our descendants. Global public goods raise the question of intergenerational equity, the management of inheritances, and the consideration of the preferences of all, both for those who use or consume them now, and those who will need them in the near future. The management of these assets must be fair, since today’s generation must use these assets while preserving them for the future, while avoiding “sacrificing the future to fuel the present.” In the same way, “the future will not be preserved by sacrificing the present,” except the freely given and equitably distributed sacrifices. Thus, the intergenerational management of global public goods cannot be done on the basis of economic calculations, insofar as this management is carried out in an uncertain and unknown framework and raises the question of representatives. Who has the right to speak or make decisions on behalf of future generations? Moreover, the time needed to replenish most of these global public goods (such as the biosphere, the ozone layer, the global environment, etc.) is immeasurable with the time of generations succession or economic cycles. However, it is these short cycles that usually decide management criteria or the use (if not waste, pillage or ransacking) of these goods. Uncertainty about the future, and questions of irreversibility (reduction or loss of certain elements of this world heritage) lead to precautions and
avoid recourse to the economic calculation, which has already shown its limits.

The question is whether patented properties, derived from medical research, have this intergenerational aspect. For vaccines, the beneficial effects extend well beyond the present generation, since with vaccination the disease is eradicated once for all and potential future victims are protected forever. In addition, the formula for a drug developed today will be used in the manufacture of drugs to treat future generations, as this formula is inexhaustible and indefinitely usable. As a result, investments made now for research cannot be supported only by the present generation or within twenty years, the term of patent protection. For the question of generational equity, the charges related to the research of medicines should be shared between the different generations who benefit all of these medical advances. These costs should not be borne by the patients of a single generation, that of the time of invention, but should be shared over time and involve all generations. The case of poliomyelitis eradication is an illustrative example. The generation that has benefited most is not so much the one that has suffered from this disease, the one that fought and defeated it, but the one that did not know it.

We know that medical research is expensive and, because of the principle of non-accountability, the burden of research should be shared, not only in space, as already stated in the preceding paragraph, but also in time. Thus, if the cost of polio vaccine development were to be paid, the next generation would have to contribute a posteriori and, probably in a significant way. If the goods protected by pharmaceutical patents (formulas and processes for manufacturing) have all the characteristics of global public goods, it remains to see in which group, among those identified as global public goods, and they should be classified.

4. THE PLACE OF PATENTED PHARMACEUTICAL DATA IN THE CATEGORY OF GLOBAL PUBLIC GOODS

In his article on social welfare and the allocation of resources for invention, Arrow argues that knowledge, which constitutes all inventive activity, is a good whose production, by its very nature, cannot be optimally supported by the market. Indeed, the fact that this kind of goods is not completely appropriated results in a gap between cost of production, which is often very high, and reproduction cost, which is minimal or close to zero.

Discoveries, medical or otherwise, are goods which, once produced in one or more countries by nature or by persons, become immediately accessible to all and must benefit the entire community. Thus, all innovations, regardless of the field, are global public goods if we refer to the characteristics set out above. But this does not mean that all research must be supported by a public body or financed by it. There are indeed public goods that the community can consider as not indispensable to its population and entrust their management or production to private agents. This is the case for some of the beaches granted to hoteliers, or motorways managed by private companies.

Pharmaceutical innovations contribute to the pursuit of the two global objectives of humanity, which UNDP inadvertently describes as “global public goods resulting from the policies of the nations” (the progress of science as well as that of health), through the drugs that these discoveries can produce. These innovations are thus important for humanity, and their management or production cannot depend on the goodwill of private investors. Before showing how these discoveries contribute to these two UN policies, it is important to clarify the status of medicines, as such, in relation to global public goods.

A. MEDICINES ARE NOT GLOBAL PUBLIC GOODS

Medicines derived from pharmaceutical inventions are like units from a resource. These units are rival, since they cannot be subject to concomitant use or joint appropriation. Indeed, the medication consumed by a patient is comparable to a “caught fish that will no longer be there for the next or water used for irrigation of a field of a farmer who can no longer be there for the use of another.” Thus, drugs are private goods, by their nature, since there is, in fact, a rivalry of use between patients. In fact, their consumption by one diminishes their utility for others. A pill treatment, taken by a patient to cure his infection, can no longer be used by another patient. Like caught fish or water taken from a lake, drugs from the “resource” cannot be used simultaneously by many, but only the resource itself has this quality. If for the fish the resource is the lake, for the drug, the resource happens to be the formula of its active ingredient. It is in this resource (formula or manufacturing process) that one draws the drugs.

In addition to being rivals, drugs are also exclusive goods, their consumption being primarily reserved for those

65 Sandler, Global Collective Action (n 23) 120.
67 Lévéque & Ménière, (n 37) 27.
who have the means to pay the price. Those who do not have the financial capacity to pay the price, at least equal to the cost of producing the dose they want, in the case of non-patented or generic drugs, are excluded or discriminated by the price in consumption or use of these drugs. In addition, it is possible to integrate them in the heritage of a person, physical or moral. The patient who pays the price appropriates it definitively, and stocks of drugs are part of the heritage of the laboratory that manufactured them or the pharmacist who has them in goodwill.70 Rivals and exclusives, they are also attributable or divisible into cures. It can indeed be fixed that one person, because of physical characteristics related to weight or age, can take only one quantity, while another person will take another. This indicates that at least in a theoretical way, one is able to identify the quantity and the cost of a dose that is necessary to treat someone and this portion retains the same therapeutic efficacy as the dose that was used by another, which is contrary to the character indivisibility of the public good.

Medicines are then strictly private goods and cannot have the status of global public goods. If drugs are not public goods, they are certainly “essential goods” that need special treatment, and their trade should not be equated with trade in other ordinary goods.71 The drug, which is the subject of a private appropriation that can hardly be called into question, nevertheless touches on the essential element for humanity: the life and the survival of the human being.72

Although this specificity of the drug is not disputed, it is not expressly recognized in international law. The TRIPS Agreement refers to pharmaceuticals only once in article 39, and again in relation to the protection of undisclosed information. If drugs were to continue to be treated as mere ordinary goods, it would be tantamount to accepting that health is “a commodity” to which only those with sufficient purchasing power have access, which is obviously unacceptable.73 The idea behind the previous developments is not to take the drug out of the market, otherwise incentives for pharmaceutical research would disappear. However, it is undeniable that the quality of the “essential good” of the drug must take the ascendancy on its quality of merchandise. Once recognized as useful for humanity, it would serve as a basis for a policy of universal access to these essential goods and to find a solution that remedies the current misdeeds of the patent in the field of health. This should allow patented medical inventions to regain their character as global public goods with the aim of achieving goals doubly important to humanity: safe health and scientific progress.

B. PATENTED PHARMACEUTICAL DATA ARE GLOBAL PUBLIC GOODS RELATED TO HEALTH

Health is often cited as one of the most visible global public goods, alongside knowledge and education. The desire for good health seems to assume the characteristics of non-rivalry (the good health of a person does not deprive others of enjoying it); of non-attributability (it has no price); of universality (it does not limit itself to the borders of the countries and the health situation of some plays positively or negatively on that of others); and of timelessness (all generations aspire to it).74 The growing use of the term “public good” in the health field has led it to consider it as a global public good.75

But, the addition of some elements to the category of global public goods is wrong because it is confusing. Indeed, the term “good” in the expression “global public goods” is not properly defined or apprehended by most internationalists.76 This confusion results from the fact that some authors start from a rather simple, if not simplistic, correlation. For them, everything that transgresses borders is a “global public good” (health, security, financial or climate stabilization), all that is contrary to it is a “global public evil” (such as epidemics, financial crises or atmospheric pollution). These elements, considered by many to be “good”, are not only complex but also difficult to grasp because they are not part of the register of material or perceptible elements such as water and air. Hence the temptation to apprehend them by their opposites, which are better identifiable (wars, insecurity, diseases, global warming) and which are in turn described as global public evils opposed to the corresponding public goods.

In the reasoning of these authors, there is a correlation between “global public evils” and insufficient production of “global public goods.” Thus, “good” is opposed to “evil,” indicating that the good they refer to is clearly a moral or ethical one. There is therefore a confusion between the moral good and the material good. But the “good” we are talking about, when we talk about global public goods, is a material or immaterial thing, susceptible of appropriation, production or destruction. This good, in the legal sense of the term, is part of the materialist conception of the property.

70 Moine-Dupuis, Santé et Biens Communs (n 6) 4-5.
72 Ibid. 13.
73 Verschave, La Santé Mondiale, Entre Racket et Bien Public (n 59) 296.
75 Boidin, (n 39) 30.
76 Kaul, Providing global public goods, 453.
Therefore, health, peace, security, education, climate or financial stability are not “good” in the legal sense of the term, since they do not lend themselves to the legal techniques of appropriation. These are policies or goals to be achieved. This certainly has a cost, which is often high, but policies or objectives, even if they are global, cannot be taken as goods in the legal sense of the term.

Thus, neither the desire for good health, nor health itself, nor the overall policy of preserving or improving public, national or global health, are goods in the material or legal sense of the term. These are good policies or laudable desires certainly, and their defect is an evil to fight, but this moral good does not transform health into a material good. On the other hand, the goods covered by pharmaceutical patents, which allow the realization of this policy, are global public goods, which can be considered to be related to health. In addition to fulfilling all the characteristics of global public goods as shown above, elements protected by patents (active drug ingredients, their formulas or their manufacture) are global public goods, in the sense that every person theoretically has a right to their free use, made possible by the disclosure initiated by the patent. The patent is indeed a protection offered to the inventor against unfair competition, in return for the disclosure of his invention by making it public. Any disclosed invention must be accessible to all, as advocated by the preamble of the WHO Statutes which states that “the admission of all people to the benefit of knowledge acquired by the medical sciences is essential to achieve the highest degree of health.” The eradication of variola through a global vaccination campaign is a good example. The elements covered by the patents are then made public by this protection, the purpose of which is to disclose it to researchers so that they can use it to develop new molecules. Thus, these assets are also part of a comprehensive knowledge database that is used to advance science.

C. PATENTED PHARMACEUTICAL DATA ARE GLOBAL PUBLIC GOODS RELATED TO SCIENCE

Pasteur said that “science is a heritage of humanity.” Mouhoud defines science or knowledge as the fruit of theoretical or practical work for improving the understanding of natural or social facts. It is a cognitive capacity constituted by a stock resulting from the accumulation of knowledge. The fruit of intellectual processes of understanding and learning is incorporated into common memory and forms a stock of immaterial productive capital. Knowledge or science generally has the three qualities or attributes of public goods: non-rivalry, non-exclusivity and indivisibility.

First, knowledge is a non-rival good since its use or acquisition by a person does not diminish the amount of knowledge that remains available to others. The use of knowledge by one person does not prevent the use of the same knowledge by another, and it can be reused by several, simultaneously or successively, infinitely and without additional cost, its marginal cost being virtually zero.

Secondly, knowledge is also non-exclusive, which implies that everyone can make free use of knowledge in the public domain. Everyone has theoretically access to knowledge and science, although this requires infrastructure that is not necessarily always available to everyone. Cicero already asserted that “knowledge is a common good that no one can claim for himself, but that everyone must communicate to others.”

Finally, the non-attributability of knowledge indicates that no one person or state can claim the monopoly or exclusivity of creation of knowledge and science; it is also difficult to divide them into small pieces in order to determine the marginal cost. However, according to traditional theory, the well-being of society is maximized when users have the opportunity to pay for goods and services at their marginal cost. Information goods, whose marginal cost of reproduction is practically null, should be sold almost free of charge. In addition to its properties of non-exclusivity, non-rivalry and indivisibility, the universality and timelessness characteristics of knowledge must be taken into account. On the one hand, scientific knowledge is universal knowledge even if it refers to specific linguistic codes. Thus, several countries benefit from the economic benefits of inventions: the country where the invention was made, the country where it is owned, but also partly from other countries, since multinational companies can deploy their technology on a global scale, especially through marketing. On the other hand, science carries positive benefits.
externalities for present and future generations. The knowledge that we have today, and which leads to social progress, is the result of an accumulation of knowledge acquired by humanity for millennia. In all areas, including health, a large proportion of knowledge comes from free public inputs from education and learning from basic research. It is a combination of progressive advances in research. This cumulative nature of knowledge is linked to the fact that the production of new knowledge is largely based on existing knowledge, the inventors of today relying on knowledge, traditions and inventive richness amassed by the human community as a whole and over time, to go even further. It is then timeless and intergenerational. Thus, the factors of development of the countries and the competition between the companies, the science and the knowledge have all the characteristics of the global public goods.

5. CONCLUSION

Although traditional economic theories imply free access at the global level, strategies have been put in place to restrict their diffusion, especially with the entry into force of the TRIPS Agreement, thereby introducing a sort of “merchandising knowledge.” The current patent system is a means of re-privatizing science, which is intrinsically public at the global level. The prior knowledge that is at the base of the production of new knowledge is already in the public domain, how to reward the contribution of new inventors while taking into account the part and the interest of the community, the only real owner of the knowledge that has served as a basis in their research? How to avoid the “holdup” of newcomers on the common good that already existed and was open to all? In the area of health more than elsewhere, it is important to make the distinction between knowledge, which is national, and global public goods, and the resulting products, which are private goods. The patent covers the “informational good” which is part of the knowledge—a global public good—unlike the drug, the material support of this knowledge, which is a private good. Placed upstream in the development of the product, the patent reduces access to this public good belonging to all, thus promoting its grabbing by some, and its exclusion for others. Medical knowledge, including formulas and processes for the manufacture of drugs, must, like all other knowledge, be considered as global public good so that anyone who needs it can claim the benefit. Once this conclusion is accepted, the main recommendation is that, like all national public goods, the production of these global public goods must be supported by public funding from all countries and all generations because they benefit all. There remains only the big question of how to mobilize this international financing to produce these global public goods and this would be the subject of further research and publications.

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3. INTELLECTUAL PROPERTY POLICY FOR INTERNET PLATFORMS

Yang Cao*  

ABSTRACT

The internet as a platform is a key driver of the current internet economy. Its multi-sided nature however presents difficulties for the application of current intellectual property regimes which are traditionally founded upon and applied in the conventional one-sided economic ecosystem. Accordingly, the question of how to reconcile intellectual property rights and the two-sided nature of internet platforms has become a pivotal point of consideration for all internet governance discussions; new rules are needed for the good and sound development of internet platforms. This paper aims to solve such incompatibility by suggesting several measures. For one, it argues that since internet platform operators are the major controllers of such platforms, they are best placed to control infringing activities on those platforms. Hence, platform operators ought to be considered as indirectly infringing on a third party’s intellectual property rights where platform users directly infringe on such rights. Technology neutrality is also a key principle for internet policy. Importantly, intellectual property rules should not favour or discriminate against specific platform technologies. For online created content, the transformative use principle may be a useful tool for balancing intellectual property protection and online content creation. Cross-border operation of online platforms should also be categorised as E-commerce. Accordingly, the international society should establish a uniform framework for the imposition of liability on internet platforms under the E-commerce treaties while allowing for a degree of flexibility to cater to varying development levels of the internet economy.

Keywords: Internet platform, two-sided market, intellectual property rules, balance of interest, and technology neutrality

1. INTRODUCTION

The disruptive power of internet platforms is radically changing businesses, the economy, and society at large. Companies such as Amazon, Alibaba, Facebook, Google, and Uber are creating online structures that enable a wide range of human activities, consequently paving the way for radical changes in how we work, socialize, create value in the economy, and compete for the resulting profits. While economic growth as a whole is slow in most of the G-20 countries, the internet economy is predicted to grow at an annual rate of 8 per cent, far outpacing growth in more ‘traditional’ sectors. The internet is set to contribute $6.6 trillion a year, or 7.1% of the total GDP in the G20 countries. Platforms have hence become an important economic force with a total market value of $4.3 trillion and an employment base of at least $1.3 million direct employees and millions of others indirectly employed. Platforms have proven to be the drivers of innovation in the digital economy and can be expected to be important drivers towards the further development of the sharing economy. One study shows that 18 important platforms accounted for about 25% of all internet traffic by the end of 2015. This study also shows that these platforms represent indeed a large and growing part of total web-based activity. The platform age is upon us because of the development of powerful information and communication technologies that have lowered the cost and increased the reach of connecting platform sides.

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Intellectual property is the most important asset for such platforms and also a key driver of their growth and expansion. Over the recent years, the question of how to reconcile intellectual property rights and technologies and platforms that are based on the internet has become a pivotal point of consideration for all internet governance discussions. This paper argues that the current intellectual property rules, founded on and applicable only to one-sided markets, are inappropriate for multi-sided internet platforms. Instead, new rules are needed for their good and sound development. This paper will proceed as follows: First, section II will analyse the definition of an internet platform. This entails categorising the different types of internet platforms and discussing the economics of such internet platforms. Second, section III will demonstrate that the current intellectual property regime is inappropriate for the governance of internet platforms. Finally, section IV proposes methods to reconcile intellectual property rules with the internet platform ecosystem.

2. DEFINING INTERNET PLATFORMS

There is no single definition of platforms. One formulation of a platform is ‘a business based on enabling value-creating interactions between external producers and consumers.’ In other words, a platform uses technology to connect people, organizations, and resources in an interactive ecosystem in which massive amounts of value can be created and exchanged. In economics, platforms are known as “two-sided” or “multi-sided” markets where two or more types of users are brought together by a platform to facilitate an exchange or a transaction. The internet platform is a software-based product or service that serves as a foundation on which outside parties can build complementary products or services. It is an extensible software-based system that provides the core functionality shared by mobile applications (APPS) that interoperate with it, and the interfaces through which they interoperate. As an online market place where two or more distinct types of users (for instance, buyers and sellers) can meet to, amongst other things, exchange goods, services, and information, the internet platforms are hence “two sided” markets. Online users can be buyers and sellers, advertisers, software developers, social media users, etc.

Different types of internet platforms can however, have very different business models. Specifically, different platforms have very different control mechanisms in relation to the creation and dissemination of intellectual property information on the platforms. The different business models in turn, have an implication on intellectual property rules, as will be explored below.

What is pertinent to note is that internet platforms are different from traditional businesses; they often do not fit well into the normal regulatory system. Regulators therefore need to have a good understanding not only of platforms generally, but also the role that specific platforms play in the market, including the source of the value they create, their relationship to customers and competitors, and the alternatives to them. The value of internet platforms lies in their indirect network effect. Known as network externalities or Metcalfe’s law, in economics, the network effect refers to the degree to which every additional user of a platform or app makes it more valuable to every other existing user. As an example, Facebook will have zero value to its first user. However, as the number of Facebook users increases, so does Facebook’s value. The reason is simple: each additional user dramatically increases the number of other users that existing users can interact with.

Economists now know that many of the theories derived over the last century for traditional firms are inappropriate for internet platforms. This is because unlike the traditional business “pipeline” system with a linear value chain, online platforms are nonlinear. Online platforms, producers, consumers, app developers, and the platform itself enter into a variable number of relationships. In a platform, different types of users are

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8 Ibid 3.
9 For detailed descriptions of multi-sided markets, see Jean-Charles Rochet and Jean Tirole, ‘Platform Competition in Two-Sided Markets’ (2003) Journal of the European Economic Association 1(4): 990-1209; and David S. Evans, Richard Schmalensee, *Matchmakers: The New Economics of Multisided Platforms* (Harvard Business Review Press 2016) 8-37. Single-sided markets feature a linear value chain, which means a step-by-step arrangement for creating and transferring value with producers at one end and consumers at the other. Conversely, multi-sided markets are economic platforms having two or more distinct user groups that provide each other with network benefits. This kind of market has the potential to scale and generate value in a non-linear manner. In other words, the whole of the value created by a multi-sided market can be more than the sum of the parts, if the multi-sided market is correctly structured.
12 Network effects may be either direct or indirect. To understand the difference between direct and indirect network effect, see, Matthew T Clements, ‘Direct and Indirect Network Effects: Are They Equivalent?’ (2004) International Journal of Industrial Organization 22(5):633-645.
13 Tiwana (n 10) 33.
14 Ibid.
15 Evans & Schmalensee (n6) 15.
connected and interacted with each other through the resources provided by the platform. Some users are producers, some users are consumers, and some users play different roles at various times. And all the users are interconnected and interdependent. The appropriate rules for internet platforms must thus account for the fact that the demands by the customers on various sides of the platform are interdependent.

The platform economy also has different model to make a profit. Traditionally, business could not profit if they gave their products away for free. This is however not the case for multi-sided firms; such firms can serve one group of participants for fee, or even pay them to participate, and still profit. All those are contributed to the same and cross-side network effect. If only one-side effect exists, no one will pay the cost. But if a cross-side network effect exists, the participants on one side can compensate for participants on the other side.

3. INAPPLICABILITY OF INTELLECTUAL PROPERTY RULES FOR INTERNET PLATFORMS

A. THEORIES OF INTELLECTUAL PROPERTY

Traditional intellectual property rules came into being after central authorities who, after a delicate balancing of competing interests and in the name of the general welfare, created statutory rights to intellectual achievements. Consequently, the utilitarian theory has long provided the dominant paradigm for analysing and justifying the various intellectual property rules. The utilitarian theory states that we have intellectual property systems because it benefits society. Specifically, the traditional justification for intellectual property is premised on a cost-benefit trade-off; intellectual property rights impose social costs on the public, and are only justified to the extent that such rights do encourage enough creation and dissemination of new creations to offset those costs.

It is commonly thought that the intellectual property ecosystem comprises of different stakeholders with competing interests. Intellectual property laws hence aim to balance the competing interests of different participants. For example, the US Copyright Act strives to attain a difficult balance between the interests of authors and inventors in the control and exploitation of their writings and discoveries on the one hand, and society’s competing interest in the free flow of ideas, information, and commerce on the other hand. Similarly, patent law aims to strike a delicate balance between two prongs of social desire: the desire to encourage initial invention, and the desire to ensure the availability of that invention both for its initially intended use and for its use as a basis for further invention. Likewise, trademark law is crafted with the goal of balancing the interests of trademark holders against the interests of expressive users.

B. INTELLECTUAL PROPERTY RULES ARE INAPPROPRIATE FOR GOVERNING THE INTERNET PLATFORMS ECOSYSTEM

With the emergence of the internet as a means of communication, creativity, innovation, and ideas, and with the growing accessibility to information, traditional concepts of intellectual property appear increasingly antiquated and inapplicable in a space where information is democratised, people are increasingly more empowered to create, exchange, and distribute content, and innovation and creativity proliferate. Such incompatibility is due to two reasons:

First, the economic rationales of both systems differ. Intellectual property rules are based on classic economic theories that emphasise laws of market supply and demand of the one-sided market. That is to say that current intellectual property rules are formulated to operate in a traditional linear market. However, as explained above, the internet platform economy is a non-linear multi-sided market. The internet platform is a complex system comprised of numerous interacting subsystems. A complex system is a system composed of many components that may interact with each other. Accordingly, the behavior of a complex system is unpredictable. As a nonlinear system, the change of the

25 Tiwana (n 10) 6.
output in a complex system is also not proportional to the change of the input.\textsuperscript{26} The traditional intellectual property rules exists in a somewhat linear system with some well-defined boundaries where the role each participant takes is plain and clear. The situation is different for nonlinear internet platforms where the participants’ roles and its interests are not always clearly defined and may even change with time. For one, end-users can also be producers. Accordingly, current intellectual property rules which are based on simple one-sided markets cannot apply to complex internet platforms. Accordingly, the current intellectual property rules are incompatible with and should not be applied to internet platforms.\textsuperscript{27}

Second, the interests of different stakeholders in the internet platform ecosystem are interdependent. The network effect of internet platforms hence results in the interests of stakeholders being complementary instead of conflicting. Since the core of intellectual property rules is to balance competing interests of different stakeholders, existing rules are inappropriate in an environment where conflicting interests are not the main phenomena.

4. INTELLECTUAL PROPERTY RELATED ISSUES ARISING FROM INTERNET PLATFORMS

A. INTELLECTUAL PROPERTY RELATED STAKEHOLDERS

With internet platforms as an information integration and dissemination avenue, intellectual property laws in protecting original and inventive creations are crucial for encouraging the construction of such online infrastructures. Therefore, platform operators and the relevant stakeholders must adopt measures to protect intellectual property rights. Nevertheless, this begs the question as to who should be responsible for such protection and if one party does assume such duty, what measures to adopt.

B. OWNERSHIP

Intellectual property can be created by different participants of online platforms, e.g. platform operators, app developers, external producers, and end users. The platform managers and sponsors control the intellectual property that underlies the platform (such as the software code that controls its operation), and allocation of other rights.\textsuperscript{28} Platforms that choose to encourage extension developments by granting a high degree of openness will usually create an Application Programming Interface (API),\textsuperscript{29} which is sometimes copyrightable.\textsuperscript{30} Applications developed by APP developers are certainly protected by intellectual property laws. The issue however lies in who owns the initial copyright in user-generated content (UCC), which is content created by end users on various internet platforms. UCC usually appears as supplements to online platforms, such as social media websites, and may include content types such as blog posts, wikis, videos, or comments. Given the myriad of participants in the internet platform ecosystem, the question of ownership over UCC is difficult to answer. It is difficult to determine ownership of UCC even if other forms of ownership are more established.

C. USE

Generally, all participants on the internet platform ecosystem utilise some kind of intellectual property rights, which are created by himself or herself, other participants, or outsiders. There is no doubt that authorised use of intellectual property rights is legal. However, uncertainty as to the legality of unauthorised usage lingers. For example, can platforms and APP operators make use of UCC even if such use is beyond the scope of the parties’ contract? Can outsiders freely collect, and use the big data and content on such platforms?\textsuperscript{31} Can internet content providers use other persons’ intellectual property without infringing others’ rights? Can internet service providers be held responsible for overseeing end users’ activities? Can end users freely use any kind of intellectual property created on and off the platform by different participants? All these questions remain unanswered.

D. INFRINGEMENT

One externality of the internet platform ecosystem is the infringement of third parties’ intellectual property rights. Amongst all platform participants, platform operators and app developers are likely to use a third party’s intellectual property to create the platform structure and APPs. If such use is unauthorised, these infringing
activities are no different from the traditional offline intellectual property rights infringement. What is controversial here is who is liable for these infringing materials made available to the public by the end users. A related query for determination is whether technology neutrality can then be used to exempt, if found liable, platform operators from liability.

Another issue concerning UCC is the question of who is responsible where UCC infringes on a third party’s intellectual property rights.\(^1\) To answer the aforementioned question, we have to determine who benefits from these infringing activities and out of those who benefit, which party benefits the most. As the major controller of the internet platform, the operator is in the best placed position to prevent the participants’ from conducting infringing activities. However, the kinds of duties imposed on platform and APP operators to prevent UCC from infringing on third party rights are currently uncertain. As of now, various courts adopt a wide range of approaches: some courts press the operator to take active measures to monitor the infringing activities\(^2\) while other courts only require initiatives preventing further infringement.\(^3\) It should also be noted that not all platform operators share the same business models; some platforms directly provide their owned or licensed content to end-users while some platforms are tools for only information aggregation, sharing, and integration. Accordingly, the type and extent of liability has to be tailored to the specific business model of the platform in question.

The differences in intellectual property policy and legal systems across various jurisdictions also make the regulation of transnational platforms extremely difficult. Specifically, some countries require a platform to follow its domestic intellectual property rules, even if that platform has no physical existence in that country, because the end users can access that platform’s services.\(^4\) In contrast, some countries only regulate those platforms that have physical operations in those countries.\(^5\) The inconsistent application of domestic intellectual property rules highlights a pressing need to harmonise the regulation of platform related intellectual property rights policies in order to ensure the sound operation of these international platforms.

**5. RECONCILING INTELLECTUAL PROPERTY RULES WITH THE INTERNET PLATFORM ECOSYSTEM**

Over the recent years, the question of how to reconcile intellectual property rights and the internet technologies and platforms has become a pivotal point for consideration in all internet governance discussions.\(^6\) The ultimate art in shaping intellectual property policies lies in securing outcomes that are proportionate to the aim of the protection of human achievement.\(^7\) With almost all giant internet companies possessing some kind of internet platform, the online platform economy is the main driving powerhouse of economic development today. One study challenges the conventional wisdom that holds that strong intellectual property rights undergird innovation. The author in that study points out that American judges and legislators altered the law at the turn of the Millennium to promote the development of internet enterprise. Europe and Asia, by contrast, imposed strict intermediary liability regimes, inflexible intellectual property rules, and strong privacy constraints, impeding local internet entrepreneurs. Innovations that might be celebrated in the United States could lead to imprisonment in Japan.\(^8\) Accordingly, relaxing intellectual property liability rules for internet platforms is the best option for the Internet economy.

Generally, internal platform stakeholders such as controllers, managers, and APP developers may possibly infringe third party’s intellectual property. These kinds of infringements are no different from traditional ones. What is unique here however, are the end-users’ infringing activities, which is a type of negative externality arising from the use of Internet platforms. The difficulty of eliminating such negative externality lies in the sheer number of end users; it is economically infeasible to hold individual end users responsible. Accordingly, the intellectual property right holder generally holds the platform and app developers responsible for their users. However, the kind and extent of liability which should be imposed on such developers requires further consideration. Too strict a liability will have a chilling effect on such developers and may in turn, stifle the

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33 SABAM v. S.A. Tiscali Scarlet, No 04/8975/A, District Court of Brussels, 29 June 2007.
37 Romaitis (in 24).
platform ecosystem. Consequently, the interests of different stakeholders must be carefully balanced; all rules and policy should promote disruptive innovation while protecting intellectual property rights.

A. COMPETING & COMPLEMENTARY INTERESTS

In digital platforms, the interests of internal participants are generally not competitive; all intellectual property creators in a platform hope to increase the value unity of the platform and contribute all the intellectual properties to make that happen. Value unity is crucial for platform participants. Each participant creates and uses some values in the online platform, which are the binders bringing all participants together. Different value units represent different interests of different intellectual property holders. The interests of external intellectual property right holders of a platform are thus always complementary.

The main competing interest is that of external intellectual property holders and platform participants - the intellectual property ecosystem’s main concern is protecting third parties’ intellectual property interests. During the platform operations, it is mostly the end user who makes the intellectual property resources available online and uses third parties’ intellectual property resources. It hence appears that only the end users generally use third parties’ intellectual property resources. Nevertheless, platform operators and app developers can somehow control or manage the flow of intellectual property information. Further, given that platform and APP operators profit through end-users’ illegal infringement, it is reasonable to impose some kind of liability on such operators. It is however worth noting that the controlling capacity of different platforms varies. As such, the various controlling models under different internet platforms must be considered in determining the liability, and extent, if any, of platform participants.

B. ONLINE CREATED CONTENT

The present online platform governance focuses on the protection of outsiders’ intellectual property rights, with most legislative and judicial practices elaborating on what measures platform and APP operators should take to protect third parties’ intellectual property if those platform and APP operators qualify as internet service providers (ISPs).40 Apart from the protection of outsiders’ intellectual property, the next pressing concern for most Internet platform participants is the protection of online created content. The online created value is crucial to the sound and good operations of platform. However, not all online created content can be protected by intellectual property rules.41 For that online created content that is indeed protected, there remains the conundrum of who owns it, and how to best protect it.

Generally, most content created by end-users is based on existing materials, e.g. remixes, samples, mashups, etc. The first question is whether this UCC is legitimate. It appears that there is no blanket answer to this question; instead, the legitimacy of such content should be decided on a case-by-case basis. The second question is then whether there is any applicable principle for determining the legality of this UCC. Thus far, there appears to be no fair dealing exception for mashups or remixes which are highly transformative, non-commercial derivatives that do not compete with the primary market of the copyright owner.42 In this respect, the transformative use43 principle may be a useful tool for ensuring intellectual property protection while encouraging the creation of online content. UCC that is highly transformative, non-commercial derivatives that does not compete with the primary market of the copyright owner should be deemed as fair use, and legitimate while that UCC which is detrimental to the original copyright holders and can be a substitute for the original works should be considered illegitimate.

From a legal perspective, creators of online content are the owners of those content related intellectual property rights while the platform and App operators themselves have broad rights to exploit such UCC commercially through their contract with platform users. While the


41 Information can only be protected after they meet some kinds of thresholds, e.g. only original expressions can be protected by copyright law.


43 ‘Transformative use’ generally refers to uses of pre-existing works for the creation of something new, that is not merely a substitute for the pre-existing work. Transformative use is a relatively new addition to fair use law, having been first raised in a Supreme Court decision in 1994. (Campbell v. Acuff-Rose Music 510 U.S. 569 (1994)). A derivative work is transformative if it uses a source work in completely new or unexpected ways. Importantly, a work may be transformative, and thus a fair use, even when all four of the statutory factors of fair use would traditionally weigh against fair use! See University of Minnesota, ‘Copyright Services – Understanding Fair Use’ <https://www.lib.umn.edu/copyright/fairuse> (accessed on 15 July 2017).
typical online platform end-user does not expect to profit from his work, for the sophisticated user who expects to derive a profit from his work in the future, the value of the free flow of ideas and information outweighs the potential losses of unauthorized exploiting of their IP rights. In any event, sophisticated users have options when it comes to posting their content on a platform, including the option to create new sites and new avenues to share their work. The market hence corrects the imbalances.44

C. TECHNOLOGY NEUTRALITY

Since 2011, technology neutrality was recognized as a key principle for Internet policing.45 Technology neutrality means that the same regulatory principles should apply regardless of the technology used. In other words, regulations should not be drafted in technological silos.46 Technology neutrality is used to define the scope of regulation. Wherever possible, regulators are to ensure that their rules are technology neutral. The first implication is that regulations should apply the same principles of market analysis and remedies to all kinds of platforms. The second implication of technology neutrality is that regulators should not be biased towards or against particular types of technologies. Technology per se is not bad or good and the regulator should not base the liability of a platform on the particular technology it adopts.

In the context of intellectual property, the principle of technological neutrality recognises that intellectual property laws should not be interpreted or applied to favor or discriminate against any particular form of technology, and that intellectual property rules should not have an adverse impact on innovation and the freedom of speech. The goal of technological neutrality is thus to preserve the traditional balance between intellectual property owners and users in the digital environment.

The principle of technological neutrality is important in not only defining the boundaries of the rights granted under the law, but also in setting the compensation payable for the exploitation of those rights.47 Technological neutrality hence constrains the judicial impulse to impose legal duties on platform and APP operators. Where there is significant uncertainty of how the technology will impact the interests of different stakeholders due to rapid technological and market changes, regulators should refrain from imposing a remedy. In fast-moving markets, the perceived harms are often addressed by the market, making regulatory remedies not always necessary.48 Hence, when applying intellectual property rules to platforms, technological neutrality rule must also be taken into account.

D. INDIRECT LIABILITY

The liability of different platform participants arising from the infringement of intellectual property varies. In practice, most intellectual property holders hold platform operators legally liable for such infringements because direct infringers are difficult to find and sue. Further, since platforms, not users, cash in on online information, most intellectual property regulations concerning platform operators focus on indirect liability. Inconsistent indirect infringement rules across various jurisdictions49 however render it difficult for platform operators to determine the kind of measures they must adopt to comply with the law: some jurisdictions require the platform operators to take precautionary measures to prevent any infringing activities; some only require the platform operators to take measures to prevent further infringing activities; some require the platform operators to have specific knowledge of specific infringing activities; some only require the platform operators to have general knowledge of general infringing activities. The different liability regimes for platform operators are not only detrimental to the development of platforms in that they leaves platform operators uncertain as to when and where legal liability can arise, but are further complicated

44 Will Clark, ‘Copyright, Ownership, and Control of User-Generated Content on Social Media Websites’ <http://www.kentlaw.edu/perritt/courses/seminar/papers%202009%20fall/Jerry%20Clark%20Final%20Copyright,%20Ownership%20and%20Control%20of%20User-Generated%20Content%20on%20Social%20Media%20Website.pdf> (accessed 21 October 2017).
48 Maxwell and Bourreau (n 49).
49 For different indirect liability rules for online platforms, see Yang Cao, ‘Indirect Infringement of Intellectual Property in China’ (2016) Queen Mary Journal of Intellectual Property 6(2):248-259 and Anupam (n 39). Yang Cao points out that the state of mind is crucial for a platform operator to incur indirect liability for infringement. Nevertheless, different countries, and even different courts in the same country adopt very different standards for this mental element. The state of mind required for rendering indirect liability thus far includes “Knowledge”; “Have reason to know”; “Should know”; “Willful blindness”; “Recklessness”; “Red flag rule”, etc. Anupam emphasizes that the differences in the American and European indirect liability regime is one of the most important contributors for the different development levels of the online economy across the Atlantic Ocean.
where platforms operate across various countries. As internet platforms are the major driving force for the internet economy, it is in all countries’ interests to unify the liability of platform participants with the World Trade Organization arena as the best avenue for such harmonisation.

E. INTERNATIONAL HARMONIZATION OF INTELLECTUAL PROPERTY LIABILITY OF INTERNET PLATFORMS

Currently, the TRIPs Agreement provides uniform protection for intellectual property globally by setting out the minimum standards of protection each Member state must provide.50 Notably, the TRIPs Agreement, in embodying the traditional intellectual property system that is based on national laws, is not tailored to suit the digital environment. These differing characteristics result in the task of implementing the shared objective of protecting authors, performers and other copyright holders in the digital environment under TRIPS more challenging.51

Although there is no international rule which specifically regulates cross-border online platform economic activities, these activities can be categorised as a kind of E-commerce. E-commerce refers to the process of buying or selling products or services over the internet. Most online platforms are considered providers of information services, which are often regulated under e-commerce laws. As of now, the 1998 WTO Work Programme on Electronic Commerce, the United Nations Commission on International Trade Law (UNCITRAL) Model Law on Electronic Commerce,52 the 2005 UN Convention on the Use of Electronic Communications in International Contracts,53 and the United Nations Guidelines on Consumer Protection54 regulate e-commerce. At the European level, there exists the 2000 directive of the European Parliament and of the Council on certain legal aspects of information society services, in particular electronic commerce, in the internal market,55 the 2004 Directive on the enforcement of intellectual property rights,56 and the 2014 Regulation on electronic identification and trust services for electronic transactions in the internal market.57

Notwithstanding the above, there is no specific legal rule dealing with the protection of intellectual property and the liabilities of the online platform economy for infringements. Further, there is no international consensus about the legal status of online platforms. Most online platforms provide some kinds of online information service, so the online platforms can be regarded as a kind of internet Service Provider (ISP) and thus, have the status of internet intermediary. Unfortunately, there is no specific legal rule dealing with ISPs from an international law perspective to date. Consequently, the varying domestic rules on liabilities inevitably provide loopholes for service providers to escape liability. The suggested solution to this problem is to establish a uniform framework for the imposition of liability on internet platforms. Importantly, some degree of flexibility should be included i.e. granting each country the right to adopt its own level of protection. Doing so will better accommodate the different levels of development of the online platform economy.

6. CONCLUSION

The online platform is the key driving force for the current online economy. Due to the traditional economic foundation of current intellectual property rules, such legal principles are however, incompatible with the unconventional digital environment. Reconciling intellectual property rights with modern internet technologies and platforms has hence, become a pivotal point of consideration for all internet governance discussions. With regard to the novel issue of the infringement of third party intellectual property rights in the digital environment, this paper first suggests that since internet platform operators are the major controllers of such platforms, they are best placed to control infringing activities online. When assessing their liability, technology neutrality should be upheld. In other words, the same intellectual property principles should apply to different platforms. Second, the focus of platform regulations should be on platform controllers

51 A proposal submitted by Brazil to the World Trade Organization entitled Electronic Commerce and Copyright (JOB/GC/113, JOB/IP/19) in December 2016.
and APP developers. Any new regulations must also balance the competing interests of platform operators and external intellectual property holders. Third, countries should resort to the WTO arena to unify the rules governing platform operators’ liability. Last, the indirect infringing rule is the best measure for regulating a platform’s intellectual property liability from both the technological and economic perspectives. Instead of being obliged to monitor their services and responsibility arising only after they have knowledge of infringing activities, platform operators should be tasked with properly managing their services. It is when this duty of management is unsatisfied that legal liability will then arise.

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4. COUNTERFEIT MEDICINES AND ENFORCEMENT IN EGYPT

Dina EL-Sayed*

ABSTRACT

In this world, there are many counterfeit products. Among these products are counterfeit medicines. Counterfeit medicines are different from other counterfeit products, as they directly affect the human life and health. It is very important to clearly define counterfeit medicines so that the definition does not include other types of medicines. This paper discusses the different ways to address the issue of counterfeit medicines. Several options for overcoming the problem are discussed, including the notion of using TRIPS plus standards, which may only exacerbate the issue rather than resolve it. This is mainly because counterfeit medicines are mainly a public health problem, and not an IP issue. There are many other solutions to fight the introduction of counterfeit medicines such as using technological measures, effective functioning of drug-regulatory authorities (DRAs) and initiatives by some international organizations like INTERPOL. It is strongly recommended that international organizations cooperate to overcome this problem.

Keywords: counterfeit medicine, IP enforcement, WHO, substandard medicines, DRA, customs IMPACT, INTERPOL, falsified medicines.

1. INTRODUCTION

In intellectual property (IP), counterfeiting is usually associated with trademark violation. For instance, the WTO glossary defines counterfeiting as:

"Unauthorized representation of a registered trademark carried on goods identical or similar to goods for which the trademark is registered, with a view to deceiving the purchaser into believing that he/she is buying the original goods."

For many goods, such as clothing or accessories, counterfeiting causes many problems. However, those problems are mainly financial in nature. In cases where counterfeit goods are available, consumers may benefit from the low prices of counterfeit goods or lose from the poor-quality imitations.

In the case of food, medicines, and cosmetics, however, counterfeiting is considered a serious danger to human health, as many of these products contain dangerous components or ingredients. This kind of counterfeiting is thus qualitatively different from, for example, a fake Rolex watch.

The definition of counterfeit medicines was first devised by the WHO in 1992: “a counterfeit medicine is one which is deliberately and fraudulently mislabelled with respect to identity and/or source. Counterfeiting can apply to both branded and generic products and counterfeit products may include products with the correct ingredients or with the wrong ingredients, without active ingredients, with insufficient active ingredients or with fake packaging.”

This definition has since been modified on 29 May 2017, at the Seventieth World Health Assembly (discussed further below).

A. WHERE CAN YOU FIND THE COUNTERFEIT MEDICINES?

The following figure shows that counterfeit medicines are found all around the world, but found with higher percentages in developing countries. This could be because of the high price of medicines, weak role of law, and instances of corruption. It is really a tragedy that people in both developing countries and least developed countries (LDCs), many of whom make a considerable effort to earn money in order to buy necessary medicines, may face a situation where they receive counterfeit medicine.

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B. CASE STUDIES

It is obvious that counterfeit medicines are very dangerous to human health. There are many stories to be told of tragedies caused by counterfeiting medicines, especially in developing countries and LDCs. The following examples illustrate the danger of counterfeit medicines categorized by the consequences of using these medicines:

(i) POISONING

Some counterfeit medicines may contain toxic doses or dangerous ingredients that cause poisoning. For example, 84 Nigerian children died from acute kidney failure when they ingested the industrial solvent diethylene glycol in teething syrup.

A similar case arose in Panama, when a Chinese chemical company sold diethylene glycol as glycerin to a European company. The poison caused acute kidney failure in the people who ingested it as the solvent in cough syrup.  

(ii) UNTREATED DISEASE, DISEASE PROGRESSION, AND DEATH

Usually, doctors prescribe medicines in order to treat a disease, or at least relieve symptoms or slow progress of the disease. But, this is not the case with counterfeit medicines. For example, during the outbreak of meningitis in 1995, the government of Niger gave 60,000 individuals a vaccine which was nothing but salt water, resulting in 2,500 deaths.

(iii) MASK THE ILLNESS

This effect of the counterfeit medicines is the most dangerous one. For example, some patients died from taking counterfeit anti-malaria medicine. This counterfeit medicine contained Paracetamol to reduce the fever. Paracetamol reduced the fever so the patients thought that they were treated from the disease while they were not. They ultimately died as the disease was never treated.  

2. CAN YOU DIFFERENTIATE BETWEEN COUNTERFEIT AND AUTHENTIC MEDICINES?

It is not easy to differentiate between counterfeit and authentic medicines. This is because they think that counterfeit medicines have poor packaging. The reality, however, is often that counterfeit medicines have the same high quality or even better packaging than authentic medicines. Counterfeit medicines and authentic medicines may have:

A. SAME/SIMILAR PACKAGING

The following photo shows packaged Serostim (a medicine used for AIDS patients), and the packaged counterfeit. The counterfeit medicine is very similar to the authentic one, but with no active ingredients.  

B. SAME/SIMILAR TABLETS

In this case, people cannot differentiate the counterfeit medicines from the authentic based on packaging alone as they may be identical. The main difference is in the tablets themselves.

As illustrated below, sometimes one cannot differentiate between the counterfeit and authentic medicines from the package or the tablet, as the only difference concerns the active ingredient. There is no visible difference in the pills—the authentic medicine treats while the counterfeit one could kill.

4 Gillian J. Buckley and Lawrence O. Gostin, Countering the Problem of Falsified and Substandard Drugs- Committee on Understanding the Global Public Health Implications of Substandard, Falsified, and Counterfeit Medical Products- Board on Global Health, (THE NATIONAL ACADEMIES PRESS 2013) 80-86.


7 US Food and Drug Administration, 'Counterfeit Drugs' https://www.fda.gov/drugs/resourcesforyou/consumers/buyingusingmedicinesafely/conterfeitmedicine/default.htm, accessed 5 May 2018

3. IMPORTANT PRINCIPLES AND TERMINOLOGY

It is very important to understand the different terminologies that may cause confusion. These terminologies are explained here.

A. COUNTERFEIT MEDICINE DEFINITION

The definition by WHO in 1992 indicates that counterfeit medicines are those which are:
- Mislabelled in respect to identity and/or source
- Include products with the correct ingredients or with the wrong ingredients, without active ingredients, with insufficient active ingredients
- Or with fake packaging.\(^9\)

This definition was revised by the International Medical Products Anti-Counterfeiting Taskforce\(^10\) (IMPACT) during the meeting in December 2008. The new definition states that:

“A medical product is counterfeit when there is a false representation in relation to its identity and/or source. This applies to the product, its container or other packaging or labelling information. Counterfeiting can apply to both branded and generic products and counterfeit products may include products with the correct components or with the wrong components, without active ingredients, with incorrect amounts of active ingredients or with fake packaging. Violations or disputes concerning patents must not be confused with counterfeiting of medical products. Medical products (whether generic or branded) that are not authorized for marketing in a given country but authorized elsewhere are not considered counterfeit. Substandard batches or quality defects or non-compliance with good manufacturing practices/good distribution practices (GMP/GDP) in legitimate medical products must not be confused with counterfeiting.”\(^11\)

The old definitions of counterfeit medicines by WHO in 1992 and IMPACT in 2008 use the term “counterfeit”\(^12\) which is usually used for violation of intellectual property rights.

Thus, on 29 May 2017 at the Seventieth World Health Assembly\(^13\), a decision was made to adopt “Substandard and Falsified (SF) medical products” as the term to be used instead of “counterfeit medicines” in order to move away from the confusion which may arise from the old definitions.

The definition adopted in 2017 states that “Falsified medical products are:

Medical products that deliberately/fraudulently misrepresent their identity, composition or source.

Any consideration related to intellectual property rights does not fall within this definition.

Such deliberate/fraudulent misrepresentation refers to any substitution, adulteration, reproduction of an authorized medical product or the manufacture of a medical product that is not an authorized product.

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\(^9\) WHO (n 3).
\(^10\) IMPACT was launched by WHO in 2006 and aims to build coordinated networks across and between countries in order to halt the production, trading and selling of counterfeit medicines. IMPACT includes representatives from the following organizations: Interpol, Organization for Economic Cooperation and Development (OECD), World Customs Organization, WIPO, WTO, International Federation of Pharmaceutical Manufacturers’ Associations, International Generic Pharmaceuticals Alliance, World Bank, European Commission, Council of Europe, ASEAN Secretariat, International Pharmaceutical Federation, International Council of Nurses, World Medical Association, and Pharmacists sans Frontières. It is comprised of five working groups, which address the areas where action is needed to combat the spread of counterfeits: legislative and regulatory infrastructure, regulatory implementation, enforcement, technology and communication.


\(^12\) It is noted that some countries use terms other than counterfeit medicines to distinguish the issue from IP violation or counterfeit. For example, Europe uses the term falsified medicine, while other countries like India use the term spurious medicines for this purpose.

“Identity” shall refer to the name, labelling or packaging or to documents that support the authenticity of an authorized medical product.

“Composition” shall refer to any ingredient or component of the medical product in accordance with applicable specifications authorized/recognized by NRRA.

“Source” shall refer to the identification, including name and address, of the marketing authorization holder, manufacturer, importer, exporter, distributor or retailer, as applicable.

Medical products should not be considered as falsified solely on the grounds that they are unauthorized for marketing in any given country.

The term “falsified” which was used in the new definition by WHO appears to be more clear and adequately includes all the various types of deliberate misrepresentation of a medical product in such a way which enables the specific exclusion of intellectual property rights.14

B. SUBSTANDARD MEDICINE

Substandard medicines were first defined by WHO in 2003 as:

“(...), products whose composition and ingredients do not meet the correct scientific specifications and which are consequently ineffective and often dangerous to the patient. Substandard products may occur as a result of negligence, human error, insufficient human and financial resources or counterfeiting. Counterfeit medicines are part of the broader phenomenon of substandard pharmaceuticals. The difference is that they are deliberately and fraudulently mislabelled with respect to identity and/or source”.16

WHO updated this definition in 2009 to state that:

“Substandard medicines are genuine medicines produced by manufacturers authorized by the NMRA [National Medical Regulatory Authority] which do not meet quality specifications set for them by national standards.”

This definition was updated again in 2017 to state that:

“Substandard medical products are authorized medical products that fail to meet either their quality standards or their specifications, or both.”

As it is noticed from the old definitions, substandard medicines are those that are approved and legally manufactured, but do not meet all quality criteria by national standards (not by WHO standards). The first definition in 2003 was very broad, including counterfeit medicines as part of substandard medicines, while the definition in 2009 clearly indicates that substandard medicines are genuine medicines and not counterfeit. The last updated definition in 2017 also clearly indicates that substandard medical products are authorized products, but in the footnote of the definition mentions that when the authorized manufacturer deliberately fails to meet these quality standards or specifications due to misrepresentation of identity, composition, or source, then the medical product should be considered “falsified”.

The following examples show that substandard medicines are not less dangerous than counterfeit medicines as they may also cause serious consequences for example:17

(i) MAY CAUSE ANTIMICROBIAL RESISTANCE:

One example is the malaria resistance to Artemisinin.18 Artemisinin is a very effective medicine which is proven to decrease the mortality rate of malaria. Unfortunately, there is substandard medicine from Artemisinin, which results in creating malaria resistance to Artemisinin. The resistance appears in Southeast Asia and sub-Saharan Africa, as about 35 percent of the antimalarial medicines in those regions are substandard.

(ii) UNTREATED DISEASE, DISEASE PROGRESSION, AND DEATH:

Substandard medicines could also lead to Untreated Disease, Disease Progression or even death. For example, in 2009 a southwest Chinese newspaper reported a substandard version of the diabetes medicines Glibenclamide (also called glyburide), which contains six times the standard dose. The medicine was tested only after killing two people and injuring nine.

15 Also called non-compliant drug and ‘out-of-specification’ products (OOS).
16 Clift (n 12).
17 Buckley and Gostin (n 5)
18 Artemisinin combination treatments are effective in treating falciparum Malaria. In areas where these drugs are available and appropriately used, malaria deaths have dropped dramatically. But, drug resistance could undo the success that artemisinin therapies.
C. GENERIC MEDICINES

Generic medicines are the medicines which contain the same active ingredients and pharmaceutical properties as patented medicines. The following figure represents results of a study made by the FDA to explain the effect of the entry of generic medicines manufacturers on the average relative price of medicine sold in the U.S. from 1999 through 2004.19

Generic medicines may help in fighting the introduction of counterfeit medicines, as they offer a cheaper alternative to branded medicines. Patients who cannot afford the price of the branded medicine can therefore buy generic medicines, instead of buying medicines from untrusted sources, e.g. from an open market or internet seller, simply because they may sell medicines at lower prices.

D. MEDICINES WHICH ARE INFRINGING PATENT RIGHTS

Medicines that infringe patent rights must not be considered as counterfeit medicines. Any confusion between these two different terminologies may harm the patients and lead to undesired consequences. A case which clearly demonstrates those undesired consequences occurred in Kenya.

In 2008, Kenya enacted the ‘Anti-Counterfeit Act’, with the encouragement and under the influence of a variety of TRIPS-plus IP enforcement supporters. The law defines “counterfeiting” as “taking the following actions without the authority of the owner of any intellectual property right subsisting in Kenya or elsewhere in respect of protected goods [...].”

This definition was very broad, and considered medicines that infringe patent rights, in Kenya or anywhere in the world, as counterfeit medicines. As a result, generic medicines that are legally available in Kenya and do not infringe any IP rules in Kenya can be targeted as counterfeit products, because they infringe IP rights held by someone anywhere in the world.

Patients with AIDS challenged the Kenyan Counterfeit Law in July 2009. The complainants argued that this law decreases their access to affordable generic medicines and conflicts with the right to life enshrined in Sections 70 and 71 of Kenya’s Constitution. The Court agreed with the complainants, finding that the application of this law will harm the access to affordable generic medicines and will have negative consequences, including loss of life.20

3. STRENGTHENING THE ENFORCEMENT OF IP RIGHTS USING TRIPS PLUS STANDARDS AND ITS CONSEQUENCES ON FIGHTING COUNTERFEIT MEDICINES

A. TRADEMARK ENFORCEMENT AND TRIPS PLUS STANDARDS

Academia, IP professionals and policy makers continue to debate whether strengthening the enforcement of trademarks using TRIPS plus standards assists in fighting the issue of counterfeit medicines.

The TRIPS Agreement states two types of trademark infringement:

1- Criminal infringement: includes wilful trademark counterfeiting on a commercial scale.
2- Civil trademark infringement: includes any product with a name, trademark, size, shape, or color that is confusingly similar to a branded product.

The pharmaceutical field is an exception however, as similar names and packaging are often desirable to demonstrate medical equivalency. Similar names in pharmaceuticals occur frequently because it is not unusual for the name of the medicine to contain part of the name of its active ingredient, or part of the name of the disease to be treated. Fisidine, Fusoival, Fusicare, Fusic are all antibiotic creams that contain fusidic acid as the active ingredient. The similar names of these creams indicate medical equivalency. Both branded medicines and generic medicines may have similar names and/or packaging. Using TRIPS plus standards, the term "counterfeit" is usually extended to include the confusingly similar goods to a branded product. So, under this definition, the lawfully-available generic medicines that are not intended to deceive consumers may be considered as counterfeit because they are confusingly similar.

One case illustrating the harmful effects of applying TRIPS plus standards occurred in May 2009, when an equivalent of 76,000 cases of the generic medicine Amoxicillin was


seized in the Frankfurt airport. These medicines were in their route from India to Vanuatu. The medicines were seized on grounds of suspected civil trademark infringement, because this medicine is confusingly similar to a branded product “Amoxil.” The medicines were released after three weeks, when the pharmaceutical company GSK that owns the band name “Amoxil” informed the German customs authorities that there was no trademark infringement as the name “Amoxicilin” cannot be trademarked.21

Although the medicines were released after GSK acknowledged the absence of trademark infringement, these medicines should not be seized from the beginning as they did not infringe any IPRs. In this case, the customs official applied TRIPS plus provisions relying on EU custom regulation 1383/2003 which enables them to apply border measures to goods in transit including medicines.

In this case two TRIPS plus provisions were applied. The first one is the seizure of the medicines in transit. The second TRIPS plus provision is that generic medicines were considered to be infringing trademarks because they were confusingly similar to branded medicines. This may be accepted in many fields of technology but the pharmaceutical field is different as the generic medicines should have similar names and packaging to the branded medicine.

Unfortunately, applying TRIPS plus provisions in this case only harms access to legally produced medicines.

**B. TRIPS PLUS AND PATENT PROTECTION.**

Using TRIPS plus standards for patent protection is no less harmful than using TRIPS plus standards for trademark enforcement. One good illustration occurred in Europe. The European Union (EU) Customs Regulation 1383/2003 enables customs officials to apply border measures to detain imports, exports, and goods in transit which are suspected of infringing intellectual property rights (IPR).

EU customs officials used their authority and detained approximately 120 shipments in a period of 18 months. These shipments were detained and sometimes destroyed. One of these shipments contained life-saving medicines originating from India and headed to developing countries, where these medicines do not infringe any IPRs. This shipment carried medicines for HIV, heart disease, dementia and schizophrenia. Because of this, many patients had to wait several months to obtain their medicines.

In this case, the customs official again applied EU custom regulation 1383/2003 and applied border measures to goods in transit.

In 2010, India initiated a WTO dispute against Europe. Europe said that their regulation and enforcement helps to eliminate unsafe counterfeit medicines from Europe and also from developing countries and LDCs which often do not have enough capacity to recognize the counterfeit medicines.

However, India said that this regulation violates many WTO and TRIPS agreement rules. One of these rules is the territoriality principle, because even if the generic medicines violated a patent in Europe, they did not enter the European market as they were only in transit. Those generic medicines were not violating any IPRs in India or in the countries for which the medicines were bound. This regulation also is inconsistent with article 41 of the TRIPS Agreement which requires member states to avoid creation of IP-related barriers to legitimate trade. In addition to violating some WTO and TRIPS rules, this regulation conflicts with the EU’s commitment to prioritize public health under Doha Declaration.22

Late in the same year, India and Europe announced that they had reached an agreement. The regulation was revised, and India cancelled the dispute. Europe will no longer intercept in-transit generic medicines unless there is adequate evidence that those medicines will enter the European market. The EU has passed new EU regulation No 608/2013 to replace the challenged regulation 1383/2003.24

Despite the new EU regulation No 608/2013, India raised some questions to the European Union regarding the new regulation and the EU’s enforcement of intellectual property rights in relation to goods in transit during the council for TRIPS meeting held in October 2017.

The questions posed by India were as follows:

- Can the EU provide a list of all the applicable custom laws issued by the EU which could be in the form of regulations/directives/guidelines etc.?
- Can the EU clarify whether Regulation (EU) No 608/2013 is directed only to goods intended and/or suspected of entering into the EU market?
- Does Regulation (EU) No 608/2013 provide any substantive right to an IPR holder or is it merely enforcing the existing IP rights? It is also

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21 Some generic drugs names are no more than the names of their active ingredients.
22 Brant and Malpani (n 18).
23 Brant and Malpani (n 18).
requested that the EU provide a list of existing laws/ regulations/directive/guidelines issued by the EU governing IPR.

Are there any IPRs or infringement of IPRs which are excluded from the scope of Regulation (EU) No 608/2013? Specifically, please clarify whether goods which are not intended for free circulation in the EU market and are also not suspected of entering into the EU market, are exempted from the scope of Regulation (EU) No 608/2013.

Is it mandatory for goods originating from outside the EU to be ‘released for free circulation’ by EU customs authorities before they are placed on the EU market? Are there any other customs approved use(s) by which goods originating from outside the EU may be placed on the EU market?

Can the EU clarify the factors which are taken into consideration by the EU customs authorities while undertaking risk analysis criteria as provided in recital 16 of Regulation (EU)2015/2424 and recital 22 of Directive (EU)2015/2436?

Can the EU clarify whether paragraphs 2.2 and 3.2 of the Commission notice would apply to medicine(s) as well?

The European Union’s initial response was that the EU is compliant with its TRIPS obligations including those related to enforcement and that they are not aware of a single recent case in the EU where there was an issue of seizure of legally transiting products. The EU subsequently provided answers to India in relation to other questions above.

As a conclusion, applying current TRIPS Agreement provisions for enforcement is enough to fight counterfeit medicines and there is no need to increase the protection using TRIPS plus provisions as it may increase the problem instead of solving it. Applying TRIPS plus provisions may decrease the access to affordable medicines which will make patients in developing countries and LDCs try to find cheaper medicines in the open market or on-line which might lead to buying counterfeit medicines. So, it is a public health problem more than an IPRs problem and it is better to try to solve this problem without using TRIPS plus provisions.

C. THE ANTI-COUNTERFEITING TRADE AGREEMENT (ACTA)

ACTA is an agreement which was intended to create new global intellectual property (IP) enforcement standards that apply many TRIPS plus standards. ACTA included many provisions which allow countries to adopt procedures with respect to suspect in-transit goods. Applying those provisions would lead to the same hazardous effects on access to medicines, as was illustrated in the cases above regarding both trademark and patent enforcement.

(i) STOP ACTA PROTESTS

Thousands protested in several European countries to prevent the ratifying of ACTA in Europe. As a result of these protests, ACTA was rejected by the European Parliament, which used its powers under the Lisbon Treaty to reject an international trade agreement for the first time. ACTA was rejected by a crushing 92% majority of the European Parliament in the summer of 2012 (478 against and 39 in favor, with 165 abstentions).

25 The World Trade Organization, “minutes of meeting during the council for Trade-Related Aspects of Intellectual Property Rights held in the Centre William Rappard on 19-20 October 2017” (council for TRIPS meeting, 2 February 2018).
26 See the subsequent communication from India on 18 October 2018 (IP/C/W/636)
27 ACTA was negotiated from 2007 through 2010 by the US, the EU, Switzerland, Canada, Australia, New Zealand, Mexico, Singapore, Morocco, Japan, and South Korea. The negotiation was completely secret and the first text was only officially released in 2010. Eight out of the eleven negotiating countries signed the agreement in October 2011. ACTA has the following provisions which will have global consequences in digital freedom and in the pharmaceutical field:
28 ARTICLE 16: BORDER MEASURES states that "1. Each Party shall adopt or maintain procedures with respect to import and export shipments under which: (a) its customs authorities may act upon their own initiative to suspend the release of suspect goods; and (b) where appropriate, a right holder may request its competent authorities to suspend the release of suspect goods.
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2. A Party may adopt or maintain procedures with respect to suspect in-transit goods or in other situations where the goods are under customs control under which: (a) its customs authorities may act upon their own initiative to suspend the release of, or to detain, suspect goods; and (b) where appropriate, a right holder may request its competent authorities to suspend the release of, or to detain, suspect goods.
29 In German cities more than 25,000 demonstrators, in Sofia about 4,000 Bulgarians, in Paris, about 1,000 people, in Prague, Czech Republic, about 1,500 people. In Romania 2,000 people and in Bratislava, hundreds of young Slovaks and 1,000 people demonstrated in Budapest.
(ii) ACTA IS DOWN BUT NOT DEAD
The success of protests against ACTA, will make some believe that ACTA is dead, which is not necessarily the case. This is mainly because many developed countries will try to ratify this agreement as soon as possible. For example, the Japanese legislative branches ratified the agreement, with effectively no real debate.31 This means that Japan is the first country to ratify ACTA, but not the last. LDCs and developing countries should oppose ACTA as it will harm the access to affordable medicines especially in those countries.32

4. HOW TO OVERCOME COUNTERFEITING WITHOUT AFFECTING ACCESS TO MEDICINE?
Fighting counterfeit medicines is very difficult, but there are some efforts that may help to overcome them. The most important thing is to try to fight counterfeit medicines without affecting access to real medicine by fighting generic medicines for example. The following are some ways that will help to fight counterfeit medicines without affecting access to medicine.

A. TECHNOLOGY MEASURES
Technology measures are one of the most effectively known ways to address the issue of counterfeit medicines. Following are some examples:

(i) TRACKING TECHNOLOGY
The first method of tracking technology is the serial number. Using any cell phone, a patient can send the unique serial number printed on secondary packaging via SMS text message to a central database. The database automatically verifies if the serial number was checked before. If the serial number is free and has not been used before, then the medicine is authentic. However, if the number was previously used, then the medicine may be counterfeit, or an authentic package filled with counterfeit medicine. While this method is effective, it may give false results if someone checked the serial number of an authentic package first and then again at a later date, as the authentic package will be recognized as counterfeit.33

The second technology is the Radio Transmitters Identification (RFID), which uses tiny radio transmitters. When affixed to the package of medicines, they emit a unique electronic products code, which would allow for each individual package to be tracked through each step of the supply chain from manufacturers to distributors, wholesalers and finally pharmacies. Using this technology, counterfeit medicines can be detected and removed from the medicine supply and the wholesalers will not be able to sell medicines that they have purchased illegally. The disadvantages of this technology are that it is costly, and requires a complicated infrastructure for tracking the medicine through the distribution system. In addition, there is a question of whether this technology could affect biological medicines.34

(ii) OVERT (VISIBLE FEATURES)
There are many visible features that can be used in order to fight counterfeit medicines. Examples of those visible features are holograms, optical viable devices (OVD), color shifting security inks, and films and watermarks.

Holograms are the most familiar feature. A hologram incorporates an image with some illusion of 3D construction, or apparent depth and special separation. However, some hologram labels have been easily and expertly copied or simulated, and may often rely on a hidden converting element for authentication.

An Optical Viable Device (OVD) is similar to a hologram but without any 3D. It generally involves image flip or transitions, often including color transformations or monochromatic contracts. Color shifting security inks and films show changes in color according to the viewing angle.


A: Genuine hologram, B: early fake hologram, C: within several months, fake hologram nearly identical to genuine was produced.35

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34 Yankus (n 6).
35 Yankus (n 6) 14.
countries with civil-society groups have aggressively sought to arrest the progress of IMPACT. This is mainly because they believe IMPACT introduces TRIPS-plus enforcement rules to its definition.

The definition by IMPACT, illustrated earlier, states that “a medical product is counterfeit when there is a false representation (A) in relation to its identity and/or source.” This is very broad, and introduces TRIPS plus rules because the footnote by IMPACT (A) explains: “counterfeiting is done fraudulently and deliberately.”

This means that the definition includes elements from both civil and criminal trademark infringement. This may lead to considering generic medicines, with trade names similar to the name of a branded product, as counterfeit on the basis of this definition. In other words, this definition has the same effect as the trademark enforcement illustrated above, which limits access to the affordable generic versions of medicines.

Although IMPACT was never approved by WHA and is no longer operational, this definition is a good example of how, when defining counterfeit medicines, it is very important to be accurate and clear in order to fight only the counterfeit medicines and not affect access to legally produced medicines.

D. INTERPOL (International Criminal Police Organization)

INTERPOL is the world’s largest international police organization, with 190 member countries. It works to ensure that police around the world have access to the tools and services necessary to do their jobs effectively. INTERPOL plays an important role in protecting the public from counterfeit medicines from both physical outlets and Internet suppliers. It is a partner with many stakeholders and organizations, including:

- World Health Organization (WHO)
- Permanent Forum on International Pharmaceutical Crime (PFIPC)
- Pharmaceutical Security Institute (PSI)
- International Federation of Pharmaceutical Manufacturers and Associations (IFPMA)
- Health Sciences Authority, Singapore (HSA)
- Council of Europe
- European Commission
- Institute of Research Against Counterfeiting Medicines (IRACM)
- United Nations Office on Drugs and Crime (UNODC)
- HMA Working group of Enforcement Officers (WGEO)
- World Intellectual Property Organization (WIPO)

These partnerships allow INTERPOL to coordinate with IMPACT in many operations to address counterfeit medicines: for example, Operation Storm II (July-

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36 Brant and Malpani (n 18) 15-21.

37 Clift (n 12) 14
November 2009), and Pangea (targeting the Internet). These operations resulted in arresting and closing of many illicit websites. These operations show the importance of coordination between different organizations in order to protect against counterfeited medicines.

5. THE SITUATION IN EGYPT

In Egypt, there are many efforts to seize counterfeit medicines. The following are some examples of national efforts:

A. DRA IN EGYPT.

The DRA in Egypt is not fully efficient, and needs to be more effective. Normally, the DRA has the following functions:

- **Enforcement operations**, including risk-based inspections: in Egypt, there is no risk-based enforcement but there is enforcement of counterfeit medicines upon request.
- **Marketing authorization**: in Egypt, the only condition to register the medicine is that the product has to be registered in another country.
- **Quality-control laboratory testing**: there is no complete quality control for all batches of the medicine. The Ministry of Health (MOH) takes random samples of batches to examine, but this is not a regular practice. The only complete quality testing occurs for antibiotics, sterile and biological medicines, as the MOH takes 100% samples of all batches.
- **Monitoring of adverse reactions to medicines**: there is no capacity in Egypt to monitor and test the adverse reactions of a medicine but MOH takes into consideration if the medicine is recalled from any other countries.
- **Good Manufacturing Practice (GMP) inspections**: in Egypt, there is complete GMP by MOH.

As illustrated, the enforcement of counterfeit medicine is regulated by the DRA, but not with full capacity. The following is an example of counterfeit medicine seized by the DRA in Egypt, and counterfeit medicine which was withdrawn by MOH.

B. CUSTOMS AUTHORITY’S ROLE

The Customs Authority plays an important role in fighting counterfeit medicines before entering the country. INTERPOL, IMPACT, Egyptian police and the Egyptian Customs have coordinated six operations in order to seize counterfeit medicines. These operations resulted in seizure of ten containers containing thousands of counterfeit medicines, which were intended to enter the Middle East market.

Also, three containers were seized by Egyptian customs in the Suez Canal, and 3,300 bottles of counterfeit pharmaceuticals at Cairo airport. Among the counterfeit medicines found, a wide range of medicines were identified, including lifestyle products and others intended for organ-transplant patients, and serious diseases such as cancer, diabetes, heart disease, epilepsy or schizophrenia.

6. CONCLUSION

For many goods, the effect of counterfeiting is principally financial and economic. Consumers may benefit from lower prices or lose from poor-quality imitations, but falsified medicines which were discussed in this paper are more dangerous and may cause death.

Although having a clear definition of what constitutes counterfeit or falsified will not help in overcoming this problem, there is a need to establish the parameters of...
what should be considered counterfeit. This is mainly because if the definition is too broad, it will include other generally acceptable categories of medicines, like generic medicines, and thus may limit the access to affordable medicines.

As discussed in this paper, the increasing of IPRs enforcement by applying TRIPS plus provisions will not help to fight the counterfeit medicines, but it will significantly decrease the access to affordable medicines. This means that counterfeit medicines are a public health problem and they have nothing to do with IP. WHO has recognized that and updated it definition of counterfeit medicine. The new definition uses the term “falsified” instead of counterfeit in order to include all the various types of deliberate misrepresentation of a medical product in such a way which enables the specific exclusion of intellectual property rights.

However, there are many other ways that could help in fighting the counterfeit without affecting access to medicines. Technological measures are effective ways to combat counterfeiting, and they offer a very promising solution. Also, many international organizations play important roles in fighting counterfeit medicines, for example INTERPOL. INTERPOL, for instance, has coordinated a number of successful operations to seize and destroy counterfeit medicines at both physical and online sources. It is highly recommended that the international organizations work together to obtain better results in seizing and destroying the counterfeit medicines.

Egypt, like many other countries, suffers from counterfeit medicines. The DRA in Egypt plays a role in fighting such medicines, but with very limited capacity. However, many successful operations were conducted in Egypt by the Egyptian police and customs under the umbrella of INTERPOL and IMPACT. These operations resulted in the successful seizure of thousands of counterfeit medicines, showing that there is much that can and should continue to be done in this area.

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Catharina Ria Budiningsih

ABSTRACT

Under the former Indonesian Trademark Law of 1961, trademark rights granted to first users of the mark facilitated the "bad faith" use by some traders of well-known foreign trademarks that had not been used first in Indonesia. This law was replaced by the former Trademark Law of 1992, which adopted the first to file system. The Former Trademark Law of 2001 stated that trademark disputes should be resolved by the Commercial Court; however, there are only five of these courts in the entire country. Small traders, located far away from Commercial Courts, were forced to make great efforts in order to settle disputes. Along with the first to file system, the Trademark Law of 2001 added that unregistered trademark users cannot file lawsuits over infringement and cancellation of trademarks. Article 85:2 of the current trademark law states that in case one of the parties involved happens to reside abroad, the claim must be submitted to the Central Jakarta Commercial Court. This provision compels small traders and trademark owners that had filed lawsuits against foreign parties to go all the way to this particular court, whether they were plaintiffs or defendants. There are three recommendations to eliminate the problems: Firstly, the Government should establish more Commercial Courts to provide small traders with registered trademarks easy access to the courts. Secondly, there should be an understanding that trademark holders who do not register their trademarks still have property rights to claims. Thirdly, Article 85 of the current trademark law violates the principle of Actor Sequitur Forum Rei, therefore this article should be revised.

Keywords: trademark, constitutive system, small traders, commercial court, Actor Sequitur Forum Rei

1. INTRODUCTION

Indonesia has been a member of the World Trade Organization since 1 January 1995, so in trademark matters, Indonesia is bound to the minimum standards in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), as stated in Article 1, Paragraph 1. Even before its Independence in 1945 Indonesia had already been a participant in the Paris Convention. At the Paris Convention for the Protection of Industrial Property, protection of well-known trademarks was officially recognized. Article 6bis of the Convention conceded that the owner of a well-known trademark may apply for cancellation of a trademark being exploited—use of which constitutes a reproduction, an imitation, or a translation, liable to create confusion. Protection of well-known trademarks as regulated at the Paris Convention was upheld in Article 16 (2) and (3) of TRIPS, so that it covered not only the particular trademarks of goods, but also the trademarks of services.

Sixteen years after its Independence Day, Indonesia enacted Law Number 21 of 1961 Concerning Business Trademarks and Industrial Trademarks (Trademarks Law of 1961), replacing the Trademark Law drawn up in the colonial era of the Netherlands Indies government. The substance of this particular law was quite simple, as it only consisted of 24 articles. The purpose of this law was essentially to provide protection to consumers.

On the other hand, from a normative point of view, this law did not provide sufficient legal protection to the real trademark owners and did not provide sufficient

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1 See Member information, Indonesia and the World Trade Organization in https://www.wto.org accessed on 5 May 2018
sanctions to trademark violators. Indonesia subsequently changed this law into Law Number 19 of 1992 concerning Trademarks. The main purpose of this legal policy was to give better protection to trademark owners, especially owners of well-known trademarks.

Since 1992, revisions of Indonesian trademark laws have rapidly occurred. Over a period of 24 years, Indonesia has replaced four trademark laws. The three laws that have been passed since 1992 are the Former Trademark Law of 1997, which constitutes an amendment of the Former Trademark Law; the Former Trademark Law of 2001 which replaced the previous ones of 1992 and 1997; and the most recent one, Law Number 20 of 2016 concerning Trademarks and Geographical Indications. Beside the desire expressed for good protection of trademark owners (especially well-known trademark owners), the desire for rapid dispute settlement was the main reason for the legislator's policy for revision. However, these policies created various legal problems for small traders who had registered their trademarks, but were domiciled far away from big business cities, and for small traders who had not registered their trademarks. According to these trademark laws a trademark must be registered in order to receive legal protection and the courts entrusted to prosecute trademark cases (and other lawsuits related to Intellectual Property) are limited to five (5) Commercial Courts. As a matter of fact, there are many small traders that do not register the trademarks, and moreover, they are scattered all over Indonesia, down to the remotest corners. These circumstances have led to problems when disputes arise over trademarks.

The change made in Article 85 of the Trademark Law of 2016, which states that if one of the parties is domiciled abroad, the litigation process must be filed at the Jakarta Commercial Court, may cause more legal problems for small traders as owners of registered or unregistered trademarks.

This paper discusses in depth the legal issues faced by small business owners related to trademark registration, according to positive laws in Indonesia, and suggests several recommendations to resolve their problems.

2. CHARACTERISTICS OF FORMER TRADEMARK LAWS IN INDONESIA

The explanatory part of the former Trademark Law of 1961 stated the special rights that attached to the trademark granted to the person who uses this trademark for the first time in Indonesia. If there is no evidence proving first use, the party applying for the first registration is considered to be the owner of the trademark rights. Registration does not automatically extend specific or exclusive rights to the trademark owner. The system used to protect the trademark holder on first-use basis is referred to as the “Declarative System.” The Declarative System used in the Trademark Law of 1961 was in favour of small traders. Through this system, trademark users acquired special rights attached to the trademark used, even though they had not actually registered their trademarks. Generally speaking, the term “small traders” refers to traders with a small amount of business investment capital at their disposal. Small and medium-sized companies fall under these criteria, as intended in Law Number 20 of 2008 concerning Micro, Small and Medium-sized Companies. In this law, small business units are defined as economically productive enterprises that stand on their own, in other words subsidiaries or business branches derived from medium-sized and large companies are excluded. The net worth of small business companies amounts to between IDR 50 and 500 million, whereas the net worth of micro-sized business companies may not exceed IDR 50 million. These small traders have historically shown a tendency not to register their trademarks. The presence of small traders spread all over Indonesia reaches even the remotest areas of the archipelago. This country has a land mass of 2,010,000 km2 with a total number of 17, 499 islands.

The Declarative System did not provide sufficient protection to owners of well-known trademarks: it was

6 See the explanatory part of The Trademarks Law of 1961 (Undang-Undang Nomor 21 Tahun 1961 Tentang Merek Perusahaan dan Merek Perniagaan), on the 10th enclosure of Gautama, Sudargo, Hukum Merek Indonesia, Alumni, 1997

7 In the former Trademark Law of 1961, and the former Trademark Law of 1992 as amended in 1997, the rights given to trademark owners were not referred to as exclusive rights but as special rights


10 See Law No. 20 of 2008 concerning Micro, Small and medium-sized Companies, art. 6 (1)a and (2)a (1 USD is about 14,400 IDR).

11 Even until 2011, when the way to obtain trademark protection was arranged via registration, the awareness of small traders to have their brands registered was still low. See http://nasional.kontan.co.id/news/kesadaran-mendaftarkan-merek-industri-kecil-dan-menengah-masih-rendah kontan.co.id, the website featuring the biggest magazine on Economics in Indonesia. Accessed on 17 November 2017

all too easy for bad-faith traders to exploit well-known foreign trademarks which had not been used in Indonesia for the first time. Tancho and Lotto are case examples of well-known trademarks used and registered by Indonesia bad-faith traders.

In the Tancho case, the plaintiff (PT. Tancho Indonesian Company Ltd.) filed a lawsuit against Wong A. Kiong who had registered the trademark of Tancho under his name, and had used exactly the same trademark owned by the plaintiff. The Supreme Court cancelled the Tancho trademark that had been registered first by Wong A. Kiong, based on the following consideration.

What is meant by the phrase ‘first user in Indonesia’ in the Trademark Law must be interpreted as ‘the first user in Indonesia is bona fide good faith based on the legal principle that protection is provided to the party showing good intentions and refused to the party acting in bad faith’. 13

In the First Degree Court/District Court, the Judge held for the defendant, considering it the party who first used the trademark in Indonesia.

In the case of Lotto, Newk Plus Four Far East (Pte.) Ltd, based in Singapore, filed a lawsuit against Hadi Darsono regarding the registration of the Lotto brand by the defendant for products classified as towels and handkerchiefs. The Lotto trademark had been registered on behalf of the claimant for goods classified as ready-to-wear clothes, shirts, T-shirts, jackets, long trousers, tight-fitting skirts, bags, suitcases, wallets, belts, shoes, sports shoes, sport shirts, rackets, nets, sandals, slippers and headwear. The First Degree Court (the Jakarta Court of Law) held in favour of the defendant. The Judge turned down the request for cancellation of this particular trademark, reasoning that the type of products that had been registered differed markedly from the plaintiff’s products. However, at the Supreme Court, the Judge held in favour of the plaintiff. The consideration was that any registration may be cancelled if it has something in common with somebody else’s well-known trademark, even though it was registered for different types of goods. 14

In 1992, The Former Trademark Law of 1961 was replaced with the Trademark Law of 1992. Unlike the former Trademark Law of 1961, the Former Trademark Law of 1992 used the Constitutional System in order to obtain the exclusive rights mentioned above. Article 3 of the Former Trademark Law of 1992 stated that the rights attached to a trademark were specific rights extended by the state to the registered trademark owners, while Article 56 stated that a lawsuit regarding trademark cancellation could not be filed by an unregistered trademark owner. The owner of a well-known trademark could still apply for trademark cancellation by first making an official request for trademark registration. 15 Based on Article 72, compensation claims due trademark infringement can only be submitted by the registered trademark owners. This constitutive system, which gives legal protection as a special right/exclusive right for someone who registers his/her trademark for the first time, has been maintained up to the present. This system is also called first to file system.

Large corporations, including foreign trademark owners, favored this revision because it provided legal certainty. Under the constitutive system, proving the legal existence of trademark rights is relatively easy. Based on Article 1866 juncto 1870 Indonesia Civil Code, a document signed by the legal authority is the ultimate authentic document. 16 Anyone holding the trademark certificate is considered as the owner.

In 1997, Indonesia made an amendment to the Former Trademark Law of 1992. In terms of content, it did not differ all that much from the previous laws. The only adjustments were made in connection with Indonesia’s participation in the World Trade Organization (WTO). Subsequently, the former Trademark Law as amended in 1997 was replaced by the Trademark Law of 2001. One of the important changes made in this law was that court cases over trademark issues had to be settled in Commercial Courts. These courts were formed in 1998, to solve the problems of massive payment default from Indonesian corporations to foreign corporations and institutions, then expanded to accommodate IPR cases. Commercial Court decisions are time-limited, so cases

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13 Devindra Oktaviano, Richard Sinaga, Dandy Nakkito and Loviana Permatasari - Sengketa Merek Dagang Internasional “LOTTO” dalam Kasus Hukum Perdagangan Internasional on www.academia.edu/people/search?utf8=%E2%9C%93&s=sengketa+merek+dagang+internasional. Accessed on 5 May 2018
could be decided rapidly, although the administration fee was considerably higher (up to ten times) than the one charged by the District Courts.\textsuperscript{17}

There are only five Commercial Courts located in five big business cities (Jakarta, Semarang, Surabaya, Medan and Makassar) for the entire country. The establishment of a Commercial Court requires special efforts and expenses. Based on Article 302 of Law Number 37 of 2004 Concerning Bankruptcy and Postponement of Debt Obligations there are some special requirements to be appointed as a judge of Commercial Court, such as the following: having experience as a judge in General Court, having knowledge in the Commercial Court and having completed a special training programme of the Commercial Court.\textsuperscript{18} This may be one of the reasons that the courts were established only in five cities. As a matter of fact, small companies are spread all over Indonesia (including remote areas), and disputes usually happen between parties in the same area. This forced small traders who ran their business enterprises far away from Commercial Court locations to make considerable efforts to get to the courts. This differs from the provisions made in Article 10 of the Former Trademark Law of 1961, which states that a lawsuit regarding trademark cancellation must be filed at the Central Jakarta Commercial Court. No mention is made of how a lawsuit regarding trademark infringement should be handled. According to the prevailing law in Indonesia, lawsuits involving a civil case of a general nature as well as lawsuits concerning wrongful acts should be filed in the District Court located closest to the defendant’s residence. District Courts are located in every city, municipality and every regency capital.\textsuperscript{19}

3. CHARACTERISTICS OF THE CURRENT TRADEMARK LAW: IMPLICATIONS FOR SMALL TRADERS

Recently, Indonesia enacted the 2016 Trademark Law, known as the Law concerning Trademarks and Geographical Indications because the substance of regulations regarding Geographical Indications has greatly increased. One main purpose of this law is to serve as the legal basis of Indonesia’s compliance with the Madrid Protocol, as Indonesia is going to be a member of this convention.\textsuperscript{20}

Similar to the Former Trademark Law of 1992, this law also adheres to the system providing legal protection to the party that registers its trademark first. Apart from this, it most resembles the Former Trademark Law of 2001, which prescribed that the settlement of a court case involving trademark issues by way of litigation must take place in a Commercial Court.

The legal basis for the establishment of Commercial Courts was Article 306 of Law Number 37 of 2004 concerning Bankruptcy and Postponement of Debt Obligations juncto Law Number 4 of 1998 juncto Governmental Regulation as a Replacement of Law Number 1 of 1998 concerning Bankruptcy and Postponement of Debt Obligations.\textsuperscript{21} These particular Commercial Courts comprise one chamber of the General Court. The purpose behind establishing Commercial Courts was to prosecute bankruptcy cases. Several years later, their authority was been extended to include prosecuting cases in five areas of conflict revolving around IPR, namely Copyright, Trademark, Patent, Industrial Design and Lay-out Design of Integrated Circuits. Settling lawsuits in a Commercial Court is time-saving, compared to the way cases are handled in District Courts, because the procedure involved is considerably briefer. No legal effort is made to appeal to the High Court—legal efforts are taken when the party, dissatisfied with the verdict reached by the Commercial Court, submits an immediate appeal to the Supreme Court. In addition, this law has strict regulations regarding the duration of the procedure and the final settlement of the lawsuit in question.\textsuperscript{22}

The trademark lawsuits filed in the Commercial Court consists of suits appealing rejections for trademark registration, suits regarding trademark cancellation, suits concerning trademark cancelation, and lawsuits involving trademark infringement. Based on Article 76 juncto 21, the owner of a registered trademark can file a lawsuit regarding trademark cancellation against another trademark that is registered which is entirely the same or similar to the one used by the previous owner. The owners of well-known trademarks have special

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\textsuperscript{17} In the Regulation of the Supreme Court Number 3 of 2012, the cost of the Court of Appeal’s settlement process for a civil case (general) is IDR 500,000 whereas the cost of a civil case in appeal (kasasi) to the Commercial Court amounts to IDR 500,000,000, (1 USD approximately equals to 14,400 USD)


\textsuperscript{19} See Article 4 Law No. 2 of 1986 concerning District Courts in . www.hukumonline.com/pusatdata/downloadfile/lt4c3c4a7654 594/parent/2593

\textsuperscript{20} On October 2nd, 2016, Indonesia has become the 100th member of the Madrid Protocol.

\textsuperscript{21} See the said law in http://www.hukumonline.com/pusatdata/downloadfile/lt4c4fe83 3a1622/node/20144

\textsuperscript{22} The duration of settling lawsuits has been regulated in the Trademark Law. As for the settlement of other cases in the IPR field, this has been regulated in separate Laws covering this particular area.
treatments for trademark protection. They may file a cancellation lawsuit by submitting an official request for registration, even though they have not registered their trademark yet. Since there happen to be only five Commercial Courts in Indonesia, filing lawsuits with these courts is not exactly a practical matter. This is especially the case among small traders who run their business enterprises in remote areas, far away from the location of Commercial Courts.

By way of illustration, when a trademark owned by a small trader residing in Merauke intends to cancel a trademark that closely resembles his/her registered trademark, or if someone intends to file a compensation claim for trademark infringement, he/she must file a lawsuit regarding trademark cancellation or compensation at the Commercial Court of Makassar. The distance between these two towns is 3,566 km. When based in Atambua, a small trader has to go through the same motions at the Commercial Court of Surabaya. The distance between these two cities amounts 2,296km. Perhaps these long distances pose no problem for countries with a smooth transportation and telecommunication system. Unfortunately, the ones installed in certain hinterlands of Indonesia leave much to be desired, causing severe constraints on time and financial budgets for dispute settlement.

Several years ago the Intellectual Property Office provided online registration facilities in several areas of IPR including trademarks, as well as providing facilities for free of charge registration for small traders with certain criteria. These various means and facilities certainly help small traders to register their trademarks. Even so, this normative facility does not eliminate the problems experienced by small traders who do not register their trademarks. The applicable law remains the same, while the laws and regulations in Indonesia do not provide legal protection to trademarks that are not registered.

Last April, the Supreme Court drew up a provision regarding Supreme Court Regulation No. 3 of 2018 concerning Online Case Administration in Courts. This provision facilitates the submission of statements of claim, response, reply (replik), rejoinder (duplik) and written concluding arguments. Even so, the trial process involving steps to be taken such as submission of evidence, witnesses and judge’s decisions must still be conducted in the courtroom. As mentioned above, there are only five Commercial Courts in the entire country. Thus the Supreme Court regulation only helps a little for small traders in resolving disputes in court. The main problem regarding “far distance” experienced by small traders has not been solved.

In fact, the low number of Commercial Courts is not only problematic for small traders—The owners of big corporations living in remote areas have been affected as well. Nevertheless, it is not common that big business entrepreneurs (let alone transnational business corporations) conduct their business in remote corners of Indonesia. If they have a business venture located somewhere in the middle of nowhere, they usually open an office in Jakarta or other business cities so that the obstacles they experience are not as burdensome as those faced by small traders.

The application of the constitutive system in the positive law of Indonesia causes users of unregistered trademarks to have no economic rights at all. These trademark owners cannot file lawsuits against parties engaging in acts of unfair competition by illegally exploiting the same trademark. Unregistered trademark owners also cannot file claim suits for trademark cancelation against parties that have already registered trademarks which are entirely or substantially the same as the unregistered trademark owners.

In the former Trademark Law of 1961, in connection with the application of the declarative system of this law, owners of unregistered trademarks may file lawsuits regarding trademark infringement. In the case of the Bata Shoe trademark, PT Perusahaan Sepatu Bata (Bata Shoe Company) brought a lawsuit concerning tort/unlawful acts against Ahmad Okbah and A. Kadir at the District Court of Surabaya, suing them for making unlawful use of the Bata trademark for black velvet caps known locally as peci. The verdict of the High Court of Surabaya (whose decision was upheld by the Supreme Court) was that the acts engaged in by the defendants consisted of an action that violated the law. These lawsuits used Article 1365 of the Civil Law Code (known as Burgerlijk Wetboek in Dutch) as their legal basis.

According to this Article, any trademark infringement. These rights are only extended the registered trademark owners.

23 See the Google Maps application. Accessed on 19 November, 2017
24 Ibid. Accessed 26 July 2018
25 It has been stated above that the cost and legal awareness problem pose a problem for small traders to register their trademarks.
26 See Art 1 par 5 Supreme Court Regulation No. 3 of 2018 concerning Online Case Administration in Courts
27 Referring back to the regulations concerning the right to trademark cancellation and to filing lawsuits regarding
unlawful act that harms another person obliges the offender who caused the loss or damage to indemnify it.

The element of tort or wrongful acts (referred to as onrechtmatige daad in Dutch) is broadly defined as being due to not only one action or inaction committed in violation of the law. The current elements of unlawful acts are the result of certain developments in the Netherlands a century ago. Prior to 1919, unlawful acts were considered to be acts or measures not taken (such as negligence or omission) that violate the existing regulations or laws. However, after the Lindenbaum vs. Cohen case (involving business espionage), the definition of the notion of “wrongful act” was duly expanded. The decision reached by the Dutch Supreme Court that is currently used to formulate the notion of wrongful acts refers to every action, non-action, error or omission that:

1. violates the subjective rights of others (rights as prescribed by law);
2. is in contradiction with the offender’s legal obligations (obligations prescribed by law); or
3. is in conflict with the propriety, carefulness and caution that an individual should observe in social intercourse with fellow citizens or when handling property owned by others.

The regulations in the Trademark Law only provide legal protection for registered trademark owners. The consequence is that unregistered ones have no right to file lawsuits regarding trademark issues such as trademark cancellation or infringement. These provisions in fact narrow down the principles of “wrongful acts”.

No mention is made in TRIPS of the fact that unregistered trademark users have no civil rights whatsoever. Article 16:1 (Rights Conferred) states that:

“The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion.”

It appears from this article that the owner of a registered trademark has exclusive rights, yet no explicit mention is made of parties that can bring a case to court being restricted to those whose trademark has been registered. Even though there exists special protection of well-known trademarks, no mention is made of wrongful acts perpetrated against unregistered trademarks (nor does the article exclude them), even if the user in question is not the actual owner of that well-known trademark.

The settlement of a civil case in a court of law generally makes use of the principle referred to in Latin as Actor Sequitur Forum Rei, which means that the plaintiff should file lawsuits in the defendant’s region of relevance. This principle is also employed in Indonesia’s Civil Procedure Act (HIR). IPR cases are civil cases, so HIR is used as the lex generalis. However, Article 85 of the Trademark and Geographical Indication Law of 2016 regulates matters that are not in keeping with the principle mentioned above. Article 85:1 regulates that lawsuits must be filed to the Judge in Charge of a Commercial Court in the defendant’s legal region of residence or domicile. Subsequently, Article 85:2 regulates that if one of the parties resides abroad (ie. outside of Indonesia), the lawsuit must be filed in the Commercial Court of Central Jakarta. The contents of this article have caused small traders engaged in lawsuits brought against foreign parties to resort to the Commercial Court in Jakarta, whether they are plaintiffs or defendants. Defendants (who are not necessarily proven guilty) must resolve their business dispute by settling their cases in a jurisdiction other than their place of residence – which may well be quite remote – if they are not domiciled in the jurisdiction of the Central Jakarta Commercial Court.

The contents of Article 85:2 differ from those of the former Trademark Law of 2001 in the same respect. Article 80:2 of this law stated that in case of the defendant living abroad, the lawsuit must be filed in the Commercial Court of Central Jakarta. The defendant’s legal region of residence or domicile. Subsequently, Article 85:2 regulates that if one of the parties resides abroad (ie. outside of Indonesia), the lawsuit must be filed in the Commercial Court of Central Jakarta. This article does not violate the aforementioned principle of Actor Sequitur Forum Rei because it makes explicit use of the term “defendant”.

4. CONCLUSION AND RECOMMENDATIONS

Based on the description presented above, it can be perceived that the legal issues small traders have been facing over the applicable Trademark Law in Indonesia may be summarized as follows:

1. Dispute settlement through only five (5) Commercial Courts is deemed unpractical and quite costly. This condition is felt to be a heavy burden on the shoulders of

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30 For approximately 300 years Indonesia fell under the Dutch colonial government, with the result that the prevailing Indonesian Law has received a considerable impact from Dutch Law.
small traders in comparison with large business corporations.

2. The constitutive system disregards the property rights of unregistered trademark owners. Therefore, there is no possibility for such parties to file civil lawsuits involving unfair business practices against offenders.

3. Article 85:2 of the current Trademark Law (stating that if one of the parties involved in a dispute happens to reside abroad, the lawsuit in question must be filed in the Central Jakarta Commercial Court) is not in keeping with the principle known as Actor Sequitur Forum Rei, thus it imposes a heavier burden on the other parties, including small traders.

Based on the legal issues they have been facing, three recommendations are suggested to eliminate these specific problems:

1. The Indonesian government should establish more Commercial Courts to provide small traders that have registered their trademarks with easy access to these specialized courts. These days it is not difficult find and recruit experts in the field of Intellectual Property Law (and Bankruptcy Law) since this academic subject is taught in almost all law faculties in Indonesia. In certain ways, on-line trademark registration tools and online case administration make it easy for small traders to register trademarks and submit trial administrative requirements such as submitting statements of claim, responses, replies, rejoinders and conclusions, but the problem of far distance and the small number of Commercial Courts remain a considerable obstacle for small traders in Indonesia.

2. There should be a knowledge dissemination program on a massive scale to make small traders who have not registered their trademarks aware of the fact that they still have civil rights to claim if someone imitates their trademarks acting in bad faith or doing unfair business practices. A classic case of tort, Lindenbaum vs Cohen may be used as a reference. Moreover, Article 16 of TRIPS does not state that unregistered trademark owners have no property rights.

3. Article 85, Paragraph 2 violates one of the main principles of Procedural Law, namely “The plaintiff should follow the forum of the defendant’s residence,” therefore this article should be revised through either legislative review or judicial review.

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6. LANDSCAPES IN THE AUDIOVISUAL SECTOR IN KENYA: CONSTRUCTING A FRAMEWORK FOR THE COLLECTIVE MANAGEMENT OF RIGHTS

Stanley Mbuga Njoroge

ABSTRACT

The Locke’s Labour theory rhymes well with the concept of the collective management of rights. The concept not only provides a platform for rights-holders to exploit the fruits of their labour, but also helps in the realization of economic growth for the general welfare of society. In Kenya, the audio sector has done relatively well compared to their ill-fated cousin, the audio-visual industry. Indeed, Kenya has yet to establish an audio-visual collective management organisation (CMO) despite the existence of a robust Intellectual Property regime; the emergence of internet and digital broadcasting; as well as content aggregation technology. There are about five CMOs, albeit one of them has been denied a practicing license by the Kenya Copyright Board. The registered CMOs largely manage the collective rights of other copyright-based industries other than the audio-visual sub-sector. Against this background, this paper explores and provides insights into Kenya’s national and international legislative frameworks, touching on the collective management of audio-visual rights. The paper also makes several recommendations on reviewing the respective legislative and policy frameworks for the regulation of CMOs, the most important being the urgent need for establishment of an audio-visual CMO to insulate Kenyan audio-visual artists from the vagaries of unregulated free market.

Keywords: audio-visual, collective management organization, copyright, performances, intellectual property, broadcasting

1. INTRODUCTION

Following the digital switch on 17 June 2015, there is increased demand for local content on television and other audio-visual industry platforms in Kenya. As of June 2017, Kenya had 66 free-to-air Digital Terrestrial TV stations and 178 FM radio stations. This, coupled with the amendments to the Kenya Information and Communication Act (KICA) which fixed the quantum for local content for TV broadcasters at 40% and 60% by 2018, has created great potential for the film and other audio-visual sectors. The country has also witnessed the emergence of digital platforms whose survival depends on the constant supply of content. These platforms include vernacular TV stations, the Safaricom’s BigBox, content aggregators such as ViuSasa, and internet platforms such as YouTube, Web TV, and VOIP. The

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4 According to John Burgess, digital switch involves transition from analogue to digital broadcasting. Worldwide, the process took place in June 2015, by which time several countries including Kenya, were expected to make the transition.

5 Ibid, Burgess: he defines Digital terrestrial television (DTVV or DTT) as a technological evolution of broadcast television and an advancement over analog television. DTTV broadcasts are land-based signals.


7 Kenya Information and Communication Act (KICA) is the law which establishes the Communication Authority of Kenya, a body charged with overseeing the broadcast services, radio communications, electronic transactions and telecommunications sector in the country.

8 https://www.safaricom.co.ke/TheBigBox/theBigBox_Quick_Installation_Guide.pdf The Guide defines the device as an android powered device operated by Safaricom (Kenya’s leading Telecom provider). It offers over 30 TV channels including free-to-air local channels.

9 ViuSasa is a mobile based application that allows users to access audio-visual content at a fee. It is jointly operated by Royal Media Services and Content Aggregation Limited (CAL).

10 Mathew Desantis, ‘Understanding Voice over Internet Protocol,’ Journal of US-CERT, (2006), 1-5. He defines VOPI as Voice Over Internet Protocol is a methodology and group of technologies for delivery of voice communications and
proliferation of these platforms has created a fertile ground for the appropriation or misappropriation of Intellectual Property Rights (IPRs) in the country.

2. LEGAL FRAMEWORK FOR THE COLLECTIVE MANAGEMENT OF RIGHTS IN KENYA

The Kenyan national legal framework is comprised of the Constitution\textsuperscript{11} and the Acts of Parliament, common law, the doctrine of equity, African customary law, and international legal instruments. This legal framework collectively provides for IPR administration and dispute resolution. The protection and administration of copyright is anchored in the 2010 Constitution and is administered through the Copyright Act\textsuperscript{12} and other legal and policy frameworks. The paper discusses the status of administration of audio-visual works within the confines of the country’s legal framework.

A. CONSTITUTION OF KENYA\textsuperscript{13}

The Constitution of Kenya was passed through universal suffrage and promulgated in 2010. It is considered to be one of the most pragmatic constitutions in Africa to have enshrined the protection of IPRs. Other Constitutions that have overtly provided for IP protection include the Egyptian Constitution of 2014\textsuperscript{14} (Article 69) and Tunisian Constitution\textsuperscript{15} (Article 41). The Kenyan Constitution mentions the protection of IPRs in the Bill of Rights.\textsuperscript{16}

multimedia sessions over internet protocol (IP) networks, such as the internet.

\textsuperscript{11} The Constitution of Kenya 2010 – Kenyans held a referendum on 4 August 2010 to repeal the 1963 Constitution. The new Constitution was promulgated on 27 August 2010.

\textsuperscript{12} Copyright Act: The Copyright Act enacted in 2001 but in effect from 2003, is Chapter 130 laws of Kenya and governs copyright law in the country. The Act complies with Kenya’s obligations under the Berne Convention. But in some instances, this Act goes beyond what has been outlined in this convention as well as WIPO Internet treaties. Copyright laws protect the following: Literary works (novels, stories, poetic works, plays, stage directory, film sceneries, treatises, histories, biographies, essays and articles, encyclopedias and dictionaries; letters, reports, memoranda, lecturers, addresses and sermons, charts and tables, and computer programs) - does not include written law or judicial decision; musical works; artistic works (artifacts and paintings); audio visual works, and; sound recording and broadcasts (after they have been broadcast; copyright in a TV broadcast shall include right to control the taking of still photographs therefrom).

\textsuperscript{13} See supra footnote 11 and accompanying text.

\textsuperscript{14} Article 69 of Egyptian Constitution (2014): The state shall protect all types of intellectual property in all fields and shall establish a specialized body to uphold the rights of Egyptians and their legal protection, as regulated by law.

\textsuperscript{15} Article 41 of Tunisian Constitution: The right to property shall be guaranteed, and it shall not be interfered with except in accordance with circumstances and with protections established by the law. Intellectual property is guaranteed.

\textsuperscript{16} The Bill of Rights has a total of 73 articles touching on various rights such as protection of right to property, intellectual property, cultural rights, freedom of media, and freedom of expression.

\textsuperscript{17} See supra footnote 11 and accompanying text.

\textsuperscript{18} See supra footnote 11 and accompanying text.

\textsuperscript{19} See supra footnote 11 and accompanying text.

\textsuperscript{20} Article 33, The Kenyan Constitution of Kenya, sub section (b) provides that every person has the right to freedom of expression, which includes freedom of artistic creativity.

\textsuperscript{21} See supra footnote 11 and accompanying text.

\textsuperscript{22} See supra footnote 12 and accompanying text.

\textsuperscript{23} Industrial Property Act, 2001: The main object of this Act is to provide for the promotion of inventive and innovative activities, to facilitate the acquisition of technology through the grant and regulation of patents, utility models, technovations and industrial designs.

\textsuperscript{24} Seeds and Plant Varieties Act, CAP 326 of the Laws of Kenya regulate transactions in seeds, including provision for the testing and certification of seeds; provide guidelines for the establishment of an index of names of plant varieties and to empower the imposition of restriction on the introduction of new varieties and control the importation of seeds; provide for the grant of proprietary rights to persons breeding or discovering new varieties.
Act;\textsuperscript{25} Anti-Counterfeit Act;\textsuperscript{26} Competition Act,\textsuperscript{27} and Traditional Knowledge & Cultural Expressions Act of 2015 and other related laws.

**B. COPYRIGHT ACT CAP 130, REVISED EDITION 2014 [2012]\textsuperscript{28}**

The Copyright Act, Chapter 130 of the Laws of Kenya (CAP 130), provides for the protection, enforcement and exploitation of copyright and related rights.\textsuperscript{29} Section 2 outlines works that are eligible for copyright protection.\textsuperscript{30} These rights include: literary works, musical works, artistic works, audio-visual works, sound recordings, broadcasts and computer programs.\textsuperscript{31} Section 2 defines audio-visual works and broadcast works to include: undertakings in press, theatrical productions including operas, motion picture, video, television, and advertising services.\textsuperscript{32}

Section 3 of the Act establishes the Kenya Copyright Board (KECOBO).\textsuperscript{33} It also provides mechanisms for the collective administration of copyright\textsuperscript{34} and allows for the establishment of a Competent Authority.\textsuperscript{35} The Competent Authority, as contemplated in the Act, remains in limbo. This is despite a High Court\textsuperscript{36} order in 2014 requiring the Government to operationalize the Authority stating that failure to do so amounts to a violation of the Constitution. In its judgement, the Court noted that a Competent Authority has yet to be operationalized owing to budgetary and administrative challenges, and hence the same is not functional, although Article 47(1) of the Constitution provides that every person has the right to administrative action that is expeditious, efficient, lawful, reasonable, and procedurally fair.

Article 21(1) of the Constitution states that it is a fundamental duty of the State and every State organ to observe, respect, protect, promote and fulfil the rights and fundamental freedoms in the Bill of Rights. It is therefore upon the State to assist the Competent Authority so that it can undertake its statutory duties.

In 2012, the Attorney General via a Kenya Gazette, Notice No 4339,\textsuperscript{37} appointed a five-member copyright tribunal\textsuperscript{38} chaired by Professor Ben Shihanya. However, the Tribunal suffered a stillbirth; it was never consummated. This has left the copyright industry’s grievances and disputes in abeyance.

The Act empowers KECOBO\textsuperscript{39} to appoint an appropriate number of inspectors to investigate copyright infringement. The Attorney General is empowered to appoint public prosecutors to prosecute matters arising under the Act. The penalties provided for infringement of copyright under the Act are said to be in contravention of Article 61 of the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS Agreement)\textsuperscript{40}

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\textsuperscript{25} Trademark Act, CAP 506 of the Laws of Kenya: This law provides for the protection, promotion and registration of trade marks. The Act defines a mark to include a distinguishing guise, slogan, device, brand, heading, label, ticket, name, signature, word, letter or numeral or any combination thereof whether rendered in two dimensional or three-dimensional form.

\textsuperscript{26} The Anti-Counterfeit Act: The Act establishes the Anti-Counterfeit Agency with the mandate to administer anti-counterfeiting policy and law in Kenya.

\textsuperscript{27} Competition Act, No. 12 of 2010: This is an Act of Parliament that promotes and safeguards competition in the Kenyan national economy. It protects consumers from unfair and misleading market conduct, provides for the establishment, powers, and functions of the Competition Authority and the Competition Tribunal.

\textsuperscript{28} See supra 12 and accompanying text.

\textsuperscript{29} Related Rights: This include derivative works developed from original copyrighted works.

\textsuperscript{30} See supra 12 and accompanying text.


\textsuperscript{32} Section 2 of Copyright Act, ‘Audio-visual Work means a fixation in any physical medium of images, either synchronized with or without sound, from which a moving picture may by any means be reproduced and includes videotapes and videogames but does not include broadcast.’ While the same Section defines ‘broadcast,’ as transmission, by wire or wireless means, of sounds or images or both or the representations thereof, in such a manner as to cause such images or sounds to be received by the public and includes transmission by satellite.

\textsuperscript{33} KECOBO: See supra footnote 3 and accompanying text.

\textsuperscript{34} Section 46(1) provides that no person or association of persons shall commence or carry on the business of a copyright collecting society except under or in accordance with a certificate of registration granted under this section.

\textsuperscript{35} Section 48(1) establishes the Competent Authority to review CMOs tariffs as well as determine appeals from the decisions of KECOBO and CMO.

\textsuperscript{36} In *Republic v Kenya Association of Music Producers (KAMP) & 3 others Ex- Parte Pubs, Entertainment and Restaurants Association of Kenya (PERAK)* [2014] eKLR, the Court ruled that failure to operationalise a Competent Authority amounts to an abdication of the Constitutional duties imposed upon the State, and in applying a provision of the Bill of Rights, the Court was enjoined by Article 20(3)(b) of the Constitution to adopt the interpretation that most favours the enforcement of a right, or fundamental freedom.

\textsuperscript{37} Kenya Gazette Notice No 4339 dated 2 April 2012: the Attorney General appointed Ben Sihanya (Prof) as the Chairman while the other members included: Paul Musili Wambua (Prof), Leonard Amolo Obura, John Syekie and Michi Kirimi.

\textsuperscript{38} See supra 33 footnote and accompanying text.

\textsuperscript{39} See supra footnote 3 and accompanying text.

\textsuperscript{40} The TRIPS Agreement is administered jointly by the World Intellectual Property Organization (WTO) and World Intellectual Property Organization (WIPO).
because they are neither deterrent nor punitive enough.41

Additionally, the copyright enforcement role bestowed on KECOBO is viewed as a duplication of the role of the Anti-Counterfeit Agency, which is a statutory body mandated to enforce Intellectual Property Rights in line with the Anti-Counterfeit Act.42 The existence of two entities has created ambiguity as copyright holders are confused about whether to report copyright infringement to KECOBO or to the Agency.

C. THE PROPOSED COPYRIGHT (AMENDMENT) BILL, 2017

In September 2017, the government published the Copyright (Amendment) Bill to align the Copyright Act43 with the 2010 Constitution as well as domesticate the Marrakesh Treaty.44 The Bill amends some definitions including the re-designation of the Collective Societies to the CMO in line with other IP jurisdictions.

Section 46C subsection (1) of the Bill provides for the establishment of CMOs to represent the interest of authors, producers, performers, visual artists, and publishers, among others. The proposed amendments seek to empower KECOBO45 to register a new collective management organization to deal with rights not provided in subsection (1).46

The Bill contains a proposal to amend the Copyright Act of 200147 by inserting a new Section 30B which defines parameters for the collection and payment of royalties. The proposed changes will allow the Kenya Revenue Authority (KRA),48 or any other designated entity by KECOBO, to collect royalties on behalf of collective management organizations which are legally licensed to represent performers and owners of sound recordings. This will remove the encumbrance of collecting royalties from CMOs.

In the past, collecting societies have encountered hostility from some quarters while discharging their legal mandate. It is instructive to note that 80% of revenues collected by these societies come from pubs, supermarkets, public transport and the hospitality industry, while broadcasters contribute a paltry 20%.

The proposed amendments came at a time when KECOBO was embroiled in a spirited dispute with the Music Copyright Society of Kenya (MCSK)49 after the former’s license was revoked50 in February 2017 for non-compliance with licensing terms and conditions. MCSK has been accused of failing to adhere to corporate governance structures and failure to submit audited books of accounts and poor management of the organisation which is attributable to limited management skills on the part of directors. The Kenyan CMO sector is replete with legal tussles with KECOBO taking administrative actions as per Copyright Act provisions on one hand 51 and MCSK and other stakeholders escalating their dissatisfaction with KECOBO actions to courts52 on the other.

The proposed changes will enable audio-visual players to formulate and establish a standalone CMO dedicated to the welfare of filmmakers, broadcasters and other audio-

41Christopher Seuna, ‘Collective Management Bodies in Cameroon,’ e-copyright Bulletin, (Geneva: WIPO 2004) (AUTHOR TO INSERT PINPOINT) notes that Kenya has a slack penalty which pronounces a maximum fine of Kenya Shillings 800,000 (about 8,000 US dollars) to offenders.
42 See supra footnote 24 and accompanying text.
43 See supra footnote 12 and accompanying text.
44 Marrakesh Treaty: The Treaty is officially known as the Marrakesh Treaty to Facilitate Access to Published Works to Visually Impaired Persons and Persons with Print Disabilities.
45 See supra 3 footnote and accompanying text.
46 Section 46C(1): Authors, producers, performers, visual artists and publishers.
47 See supra footnote 12 and accompanying text.
48 The Kenya Revenue Authority (KRA) was established by an Act of Parliament, Chapter 469 of the laws of Kenya, which became effective on 1 July 1995. The Authority is charged with the responsibility of collecting revenue on behalf of the Government of Kenya.
49 MCSK was established in 1983 as a company limited by guarantee under the Companies Act Cap 489 of the Laws of Kenya. Prior to the revocation of its license by KECOBO, the society had the exclusive right to collect and administer the public performance, and the broadcasting rights, in musical works of copyright owners in Kenya.
50 In a Kenya Gazette Notice No 3239 and dated March 22, 2017 Kenya Copyright Board (KECOBO) declared the Kenya Association of Music Producers to be a collecting society for all producers of sound recordings of copyright owners for a period of one (1) year, with effect from the 20th February 2017 effectively rendering Music Copyright Society of Kenya licence null and void.
51 Laban Toto & David Amunga v Kenya Copyright Board (KECOBO) & 2 others Ex-Parte [2017] eKLR. The court granted conservatory orders staying the decision of the 1st respondent on 27 March 2017, approving the licence of the 2nd Interested Party (MPAKE), and revoking the licence of the 1st Interested Party (MCSK) pending the inter-parties hearing of the petition herein.
52 In Kisumu Bar Owners Association & another v Music Copyright Society of Kenya & 2 others [2017] eKLR, the orders were issued following a petition by Kisumu Bar Owners Association and Kisumu Green Garden Restaurant. The duo had urged the court to restrain MCSK from harassing music users and businesses in the name of collecting royalties when they were not licensed to do so by KECOBO.
visual producers. The proposed changes will assist the CMO by promoting sound corporate governance, improving efficiency in royalty collection and distribution as well as ensuring that the creative industry in Kenya makes real and tangible contribution to the economy.

3. THE INTERNATIONAL LEGAL FRAMEWORK GOVERNING AUDIO-VISUAL SECTORS

Internationally and regionally, Kenya is party to various treaties and protocols relating to the protection and enforcement of IPRs. These treaties and protocols are key to the protection of IPRs because they create common rules and regulations for the member states. Kenya is a member of the World Intellectual Property Organisation (WIPO), Africa Regional Intellectual Property Organization (ARIPO) and the World Trade Organisation (WTO) which implements international treaties related to IP protection and IPR disputes.

Kenya is also a party to the Convention establishing WIPO. The Convention effectively establishes WIPO as a global forum for IP policy, services, information and cooperation. So far, WIPO administers twenty-six treaties on IP.

For its part, Kenya has adopted several WIPO-administered treaties including: the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention); the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (Rome Convention);53 WIPO Copyright Treaty (WCT);54 and WIPO Performances and Phonogram Treaty (WPPT).55 The country is also a signatory to UNESCO’s Universal Copyright Convention (UCC)56 and to the TRIPS Agreement which is administered by the WTO. Kenya is also party to the Lusaka Agreement57 that establishes the ARIPO.

The Berne Convention58 provides for the automatic protection of copyright and prohibits formalities, such as registration, as a prerequisite to the subsistence, enjoyment, exercise, protection and enforcement of copyright. The Convention provides for the seizure of imported copies that infringe on copyrighted works of a copyright holder in accordance with the law of the respective member state.

On the other hand, the TRIPS Agreement, which came into force in 1995 upon establishment of the WTO, provides for minimum standards for the protection of IPRs including: copyright, patents, geographical indications, industrial designs, undisclosed information, and trademarks. Member states are required to legislate on minimum standards regarding the protection and enforcement of IPRs, including effective border measures and penalties for IPR infraction.

The member states are also required to ensure that the border measures are effective and that seizure, forfeiture and destruction of infringing goods are availed to IPR holders. Where criminal proceedings are filed, the penalties should be deterrent and the enforcement proceedings should be affordable and prompt.

The Beijing Treaty59 grants audio-visual performers moral rights and four kinds of economic rights for their performances fixed in audio-visual fixations, such as motion pictures: the right of reproduction; the right of distribution; the right of rental; and the right of making available. These provisions in the Treaty call for the establishment of a framework for the management and appropriating of these rights through a collective management entity. Closely related to the Beijing Treaty are the WCT and WPPT which are collectively regarded as internet treaties.60

A. BEIJING TREATY: AN INTERNATIONAL LEGAL GOLDMINE FOR KENYAN AUDIO-VISUAL ARTISTS

The Beijing Treaty presents copyright owners with a world of possibilities. This is because, the audio-visual sector players will be able to form the collective management organisations and benefit from the use of their works both locally and at the international level.61

The performers will also generate income from sharing proceeds with the producers as they will no longer be at the mercy of the producers and production houses because their rights are clearly delineated and recognized

53 The Rome Convention secures protection in performances for performers, in phonograms for producers of phonograms and in broadcasts for broadcasting organizations.
54 The WIPO Copyright Treaty (WCT) deals with the protection of works and the rights of their authors in the digital environment.
55 The WIPO Performances and Phonograms Treaty (WPPT) deals with the rights in the digital environment.
56 The UCC was concluded in 1952 under the auspices of the United Nations Education, Science and Cultural Organisation (UNESCO) to incorporate a greater number of countries into the international copyright community.
57 The Lusaka Agreement was adopted at a diplomatic conference at Lusaka (Zambia) on 9 December 1976 and establishes ARIPO at Article 1 thereof.
59 See supra footnote 54 and accompanying text.
60 The WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT). Though Kenya has yet to ratify the two treaties, the 2001 Act incorporates the key provisions from the two treaties.
61 Raquel Xalabarder, International Legal Study on Implementing an Unwaivable Right of Audiovisual Authors to Obtain Equitable Remuneration for the Exploitation of Their Works, (Barcelona: CISAC 2018) pp. 34.
worldwide. Furthermore, the Treaty provides a clear international framework for the protection of the rights of audio-visual performers.

Performers in the audio-visual industry including those in the movie industry, television, and advertising, among others stand to benefit economically from the use of their works whether in Kenya or internationally. The protection of their moral rights will clearly safeguard their works from distortion and mutilation.

The Treaty will ensure that the revenues collected are equitably distributed including to the audio-visual performers. Additionally, the Treaty fixes the precarious position of performers (namely singers, musicians, dancers and actors) in the audio-visual industry by providing a clearer international legal framework for their protection.

Notably, for the first time, it provides performers with protection in the digital environment. This instrument will contribute to safeguarding the rights of performers against the unauthorized use of their performances in audio-visual media, such as television, film and video.

**4. STATUS AND CHALLENGES AFFECTING THE AUDIO VISUAL INDUSTRY IN KENYA**

The Economic Pillar under Vision 2030 seeks to achieve, a sustained economic growth of 10% per year over the next 25 years while the Social Pillar envisions a just and cohesive society enjoying equitable social development in a clean and secure environment. The audio-visual industry fits well within the ambit of both the economic and social pillars of the Vision 2030.

Cultural theory views human beings as being creative and culturally continuous and they seek to make and re-make their world through commerce, cultures, science and spirituality. Nonetheless, many performers are not aware of their Intellectual Property Rights. Many artists in developing countries do not appreciate having an IP system which has the capacity to create "cultural diversity." A study carried out by the African Regional Intellectual Property Organization, found that contribution by the copyright industries to the Gross Domestic Product (GDP), currently stands at 5.3%. The study notes that the country whose royalty collections make the highest share of the GDP is Zimbabwe at 0.009%, followed by Kenya at 0.0066% and Malawi at 0.0065%.

Kenya was identified as having the greatest number of registered CMOs in Africa. These CMOs include, the MCSK (1983); Kenya Association of Music Producers (KAMP) (2003); The Production Rights Society of Kenya (KOPIKeN) (2005); and Performers Rights Society of Kenya (PRISK) (2009). However, KECOBO declined the renewal of MCSK’s license for the year 2017 for failure to comply with statutory licensing requirements. Following this revocation, KECOBO licensed another CMO, the Music Publishers Association of Kenya (MPAKE) in early 2017.

In Kenya, there is a disproportionate focus towards the rights of performers in the audio industry, with little or no attention being given to the performers in the audio-visual industry. KECOBO acknowledges that producers of audio-visual work in Kenya do not have a collective management organisation. The authors and publishers can however collect licenses through relevant collecting societies, but only in relation to musical works within audio-visual works. This view is accentuated by a study carried out by WIPO which notes that there is no CMO representing the rights holders of audio-visual works, a fact that has resulted in the infringement of artists’
copyright and related rights by users of audio-visual works.

The draft National Film Policy (2016) cites the following issues as having contributed to audio-visual dwindling fortunes: continued fragmentation of film associations and inadequate collaboration; inadequate local content in terms of quality and quantity; insufficient channels for legal redress for aggrieved parties in the industry and high levels of piracy in the industry that continue to deny producers and distributors their returns on investment in audio-visual productions.74

The Kenya Film Commission (KFC) and Kenya Film Classification Board (KFCB) are charged with different mandates. While KFC75 was established via Legal Notice No 47 of 2015, and later had its mandate renewed through Legal Notice No. 10 of 2005, KFCB76 is established through the Film and Stage Plays Act and is responsible for classifying film in Kenya. The two entities are underfunded and the legal instruments under which they are premised are either weak, famished or archaic. The Film and Stage Plays Act was enacted in 1963 and out of tune with modern realities. Currently, KFC exists at the whims of the appointing authority.

Digital migration77 has also presented a unique challenge to Kenya’s audio-visual industry as far as copyright issues are concerned. Digital migration78 has increased the use of copyright protected works over digital platforms such as TV broadcasts, live streaming, web-casting and re-broadcasting and simultaneous transmission. Online consumption of films is progressively penetrating the Kenyan market as high-speed79 internet connections become more available, for instance, “Netflix,” “BIGbox” and others.

The problem has been compounded further by the noncompliance of Section 48 of the Copyright Act which provides the establishment of a Copyright Tribunal. The Tribunal is supposed to advise and set remuneration criteria for audio-visual works, particularly where there is no CMO dealing with specific rights, in this case the audio-visual works. The government has yet to start levying blank tape levy as provided for in Section 28(3) and (4), and Section 30(6) and (7) respectively.

The interpretation of a section of the Act provides that “author, in relation to audio-visual works, means the person by whom the arrangements for the making of the film were made”. Based on this provision, it appears that copyright would customarily be vested with the producer of the audio-visual work who would be deemed the author of the audio-visual work and thus enjoy the bundle of exclusive rights set out in Section 26 of the Act.80 In contrast, the Beijing Treaty81 is explicit as to who a performer is and goes further to outline applicable IP rights.

The Internet has compromised the effectiveness of control over a broad range of cultural industry distribution networks, making control over content increasingly difficult for many content owners.82 This eventually deprives owners of proprietary rights in their creations and eats into their revenue streams. Movies and performances can now be downloaded in real time at little to no cost at all. On the one hand, it works to the advantage of the rights holder as they can disseminate the works. The illegal downloads of films which are subsequently sold at throw-away prices affects the legitimate rights holders such as the film exhibitors, owners of legitimate video shops and even the local film industry.83 This affects the quality of production, thereby making it less competitive in international markets. This scenario also denies the Government revenues.84

Kenya has yet to ratify the Beijing Treaty and Marrakech Treaty. These international legal instruments are vital in the growth and protection of audio-visual works in Kenya, particularly in relation to the collective management of rights.

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75 The Kenya Film Commission is established under Legal Notice Number 47 of 2015 with the mandate of developing, promoting and marketing the film industry. This mandate has since been enhanced under Legal Order No. 147 of 2015.
76 The Kenya Film Classification Board was established in 1930 by an Act of Parliament which was enacted in 1963 being the Films and Stage Plays Act (Cap 222).
77 See supra footnote 4 and accompanying text.
78 See supra footnote 4 and accompanying text.
79 According to Communications Authority Quarterly Report released in October 2016, the total international bandwidth available in the country (Lit/Equip capacity) rose by 17.2 percent to post 2.02 million Mbps up from 1.73 million Mbps recorded in June 2016.
5. RECOMMENDATIONS FOR THE REVIEW OF LAW AND POLICIES RELATING TO THE AUDIO-VISUAL SECTOR IN KENYA

The Country should, as a matter of urgency, review the Copyright Act\(^{85}\) to ensure compliance with Articles 11, 40 and 169 of the Constitution. The country should also ratify the Beijing Treaty, WCT, and WPPT treaties to pave the way for their domestication in the proposed Copyright Act amendments.

These amendments should give effect to the provisions of the Beijing Treaty in relation to economic rights for audio-visual fixed performances which include the right of reproduction, distribution, rental and making available to the public as well as economic rights for unfixed or live performances.

The Act should be reviewed to include a definition of a performer, a definite term for the protection of performers’ rights; stipulated modes of payment of royalties, and the reciprocity of performers’ rights to other WIPO member states.

The review process should also be subjected to public participation requirements to safeguard against delegitimisation of the process akin to what befell previous amendments that introduced Section 30A\(^{86}\) to the Kenya Copyright Act of 2001. This amendment was later declared unconstitutional by the High Court of Kenya.

There is need to operationalise the Copyright Tribunal, as provided for in Section 48 of the Copyright Act to deal with disputes arising in the administration of copyright. The government should also provide appropriate avenues for collecting blank tape levies in line with Sections 28(3) and (4) and Sections 30(6) and (7).\(^{87}\)

It is suggested that a collective management organisation for the audio-visual sector be established. Indeed, a window for actualization of this intent exists. From as early as 2011, KECOBO\(^{88}\) has expressed its willingness to set up a CMO “for the audio-visual works which will collect for the rental and use of audio visual works such as films on behalf of the rights holders.”\(^{89}\) Formation of a special CMO dedicated to film maker’s welfare is therefore plausible.\(^{90}\)

The Communications Authority (CA)\(^{91}\) and KECOBO should sensitise film makers on their Intellectual Property Rights and ensure strict enforcement of the broadcasting code\(^{92}\) to ensure that local media stations abide by the prescribed local content quantum. This will in effect ensure that film makers receive substantial royalties for use of their works by the broadcasters.

The timely implementation of Kenya’s ruling party manifesto will go a long way in transforming film fortunes. The Jubilee Party Manifesto (2017), “Continuing Kenya’s Transformation”, together,\(^{93}\) has committed to fully operationalise the Kenya Film School.\(^{94}\) This is meant to provide the opportunity for youth to develop film production skills and develop a local film industry. The school will develop the talent pool for the film industry and generate local content for films.

The Kenya Film Commission should either be entrenched through legislation or merged with the Kenya Film Classification Board to form a centralised agency charged with the responsibility of funding, developing, regulating and promoting the film sector in Kenya.

\(^{85}\) See supra footnote 12 and accompanying text.

\(^{86}\) Section 30A of Copyright Act was declared unconstitutional in Mercy Munee Kingo & another v Safaricom Limited & another [2016] eKLR. The judgement was delivered by Mr. Justice S.J Chitembwe on 3 November 2016. A declaration that the Statute Law Miscellaneous Amendment Act of 2012, that introduced Section 30A of the Copyright Act, Cap. 130 was irregularly and unlawfully enacted for want of public participation and therefore unconstitutional.


\(^{88}\) See supra footnote 3 and accompanying text.

\(^{89}\) KECOBO, Joint Collection Agreement for Collective Management Organisations (Nairobi, KECOBO magazine, Issue 2) Page 3-4.

\(^{90}\) In 2016, the author interviewed Dr. Marisella Ouma, the immediate past Chief Executive Officer of Kenya Copyright Board (KECOBO).

\(^{91}\) The Kenya Communications (Amendment) Act, 2009, provides for the establishment of a Universal Service Fund (USF), administered and managed by the Communications Authority of Kenya. The purpose of the Fund is to support widespread access to ICT services, promote capacity building and innovation in ICT services in the country, including development of the audio-visual sector.

\(^{92}\) Broadcasting Code: Radio/Television stations shall ensure, within one year of entry into force of this Code, not less than 40% of the programming is local content. Broadcasters’ local content programming should increase to 60% within three years of entry into force of this Code. The local content programming referred to in this paragraph excludes news, advertising and teleshopping. Timely implementation of this code will ensure that film makers receive substantial royalties for use of their works by the broadcasters.

\(^{93}\) Jubilee party is the ruling political party in Kenya. The party is headed by President Uhuru Kenyatta and has majority seats in Kenya’s Senate and the National Assembly.

\(^{94}\) The proposed film school which is meant to capacity build the budding talent of Kenyan film makers.
The government, through KECOBO, should help creative industries fight piracy. "We must realise the economic potential of art industry in the country. California is the richest state in America due to respect and promotion of Hollywood artists’ intellectual property rights. We must as a matter of priority promote IPRs of our art-based industries."

6. CONCLUSION

The emergence of digital technologies is both a curse and a blessing to the audio-visual sector in Kenya. It is a curse due to the weak exploitation of intellectual property rights at a time when there is proliferation of audio-visual platforms wrought by technological advancements. The artists find themselves hemmed within a labyrinth of delicate legal frameworks that fail to address the concerns of the audio-visual sector. To date, the country does not have a CMO for this budding sector, while broadcasting stations are ambivalent towards the plight of rights owners.

It is a blessing given the fact that digital platforms have unlocked new frontiers for the creative sector. The availability of these technologies has enabled artists to make robust audio-visual productions in their local dialects, thereby generating much needed content in the age of digitization. Regarding the protection of the audio-visual creative sector, there are conspicuous efforts at both the national and international levels to insulate the sector from misuse. The development of the Beijing Treaty is transformative and signifies great prospects for artists.

Kenya should take advantage of the Beijing Treaty and embark on a process of nurturing, promoting and protecting the audio-visual sector which has the capacity to transmute the dwindling fortunes of the artists as well as contribute enormously to the country’s economic landscape. Kenya should prioritize the establishment and operationalisation of a formidable legal, policy, social and economic framework that rewards and appreciates the contribution of this sector towards the social-economic transformation of the country.95

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95 In 2016, the author interviewed and got critical copyright insights from KECOBO Chief Executive Officer Edward Sigei.

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7. PROTECTION OF GEOGRAPHICAL INDICATIONS IN NIGERIA: A LEGAL AND POLICY DEFICIT

Solomon Gwom

ABSTRACT

The protection of geographical indications (GIs) has become popular around the world. In addition, GIs are a viable intellectual property right that can potentially foster economic development, especially in developing countries. The potential of GI protection to add value and promote rural socio-economic development, and to create value for local communities through products that are deeply rooted in tradition, culture and geography cannot be underestimated, especially when stimulating economic growth through popularizing signs used on products that have specific geographical origins and possess certain qualities or a particular reputation. This article explores the state of economic development in Nigeria, and the necessity of GI protection to enhance economic development. It also examines the concept of GIs, and existing policies and statutory frameworks on GI protection in Nigeria. The article finds that, besides section 43 of the Trademarks Act of Nigeria which provides for certification marks and other relative laws, no meaningful effort has been made by the Nigerian government to enact either a sui generis legislation or trademark-type protection for GIs. Furthermore, the article examines existing policy gaps responsible for poor GI protection and proffers recommendations for improvement and necessary attitudinal change on part of the Nigerian government.

Keywords: GI protection, geographical indications, Nigeria, protection, economic development.

1. INTRODUCTION

The emergence of geographical indications (GIs) as IP rights, and their introduction into the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), has resulted in unparalleled recognition of the form of intellectual property (IP) right internationally. However, their protection has been embroiled in many controversies and the means and scope of protection strongly contested, within the broader debate on whether TRIPS has the ability to bring about balanced and equitable economic benefits, and equally good protection for agricultural products such as food and beverages, fish products and handicrafts. Interestingly, in a continent like Africa that is very rich in traditional and cultural heritage, and which has abundant biodiversity coupled with genetic resources, there is likely to be a number of products which could derive much benefit from the protection of GIs. Unfortunately, except in a few African countries, the development and implementation of sui generis legislation on GIs on the African continent has been largely unsatisfactory. This is connected with, among other factors, costs and efforts in setting up a sustainable GI system, and also the conflict between African and Western countries over the forms of GI protection which African countries should adopt. On the regional level, however, commendable steps have been taken by the African Intellectual Property Organization (OAPI) and African Regional Intellectual Property Organization (ARIPO). These efforts have led to the protection of certain agricultural products like Penja pepper and Oku honey from Cameroon, and Ziama-Macenta coffee from Guinea, among other products.

Nigeria occupies a strategic location on the African continent, and also relative to the world. It has, among other unique characteristics, the largest black population in the world, and stands out as one of Africa’s foremost economic giants. With the growing importance of protection of GIs at an international level, Nigeria has yet to establish sui generis legislation on GIs, nor introduce such legislation into Nigerian legal jurisprudence and economic policy objectives. The only legislation which, at present, could potentially protect GIs is the Trademarks Act. This Act acknowledges a mark adapted in relation to any goods to distinguish, in the course of trade, goods that possess certain qualities or a particular reputation. Furthermore, the article examines existing policy gaps responsible for poor GI protection and proffers recommendations for improvement and necessary attitudinal change on part of the Nigerian government.

Keywords: GI protection, geographical indications, Nigeria, protection, economic development.

Notably, countries like Morocco, Kenya and South Africa.

The Bangui Agreement of 1977 establishing the African Intellectual Property Organization (OAPI) applies directly in each Member State. Under the Bangui Agreement (Annex IV), GIs are protected through a sui generis system. The agreement has entrenched a uniform system of protection for intellectual property that has now proven suitable for GIs. Similarly, during the 13th Session of the Council of Ministers of ARIPO held in Accra, Ghana on December 1 and 2, 2011, the Council mandated the ARIPO Secretariat to include Geographical Indications in its overall mandate on intellectual Property. It mandated ARIPO Secretariat to work towards the adoption of appropriate regional legal framework on geographical indications and, in addition, to assist her member states to adopt appropriate national legislations on geographical indications.

Other economic giants include South Africa, Egypt, Kenya, Ethiopia, Angola, Morocco, Tunisia, Ivory Coast and others.

certified by any person in respect of origin, material, mode of manufacture, quality, or accuracy. Other characteristics from goods not so certified can be registrable only as a certified trademark in respect of those goods in the name, as proprietor thereof, of that person. Although the use of certification marks has been successful in the protection of GIs in other jurisdictions like the United States, it does have limitations when compared to broader and redefined sui generis legislation on GIs. This situation has resulted in inadequate legislative protection for GIs in Nigeria, leaving room for further reform and enforcement. This research identifies the current lacunae existing in the protection of GIs in Nigeria. It also advocates for the protection of agricultural products and handicrafts in Nigeria through unique sui generis GI legislation, as opposed to the current trademark law. It also seeks to explore Nigeria’s situation on GI protection through the lens of academic criticism and simultaneously adjust discussions to the possibilities of reform.

2. BRIEF HISTORY AND CONCEPT OF GEOGRAPHICAL INDICATIONS

The history of GIs may be traced to the period when association between the unique qualities of goods and the geographical place of their production became common practice. Although such a practice was common in many parts of the world, it is popularly said that GIs began in France, where French laws were created specifically to protect the regional makers of wines and spirits in the French region of Bordeaux. France has protected its wine regions by means of the law on appellations of origin since 1919.6

Another explanation as to GIs’ origins comes from the British pre-industrial era, when competition to earn revenues from international trade was at its developing stage, and it became noticeable that the products of particular regions were more popular than comparable products from other regions, due in large part to their superior quality. This superior quality resulted from natural geographic advantages, such as climate and geology. The international reputation of certain goods secured for these products access to markets well beyond their place of production.7 To take advantage of the commercial attractiveness of these reputations, merchants began to brand their goods with marks which designated the place of origin of these products. Soon enough, in order to protect the commercial reputation of these goods, local legislators passed laws to prevent the adulteration of local produce by the addition of inferior goods or ingredients. These laws punished the adulteration of goods and established systems of marking approved local goods with marks certifying their quality. An example is wool marks for cloth, and hallmarks for goods made from precious metals. Associations also began to spring up in aspects where the reputation of goods was attributable to skills and technology. They eventually developed service marks which were placed upon goods produced by their members.

Since then, GIs have become very popular, especially for their enormous contributions to the economic development of nations. Generally, the concept comes from the concept of ‘country of origin’ or a regional or sub-regional geographic origin, as over time, some locations and regions of countries become synonymous with producing high-quality products.8 Also regarded as agricultural law, the law of GIs has recently become a popular aspect of IP for trademark professionals because regional manufacturers and growers are becoming more sophisticated in protecting their hegemony on identifying the origin of their goods.9 There could be confusion arising from proper understanding of the nature and application of both GIs and trademarks. They can be better understood in analyzing literature, court decisions and case law.9

5 M Blakeney, The Protection Of Geographical Indications: Law and Practice (Edward Elgar Publishing Limited 2014) 3, 6. Prominent among these protections were the privilege de la descente and the privilege de la barrique. The former excluded non-Bordeaux wines from the Bordeaux wine market until 11th November of each year. The privilege de la barrique on the other hand reinforced the commercial advantage of Bordeaux wines as the only wines entitled to a barrel made of superior wood and of specified dimensions, which gave them an advantage for transportation in the merchant vessels of the time.

6 ibid.


9 A trademark is defined by WIPO as a sign capable of distinguishing the goods or services of one enterprise from those of other enterprises. Similarly, a GI is a sign used on products that have a specific geographical origin and possess qualities or a reputation that are due to that origin. In order to function as a GI, a sign must identify a product as originating in a given place. Trademarks are protected by intellectual property rights. Trademarks and GIs are both intellectual property rights. They are trade distinctive signs, but there are several differences between them, especially concerning the legal regime and juridical nature. Articles 22 and 24 of the TRIPS Agreement provide distinct protections for GIs and trademarks respectively. However, with GIs, GIs and appellations of origin are deemed integral parts of indication of source which is type of protection that requires that the product originate in a certain geographical
3. PRESENT STATE OF THE AGRICULTURE, HANDICRAFTS INDUSTRY AND ECONOMIC DEVELOPMENT IN NIGERIA

A. NIGERIAN AGRICULTURAL PRODUCE

Nigeria is roughly twice the size of California and three times the size of the United Kingdom.10 This makes it one of the largest countries in the West African region with a total geographical area of 923,768 square kilometers and an estimated population of over 192 million people.11 The country is bordered to the south by the Bights of Benin and Biafra, which are on the Gulf of Guinea in the Atlantic Ocean. On the west, Nigeria is bordered by Benin, on the north by Niger, and on the east by Cameroon. In its extreme northeastern corner, Lake Chad separates Nigeria from the country of Chad. Nigeria stretches roughly 700 miles from west to east and 650 miles from south to north.12

Owing to the strategic location of Nigeria on the African continent, it has a highly diversified agro-ecological condition which enables the production of a wide range of agricultural products. Hence, agriculture, besides crude oil production, makes up one of the most important sectors of the economy.13 The sector is particularly important in terms of its employment generation and its contribution to the country’s Gross Domestic Product (GDP) and export revenue earnings. Despite Nigeria’s rich agricultural resource endowment, however, the agricultural sector has been growing only at a very slow rate. Less than 50 percent of the country’s cultivable agricultural land is presently being utilized.14 Other major problems are price volatilities and production variability, which is widespread not only in Nigeria but in many parts of the African continent. These have caused volatile and spiking food prices, creating uncertainty and risks for producers, traders and processors, resulting in increased food insecurity for consumers.15

A large percentage of the Nigerian population thrives on non-mechanized farming. This type of farming is also not grown on a large scale for sale on the market. A study was conducted to identify types of agricultural commodities in Nigeria by renowned Nigerian research institutions.16 The study identified 32 commodities which are perceived to have a comparative advantage in the domestic, regional, or world market. The commodities are classified into five categories, namely staple crops (9 commodities), industrial crops (12 commodities), livestock (5 commodities), fishery (3 commodities) and forestry (five commodities).17

Furthermore, major regional differences were recorded in the returns to investments on agricultural produce. For root and tubers, cassava gives highest returns in North-Central Nigeria, followed by the South-South, South-East, and South-West regions, in decreasing order of returns. Yam produce returns are high in the North-Central region, followed by the South-South region. For cereals, rice produce is discovered to be exclusively in the North-Central region. Maize produce receives better returns in the Northwest, North-Central, and South-West. Millet is profitable only in the North-West and North-East regions. Sorghum and benniseed have better returns in the Northern region. Grain legumes groundnuts, soybeans and cowpeas give high returns in the Northern region. The patterns for cultivation of vegetables reveal that they grow well throughout all mentioned regions in the country. Tree crops such as oil palm have better yield in the South-South and South-Eastern regions. Cocoa stands the high chance of good yield in the Southwestern region, while rubber yields more in the South-South region. In contrast, cashew nut and ginger are commodities traditional to the North-Central and North-West regions. Livestock production like cattle, mutton, and sheep are better farmed in the northern region, while pig and fish farming are more prominent in the South-South region.18

12 Falola and Heaton (n 11).
13 Agricultural production in Nigeria is not well mechanized. Crude methods are largely employed in food production and at a subsistence level.
16 Institutions involved in the study are International Institute of Tropical Agriculture (IITA), University of Ibadan (UI), University of Uyo (UNUYO), Ahmadu Bello University, Zaria (ABU), University of Maiduguri, UNIMAID, Federal University of Agriculture, Makurdi and Nigerian Institute for Social and Economic Research (NISER).
18 Ibid.
From the above analysis of agricultural produce in different geographical regions in Nigeria, it is obvious that Nigeria has very rich agricultural potentials capable of boosting economic development, especially when given the proper legal protection.

B. NIGERIAN HANDICRAFTS INDUSTRY

Nigeria, like other African countries, is a country that is renowned for its crafts and the skills of its craftsmen for hundreds of years. Among hand-made possessions around the world, Nigerian and African handicrafts are considered very unique and innovative. There is no comprehensive database of handicraft products currently available in Nigeria, but it can be said that the industry is gaining prominence and great expansion with time. Designs that are uniquely Nigerian usually reflect Nigerian culture and way of life. Such crafts portray the culture of traditional societies in Nigeria and offer a lot of appeal to foreigners, especially those from richer countries who desire to know more about societies through arts and handicrafts. Therefore, with the available varieties of handicrafts in Nigeria and the fact that many countries are interested in Nigerian handicrafts, handicap exporters stand a great chance of earning substantial income through exportation of arts and handicrafts.

There is also no universally agreed definition of handicrafts. Generally, the term ‘handcraft’ incorporates a broad range of artefacts, usually produced in the informal sector. It “implies handwork and usually suggests dexterity in manipulation of instruments or materials.” In comparison with the term ‘craft’, “it tends to imply more definite independence from machinery and it more often implies to an activity carried on for other than purely economic reasons.” Handicrafts are also “sometimes referred to as artisanal products, craft products, traditional creative crafts or works of artistic or traditional craftsmanship.” Internationally, there is no general definition of handicrafts. The most common definition is the generic one adopted by UNESCO, where it defines handicrafts as artisanal products ‘ produced by artisans, either completely by hand, or with the help of hand tools or even mechanical means, as long as the direct manual contribution of the artisan remains the most substantial component of the finished product. These are produced without restriction in terms of quantity and using raw materials from sustainable resources. The special nature of artisanal products derives from their distinctive features, which can be utilitarian, aesthetic, artistic, creative, culturally attached, decorative, functional, traditional, religiously and socially symbolic and significant.

Nigerian handicrafts fall within this definition. The industry has great potential, and is capable of significantly contributing to its GDP. The increasing demand for Nigerian handicrafts in foreign markets has made foreign trade in handicrafts very lucrative. Many traditional handicrafts can be seen in other countries around the world. Other types of African handicrafts, like leather and skin products, are today enjoying increasing demand in parts of Europe and in Asia. Nigerian hand-made men’s leather shoes are popular in countries like France, while in Thailand, Belgium, Sweden, Germany and Pakistan, trade in wood carvings is also now very lucrative.

C. ECONOMIC DEVELOPMENT IN NIGERIA

Economic development typically involves improvements in a variety of indicators such as literacy rates, life expectancy, and poverty rates. In Nigeria, the country’s economic development may be traced back to the early and mid-20th century. Although Nigerian economic development flourished under British colonial rule in the pre-1960 era, it could only be sustained until post-independence, with the institution of military dictatorships in the country.

In the early 1960s after obtaining independence from British colonial rule, the Nigerian government had a very ambitious economic plan that was forged from a strong...
administrative foundation. In the industrial space, foreign companies then invested in new factories and enterprises in commercially developed areas like Lagos, Kano and Port Harcourt. British holdings in Nigerian trade were also in decline, with the UK holding just over half the stock of foreign investment in 1967. Additionally, foreign capital still dominated large-scale manufacture. 26

In 1963 it was estimated that the structure of equity in large-scale manufacture was 10 percent private Nigerian, 68 percent private foreign, 3 percent federal government, and 19 percent regional governments. 27 During this period, agriculture was the mainstay of the Nigerian economy. Additionally, about 70 percent of Nigeria’s labour force was employed in the agricultural sector. 28 This trend was sustained until military rule was entrenched in Nigerian politics in the early 60s to 1999. Consequently, the agricultural, industrial and other sectors were neglected by successive military regimes and the country thrived on a mono-economy with revenues derived solely from crude oil exports.

Crude oil was first discovered in commercial quantity in Nigeria in 1956, while actual production started in 1958. It became the dominant resource and source of Nigerian revenue in the mid-1970s. On-shore oil exploration accounts for about 65 percent of total production and it is found mainly in the swampy areas of the Niger Delta, while the remaining 35 percent represents offshore production and involves drilling for oil in the deep waters of the continental shelf. 29 This was, since that period, the level of dependence on crude oil exports has risen exponentially.

Currently, the situation is no different. Agriculture presents a vast opportunity for wealth, especially given Nigeria’s vast swathes of arable land upon which most known agricultural crops can be grown; it was thus an unwise decision on the part of the Nigerian leadership to, over the years, focus solely on crude oil exports at the expense of the technological, agricultural, and other sectors. Today, owing to lack of economic diversification, serious macroeconomic challenges (among others) continue to plague the Nigerian economy, which is in a painful recession for the first time in over fifty years. GDP growth for 2016 is estimated at -1.5 percent, with a slight recovery expected in 2017. 30 This trend has been largely attributed to corruption, a continued decline in oil prices, foreign exchange shortages, disruptions in fuel supply and sharp reduction in oil production, power shortages, and insecurity in some parts of the country, as well as a low capital budget execution rate. The 2017 outlook is for a slow economic recovery. Growth is projected at 2.2 percent as economic policy reforms begin to take hold and a coherent set of policies to address the macroeconomic challenges and structural imbalances is implemented. 31

In this regard, the federal government of Nigeria has developed a framework in the Nigeria Economic Recovery and Growth Plan, which spans from 2017 to 2020. 32 The plan focuses on five key areas, namely: improving macroeconomic stability, economic growth and diversification, improving competitiveness, fostering social inclusion, and governance and security. Whether the goals of this national plan are achievable remains to be seen. However, there is great optimism, and even recorded successes like the rise in rice production which has significantly curbed Nigeria’s reliance on rice imports. However, even with priority recently given to the agricultural sector by the Nigerian government, there seems to be no clear direction towards taking advantage of the benefits of GI protection as clear policies or laws on GIs have yet to be put in place.

4. EXISTING LEGAL FRAMEWORKS SIMILAR TO GI PROTECTION IN NIGERIA

Currently, Nigeria does not have sui generis legislation on GIs. Similarly, there is no existing articulated government policy in place for GIs. However, certain legislation analogous to GI protection, or which offers an alternative to GI protection does exist. Some of these alternatives are at different stages of enactment, yet to become law. Brief discussions shall be made below on these.

A. EXISTING LAWS

Laws under this category are extant laws with binding force in Nigeria. They are all included in the laws of the Federation of Nigeria. Besides the Trademark Act, these laws are seemingly dormant in terms of enforcement, due to existing weak, corrupt government institutions and also a poor will for enforcement.

(i) THE TRADEMARKS ACT

The major legislation in Nigeria on trademarks is the Trademarks Act. 33 The Act is of British origin, dating back to the early 19th century British colonial period in Nigeria. It has 69 Sections and has not undergone any significant reforms since its commencement. 34 The Act defines

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27 ibid.
29 ibid, 16.
31 ibid.
32 ibid.
‘Trademark’ as, ‘except in relation to a certification trade mark, a mark used or proposed to be used in relation to goods for the purpose of indicating, or so as to indicate, a connection in the course of trade between the goods and some person having the right either as proprietor or as registered user to use the mark, whether with or without any indication of the identity of that person, and means, in relation to a certification trade mark, a mark registered or deemed to have been registered under section 43 of this Act. Section 43 of the Act makes provision for registration of certification marks. Interestingly, the Act recognizes only certification marks and has no provisions on collective marks. Certification marks are defined as distinctive signs used to indicate compliance with standards and characteristics pre-established by the owner of the mark in respect of origin, materials, mode of manufacture, quality, accuracy or other characteristics but are not confined to any membership. They are registered in the trademarks register and the owner is usually an independent enterprise, institution or governmental entity that is competent to certify the products concerned. This definition is broader than the concept of GIs.

There are existing controversies and confusion as to whether a country should rely on either certification marks or GI protection or both. The choice of regime for standards organizations becomes a question of practical realities as well as organizational goals. The certification mark regime may be preferred if the owner organization places great importance on being perceived as an independent, unbiased standards-setter. The trademark regime may be preferred if an organization desires ease of administration and greater flexibility and control over use of its mark and will use the mark itself in connection with a product or service it offers to third parties. To identify the best regime, there needs to be an assessment of activities, materials, services and the market, and also consideration of how a beneficiary and his constituents will use the mark.

(ii) MERCHANDISE MARKS ACT

The Merchandise Marks Act was introduced to Nigeria from the British in 1955. It has 18 sections relating to fraudulent marks on merchandise or goods, trade descriptions and trademarks. The Act defines a ‘false trade description’ as ‘a trade description which is false or misleading in a material respect as regards the goods to which it is applied, and includes every alteration of a trade description, whether by way of addition, effacement, or otherwise, where that alteration makes the description false or misleading in a material respect; and the fact that a trade description is a trade mark, or part of a trade mark, shall not prevent such trade description being a false trade description...’. It further defines ‘goods’ as ‘anything which is the subject of trade, manufacture or merchandise. It also defines other terms like name person, manufacturer, trade description and trademark.’ Section 3 of the Act describes offences that may be committed as to trademarks and trade descriptions. The Act, among other provisions, further...
provides for instances of forging trade marks, rules as to evidence, issue of and proceedings on search warrant. The purpose of this legislation is to sanction individuals or trade bodies from employing deceptive practices to take advantage of commercial activities.

(iii) TRADE (GENERALIZED SYSTEM OF PREFERENCES) ACT

The purpose of this Act is to appoint the Nigerian Customs Service as the certifying authority in Nigeria in respect of goods exported from Nigeria and intended to benefit under the Generalized System of Preferences of the United Nations Conferences on Trade and Development. The Act has 7 sections, and covers matters such as the appointment of the certifying authority, verification of applications and issue of certificates, the power to require supply of further information, regulations made by the Minister of Trade and Investment, and offences.

(iv) TRADE MALPRACTICES (MISCELLANEOUS OFFENCES) ACT

The Trade Malpractices (Miscellaneous Offences) Act was enacted with an aim to criminalize certain acts that relate to trade, especially trade-related malpractices. According to Section 1(1) of the Act:

Notwithstanding anything to the contrary in any law, as from the commencement of this Act, any person who-

(a) advertises any product in a manner that is false or misleading or is likely to create a wrong impression as to its quality, character, brand name, value, composition, merit or safety; or

(b) for the purpose of sale, contract or other dealing, uses or has in his possession for use any weight, measure, weighing instrument or measuring instrument which is false or unjust; or

(c) for the purpose of sale, contract or other dealing, uses or has in his possession for use, any weight, measure, weighing instrument or measuring instrument not stamped or marked as required under the Weights and Measures Act or any other law in respect of which no certificate of verification is in force; or

(d) sells any products by weight or measures in any warehouse, market, store or other public place and refuses to weigh or measure the product in the presence of the person to whom the product was delivered when requested to do so by that person; or

(e) with intent to defraud, alter any weight, measure, weighing instrument or measuring instrument stamped or marked pursuant to the Weights and Measures Act or uses in any sale, contract or other dealing, any such altered weight, measure, weighing instrument or measuring instrument; or

(f) sells any products by weight, measure or number and delivers or causes to be delivered to the purchaser a less weight, measure or number, as the case may be, than is purported to be sold or corresponds with the price charged; or

(g) in connection with the sale or the exposing or offering for sale of anything, makes any misrepresentation howsoever or does or omits to do any act, matter or thing calculated or likely to mislead the seller or purchaser or prospective seller or purchaser, as the case may be, as to its weight or measure or as to the number to be sold or offered for sale; or

(h) advertises or invites subscription for any product or project which does not exist, commits an offence under this Act and is liable on conviction to a fine of not less than N50,000.

(3) Except where the context otherwise requires, any word or expression used in this section shall have the same meaning as assigned thereto under the Weights and Measures Act.

Section 2 provides for the establishment of a Special Malpractices Investigation Panel by the Federal Ministry of Commerce headed by a person from the Ministry of Commerce which shall consist of one person to represent the Ministry of Internal Affairs, the Ministry of Health, the

44 Merchandise Marks Act (n 36), S 4.
45 Merchandise Marks Act (n 36), S 9.
46 Merchandise Marks Act (n 36), S 11.
47 Commencement part of the Trade (Generalized System of Preferences) Act, Cap T 11, Laws of the Federation of Nigeria, 2004. The was enacted after the 1968 United Nations Conference on Trade and Development (UNCTAD Conference) which recommended the creation of a Generalized System of Tariff Preferences under which industrialized countries would grant autonomous trade preferences to all developing countries. Thus, in 1971, the GATT Contracting Parties unanimously adopted the enabling clause which created the legal framework for the Generalized System of Tariff Preferences, and authorizing developed countries to establish individual Generalized Schemes of Tariff Preferences.
48 Trade (Generalized System of Preferences) Act (n 42), S 1.
49 Trade (Generalized System of Preferences) Act (n 42), S 2.
50 Trade (Generalized System of Preferences) Act (n 42), S 3.
51 Trade (Generalized System of Preferences) Act (n 42), S 4.
52 Trade (Generalized System of Preferences) Act (n 42), S 5.
B. PROPOSED LEGISLATION

(i) THE NIGERIAN INTELLECTUAL PROPERTY COMMISSION (NIPCOM) BILL

The Nigerian Intellectual Property Commission (NIPCOM) Bill was one of the proposed bills meant to be passed into law at the National Assembly or the Legislative chambers in 2012.57 The Nigerian government approved the establishment of the Nigerian Intellectual Property Commission on 10 March, 2009. This would be made possible through the passage of the NIPCOM Bill.58 The proposed bill is meant to enable legislative reforms in Nigerian IP development by unifying the IP system under one administration, in accordance with best practices and to enable the country to harness the benefits of IP for economic development. Although the bill has passed its second reading at the House of Representatives of the National Assembly of Nigeria, it has yet to be fully passed into law.59 This is a major development, but much more needs to be done in terms of legitimation and implementation.

(ii) A BILL FOR AN ACT TO ENCOURAGE COMPETITION IN THE ECONOMY BY PROHIBITING RESTRICTIVE TRADE PRACTICES, CONTROLLING MONOPOLIES, CONCENTRATIONS OF ECONOMIC POWER AND PRICES AND FOR CONNECTED PURPOSES, 2011

Competition in markets promotes efficiency, encourages innovation, improves quality, boosts choice, reduces costs, and leads to lower prices of goods and services. It also ensures availability of goods and services in abundance of acceptable quality at affordable prices. It is also a driving force for building up the competitiveness of domestic industry. Businesses that do not face competition at home are less likely to be globally competitive. Competition ensures freedom of trade and prevents abuse of market power and thereby promotes economic efficiency.

Nigeria does not yet have a codified set of laws on competition in the marketplace. The absence of specific legislation could be justified by the initial status of government monopoly over certain commercial enterprises like telecommunications, electricity, etc. Hence, there was little or no need to regulate competition since key aspects of the economy were monopolized by government. However, in industries where competitive commercial activity existed, specific regulatory bodies were set up to encourage healthy competition.60 Currently, the proposed bill currently before the National Assembly combines the regulation of competition and consumer protection. The current bill is for an Act ‘to repeal the Consumer Protection Act and also to establish the Federal Competition and Consumer Protection Commission and the Competition and Consumer Protection Tribunal for the development and promotion of fair, efficient and competitive markets in the Nigerian economy’. It is still pending before the legislative chambers in Nigeria.

5. ADVANTAGES OF GI PROTECTION IN NIGERIA

Criticisms and commendations alike have trailed efforts to protect GIs in developing countries, both at national and at international levels.61 Nonetheless, in the era of globalization where so much has been done to reduce and remove barriers between borders in order to facilitate the flow of goods, capital, services and labor for the continued development of a global common market, there is no harm in taking advantage of the benefits of GI

54 Trade Malpractices (Miscellaneous Offences) Act (n 48), S 3, 4.
56 Weights and Measures Act (n 50), S 6.
59 The second reading took place on the floor of the National Assembly on 19th January, 2017. Furthermore, constitutionally, the law will require presidential assent to be legitimate.
6. CHALLENGES OF GI PROTECTION, LEGAL GAPS AND THE WAY FORWARD

Currently, there is no universal mechanism of protecting GIs which all countries adopt in their national legislations. However, the framework for the protection of GIs is provided by Articles 22 to 24 of the TRIPS agreement. It is quite challenging for all countries to establish a predictable multilateral system of rules to protect IP rights, and this challenge undermines the objectives of TRIPS. Developing countries find it cumbersome to establish proper GI protection because of lack of expertise and resources. Consequently, the benefits of GI protection, from many perspectives, seem to favor developed countries more than developing countries. But this does not in any way suggest that developing countries like Nigeria cannot enjoy the benefits of GI protection. On the whole, there is a need to critically carry out an assessment, including the cost and benefit implications associated with establishing a viable GI protection system.

There are many challenges in setting up a viable GI protection system or its equivalent. Not all of such challenges can be discussed in this paper. However, major challenges shall be identified and discussed. One major challenge identified in setting up a proper GI protection system in Nigeria is corruption. This challenge is not unique to Nigeria but to many other countries as well. The systematic level of corruption in Nigeria has kept it in the doldrums of poor infrastructural and institutional decay. Hence, concerted efforts, conscious commitment and a strong political will are required to minimise corruption in Nigeria. This will strengthen existing institutions and make possible an efficient GI system.

Insecurity is another major challenge in Nigeria. In recent times, Nigeria has witnessed an unprecedented wave of crisis and insecurity, leading to loss of lives and destruction of properties. Food security is directly threatened as a result of this development. Keeping


Falola and Heaton (n 11).


peace within the borders of a country has a direct nexus with GI protection. This is because objects of potential GI protection can thrive only in places where there is no insecurity. For example, acts by terrorist groups like Boko Haram and frequent bloody clashes between Fulani Pastoralists and farmers over cattle grazing\textsuperscript{66} have significantly affected food production and the handicrafts industry, particularly in affected regions of North Eastern Nigeria. Therefore, there is a need for the Nigerian government to pay more attention to the security challenges which the country faces.

Additionally, one challenge faced in putting in place GI legislation is the type of legislation to be enacted. The question arises whether the existing Trademarks Act can be amended, particularly Section 42, to capture or incorporate complete GI protection; or whether an entirely special law on GIs should be passed into law. This will be an issue for legislators and stakeholders to decide. It obviously will involve painstaking and careful deliberations as to which approach is best for the country. However, if the extant Section 42 of the Trademarks Act is to be maintained for the same protective purpose as a sui generis GI law, challenges to be encountered will include: issues of prior trademark registrations where potential Nigerian GI producers may be confronted with registered trademarks which contain their GI names in neighbouring countries; difficulty in applying trademark or certification marks on agricultural products and handicrafts; and the hurdle of registration of composite GI names where a product originates from two regions, among other challenges. By and large, the scope of protection offered by the existing Trademarks Act in Nigeria to protect GI names is not as comprehensive as the EU’s GI system. More so, there will be a need for the establishment of an office to cater for matters related to GIs, as the Trademarks, Patents and Designs Registry is already overburdened with trademarks, patents and design issues.\textsuperscript{67}

The political will to enact sui generis legislation or legislation akin to it seems absent, and it would be an exaggeration to characterize all actions of the Nigerian government as unsatisfactory in terms of legislative enactments and policy formulations. However, on GI or similar protection, there exists policy inconsistency and poor leadership at virtually all levels.


\textsuperscript{67} Trademarks, Patents and Designs Registry, Commercial law Department <http://www.iponigeria.com//> accessed 13 July 2018. The Commercial Law Department of the Nigerian Federal Ministry of Industry, Trade and Investment has the trademarks, patents and designs registry which administers protection of trademarks, patents and designs. Many have criticized the consolidation of all the registries as burdensome and ineffective.

7. CONCLUSION

The benefits of GI protection in developing countries cannot be underestimated. A country like Nigeria, with all its potential and strategic position in the African continent, can benefit greatly from GI protection with careful planning and pragmatic execution. This paper points to the fact that existing legal regimes for protecting potential GIs in Nigeria are insufficient when compared to existing protection in other jurisdictions. This is owing to both inaction on the part of the Nigerian government, and unwillingness to follow the path of proper GI protection. Leansings tilt towards adopting either the sui generis legislation approach or an amendment of the existing Trademarks Act to embrace completely legislations that favor GI protection. However, Nigeria presently faces serious challenges which makes it difficult to properly implement and sustain a commendable GI system. Such challenges include corruption, insecurity, low technical capacity to implement such a system as well as the financial and administration costs associated with setting up a GI system.

Creating awareness among the largely illiterate Nigerian population is a key challenge that should be overcome by the Nigerian government if such an endeavour would be successful. Also, sourcing funds and good capacity building would also make such an establishment successful. There is also the important step of engaging in wide legal reforms in order to conform most laws to modern GI protections. These, and other inputs, are important if Nigeria will succeed in its desire for a system for the protection of GIs. Nigeria does stand to benefit much from GI protection because of its potential to improve the livelihoods of many of its citizens, including farmers, in many ways. However, much will depend on the will of government to act genuinely in the interest of national and economic development.
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8. CHALLENGES OF INTELLECTUAL PROPERTY IN THE INFORMATION SOCIETY

Enrico Marcel Huarag Guerrero* 

ABSTRACT

The progressive but increasing implementation of the Information Society has led to several changes in the way individuals understand creative activity and the value of intellectual property.

However, the intellectual property system, especially in the area of copyright, has not been able to adapt to these recent changes; instead, the system has sought to tighten sanctions and punitive rules. Traditional enforcement does not seem to work, because legislators have not understood the consequences of digitization, the irrelevance of the support, and the dematerialization of protected content.

While in the field of patents there is a progressive movement to increase the flexibility of the system, the same has not happened in copyright, thus hindering the development of new business models.

Keywords: intellectual property, copyrights, patents, information society, piracy, incentives, rent-seeking, support irrelevance, overprotection, business models, digital content.

1. INTRODUCTION

As a sociological phenomenon, the Information Society has increasingly been implemented today in an irresistible way, leading to a series of changes in society, individuals and institutions. This implies not only general improvements in information technology, global communications and computing, but also changes in consumer content preferences, and what interests us most is how they now understand the creative activity and value of intellectual property, as well as all information assets in general.

Unfortunately, the impact of the Information Society has not been entirely understood by the traditional industries of intellectual property protected products, nor by legislators or representatives of countries that negotiate international agreements of protection to the intellectual property system.

For example, in the case of copyright this has resulted in a protection system that has failed to adapt to technological change, which has led to the aggravation of penalties for file sharing, protected or not (misnamed piracy); the increasing expenses in technological measures of protection; the creation of new copyright assumptions, the progressive extension of existing ones; and the proliferation of regulations that restrict the fundamental rights of individuals. Unfortunately, all these measures seem to be insufficient to protect the current system.

Personally, I consider that all the above is based on an error in the conception of intellectual property rights. We seem to have forgotten that we are facing an artificial property, created by granting temporary monopolies to authors and inventors to compensate the efforts and resources invested in the creation or innovation, and to incentivize creation and innovation.

2. INTELLECTUAL PROPERTY AS ARTIFICIAL PROPERTY

For a long part of man’s existence, the transmission of knowledge was oral: between those who created knowledge and those who acquired it. Traditions, stories, legends, inventions and technical improvements were transmitted from generation to generation. No one was the “owner” of knowledge, nor could it be appropriated. By communicating knowledge, it escaped its sphere of dominion, being in turn retransmitted to all.

With the invention of writing (4th century BC), knowledge and information were fixed on supports that allowed transmission to others, remaining unchanged for generations. Knowledge could pass from one to another without alterations. In this context, the great works of antiquity were developed, none of which had patrimonial protection of copyright. From Homer to Shakespeare,
authors couldn’t control the copy or distributions of their works4. There were no restrictions on copying, reproduction, public broadcast or editing of the classics.

However, over time, inventors were granted certain rights (so-called privileges) to reveal their inventions to the benefit of the nascent cities. This system was then extended to authors, publishers, and printers.5

Already in the time of Elizabeth I Tudor, intellectual property emerged in England in the form of royal favors (royal charters, letters close and letters patent) that the King or a lord of the land granted to those who introduced new techniques to produce certain goods, or to provide certain services.6 But, the Crown often made improper use of this power, turning them into privileges generating selective monopolies. The post-Elizabethan parliaments soon perceived that the monopolies generated by royal favors were to the detriment of free trade, so they worked towards suppressing them. Thus, the modern notion of intellectual property was developed, moving to a practical means of promoting technological progress and protecting public welfare. In 1623, the Statute of Monopolies rendered illegal all monopolies, except those established for a given year term, which forms the basis of current patent law.7

The intellectual property system which currently exists is an exceptional system, in which the law creates scarcity of a resource (information) through the creation of a temporary monopoly (intellectual property rights) with the objectives to compensate and encourage creation and innovation. It is an exceptional system that responds to a laudable purpose.

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4 Alfredo Bullard, ‘Reivindicando a los piratas ¡Es la propiedad intelectual un robo?’ in Derecho y Economía El Análisis Económico de las instituciones legales (Palestra Editores 2006) 225.


7 Idem.
purchaser of such copies, during times therein mentioned. A balance between individual interests and general interest was sought. This rule encouraged the author by certainly creating a monopoly in his favor for 14 years, after which the work passes into the public domain to serve as input for new creations.

But, as discussed below, the objectives have ended up being denatured in favor of continuous extensions of the term of protection, and the proliferation of increasing monopoly rights. This is so since the objectives of the system are often forgotten, as well as the economic nature of the goods. This overprotection has generated problems such as rent-seeking and piracy.

3. BACK TO THE BASICS: THE ECONOMIC NATURE OF INTELLECTUAL PROPERTY GOODS

There are two principles that are used to determine the economic characteristics in order to provide adequate economic treatment: rivalry and exclusivity.

Rivalry implies that the use of a good by an individual prevents others from using it simultaneously, thus reducing its availability. The typical case of rival goods is found in consumables. However, information assets can be used by several individuals simultaneously, without reducing their availability, or causing obstructions between users.

Exclusivity is the ability to exclude other individuals from using a good. While we can argue that all goods can become exclusive at a cost, we consider as excludable goods those whose use may be excluded from other individuals at a reasonable cost.

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<th>RIVALRY</th>
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<td>YES</td>
<td>Private Property</td>
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Both original works and inventions are information assets. As such, there is a lack of rivalry and they are not excludable, at least at a reasonable cost. As pointed out by economist Paul Krugman (Nobel Prize in Economics 2008), its treatment is more efficient as a common good.

In consequence, the most efficient treatment for information assets such as intellectual property is being treated as public goods. And so, this type of goods was treated during much of history. Classical antiquities were made without the need for an intellectual property system to protect them.

The intellectual property protection system aims to encourage the creation and invention, in exchange for compensating the creator and inventor. The temporary monopoly is created for those seeking incentives and compensation, after which the intellectual property passes to a more efficient state: the public domain.

4. COPYRIGHT, OVERPROTECTION, RENT-SEEKING AND PIRACY

In the case of copyright, the term of protection has increased over time. We can argue whether a fourteen-year monopoly is reasonable or not to incentivize and compensate an author by suggesting that works are usually exploited in economic value in the first few months or years of publication, and by arguing that if the term of protection extends to all the author’s life, it ceases to be an incentive but rather an overcompensation. That is to say, it ceases to be an incentive, and instead becomes an income.

When the term of copyright protection extends beyond the life of the author (for example: 100 years post mortis autoris, as in Mexico), it becomes meaningless. Indeed, no economic theory can explain how you can incentivize a dead author to create new original works. As Richard Posner has pointed out, such a long extension of copyright over-compensates and therefore no longer encourages the creation of content but rent-seeking.

As a matter of fact, rent-seeking eliminates the incentive to create. The property owner has no incentive to keep creating, since he or she can live with the income, and even can bequeath it.

Another effect of rent is that it increases the cost of access to information goods, and that cost may increase beyond the value that people in the market are able to provide. When this happens, a secondary market will emerge: piracy. Indeed, when people value well below the price set by the rights holder, they seek to meet the need in a different way, at lower costs. Protection

measures and penalties imposed on piracy can raise this cost, incorporating a cost of prosecution, but this does not always deter potential offenders.

Thus, we must understand piracy as a problem associated with the excessive costs of goods protected by intellectual property. Accordingly, a more expensive work is produced by the overprotection granted by copyright.

In consequence, copyright loses its reason for existence, and becomes a social tax that delays creation. This is because the creation process is not uni-directional but bi-directional. It is not only knowledge production (output) which is the priority, but also nurtured knowledge and information (input). The very existence of exclusive entitlements, like those granted by intellectual property, discourages other creations; it restricts the number of works available on the market, so that new artists have less access to existing works.

If we consider that works have no rivalry, it is desirable that as many people as possible have access to them at the marginal cost of producing a single copy. In this way, the social utility of intellectual goods is maximized, allowing them to serve as an input for new creations. However, the monopoly price charged by the creator of intellectual property protected works moves away from the marginal cost of producing a copy and this generates a social loss equivalent to the sum of the prices that would have been paid by all those people who value the good over the marginal cost, but below the price imposed by the creator, restricting access to the input of new creations.

Some argue that copyright law provides exceptions and remedies that can alleviate, to some extent, the effect of the monopoly, such as the right to quote or the right to make a private copy, which allows you to use protected works to create new original works. This may be so in the works we know as classical (literary, artistic, etc.), but not for others, as software, where such use is not contemplated. On the other hand, both exceptions, in the Germanic-Roman system, are quite far from the more liberal concept of fair use, used in the Anglo-Saxon copyright regime.

Software is at the heart of the information society, and in the software, the right to quote has no value whatsoever. Drivers, libraries, programs and others are used either in their entirety, or not at all. In terms of software, fifty years is an eternity. In the world of software, the obsolescence is so fast that every four years the software produced becomes obsolete.

5. INFORMATION SOCIETY, DEMATERIALIZATION OF THE DIGITAL CONTENTS AND THE IRRELEVANCE OF PHYSICAL MEDIA

Before the implementation of the information society, piracy was a problem that was relatively controlled. However, popularization of personal computers, the Internet, social networks, and smartphones changed the way we see and interact with the world. In that digital environment, piracy rates have skyrocketed.

This has led many countries to increasingly restrict use of copyrighted works, and develop more drastic laws that impose criminal sanctions, and in an effort to monitor file sharing, arrive at violating fundamental rights such as privacy, freedom of opinion and expression. These laws, such as the Law Hadopi in France or the Sinde-Wert Law in Spain have demonstrated little to no efficacy in reducing piracy rates.

But why were enforcement rules relatively effective before and not now, despite being much harsher? Maybe the answer to this is the physical media on which the works are fixed, and their subsequent insignificance.

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14 Ibid., pg. 20.


19 The Hadopi Law or promoter Law dissemination and protection of creation on the Internet came into force on July 1, 2010, and given its ineffectiveness, was abolished on July 9, 2013.

20 Sinde-Wert Law is a provision in Spain’s Sustainable Economy Bill proposed by the Spanish government led by Jose Luis Rodríguez Zapatero in November 2009. It led to significant protests by the Spanish people and it was eventually stripped out of the Bill on December 21, 2010. On December 30, 2011 the newly elected government approved the final regulation needed to put it into place. This law created a new intellectual property commission designed to review requests from copyright holders about websites that they claim infringe upon their copyright. But also has a significant impact on individual privacy rights: it allows impacted parties to seek the identity of those they believe to have infringed on their copyright.
Indeed, by being stored on physical media (books, CDs, etc.), the intellectual property assets lost their characteristics of non-rivalry and non-exclusivity goods, and acquired the characteristics of a physical good. Thus, a good such as information, which lacked exclusivity, acquired this feature from other forms of media (book, canvas, photosensitive paper, etc.), so that it is easier to protect them.

Copying an intellectual property protected work had relatively high costs: a copy medium and physical media are needed in order to fixate and store every single copy, which add costs without maintaining the original quality. This facilitated enforcement, on the one hand, and made the difference between the price of protected goods and their illegal alternatives less obvious. **Having a physical medium allowed a relatively high degree of law enforcement and hindered piracy.**

But this situation changed when copyright information became digitized. Converted into a series of binary data, information is easy to reproduce, significantly reducing copying costs. Moreover, the copies maintain the same quality of the original, as long as they contain the same information: original and copy now have the same information. And with the popularization of the internet, the physical support lost any kind of relevance it had previously, with grave consequences.

Released from any physical medium, original works retain the original characteristics of information assets. The work recovers its characteristics of non-rivalry and non-excludability of the good. For the first time, the system of protection of intellectual property has to deal with the difficulties of the true nature of information assets: original works return to their immateriality, and are thus easier to copy.

To this must be added the phenomenon of hyper-connection, which leads to individuals being always connected to the Internet and their resources. Smartphones, smartwatches, tablets, and wearables keep the individual in continuous connection with the Internet, and digitalized works.

This allows a change in the preferences of consumers of digital content. Ownership and possession of the content becomes meaningless for availability and access. Business models based on sales per copy (software manufacturers, record labels, and video producers) come into crisis. But this crisis was not produced by piracy, which the industry blames, and against which lobbyists react seeking to make protection laws for their business models rather than intellectual property. These business models are in crisis because they failed to see the shift in consumer preferences.¹¹

On the other side, new business models are born, like Spotify and Netflix, based on **availability and access** to entire catalogs of works.²² However, these creations were first hampered by the rules of intellectual property.²³ The paradox of the case is that in places where the implementation of these two applications (and

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others such as Google Music, Deezer, Apple Music, etc.) increased, piracy rates decreased.\textsuperscript{24}

This leads us to conclude that, before continuing to create norms seeking to defend a system of intellectual property tailored to old business models, we must adapt the system to the changes imposed by the information society. The system must adapt to the new digital environment and accept its rules, encouraging new business models and finally allowing for the reconciliation of access to information with the interests of creators.

But this does not only happen in copyright. In the case of patents, the excessive blocking ability of patent holders generates what Michael Heller has called the Tragedy of the Anticommons.\textsuperscript{25} Every invention, especially in complex fields such as biotechnology or hardware of electronic devices, requires the use of previous patents. Moreover, in areas where standards are set and interoperability is required, such as telecommunications, the number of patents that a company must obtain to place their product on the market significantly reduces the possibility of access.

Thus, we are faced with the paradox that patents, created to promote invention, have become important obstacles to inventive activity.\textsuperscript{26} The patentees block investigations, by charging unreasonable royalties for licenses, and as in biotechnology, for example, patents are now used to stop research, prevent medical testing and keep society’s vital information restricted.

On the other hand, the patent system raises the cost of litigation, so that small businesses who cannot access the patent system decide to seek protection for their innovations through other instruments such as trade secrets.\textsuperscript{27} Large companies spend vast amounts of resources threatening, suing, answering demands, following processes and enforcing judgments, rather than allocating those resources to the field of research and innovation. The problem is that the consumer ends up paying the price, either by the higher cost of the products, or with a less innovative society.

Also, the current system promotes the use of defensive patents, which do not lead to any development. They are left in the trunk of the companies until they are sued for patent infringement, allowing them to counter-attack.\textsuperscript{28} Resources for defensive patents can be used more efficiently in new developments and in real inventions.

In the patent wars, unleashed among technological companies, resources are wasted. But in biotechnology, the blockades of patent holders cost lives.\textsuperscript{29} Luckily, unlike copyright, in the field of patents, states have been negotiating not to strengthen the patent system, but to make it more flexible, seeking remedies to the excesses raised by the patent system.

One of the most interesting cases of exceptions to the patent system is given by compulsory licenses. These licenses allow a government to produce a patented product or use a patented process without the consent of the patentee. The generic product is produced for the domestic market, not for export, and the patentee receives an adequate remuneration according to the circumstances of each case.

Compulsory licenses have been implemented since 1995 in the World Trade Organization’s Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). In 2001, the Doha Ministerial Conference allowed countries that could not manufacture pharmaceuticals to obtain cheaper copies elsewhere if necessary. It is not a complete solution to the problem of blockages, but at least it demonstrates the efforts made to make the patent system more flexible and efficient.

Other exceptions are linked to parallel imports and exceptions for anti-competitive practices. In the first case, it involves the importation and resale in a country, without the consent of the patent holder, of a patented product that has been legally placed on the market of the exporting country by the patentee or otherwise. In the second case, competition policies and rules enable the potential to regulate patent rights abuses and to complement the limitations inherent in patents.


\textsuperscript{25} Michael A. Heller, Professor of Real Estate Law at Columbia Law School, coined the term “tragedy of the anticommons” in 1998, as a mirror-image of the concept of tragedy of the commons, created by Garret Hardin. In a tragedy of anticommons, a resource is prone to underuse when multiple owners each have a right to exclude others from a scarce resource and no one has an effective privilege of use. See:


These types of flexibilities mitigate the damage that can lead to blocking patents by patent holders, although they require a decisive partnership between the state, academia and industry in countries that can make use of them, which is not necessarily the case for less developed countries.

6. CONCLUSION

Part of the problem is the fact that we have not been able to react to the challenges that the Information Society imposes. Our goal should be to continue to promote creation and innovation, not to criminalize conduct or to defend a system at large. This part of making the system much more flexible can bring solutions ranging from state regulation of behavior to within the private sector itself.

Exceptions and remedies provided for patents are important, but still not enough to prevent blockages associated with new inventions. However, it gives us a good example of how the system aims to adapt to the current times. It is the way to go.

We need more reasonable copyright exceptions to allow the creation process and the development of new business models better suited to digital environments. A more radical scenario implies the extinction of copyright, as critics of the system like Stephan Kinsella\textsuperscript{20} and Michele Boldrin have suggested, due to its inefficiency to encourage creation.\textsuperscript{31} In this scenario, the market would take charge of the production of intellectual goods through new business models.

In fact, successful new business models in the information society are based, above all, on the flexibilization of intellectual property rights. To achieve this purpose, private companies have focused their business not simply on the exploitation of royalties granted by a temporary monopoly that, in practice, is inefficient because it lacks effective enforcement. Instead, they use market mechanisms to capture their clientele, considering the interests of consumers.

We can find three types of business models: The first is based on access to digital content, either through a flat rate, or a Freemium / Premium bonus scheme. These companies exploit the change in consumer preferences and use it to obtain a viable business.

A second model is based on the renounce of certain intellectual property rights, either for an ethical purpose (Free Software model) or practical considerations (Opensource Initiative). Therefore, revenues are not generated by the sale of software copies, but by businesses made around them. On other occasions, it is not a profit motivation, but certain ideals (personal, academic, etc.) that prevail to grant access to intellectual goods (Creative Commons, Open Patents) for free.

Finally, we find a third model based on collaboration, which allows to implement a project in need of capital (crowdfunding) or resources (crowdsourcing), including intellectual assets within these. But also, the possibility of sharing intellectual assets for common use (such as digital content libraries) or even shared patent portfolios.

The private initiative is already doing its part, where the adaption of business models to accommodate the conditions imposed by the Information Society can be seen. Doing business with non-rival and non-excludable goods can be seen, and to that end, new business models, based mostly on collaborative economies and the waiver of the right of blockage allowed by copyright and patents have been generated. The current system, developed in the nineteenth century, is its main obstacle. More flexible

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systems of copyright and patent are an important requirement.

It is time to ask ourselves whether we should maintain the current intellectual property protection system, hardening it against what we perceive as a threat, or should we make it more flexible to allow the creators and inventors themselves to find efficient ways to face the challenges of the society of information. So far, the private initiative seems to have followed a more successful path to face these challenges.

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9. TRADITIONAL KNOWLEDGE IN SAMOA: AT RISK OF BEING LOST

Aleni Sofara *

ABSTRACT

This paper discusses the socio-cultural importance of Samoa’s Traditional Knowledge (TK) and its vulnerability to commercial exploitation. It further discusses the inadequacies of Intellectual Property Laws in protecting Samoan TK, a precious resource that is an integral component of the Samoan cultural identity. Such inadequacies, if not redressed, could result in Samoan TK being lost over time. Distinctions between individuality and public domain (as related issues), and the need to formulate and legislate intellectual property laws are urgent considerations to be thoroughly deliberated and implemented.

Key words: Traditional Knowledge (TK), legal protection, vulnerable, rich heritage, stolen, lost

1. INTRODUCTION

One could say that Samoa is losing its Traditional Knowledge (TK) primarily because laws necessary to safeguard TK are non-existent or inadequate. Samoa has been a developing nation since gaining independence in 1962. Over the past 56 years, the importance of legally protecting Samoan TK from misuse has become a growing concern, alongside the concern of how to facilitate the use of Samoan TK through appropriate prior informed consent that allows for sharing in benefits from the commercial use of such knowledge.

While there is a general and common misconception that TK is part of the public domain, many feel that TK is not public property and therefore cannot be protected by intellectual property (IP) laws. The distinction and conflict between public domain and public property remains a debated issue. Irrespective of this distinction, it is important that TK be acknowledged as a specialised form of knowledge in order to be granted IP rights and be protected by IP laws, both of which would allow for its survival.

The importance of good governance, taking proper actions, and making appropriate decisions to combat the effects of losing Samoan TK cannot be over-emphasised. Indeed, good governance and having the heart and will to protect Samoan TK are inextricably linked. Samoa must do all in its powers to ensure the availability of proper laws and policies to provide some legal protection of its TK. The sui-generis1 system provides a viable option as it at least makes available some form of legal protection, rather than no protection at all.

Without any modernized form of traditional legal protection, some of Samoa’s cultural practices, cultural skills, language, cultural knowledge and expressions may be in danger of being lost. “When traditional knowledge is lost, this can have an enormous impact on the cultural identity and way of life in traditional communities.”2 The TK in making Siapo, one of Samoa’s cultural art forms for example, is becoming a lost art.3

There are several cases where TK that was made public was then stolen or taken by others,4 and several arguments exist as to how this issue should be addressed. One argument is that TK needs to be legally protected in order to make it less accessible to the public. Another argument is that TK should be less advertised and

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1 Latin word meaning something unique of its own kind; describes a form of legal protection that exists outside typical legal protections. See ‘sui generis’ (Cornell Law School) https://www.law.cornell.edu/wex/sui_generis accessed 24 August 2017

2 This concern of indigenous cultural practices, cultural skills, the language and cultural knowledge and expressions in danger of being lost was addressed by Veniana Qalo (Senior Trade Policy Specialist) at the Pacific Islands Forum Secretariat (PIFs) during the Practical Workshop on Intellectual Property, Traditional Knowledge, Traditional Cultural Expressions and Genetic Resources held in Apia, Samoa. 2015. http://www.wipo.int/docs/tk/en/wipo_iktkopa_15/wipo_iktk_apa_15_remarks_iplcs_day.pdf accessed 01 October 2018

3 Siapo: (Tapa Cloth) ‘The Traditional Fabric of the Samoa Islands.’ For centuries, Siapo has been passed down from generation to generation. Unfortunately, it is becoming a lost art. Siapo is not only a decorative art; it is a symbol of Samoan culture used for clothing, burial shrouds, bed covers, ceremonial garments, and much more. https://www.nps.gov/npsa/learn/education/siapo-the-traditional-fabric-of-the-samoan-islands.htm accessed 01 October 2018

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promoted. The crux of these arguments is that once TK is lost or stolen, everything else including the language, the skills, and many other aspects of traditional culture, become equally vulnerable and may entirely vanish along with TK. This is the unavoidable, consequential outcome from any loss or thievery of TK.

One major TK issue of today involves the language, songs, and dances that are cherished as a symbol of the Samoan cultural identity. Regarding song and dance specifically, Tuiatua Tupua Tamasese Efi\(^5\) correctly points out: “When the living legacies of indigenous dance and song are no longer part of contemporary dance and song forms, the depths of our indigenous cultures are lost.”\(^6\)

To preserve the language, the Government of Samoa has taken the initiative to form the Samoan Language Commission with the purpose to maintain the language as a living language, and to standardise consistency in the usage and application of the Samoan language.\(^7\)

This paper mainly focuses on the need and role of good governance, as well as the initiative by the Government and Parliament of Samoa to address the issue of legal protection of Samoan TK. This is also well in line with the context of on-going discussions at the World Intellectual Property Organisation (WIPO) and World Trade Organisation (WTO) (of which Samoa is a member) on negotiating terms surrounding possible creation of an international legal instrument to provide legal protection for TK from cultures around the world.

2. THE IMPORTANCE OF TRADITIONAL KNOWLEDGE TO SAMOA’S CULTURE AND TRADITION

Samoan TK is often transmitted through specific cultural and traditional information exchange mechanisms. An individual custodian chooses a particular recipient in order to transmit TK on specific arts or disciplines such as: “master builder of traditional Samoan houses,\(^1\) master canoe builder,\(^1\) master tattooist,\(^1\) traditional healer,\(^1\) master weaver of mats and fine mats,\(^1\) master traditional orator\(^1\) and expert traditional fisherman or navigator.”\(^1\)

Samoan TK is a nation proud of its culture and traditions that possesses a unique and rich heritage of TK and places a strong emphasis on upholding its culture and traditions. Samoan people readily acknowledge that TK is an essential component of daily life and is thus deeply rooted in what Samoans call fao-\(f\)a Samoa (the Samoan way of life). In interviews conducted by IP law students from the National University of Samoa, the general view and response from the public and stakeholders confirmed that TK is an important element of Samoan culture and traditions.\(^9\) It is important to note that Samoan TK in relation to healing techniques, traditional medicines, agricultural practices, environmental knowledge and handicrafts are used and developed through the fao-fa Samoa and continue to be maintained and transmitted down through current day generations of Samoans.\(^10\)

Samoan TK is a country comprised of the western most group of Samoan Islands in the South Pacific.\(^8\) Many of its islands have reef-bordered beaches and rugged, rain-forested interiors with gorges and waterfalls. The islands include Upolu, home to most of Samoa’s population, and Savai’i, one of the largest islands in the South Pacific. Some of the smaller islands include various small villages, while other smaller and uninhabited islands serve as wildlife sanctuaries.

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5 Tuiatua Tupua Tamasese Efi was a Member of Parliament and Prime Minister of Samoa from 1976 – 1981 and a former Leader of Opposition. A former Member of the Council of Deputies and was Head of State of Samoa from 2007 – 2017.


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17 ‘Science of Pacific Island Peoples: Land use and agriculture.’ Translation of traditional fisherman or navigator.
3. SAMOAN TRADITIONAL KNOWLEDGE OWNED BY COMMUNITY, NOT BY AN INDIVIDUAL

TK is traditionally passed down through generations, which means there is an element of time but does not mean that TK is ancient or stuck in time. Instead, TK is constantly evolving and recreating within the community, reflecting the dynamic Samoan cultural and social identity. Another important characteristic when discussing modern-day protection of Samoan TK via IP laws is that the author(s) of TK is often unknown. This simply means that TK belongs to the community, but community-authorship may also create difficulties in attempting to provide protection via the traditional IP System.

It must also be noted that whenever there are discussions of applying copyright protection to TK, the issue of author identity in turn raises the issues of economic rights. In failing to identify the author, TK belongs to the community and this creates a mismatch with the existing IP regime.

Since Samoan TK is considered (by most Samoans) collective property of the entire community and not that of any single individual, the entire community is considered holder and custodian of TK. This is true even within the context of transmitting TK from a single traditional healer, for example, to a single chosen recipient because the recipient is entrusted to hold, maintain and keep this traditional healer’s knowledge for the benefit of the community. As further testament to community ownership, the knowledge often develops from the environment and utilises plants grown on lands belonging to the community.18

4. DEFINITION OF TRADITIONAL KNOWLEDGE

The Niue and Cook Islands previously enacted legislation providing definitions of Traditional Knowledge, namely Niue’s Taoga Act of 201220 and Cook Island’s Traditional Knowledge Act of 2013, the latter of which defines TK as the following:

“[TK is] knowledge (whether manifested in tangible or intangible form) that is or was intended by its creator to be transmitted from generation to generation and originates from a traditional community; or was created, developed, acquired, or inspired for traditional purposes; and includes any way in which that knowledge appears or is manifested.”21

The common characteristics of TK across various references at the international level and in regional model laws, which is captured by the Niue and Cook Islands legislations, are that TK:

(i) consists in knowledge, know how, skills and practices, originated and held in common by indigenous people and traditional communities;
(ii) passes from generation to generation without being codified; and
(iii) constantly improves and adapts to the changing needs of these indigenous or traditional communities.22

To date, Samoa has no legislation that defines TK and there is no singularly accepted definition of TK at the international level. Although references to TK definitions are found across various international instruments and some regional model laws and pieces of legislation, none of these is accepted or expressly adopted by Samoa. With no universal definition, Samoa follows the World Intellectual Property Organisation (WIPO) definition below:

“Traditional knowledge is knowledge, know-how, skills, and practices that are developed, sustained, and passed on from generation to generation within a community, often forming part of its cultural or spiritual identity.”23

It must also be noted that different communities and different villages in Samoa have different understandings about what constitutes TK because TK can differ from one community to another, or from one village to another. This clearly demonstrates the need to develop a national definition that reflects the varied viewpoints of these communities.

https://books.google.com/books?id=9820201055 accessed 14 July 2018
18 Daphne ZografosJohnsson, ‘Current Work and Discussion in the WIPO Intergovernmental Committee (IGC) on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore’ (WIPO-WTO Colloquium for Teachers of Intellectual Property, Geneva, June 2017)
20 Taoga Niue Act 2012 (Niue) s2
TK “includes any knowledge that generally –
5. SAMOAN TRADITIONAL KNOWLEDGE CAN BE LOST

Because Samoan IP laws are silent in regards to TK, it is necessary to press the Samoan Government and Parliament to determine proper avenues by which to protect Samoan TK. The challenges and issues at hand are how Samoa may (as it must) provide effective legal protection of Samoan TK and thereby provide effective strategies to protect Samoan culture generally.

As mentioned, TK has no fixed definition but is often understood to cover knowledge and skills in medicine, agriculture or navigation, which are passed from generation to generation. This knowledge also forms cultural expressions such as dance, songs and artefacts.

One important question raised is to what extent does management and control of this knowledge remain in the hands of the individuals, groups or communities? If not in their control, then does it become something controlled by the State through its laws or because of its interest in developing industries that capitalise on commercialisation of TK—for example, through exploitation of the biodiversity of Samoa?

TK is part and parcel of the Samoan people’s knowledge in the wider sense and would include Traditional Cultural Expressions (TCE). But for the purpose of protecting TK and TCE via IP rights, it is actually more sensible to distinguish the two given that TK has a more technical element that allows it to fall within patent rights while TCE are more easily linked to copyrights. It is therefore correct to say that for the purpose of protecting TK via IP laws, the distinction between TK and TCE is actually convenient to TK protection; but for most Samoan communities, this protection is artificial.

6. SAMOAN TRADITIONAL KNOWLEDGE APPLICATIONS

The below descriptions are classic examples of Samoan TK on the verge of being lost or stolen, and even more importantly, examples of the absence of economic benefit to the originators in idea and art derived from Samoan TK. IP law will continue to remain ineffective protection for Samoan TK by virtue of non-transparent legislations, regulations and policies that essentially put national protection and survival of TK in the hands of the Samoan people. It must also be noted that the lack of specific regulations governing intellectual property by the proper authorities has multiple impacts on other vital and associated aspects of TK, which include loss of language, history and other sociocultural aspects indigenous to Samoan culture at both national and local-village levels.

A. THE TRADITIONAL KNOWLEDGE OF THE MAMALA PLANT AS MEDICATION

In Samoa, for many generations traditional healers have treated viral infections through medicative use of the Mamala plant. In 1984, Paul Cox (an American Ethno Botanist) collected samples of Mamala trees for testing and interviewed Samoan traditional healers. Cox tested the samples in the United States of America (United States) and test results showed that a compound known as ‘Prostratin’—which can be extracted from Mamala tree bark—has potential for treatment of HIV-AIDS, hepatitis and certain forms of cancer.

Cox lived for more than two decades in the Samoan village of Falealupo, amongst its villagers and traditional healers, ultimately becoming a respected figure in the village. His research in Samoa focused on the potential use of Samoan rainforest vegetation for traditional medicine and natural drugs to cure HIV-AIDS. Cox contributed enormously to the Falealupo community, and was duly bestowed the highest honour for a foreigner amongst villagers with the matai title Nafanua.

Subsequent to his research and discoveries, the National Institute of Health (NIH) in the United States patented the process of extracting Prostratin from the bark of Mamala trees for use in treating HIV-AIDS, and Nafanua Paul Cox was listed among the inventors. Sadly, the Samoan healers who shared their TK about medical properties of the Mamala tree with the American ethno-botanist were neither listed among the inventors nor received any acknowledgement for their contributions. In 2001, the AIDS Research Alliance (ARA) entered into an agreement with the Government of Samoa to share any future royalties from medication developed through Prostratin extracted. The agreement set out percentages of future royalties to be shared between the Samoan Government, the village of Falealupo, and the families of traditional healers who shared their TK with Cox.

While this agreement appeared to benefit all three—the families of the traditional healers, the village and the

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24 In his book, Paul Cox describes his research and adventures in Samoa, work that led to him being hailed by TIME magazine as a hero of medicine and awarded the Goldman Environmental Prize. Working closely with the native healers, Cox studied traditional rainforest remedies and is credited with finding natural drugs that can be used in treating AIDS. Paul Alan Cox, Nafanua: Saving the Samoan Rain Forest. (WH Freeman & Company, 1999)

25 The Chiefs of Falealupo village—namely Solia and Foaima’s chiefly identities, known as o Ma’opu o-Nafanua. The name Nafanua is the Samoan war goddess whom Malietoa sought governance for him to lead Samoa. See Ole Tusi Faalupega o Samoa Atoa (Methodist Printing Press 1985) (compiled by the Tusi Faalupega Committee)

26 ‘The Falealupo Covenant and the Isolation of Anti-Viral Drug’ https://www.tandfonline.com/doi/pdf/10.1076/phbi.39.s1.33. 0001 accesses 03 October 2018

27 Samoa Law Reform Commission (n 5)
Samoa government—the agreement in fact produced no financial benefit to any of the Samoan parties. This is partly because royalties are calculated based only on profit made from the commercialisation of any medicines resulting from the patent. Therefore, if the commercial returns of the patent do not outweigh the production and testing costs, then there unfortunately is no profit to share.28 This is exactly what happened as a result of the agreement surrounding Prostratin. In addition to the traditional healers of Falealupo village not receiving inventor status for contributing TK, there was no profit to share amongst the Samoan healers, their families, the Falealupo village, or the Samoan government.

There was of course benefit sharing between Cox and the community: Cox initiated the preservation of 30,000 acres of rainfall forest and helped to fund a new school building for Falealupo village.29 Nevertheless, the traditional healers of Falealupo village were not acknowledged for their contribution of TK.

By June 2008, Prostratin had not entered full-scale therapeutic clinical trials, and by 2014 the patent expired, which means that further inventions based on TK shared by Samoan healers are now available within the public domain. Anyone may now freely use the Samoan TK as outlined and disclosed in the patent application without consent from, commercial returns for, or recognition given to Samoa or the Samoan healers. Thus, the filing of the patent over Prostratin’s medical properties long before its commercialisation may have ultimately deprived the Samoan Government and Samoan people of the ability to exploit TK (if they had so chosen) for the economic benefit of Samoa; this premature filing may have prevented owners or custodians of Samoan TK from capitalising on the healing properties of the Mamala tree bark.

The 2001 agreement between ARA and the Government of Samoa identified only some healers,30 whereby it must therefore be subjected to protection as a trade secret. To date, Samoa does not have any law on trade secrets, which is another matter of interest in the protection of TK and a challenge to the Samoan Government in urgent matters of law reform.

B. THE TRADITIONAL KNOWLEDGE OF SAMOAN TATTOOING (TATAU)

In 2013 the internationally well-known brand ‘Nike’ used a Samoan Tatau design on a line of tight-fitting, women’s sportswear. This caused outrage in Samoan communities because Samoans traditionally use the design for men, not women. The specific design at issue here is a distinctive part of Samoan culture traditionally only given to Samoan warriors or chiefs. Furthermore, only a select few have the knowledge and skills passed down from earlier generations necessary for Tatau.

Those against protecting the Tatau design at issue here argued that because tattoos (generally speaking) are in the public domain, the Tatau design was public property and therefore could not be protected by intellectual property law.

However, there is a misconception that TK regarding Samoan Tatau is part of the public domain. This is incorrect because Tatau is a specialised form of TK that has not been protected by intellectual property laws, which were not conceptualised to cover knowledge that belongs to communities and is transmitted orally. It boils down to the mere fact that Samoa does not have IP laws to provide legal protection for traditional Tataus and Tatau designs.

Of course, it is also a matter of disrespect to the Samoan people. Samoan outrage from the particular Tatau design at issue in this instance arose also because Nike converted the traditional design from one worn by men to one decorating tight-fitting, women’s clothing.

The real problem is that Nike did not request Samoa’s consent in using the design, nor did Nike offer monetary benefits for Samoa. Had Nike realised that this Samoan art and TK on Tatau designs were (and are) culturally important to Samoans, legal minds likely would have counselled Nike to obtain consent and the outcome might have been different. Less respectfully but different still, Nike even could have proceeded with selling products of Samoan Tatau design without first obtaining consent as the design or artwork was not legally protected. In the end, Nike withdrew the offensive range of sportswear on the basis of good faith and also apologised to those who viewed the design as insensitive to any specific culture.31

Most important to note, the Samoans outraged against Nike’s product were more keen on preserving the TK on Samoan Tatau traditions than obtaining any settlement resulting in monetary benefit.

C. THE TRADITIONAL KNOWLEDGE OF GENDER SPECIFIC SAMOAN TATTOOS (PE’A AND MALU)

Scholars have widely researched the TK and art of Samoan Tatau. Most scholarly, medical, and artistic studies examine Samoan tattooing with great emphasis

28 Samoa Law Reform Commission (n 5)
29 Samoa’s Access and Benefit Sharing Success Story: Local ... https://www.google.com/search?hl=en-WS&source=hp&biw=&bih=&q=Falealupo+benefits+from+paul +cox&gbv=2 accessed 02 October 2018
30 Above n 27
31 ‘Nike Stops Production of Tattoo Tights.’ https://says.com/my/lifestyle/nike-halts-production-on-samoan-tattoo-inspired-tights 11 accessed 04 October 2018
on the male tattoo (pe’a)\textsuperscript{32} while the female tattoo (malu) is seldom explored.\textsuperscript{33} Traditionally, the malu was reserved for the individual(s) in Samoan communities recognized as taupou.\textsuperscript{34} Today, such reservation no longer exists.

Nowadays, it is more likely that any girl, lady or woman, whether Samoan, part-Samoan, or non-Samoan can be tattooed with a malu as long as she can afford the costs and withstand the pain. Perceptions on the issue of commercialisation of the malu are deeply debated and vigorously contested on social media and online discussion forums by Samoans both locally and abroad.

7. LAWS FOR LEGAL PROTECTION OF SAMOAN TRADITIONAL KNOWLEDGE

The only available laws within the Samoan legal framework that provide some sort of limited protection for TK are the Constitution of Samoa of 1960 and the Village Fono Act of 1990. Neither the Constitution nor the Village Fono Act directly addresses TK issues and concerns. Although they do not directly provide legal protection for TK, the two pieces of legislation do recognise Customary Law, which is crucial to protection of Samoan culture and tradition more generally. As previously emphasized, Samoan TK is an essential component of culture, tradition, and daily living for Samoan people.

IP Laws that explicitly provide some sort of protection for TK include the Copyright Act of 1998 (Copyright Act) and the Intellectual Property Act of 2011 (Intellectual Property Act).

A. THE CONSTITUTION OF SAMOA OF 1960

Under the Constitution\textsuperscript{35} of Samoa, Matai titles\textsuperscript{36} and customary land may be held in accordance with custom and usage and within the law relating to custom and usage.\textsuperscript{37} The Constitution also establishes a Land and Titles Court, which has jurisdiction to adjudicate disputes pertaining to Matai titles and customary land.\textsuperscript{38} Custom and usage is referred to as part of the laws of Samoa if the custom and usage have acquired force of law under an Act of Parliament or by way of a Court judgment. This reference appears to give customary law legal recognition, and could be viewed as an integration of customary law into the Constitution. The Parliament of Samoa has passed laws that take into account Samoa’s customary laws.

B. THE VILLAGE FONO ACT OF 1990

Among other functions, the Village Fono Act\textsuperscript{39} validates and recognises the roles and functions of the Village Fono in accordance with the custom and usage of Samoan villages; confirms and grants certain other functions; and provides for incidental matters.\textsuperscript{40} A Village Fono is empowered under the Act to develop and use village land for social and economic purposes of the village. These rules can extend over or have impact on the use of TK according to custom and usage of the village because TK is often developed as a result of biological resources from the environment, and TK is generally viewed as collectively owned and being maintained and kept for the benefit of the community.\textsuperscript{41}

It is evident that the powers of the Village Fono under the Act are limited to within the particular village of discussion and cannot extend to other villages. Therefore, any protection of Samoan TK through the Village Fono Act, using customs and usages of the villages, is strictly limited to the village level only and specifically to each individual village.\textsuperscript{42}

\textsuperscript{32} Samoan young men tattoo. ‘Samoan Art in the Tatau (Tattoo)’
\textsuperscript{33} ibid, Samoan young ladies tattoo.
\textsuperscript{34} Taupou – daughter of high chief. Taupou | Definition of Taupou by Merriam-Webster. https://www.merriam-webster.com/dictionary/taupou accessed 24 September 2017
\textsuperscript{35} Constitution of Samoa 1960
\textsuperscript{36} ibid art 100
\textsuperscript{37} ibid art 101
\textsuperscript{38} ibid art 103
\textsuperscript{39} Village Fono Act 1990
\textsuperscript{40} Village Fono may be conceptualized as “Village Council.” (5) Village Fono Act 1990.
\textbf{Powers of Village Fono relating to hygiene and economic development:} (1) A Village Fono shall in respect to its village have the powers set out in subsection (2) even if the powers may not in a particular village form part of its custom and usage.

\begin{enumerate}
\item The powers referred to in subsection (1) are:
\begin{itemize}
\item[(a)] the power to make rules for the maintenance of hygiene in the village; and
\item[(b)] the power to make rules governing the development and use of village land for the economic betterment of the village; and
\item[(c)] the power to direct any person or persons to do any work required to be done pursuant to rules made in accordance with the powers granted or preserved by paragraphs (a) and (b).
\end{itemize}
\item A person is guilty of village misconduct and may be punished by his or her Village Fono who fails to obey any rule or direction made or given under the powers granted or preserved by this section.
\textsuperscript{41} Plants grown on customary land belonging to a traditional community.
\textsuperscript{42} Samoa Law Reform Commission (n 5)
8. WHERE PROTECTION OF SAMOAN TRADITIONAL KNOWLEDGE MAY EXIST

The below sections discuss availability of and impediments to protection of Samoan TK under the Copyright Act as a work, and under the Intellectual Property Act as a patent, as a mark or collective mark, and as a design.

A. PROTECTION UNDER THE SAMOA COPYRIGHT ACT OF 1998

It is generally understood that copyright law protects literary and artistic works that are an ‘original intellectual creation.’ This requirement is the primary impediment to copyright protection of TK in that TK is passed from generation to generation and is constantly improving for and adapting to the changing needs of TK-reliant communities.

According to scholars, a work is original if it involved some degree of intellectual effort and is not a mere copy of a previous work. Works inspired by and/or based on pre-existing traditional creations may be sufficiently original to be protected under copyright law, but if the works are mere copies, then they are unlikely to comply with the originality requirement and thus would remain in the public domain. We are to be mindful that any work is considered to be in the public domain if there is no legal restriction for its use by the public.

B. PROTECTION FOR PATENTS UNDER THE INTELLECTUAL PROPERTY ACT OF 2011

The primary impediments to proper protection of Samoan TK under the Intellectual Property Act, especially the patent law section, are the strict requirements under section 5 of the Act, whereby an invention must be new, should involve an inventive step, and must be industrially applicable in order to be registerable. Unfortunately, these requirements make patent protection appear incompatible with the protection of TK due to the nature of TK as a body of knowledge passed down from generation to generation and is constantly improving for and adapting to the changing needs of TK-reliant communities.

(i) LIMITED PROTECTION PERIOD

Patent protection expires after 20 years (seven years for innovation patents) from the filing date of the application. After this period, any TK disclosed in the patent proceedings falls within the public domain. In the case of pharmaceutical products (recall Prostratin extracted from Mamala tree bark, for example) the effective period of protection may be even shorter because testing and subsequent commercial approval for human use may take several years (of the 20 or seven years). This aspect of patent protection is incompatible with the interests of traditional communities in protecting their designs in perpetuity. It must be noted that the use of Prostratin extracted from Mamala tree bark was not a TK secret, but instead was (and is) knowledge shared amongst Falealupo community members, including villagers and traditional healers.

C. PROTECTION FOR MARKS AND COLLECTIVE MARKS UNDER THE INTELLECTUAL PROPERTY ACT OF 2011

Protection of marks does not directly protect TK, but does provide some indirect protection via protection of distinctive signs and symbols associated with TK. To be registered, the mark must be distinctive. The Intellectual Property Act suggests that marks can consist of a wide variety of signs, such as a letter, word, name, signature, numeral, device, brand, heading, label, ticket, aspect of packaging, shape, colour, sound, scent or taste, or a combination thereof.

A ‘mark’ under the Intellectual Property Act is defined as “any sign: (a) capable of being represented graphically; and (b) capable of distinguishing the goods or services of one person from those of another in the course of trade.”

A ‘collective mark’ is defined as “a sign capable of: (a) being represented graphically; and (b) distinguishing the origin or any other common characteristic, including the quality of goods or services of members of the collective association that is the owner of the sign from those of persons who are not members of the association.” Therefore, only members of the association are entitled to use the collective mark. Typical examples of this are logos on commercial products or advertising jingles that clearly define the services or product of one manufacturer from another.

(i) LIMITED PROTECTION AND IN-DIRECT PROTECTION

A mark is protected for 10 years from the date of filing of the application. Such protection may be renewed for consecutive periods of 10 years upon the payment of.

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44 ibid
46 Samoa Law Reform Commission (n 5)
47 IP Act of Samoa, s 29
48 Samoa Law Reform Commission (n 5)
49 Paul Cox was a matai of Falealupo village.
50 IP Act of Samoa, s 45 (1) S 45 (1)
51 ibid
52 ibid, A collective association means an incorporated body that has or is able to have members, and is constituted for the joint benefit of its members.
53 Samoa Law Reform Commission (n 5)
specifically designed to provide

gn is not original if it is commonplace

n to

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cal to inventions and new developments, as traditional words and symbols, in trade.

A registered collective mark may be used only as a mechanism to indirectly provide some protection of Samoan TK. A classic example could be if local producers of the Samoan elei were to unite in an association and register the collective mark “ELEI-SAMOA” or “SAMOAN TRADITIONAL ELEI” in order to assure tourists and local consumers about the authenticity and quality of the products. This would further assure that elei producers are Samoans, thereby affirming elei as a product of traditional Samoan methods of production, thereby indirectly recognizing the Samoan TK from which these methods derive. This indirect approach can create a competitive advantage over similar products that are alike but not marked with a sign indicating Samoan TK-based origin. At this stage, the protection would apply to the collective name used to identify the various designs as being traditionally Samoan. However, we are to be mindful that this approach and indirect protection can only come into effect if the local elei producers in Samoa first agree to form an association and then successfully register a collective mark.

D. PROTECTION FOR DESIGNS UNDER THE INTELLECTUAL PROPERTY ACT OF 2011

Under the Intellectual Property Act, ‘design’ is defined as any aspect of the shape, pattern or configuration of the whole or part of an object. A ‘design right’ is a property right in an ‘original’ design that the creator automatically owns; if, that is, certain criteria are met. It is important to note that a design is not original if it is commonplace in the relevant design field at the time of its creation.

A design right can be vested in two or more people who jointly made or created the design, and can be assigned or transferred. The owner of the design right has the exclusive right to reproduce the design, and to make, sell or import articles incorporating the design; but the design right does not extend to articles that have been put on the market (anywhere in the world) by the owner or with the owner’s consent.

It must further be noted that a design right may only apply to a design created by a Samoan national or by a person with permanent residence in Samoa, or to designs created in Samoa. A design can therefore only be registered if it is ‘new’ and has not been disclosed to the public in Samoa or elsewhere in the world before the application for registration.

(i) LIMITED PROTECTION FOR DESIGNS UNDER THE INTELLECTUAL PROPERTY ACT OF 2011

The primary impediment to proper protection of TK as a design right under the Act is that it must be new. This requirement makes the protection of designs appear incompatible with the protection of TK as a body of knowledge that passes down from generation to generation.

Furthermore, a design right expires after 15 years from the end of the calendar year in which the design was first recorded in a design document or in which an article was first made using the design.

9. GENERAL VIEWS AND OBSERVATIONS

Given the analysis mentioned herein of the existing legal framework of contemporary intellectual property laws in Samoa, namely the Copyright Act and the Intellectual Property Act, it is evident that such laws do not provide adequate legal protection of Samoan TK; and apparently, such laws do not meet the expectations of traditional communities insofar as the laws fail to provide adequate protection. The government of Samoa should thus resolve that Samoan TK need be protected by a sui-generis legislation specifically designed to provide adequate protection of TK, consistent with the expectation of traditional communities.

It must be noted that Samoan TK has intrinsic cultural and spiritual values for Samoan people. Samoan TK is important evidence of Samoa’s national, social, cultural, and historical identity, and is therefore vital for the sustenance and continued survival of traditional Samoan communities and the Samoan lifestyle; otherwise, there is likely to be a loss of Samoan TK, culture, and way of life. To avoid such an unrecoverable loss, the government of Samoa must take the initiative to reform and develop the laws of Samoa so as to ensure that the laws are modern, meet current needs of the community, and provide adequate legal protection for Samoan TK.

10. CONCLUSION

All that has been discussed so far assumes the issues at hand are the present challenges faced by Samoa in providing effective legal protection and implementing effective strategies to protect its culture and traditions,
including TK. Hence, there is importance in highlighting the weaknesses, inefficiency and inadequate legal protection of current IP laws in protecting Samoan TK. Samoa must not let go of its historical culture and traditions. Samoa should be considerate of maintaining the values of TK because Samoan TK is incorporated into the everyday life of the Samoan people.

TK is one of the most vital organs and components of the Samoan way of life, an organ and component that must not be allowed to remain static. Samoa can only succeed in having proper legal protection for TK if political leaders are keen enough and have enough political will to initiate and introduce appropriate laws relevant to the social changes and applicable legislation necessary to protect TK. Unless Samoa fully commits, TK and Samoan culture are threatened and vulnerable to becoming forever lost.

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1. INTRODUCTION

The internet, and the digitisation of content, has in many ways, challenged the traditional understanding and application of the law. Copyright law is an area that is, and will continue to be, challenged by technological innovation more often, and to a much greater extent, than most other areas of the law. The very idea of copyright is to provide right-holders (that is, creators of literary, artistic, musical or dramatic works or sound recordings or broadcasts) exclusivity in the way their works are reproduced and disseminated. Importantly, the rights enjoyed by copyright owners include the exclusive right to engage in or authorise the reproduction of their works1 and communicate their works to the public.2 Thus, copyright seeks to control and limit the reproduction and distribution of works in which copyright subsists.

In contrast, the internet postulates the idea of universal access—a notion that does not sit comfortably within the realms of copyright law. Although the internet is very much part of our physical world (computers, servers and network cables all forming part of the physical infrastructure comprising the internet), it is perceived as omnipresent, defying the idea of national borders, and a platform that provides access to a global database of content. Yet, in reality, this is far from the truth—the exercise of copyright being one of the causes for this outcome.3

In light of the conflicting interests between those who produce content for the internet and those who consume such content via online platforms, this article focuses on geo-blocking—a controversial technology that gives effect to the rights of copyright owners, and their licensees, by geographically restricting access to content that is made available on the internet.

The first part of the article sets out some of the current trends and traces the legal developments that underpin geo-blocking technology in the field of copyright. In the second part, the article focuses on a technology—known as Virtual Private Networks (or VPNs)—that possesses the potential to by-pass geo-blocking measures and are often used by the more tech-savvy online users to gain access to geographically restricted content. In particular, this article reflects on whether flouting geo-blocking measures amounts to a violation of copyright law. In engaging in this discourse, the article adopts both a doctrinal and comparative approach. Doctrinal because it sets out and analyses the legal provisions that relate to the use of geo-blocking and VPNs. Comparative because the article focuses on the laws of (and approaches adopted in) the European Union (EU), Singapore, and Australia—nicely representing the Northern and Southern hemispheres and everything in-between.

2. CURRENT TRENDS AND CALLS FOR COPYRIGHT REFORM

Geo-blocking is not a technology that is exclusive to the field of copyright and has been commonly employed as a means of achieving legal compliance in other areas—e.g. online gambling.4 In the copyright context, geo-blocking is used to give effect to contractual obligations between copyright owners and their licensees—as illustrated by this example:

...when Czech Television obtains a license from BBC to the Doc Martin TV show, BBC might limit the

ABSTRACT

This article represents a modest attempt to disentangle the complex application of copyright law to the use of Virtual Private Networks (VPNs) that enable users to circumvent geo-blocking measures that are put into place by copyright owners or their licensees in order to give effect to territorial copyright licensing arrangements. The article first sets out some of the recent trends and developments concerning geo-blocking and VPNs and then proceeds to consider the legality of the use of VPNs to bypass geo-blocking measures—i.e. whether this practice amounts to an infringement of copyright and/or a circumvention of a Technological Protection Measure. The discussion is carried out in a comparative fashion by considering the application of copyright laws in the European Union, Singapore, and Australia in the context of geo-blocking and VPNs.

10. GEO-BLOCKING AND VIRTUAL PRIVATE NETWORKS: A COMPARATIVE DISCOURSE IN COPYRIGHT LAW

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2 See, Berne Convention for the Protection of Literary and Artistic Works 1979 (Bern Convention), art.9 (dealing with literary and artistic works) and Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations 1961 (Rome Convention), art.10 (dealing with phonograms or sound recordings).

3 Juan Llamas-Rodriguez, ‘Tunnelling Media: Geoblocking and Online Border Resistance’ in Ramon Lobato and James Meese (eds), Geoblocking and Global Video Culture (Institute of Network Cultures 2016) 32.

4 Marketa Trimble, ‘The Role of Geoblocking in the Internet Legal Landscape’ (12th International Conference on Internet, Law and Politics, Barcelona, July 2016).
license to the territory of the Czech Republic with the result that the Czech Television must use geo-blocking to prevent users who connect from outside the Czech Republic from viewing the show on their platform.\(^5\)

In essence, geo-blocking has become a necessary tool for content providers that offer audio-visual (or other forms of) content in which copyright subsists, so that such content providers are assured that their services are not consumed in breach of their license agreements in cases where they are limited in territorial scope.

A consequence of the practice of territorial copyright licensing, and geo-blocking, is the fragmentation of markets. On the one hand, content providers are restricted in terms of their consumer base—e.g. where a content provider has obtained licenses that are geographically limited to a single jurisdiction, then it cannot extend its consumer base beyond the geographic area designated in the licenses. Obtaining licenses covering a larger number of countries is likely to be more expensive, a cost not all content providers can bear. That being said, more economically powerful content providers have the capacity to adopt a decentralised approach to content delivery, as in the case of Netflix. Such content providers maintain their services by geographical region and are able to attract a larger consumer-base. On the other hand, despite subscribing to a content service provider that has a global presence, users in a particular country or geographic region may not have access to content that is exclusively made available in other regions. In fact, Netflix, which now has a presence in almost all countries,\(^6\) could not maintain its promise to ‘offer a globally syndicated streaming service’ in light of the difficulties in acquiring global licenses for the content it streams.\(^7\) Netflix’s Chief Executive Officer, Reed Hastings has traced the problem to territorial copyright licensing:

> We still have territorial licensing, that’s a legacy from the last 7 or 8 years. We’re moving as quickly as we can to have global availability of all the content on Netflix so that there are no regional distinctions. We’re still somewhat a prisoner of the current distribution architecture, we’re trying really hard to get there.\(^8\)

Even for large content providers, navigating the myriad of Collective Management Organisations (CMOs), which represent the interests of right-holders, to obtain the right to deliver content in multiple jurisdictions is an arduous task. Apple’s iTunes illustrates the difficulty associated with expanding content services across jurisdictions:

> On September 27, 2011, more than seven years after the iTunes Music Store (iTunes) was first made available to select European consumers, Apple launched iTunes in all remaining countries within the European Union. Expecting that they would have full access to the world’s most popular online music store, consumers and artists initially rejoiced. They soon learned, however, that this European expansion came with certain caveats and, indeed, was not truly “European” at all. Each country had its own version of iTunes, accessible only within that country’s borders and with content localized to that country.\(^9\)

An obvious solution to the problem of market fragmentation that has emerged in relation to the provision of online content services is to promote the possibility of multi-territorial, if not global, copyright licensing. This would allow both large and small-scale content providers to obtain licenses that are not geographically restrictive, allowing them to provide consumers in multiple jurisdictions with access to content.

The issue of territorial copyright licensing and geo-blocking has attracted the attention of policymakers both regionally and nationally. The European Commission (EC) has taken the consistent view that market fragmentation as a result of geo-blocking is inconsistent with the fundamental freedoms upon which the EU is built. This is apparent in a recent piece of EU legislation—the Geo-blocking Regulation—aimed at abolishing the practice of geo-blocking, which in its recitals provides:

> In order to realise the objective of ensuring good functioning of the internal market, as an area without internal frontiers in which the free movement of inter alia goods and services is ensured, it is not sufficient to abolish, as between Member States, only State barriers. Such abolition can be undermined by private parties putting in place obstacles inconsistent with internal market freedoms. That occurs where traders operating in one Member State block or limit the access to their online interfaces, such as websites and apps, of customers from other Member States.

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\(^5\) Marketa Trimble, ‘Geoblocking, Technical Standards and the Law’ in Ramon Lobato and James Meese (eds), Geoblocking and Global Video Culture (Institute of Network Cultures 2016) 56.

\(^6\) Netflix is available all over the globe except in China, Crimea, North Korea and Syria – see, Emily Steel, ‘At CES, Netflix Adds Over 130 Countries to Streaming Service’ The New York Times (6 Jan 2016).

\(^7\) Matthew Dunn, ‘Netflix angers customers around the globe with a House of Cards licencing agreement fail’ news.com.au (14 Mar 2016).

\(^8\) Shruti Dhapola, ‘Can’t see House of Cards on Netflix India? Here is why’ The Indian Express (8 Jan 2016).

wishing to engage in cross-border commercial transactions (a practice known as geo-blocking).

More specifically in the copyright context, the promotion of a policy for multi-territorial licensing has been in the EU’s agenda for over a decade tracing back to a recommendation that was made in 2005, albeit limited only to musical works. Nine years later, the CRM Directive was enacted giving effect to this policy. Recital 38 of that Directive explicitly acknowledges the problem that geo-blocking gives rise to in the following terms:

While the internet knows no borders, the online market for music services in the Union is still fragmented, and a digital single market has not yet been fully achieved. [...] This situation is in stark contrast to the rapidly growing demand on the part of consumers for access to digital content and associated innovative services, including across national borders.

The solution envisioned by the CRM Directive is “…to provide a set of rules prescribing basic conditions for the provision by collective management organisations of multi-territorial collective licensing of authors’ rights in musical works for online use, including lyrics.” While these developments have allowed music to be made available, and accessible, to online users gaining access to content service providers from multiple EU Member States, the problem associated with territorial copyright licensing has not yet been fully resolved in relation to other categories of works that attract copyright protection, particularly audio-visual works—a category of works which has become highly sought after in view of popular streaming technology. It must be acknowledged, however, that in relation to copyrighted works in general, and audio-visual works in particular, the Portability Regulation provides some relief by obligating providers of an online content service to ensure that their subscribers are able to access these services when they are temporarily present in an EU Member State, in the same manner in which they access the services in the Member State of their residence. Notably, however, the Portability Regulation does not address the impact of geo-blocking on the cross-border availability of audio-visual works at a more general level.

Unfortunately, the more recent legislative efforts in the EU for achieving a digital single market by inter alia prohibiting unjustifiable geo-blocking have expressly excluded discussions on copyright. Notably, the Geo-blocking Regulation, which was an outcome of these legislative efforts and came into operation on 22 March 2018, provides that the assessment whether the abolition of geo-blocking as envisioned by the Regulation ought to be extended to ‘electronically supplied services, the main feature of which is the provision of access to and use of copyright protected works or other protected subject matter’ will be carried out at the end of two years after the entry into force of the Regulation—an evaluation that is likely to take place in the year 2020 or thereafter.

Outside the EU, geo-blocking has become the subject of debate in Singapore and Australia. In Singapore, the Government had called for public consultations in 2016 on the issue of geo-blocking and VPNs when it initiated the process for copyright reforms in the country. Yet, the Government seems rather hesitant about making a
commitment to reforming Singaporean copyright law in order to deal with the increasing usage of VPNs to circumvent geo-blocking measures:\textsuperscript{18}

There has been public interest in how this review will cover the use of Virtual Private Networks (VPNs). VPN is a neutral technology with many different and legitimate uses, apart from accessing geo-blocked content. As there is currently no international legal consensus or approach on such practices, we are not making any recommendations regarding the use of VPNs but wish to gather the views of various stakeholders for our consideration.\textsuperscript{19}

In Australia, the Productivity Commission, which is the Australian Government’s independent research and advisory body on a range of economic, social, and environmental issues affecting the welfare of Australians, has taken the view that the use of VPNs to get around geo-blocking measures ought not to be outlawed.\textsuperscript{20} The Productivity Commission recommended that the Australian Government should take steps to:

1. amend the Copyright Act 1968 (Cth) to make clear that it is not an infringement for consumers to circumvent geo-blocking technology; and

2. avoid any international agreements that would prevent or ban consumers from circumventing geo-blocking technology.\textsuperscript{21}

In contrast, the Copyright Council of Australia, which is an independent non-profit organisation, has taken the opposite view:

It will be a copyright issue if using a VPN involves infringing copyright in some way. It is an infringement of copyright in Australia to use material protected by copyright in one of the ways reserved to the copyright owner without permission and if an exception does not apply. If someone in Australia uses a VPN to download a copy of material from an overseas website and they do not have permission to stream the material in Australia from the copyright owner, it is likely to be an infringement of copyright in Australia.\textsuperscript{22}

To-date, however, it is unclear whether the Australian Government will propose any legislation amending the Copyright Act 1968 (Cth) in order to clarify the legality of VPN use.

The discussion hitherto highlights some of the recent trends and reform attempts surrounding the practice of geo-blocking and territorial copyright licensing. Yet, despite the attention, there is no consensus about the legal status of geo-blocking in the copyright context. Thus, the use of this technology is not going to fade in the near future, and will continue to protect the interests of copyright owners in giving effect to the practice of territorial licensing which they are currently engaged in. Accordingly, there is utility in considering consumer responses to geo-blocking and its legality. The next part of this article is devoted to this task.

3. CIRCUMVENTION OF GEO-BLOCKING MEASURES

In an effort to pierce through artificial (and virtual) borders—that significantly limit access to a greater variety of content (especially on streaming services)—online users are increasingly adopting the use of VPNs. This technology allows users to circumvent (i.e. bypass) geo-blocking technology by enabling users to appear as though they were accessing the internet from a jurisdiction to which the geo-block does not apply.

A key question that arises in this context is whether the use of circumvention technology amounts to a violation of copyright law. There are two aspects to this. The first concerns the bundle of rights associated with copyright itself. Thus, in the event the use of VPNs results in the user engaging in one or more of the acts exclusively vested in copyright owners under the law, then the use of VPNs is an infringement. The second aspect concerns circumvention of Technology Protection Measures (TPMs). The use of VPNs to circumvent geo-blocking will violate anti-circumvention provisions often found in copyright statutes, in the event it is established that geo-blocking is a TPM. These two aspects are considered at length below.

\textsuperscript{18} See, Irene Tham, ‘VPN technology can’t be outlawed: British minister’ \textit{The Straits Times} (22 Sept 2015).


\textsuperscript{20} Peter Ryan, ‘Geoblocking: Consumers not breaching copyright by circumventing with VPN, Government agency says’ \textit{ABC News} (29 Apr 2016).


\textsuperscript{22} Australian Copyright Council, \textit{Geo-blocking, VPNs and Copyright} (Information Sheet G127v03 2016) (ACC info-sheet) 3.
A. COPYRIGHT INFRINGEMENT

As noted before, two of the key rights that copyright owners rely on are the right to reproduce (right to copy), and make available (communicate) to the public, their works. In the event online users utilise VPNs to engage in these acts, without the consent of the right-holders, then the use of VPNs could amount to an infringement. The following examples are useful for the purposes of this analysis.

Example 1:

Assume that a content provider maintains a database of films allowing anyone subscribing to the service to download in a permanent form and view the films on their respective devices. Assume also that a CMO (on behalf of the respective copyright owners) has entered into a license agreement with the content provider authorising the latter to permit its users in the United States of America (USA) to download and view a particular film. In these circumstances, a user from Singapore makes use of a VPN to access and download a copy of the movie (essentially reproducing the film in a permanent form in the user’s own device) that was exclusively meant for use in the USA. Has the user engaged in copyright infringement?

Example 2:

Assume that Netflix has entered into a license agreement permitting it to stream a particular film. Assume further that the license is geographically limited to the USA. Thus, only users who gain access to the internet from the USA are permitted to stream the film on Netflix. A user in Singapore, desires of streaming the film, utilises a VPN to gain access, and subscribe, to Netflix USA—allowing this user to view and enjoy the entire Netflix-USA library including the film concerned. Has this user engaged in copyright infringement?

Note:

(1) In technical terms streaming and downloading operate in different ways. While downloading results in a permanent copy being stored in the user’s device, streaming results only in temporary or transient copies of the content being made, enabling the content to be displayed on the screen of the user’s device (e.g. a computer screen) during the streaming process. Once the streaming ends, reproduced parts of the content are deleted. As such, streaming does not result in the permanent reproduction of any works, any reproduction being only temporary or transient.

(2) Although for the purposes of this example a user in Singapore gains access to geographically restricted content from the USA, in light of the comparative nature of this article, the example is also used to discuss the legal position of the hypothetical user under Australian and EU law.

Since the user in the above examples gained access to the internet from and downloaded (either in permanent or temporary form) the films concerned onto a device in Singapore, the question of infringement must be determined under Singaporean copyright law. In respect of ‘films’, the Copyright Act 1987 exclusively vests the right of reproduction and communication to the public of the film in the copyright owner. This means that the right-holder has complete discretion in determining the terms upon which the reproduction of the film, or its communication to the public, takes place—entitling the right-holder to permit the film’s reproduction and/or communication in select jurisdictions. In essence, making a copy of the film (i.e. downloading a copy) in a jurisdiction where the right-holder did not authorise that right to be exercised is an infringement of copyright, even in circumstances where the party that downloaded the film did so after paying the content provider. While the payment was made for the content to be downloaded in the USA, that does not permit the user to engage in the act in any other jurisdiction—in this case, Singapore. Thus, the response to the question posed in Example 1 is that the user infringes copyright in the film. The outcome is the same in Australia and the EU, as in both jurisdictions the unauthorised reproduction of a protected film (audio-visual item) is an infringement.

The second example is less straightforward. Unlike downloading, which makes a permanent copy in the user’s device, streaming only makes a temporary or transient copy. In order to cater to innovation on the internet, and to ensure that online intermediaries (e.g. Internet Service Providers (ISPs)) are not unnecessarily caught up in copyright litigation, copyright law does not impose liability when temporary copies of works (in which copyright subsist) are made in the course of communications. Thus, s 107 of the Copyright Act 1987 in Singapore provides that copyright in an audio-visual item (which includes a film) is not infringed by the

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23 This is a feature that was recently introduced to Netflix permitting users to both stream content or download to view offline: see, Anita Balakrishnan, ‘Netflix adds “download” feature to allow offline viewing’ AsiaOne (1 Dec 2016).
24 Copyright Act 1987, s 83.
26 In relation to literary, dramatic, musical and artistic works—see Copyright Act 1987, s 38A.
making of a temporary or transient copy of the audio-visual item if:

1. the copy is made incidentally as part of the technical process of making or receiving a communication; and

2. the act of making the communication itself does not constitute an infringement.

In the second example, when the user streams the film in Singapore, a temporary copy of the film is made in the user’s device ‘as part of a technical process’ and in the course of ‘receiving a communication’. However, the second condition—i.e. that the act of making the communication itself must not constitute an infringement—raises a difficult point. Interpreting s 38A of the Copyright Act 1987 (which is identical to s 107E), Shaun Ming has submitted:

Where a licensee acquires a territorial licence from the copyright owner to disseminate the copyright subject-matter only within a particular territory, the licensee is usually required to implement geoblocks and prohibit-through a term in a licensing agreement with the end-user-the streaming of such subject-matter outside that territory. Thus, circumventing geoblocks to stream content from a licensee’s website would amount to an infringing communication as the licensee is unauthorised to make that communication.\(^27\)

Yet, this conclusion is not without problems. First, from a practical standpoint, the content provider makes the communication (comprising the film) to a server located within the authorised geographic territory, except that the communication is subsequently *tunnelled* to the user’s device in Singapore via a VPN, which fact is unknown to the content provider. Thus, insofar as the content provider is concerned, it has made a communication of the copyrighted content to a point *within* the territory in which it was authorised. Secondly, it defies logic to suggest that the act of making a communication should be regarded as infringing based on the conduct of the receiver of the communication. In fact, ‘communicate’, and hence ‘communication’ is defined in the Copyright Act 1987 to mean an act of transmission of a work (or other subject matter) by electronic means, ‘whether or not it is sent in response to a request’.\(^28\) This potentially means that there could be instances where a content provider is authorised to make an internet transmission (e.g. of a live sporting event) to anyone gaining access to the transmission from a particular territory. Such a communication is not made as a response to a request (or on demand), and it would be strange to suggest that the making of such a communication should be regarded as infringing merely because a user from a third state gained access to it utilising a VPN. Thirdly, Shaun Ming himself has suggested that if it is the copyright owner, and not a licensee, who makes the communication, whilst applying geo-blocks to restrict access to it, then gaining access to such content in Singapore via a VPN would not render the communication itself an infringement because ‘the copyright owner could not infringe his own exclusive right to communicate the subject-matter to the public.’\(^29\)

If that position was right, the temporary reproduction exception would apply to protect the act of streaming geo-blocked content in circumstances where the communication originates from the copyright owner directly, although not when it originates from a licensee—which is an odd outcome. Lastly, to determine that the making of a communication is an infringement, thus excluding the applicability of the temporary reproduction exception, on the basis that the content provider’s Terms of Use had been breached,\(^30\) is in effect a contractual override of a statutory exception—the legitimacy of which is hotly debated.\(^31\)

For the foregoing reasons, it must be concluded that the act of making the communication in Example 2 (above)—which was an act on the part of the content provider (i.e. Netflix)—does not constitute an infringement. Thus, it is difficult to suggest that the content provider’s act of making the communication itself constitutes an infringement of copyright for the purposes of 107E(1)(b) and s 38A(1)(b) of the Copyright Act 1987.

However, the Singaporean exception makes two carve-outs. Accordingly, the exception does not apply to the making of a temporary or transient copy of an audio-visual item, if the copy of the audio-visual item that is communicated:

1. is an infringing copy of the audio-visual item; or

2. is a copy that, if it had been made in Singapore, would have been an infringing copy of the audio-visual item.\(^32\)

In essence, if the ‘copy’ of the audio-visual item that is ‘communicated’—meaning the source copy from which the communication is made—is an ‘infringing copy’, then the exception does not apply to any temporary copy made of that communication. Yet, in the second example, Netflix uses a lawful (and not an infringing) copy from which the communication originated and therefore it cannot be said that the copy of the audio-visual item that was communicated was an infringing copy. This part of the carve-out is aimed at ensuring that anyone who

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\(^{28}\) Copyright Act 1987, s 7(1).

\(^{29}\) Ming (n 27) 77-78.

\(^{30}\) Ming (n 27), 77.

\(^{31}\) See n 44 below.

\(^{32}\) Copyright Act 1987, s 38(3) (and 107E(2), in relation to audio-visual works).
It has been suggested that the first limb of the exception applies to intermediaries (e.g. ISPs), whereas the second limb applies to end-users. Thus, if Example 2 is modified such that the user engages the VPN to access Netflix USA from an EU Member State (instead of Singapore), does the user infringe copyright? There is no direct authority that answers this question, albeit some of the rulings of the Court of Justice of the EU (CJEU) are instructive.

In this regard, reference must be made to Brein v Filmspeler—a case that concerned unlawful streaming. In this case, the subject matter of the dispute was a media player that allowed users to install add-ons enabling them to ‘watch on a television screen, freely and easily, audio visual material available on the internet without the consent of the copyright holders.’ This was a reference to the CJEU from a Dutch court raising inter alia the following question:

Should Article 5 of [the Info-Soc Directive] be interpreted as meaning that there is no “lawful use” within the meaning of Article 5(1)(b) of that directive if a temporary reproduction is made by an end user during the streaming of a copyright-protected work from a third-party website where that copyright-protected work is offered without the authorisation of the right holder(s)?

In the course of the hearing (at the CJEU), the EC suggested that streaming is a temporary act that is transient or incidental, and an integral and essential part of a technological process, and the mere reception of transmissions of protected works does not amount to unlawful use for the purposes of Art.5(1) of the directive. The Advocate General however differed from this view in setting out his opinion:

It cannot be said that there is ‘lawful use’ of protected works when the end user has access to those works in the circumstances at issue in the present case; that is to say, when the holders of the relevant copyright have refused to allow or have restricted the distribution of the digital content concerned and have not authorised unrestricted communication to the public of that content...

33 See, Rajah & Tann, ‘Copyright (Amendment) Bill undergoes first reading on 16 May 2005’ (May 2005) <http://eoasis.rajahtann.com/eoasis/lu/pdf/Copyright(1).pdf> (accessed 10 Nov 2017). The latest editions of texts on Singaporean Intellectual Property Law do not deal with the interpretation of either s 38A or s 107E. It is also to be noted that neither s 38A, nor s 107E, of the Copyright Act 1987 has been subject of any litigation.

34 See, Copyright Act 1968 (Cth), s 111A.

The CJEU, responding to the question posed by the Dutch court, reiterated its stance in previous cases that a 'use should be considered lawful where it is authorised by the right holder or where it is not restricted by the applicable legislation.' In light of the circumstances of the case—i.e. where the third parties that offered the streaming services were not authorised by the copyright owners—the CJEU had to consider the second prong of the lawfulness test. That is, whether the use was restricted by applicable legislation. That determination required the Court to assess whether the use made of the protected work conflicted with a normal exploitation of the work and unreasonably prejudiced the legitimate interests of the right holder. On the facts of the case, the CJEC concluded:

It must also be held that, as a rule, temporary acts of reproduction, on a multimedia player such as that at issue in the main proceedings, of copyright-protected works obtained from streaming websites belonging to third parties offering those works without the consent of the copyright holders are such as to adversely affect the normal exploitation of those works and causes unreasonable prejudice to the legitimate interests of the right holder, because, as the Advocate General observed in points 78 and 79 of his opinion, that practice would usually result in a diminution of lawful transactions relating to the protected works, which would cause unreasonable prejudice to copyright holders.

Although instructive, applying Brein v Wullems to the scenario in Example 2 (above) is problematic. In Example 2, since the copyright owners had licensed the film to Netflix to be streamed only in the USA, it cannot be said that streaming that film via a VPN in the EU is something that is authorised by the right-holder. Thus, the second prong of the lawfulness test has to be considered. The CJEU’s ruling as regards the second prong in Brein v Wullems was context specific—i.e. to streaming that originates from an infringing source. However, Example 2 differs significantly as Netflix (unlike the third parties in Brein v Wullems) is authorised to stream the film. Thus, to what extent could the violation of a copyright owner’s right to limit the exploitation of a work to a specific geographic area be regarded as contrary to the normal exploitation of the work or prejudicial to the interests of the right-holder? These are questions that must be addressed in determining the lawfulness of the temporary reproductions made during the streaming process in Example 2. In this light, reference must be made to FAPL v QC Leisure, which concerned the use of decoders in the United Kingdom (UK) to gain access to content (sports broadcasts) that were exclusively made available via satellite in another EU Member State at a price comparatively cheaper than in the UK. The Football Association Premier League Ltd (FAPL) argued:

...such activities are harmful to its interests because they undermine the exclusivity of the rights granted by licence in a given territory and hence the value of those rights. Indeed, according to FAPL, the


43 Brein v Wullems, para 65.

44 Notably, according to the CJEU, the second prong of the lawfulness test requires an assessment as to whether the use (of the protected works) under consideration was restricted by applicable legislation. The CJEU came to this conclusion citing Recital 33 of the Info-Soc Directive. Yet, Recital 33 of the Info-Soc Directive provides that a ‘...use should be considered lawful where it is authorised by the rightholder or not restricted by law.’ It appears that the CJEU’s use of the phrase ‘applicable legislation’, as opposed to ‘law’, could impact how the lawfulness test is applied. For instance, a point to ponder is whether the act of streaming (thus making use of a protected work) contrary to the content provider’s Terms of Use (TOU) could be regarded as contrary to law, as it is arguably in breach of a contract. For instance, para 4.3 of Netflix’s TOU provides—‘You may view the Netflix content primarily within the country in which you have established your account and only in geographic locations where we offer our service and have licensed such content. The content that may be available to watch will vary by geographic location and will change from time to time.’ Thus, had the CJEU adopted the broader language of ‘law’, instead of ‘applicable legislation’, a Netflix user’s act of using a VPN to stream content exclusively meant for users of another Member State, or outside of the EU, may arguably be regarded as a use restricted by law—it being a use in breach of the contractual terms incorporated in Netflix’s TOU. It must be acknowledged, however, that whether contracts between private parties could alter the scope and applicability of a copyright exception is a hotly debated issue. See e.g., Lucie Guibault, Copyright Limitations and Contracts, An Analysis of the Contractual Overridability of Limitations on Copyright (Kluwer Law International 2002); Wenwei Guan, ‘Copyright v Freedom of Contract: The “Contract Override” In Hong Kong’s Copyright Amendment’, (2017) 47 Hong Kong Law Journal 1. In the UK, for instance, certain copyright exceptions cannot be overridden by contract—UK’s Copyright Designs and Patents Act 1988 (CDPA 1988), s 29 (research and private study), s 30A (Caricature, Parody or Pastiche) and s 508 (Decompilation of a computer program). Notably, however, the temporary reproduction exception does not contain a provision that prohibits a contractual override.

45 Brein v Wullems, para 66. The exceptions referred to in art.5 paras 1 to 4 of the Info-Soc Directive must satisfy this requirement that is laid down in para 5 of that provision.

46 Brein v Wullems, para 70.
broadcaster selling the cheapest decoder cards has the potential to become, in practice, the broadcaster at European level, which would result in broadcast rights in the European Union having to be granted at European level. This would lead to a significant loss in revenue for both FAPL and the broadcasters, and would thus undermine the viability of the services that they provide.47

Territorial copyright licensing in relation to sports broadcasts transmitted via satellite, raise similar questions posed by geo-blocking on the internet—and therefore is relevant to this discussion. The CJEU in FAPL v QC Leisure ruled:

Mere reception as such of those broadcasts—that is to say, the picking up of the broadcasts and their visual display—in private circles does not reveal an act restricted by European Union legislation or by that of the United Kingdom, as indeed follows from the wording of Question 5 in Case C-403/08, and that act is therefore lawful. Furthermore, it follows from paragraphs 77 to 132 of the present judgment that such reception of the broadcasts must be considered lawful in the case of broadcasts from a Member State other than the United Kingdom when it is brought about by means of a foreign decoding device.48

More importantly, the CJEU referring to EU competition law principles found that the scheme of territorial copyright licensing practiced by FAPL cannot be justified:

Having regard to the foregoing, it is to be concluded that the restriction which consists in the prohibition on using foreign decoding devices cannot be justified in light of the objective of protecting intellectual property rights.

Doubt is not cast on this conclusion by the judgment in Coditel I,49 which has been relied upon by FAPL [...] in support of their arguments. It is true that, in paragraph 16 of that judgment, the Court held that the rules of the Treaty cannot in principle constitute an obstacle to the geographical limits which the parties to a contract of assignment of intellectual property rights have agreed upon in order to protect the author and his assigns and that the mere fact that the geographical limits in question coincide, in some circumstances, with the frontiers of the Member States does not require a different view.

However, those statements were made in a context which is not comparable to that of the main proceedings. In the case which led to the judgment in Coditel I, the cable television broadcasting companies communicated a work to the public without having, in the Member State of the place of origin of that communication, an authorisation from the right holders concerned and without having paid remuneration to them.

By contrast, in the main proceedings the broadcasters carry out acts of communication to the public while having in the Member State of broadcast, which is the Member State of the place of origin of that communication, an authorisation from the right holders concerned and by paying them remuneration—which can, moreover, take account of the actual and potential audience in the other Member States.50

In Example 2, Netflix is authorised (and indeed Netflix would have remunerated the relevant copyright owners) to communicate the film to the public (albeit exclusively in the USA). If the use of decoders to intercept a satellite transmission exclusively meant for consumers in another territory (as in FAPL v QC Leisure) can be analogised to the use of VPNs to gain access to content streamed exclusively in another territory, then, arguably, the reasoning in FAPL v QC Leisure could be applied to the context of Example 2 (above)—albeit with an important caveat. That is, FAPL v QC Leisure dealt with the use of decoders in one EU Member State to access sports broadcasts made available exclusively in another EU Member State. However, what Example 2 is concerned with is the use of VPNs in an EU Member State to access content made exclusively available in a non-EU territory (i.e. USA). Since the content concerned was first made available outside the EU, it is unlikely that EU competition law would prevent IP owners from exercising their rights to prevent the use of VPNs to access content outside the EU. Thus, arguably, insofar as Example 2 is concerned, the use of the VPN to stream content from outside the EU would amount to an infringement, as the purpose is not a lawful one precluding the application of the temporary reproduction exception in the Info-Soc Directive. Therefore, whether the use of a VPN in an EU Member State to stream content that is exclusively made available in another geographic territory is an infringement would depend on the territory in which the streaming service operates (i.e. whether outside or within the EU).

B. VIOLATION OF TPMS

For circumvention of geo-blocking to be regarded as a violation of a TPM, it must be first established that

47 FAPL v QC Leisure, para 43.
48 FAPL v QC Leisure, para 171 (emphasis added).
50 FAPL v QC Leisure, paras 117-120 (emphasis and citation added).
geo-blocking technology is a valid TPM. This begs the question—what are TPMs?

Legal provisions dealing with TPMs can be traced back to two treaties administered by the World Intellectual Property Organisation (WIPO). They are the WIPO Copyright Treaty 1996 (WCT), a special agreement between states party to the Bern Convention, and the WIPO Performances and Phonograms Treaty 1996 (WPPT). In respect of literary and artistic works, computer programmes and databases, the WCT requires state-parties to ‘provide for adequate legal protection and effective legal remedies against the circumvention of effective technological measures that are used by authors in connection with the exercise of their rights under this Treaty or the Berne Convention and that restrict acts, in respect of their works, which are not authorized by the authors concerned or permitted by law.’

The WPPT imposed an identical obligation in connection with the rights of performers and producers of phonograms. These technological measures are sometimes referred to as ‘technological protection measures’ or TPMs in national legislation.

In Singapore, the Copyright Act 1987 defines a ‘technological measure’ to include two kinds of measures—‘access control’ measures and ‘technological protection measures’. An ‘access control measure’ means ‘any technology, device or component that, in the normal course of its operation, effectively controls access to a copy of a work or other subject matter or a performance’. A ‘technological protection measure’ means ‘any technology, device or component that, in the normal course of its operation, effectively prevents or limits the doing of any act comprised in the copyright in the work or subject matter’. What is noteworthy is that the meaning attached to ‘technological measures’ in the Singaporean Copyright Act 1987 is broader in scope than the meaning given to the same phrase in the two WIPO treaties. This is because in the WIPO treaties ‘technological measures’ are measures used in connection with the rights conferred on right-holders under those treaties (i.e. the right of reproduction, communication to the public etc). In contrast, in the Singaporean context, the term ‘technological measure’ includes measures that prevents others from doing acts that are comprised in the copyright, as well as measures that control access to a copy of a work or other subject matter. A similar distinction is also maintained in Australia. The Copyright Act 1968 (Cth) defines ‘technological protection measure’ to include both access control measures and measures that restrict acts that are comprised in the copyright. In the EU, Art.6 of the Info-Soc Directive deals with the circumvention of ‘effective technological measures’. Although the first sentence of Art.6(3) which defines what ‘effective technological measures’ are does not expressly distinguish between access control and other technology measures, the very next sentence of the same provision refers to ‘access control’ and ‘protection measures’. Accordingly, this ‘leads to the presumption that [the Info-Soc Directive] does analytically distinguish between access and copy-controls...’

As previously stated, whether the use of VPNs to by-pass geo-blocking flouts an anti-circumvention provision would depend on whether the application of geo-blocking in a given instance amounts to either an access control measure or a technological protection measure (other than an access control measure). Thus, in considering the legality of the conduct of the hypothetical user in the two examples set out above, it would be first necessary to consider whether the technological measure (i.e. geo-blocking) adopted by the copyright owner (or right-holder) counts as a valid TPM in each case.

Example 1 concerns the use of a VPN in Singapore to download a copy of a film exclusively made available to users in the USA. There is no doubt that geo-blocking in this case ‘effectively controls access to a copy of a work’—thus, qualifying as a ‘technological access control measure’ as defined in Singapore’s copyright legislation. Singaporean law prohibits anyone from doing any act that he knows, or ought reasonably to know, circumvents a technological access control measure. The copyright owner or a licensee (any right-holder) may institute an action against a person such as the user in Example 1 for circumventing an access control measure. It may also be concluded that the user, in circumventing the geo-blocking measure, also circumvents a ‘technological protection measure’ as defined in the Singaporean copyright legislation, because downloading (i.e. making a reproduction of) a movie that are not authorised by the rightholder of any copyright or any right related to copyright as provided for by law.’ (emphasis added).

51 WCT, art.11 (emphasis added).
52 WPPT, art.18.
53 Copyright Act 1987, s 261B(1) (emphasis added).
54 Copyright Act 1987, s 261B(1) (emphasis added).
55 Copyright Act 1968 (Cth), s 10(1).
56 Info-Soc Directive, art.6(3) (first sentence) – ‘For the purposes of this Directive, the expression “technological measures” means any technology, device or component that, in the normal course of its operation, is designed to prevent or restrict acts, in respect of works or other subject-matter, which are not authorised by the rightholder of any copyright or any right related to copyright as provided for by law.’ (emphasis added).
58 Copyright Act 1987, s 261B(1).
59 Copyright Act 1987, s 261C(1)(a).
60 Copyright Act 1987, s 261C(2).
was only available to users in the USA is clearly an act comprised in the copyright. In fact, this conclusion is consistent with the finding that the Singaporean user in Example 1 was a copyright infringer (see discussion in preceding section). Despite that, the Copyright Act 1987 does not provide a civil remedy against an individual circumventing a ‘technological protection measure’, as opposed to a ‘technological access control measure’.

The position in Australia is identical—i.e. a cause of action exists in respect of anyone who circumvents an ‘access control technological protection measure’, whereas (as in the case of Singapore) the remedy as regards the circumvention of a ‘technological protection measure’ (other than an access control measure) is against the secondary parties that manufactured, imported, sold, distributed, or offered to the public the device capable of circumventing a TPM. The position in the EU is slightly different. In the case of the UK (which usefully represents how Art.6(3) of the Info-Soc Directive has been implemented in an EU Member State), a person who circumvents an ‘effective technological measure’ (which includes both access control and copy control measures) will be treated as a copyright infringer in terms of s 296ZA(3), read with s 296ZA(1), of the CDPA 1988. As such, had the user in Example 1 been residing in the UK, the right-holder may institute action not only under the provisions that proscribe copyright infringement, but also on the basis that the user had circumvented an ‘effective’ TPM.

The application of legislative provisions dealing with TPMs to Example 2 (above) presents some difficulties, as with the discussion in the previous section on copyright infringement. It must be recalled that in Singapore the user circumventing the geo-blocking measure in order to stream (as opposed to download) content exclusively made available in the USA, does not infringe copyright, because the temporary reproduction exception applies. But it could be said that the user nevertheless violates the anti-circumvention provision (i.e. s 261C(1)) in the Copyright Act 1987? Clearly, by using the VPN, the user does circumvent a ‘technological access control measure’, and this means that the right-holder should be entitled to litigate under s 261C(2) of the Act. The exceptions to the prohibition on circumvention do not capture a user that engages a VPN to stream content exclusively made available in another territory. As such, it might be reasonably concluded that even though the user in Example 2 does not infringe any copyright in Singapore, the possibility still exists for the right-holder to take legal action in terms of the provisions that proscribe the circumvention of ‘technological access control measures’.

The position is similar in Australia. Although it was concluded that the user in Example 2 does not commit a copyright infringement—in view of the application of the temporary reproduction exception—the use of a VPN to by-pass a geo-blocking measure would amount to a circumvention of an access control technological protection measure. The act described in Example 2 is not exempted by any of the exceptions to the prohibition on circumvention. Accordingly, if the user in Example 2 had utilised a VPN from Australia to stream a film that was exclusively made available to Netflix’s subscribers in the USA, the act of circumvention would give rise to a cause of action under s 116AN(1) of the Copyright Act 1968 (Cth).

The position in the EU (which is reflected in the UK’s CDPA 1988), as regards the legality of the acts described in Example 2, depends on the location from which the streaming takes place. As was noted before, the Info-Soc Directive does not structurally (although it arguably does so conceptually) distinguish between access control and copy control measures (the latter being described in Singapore and Australia as technological protection measures, or just technological measures). The CDPA 1988 reflects this feature by broadly defining ‘technological measures’ as ‘any technology, device or component which is designed, in the normal course of its operation, to undertake research on encryption technology etc.’

61. The remedy as regards the circumvention of ‘technological protection measures’ is against anyone who ‘manufactures, imports, distributes, offers to the public, provides or otherwise traffics in any device, product or component, or offers to the public or provides any service, capable of circumventing a technological protection measure’ (see, Copyright Act 1987, s 261C(1)(b) and (c)).
62. Copyright Act 1968 (Cth), s 116AN(1).
63. Copyright Act 1968 (Cth), s 116A(1).
64. These provisions of the CDPA 1988 (i.e. s 296ZA to s 296ZF) give effect to art.6(3) of the Info-Soc Directive.
65. Copyright Act 1987, s 261D(1). These exceptions include acts done by non-profit organisations (such as libraries etc), acts prescribed by the Minister, acts done in good faith in relation to computer programs in order to achieve interoperability, acts done to undertake research on encryption technology etc.
66. If at all, the only obstacle to reaching this conclusion is s 261B(3)(c) of the Copyright Act 1987. This provision provides that ‘[n]othing in this Part shall affect any limitation on copyright in a work or other subject-matter, or on a right in relation to a performance or a recording thereof, under any provision of this Act.’ Arguably, this would include the limitation imposed in respect of the temporary reproduction of copyrighted subject matter in the course of technical communications. If so, and if that limitation would exempt an individual engaging in the circumvention of a TPM from liability for copyright infringement, it might be that s 261B(3)(c) extends the limitation to the context access control measures as well.
67. Copyright Act 1968 (Cth), s 116AN(1).
68. Copyright Act 1968 (Cth), s 116AN(2) - (9).
operation, to protect a copyright work. However, in order to acquire legal protection, the technological measure must be one that is ‘effective’. A measure is effective if the use of the work is controlled by the copyright owner through—(a) an access control or protection process [...] or (b) a copy control mechanism, which achieves the intended protection. However, and importantly, the reference to the phrase ‘use of the work’ does not extend to any use of the work that is ‘outside the scope of the acts restricted by copyright.’

Insofar as Example 2 is concerned, the ‘use’ described is the act of streaming the film, which is controlled by geo-blocking acting as an access control mechanism. Thus, for the geo-blocking measure to be an ‘effective’ technological measure, vis-a-vis anyone streaming the film from the UK, that act of streaming must be within the scope of acts restricted by copyright.

As was noted in the previous section, an act of gaining access, from within an EU Member State, to content that was exclusively made available for streaming outside the EU is likely to be regarded as an infringement—i.e. an act that is restricted by copyright. In contrast, in light of the CJEU’s ruling in FAPL v QC Leisure, it is unlikely that accessing content that was exclusively meant for streaming in another EU Member State will be regarded as an infringement. Thus, geo-blocking would be an ‘effective’ access control measure only as against content that is exclusively made available for streaming outside the EU. If this logic is applied to Example 2, provided we assume that the user accesses Netflix from the UK, the right-holder will have a viable cause of action against the user that engaged the VPN in terms of s 2962A(3) of the CDPA 1988, in addition to any cause of action premised on copyright infringement.

4. CONCLUSION

The first part of this article mapped out the current trends and legal developments that underpin geo-blocking technology in the copyright context. What was observable is that despite the attention geo-blocking has attracted on the part of policymakers, there is still much to be done to overcome the root cause for the use of geo-blocking technology—i.e. the practice of territorial copyright licensing. It was noted that the obvious solution is to encourage copyright owners to adopt multi-territorial licensing—a practice which the music industry in the EU is increasingly adopting in view of the CRM Directive that provides a legislative framework for this practice. Unfortunately, much less progress has been made in the audio-visual sector, although things are likely to improve in 2020 (or soon after) once the provisions of the Geo-blocking Regulation (which proscribed geo-blocking in the EU) is extended fully to the copyright context. In contrast, both in Australia and Singapore, while territorial copyright licensing and geo-blocking have given rise to active debate amongst stakeholders, the respective governments have failed to take a firm stance in relation to the issue. Accordingly, it was concluded that geo-blocking and the issues that it gives rise to in the copyright context will not be resolved in the near future.

It was against this backdrop that the second, and larger, part of this article focused on a counteractive practice adopted by consumers of online content that has the effect of circumventing geo-blocking measures—i.e. the use of VPNs. The legality of the use of VPNs to both ‘download’ and ‘stream’ content exclusively made available in a particular jurisdiction was considered under the copyright laws of Singapore, Australia and the EU. It was concluded that where copyrighted content is made exclusively available in a particular jurisdiction (e.g. in the USA), the act of gaining access to that content from outside that jurisdiction via a VPN leading to the content being ‘downloaded’ on the user’s device amounts to a copyright infringement under the copyright laws applicable in all three jurisdictions. In contrast, it was concluded that the use of a VPN to ‘stream’ copyrighted content exclusively made available in a particular jurisdiction will not amount to a copyright infringement in Singapore and Australia, in view of the application of the ‘temporary reproduction’ exception. The EU position differs—in that, in light of the ruling in FAPL v QC Leisure, it is likely that a user engaging in such a practice within an EU Member State (thus gaining access to content exclusively made available to non-EU users) will be infringing EU copyright law, as the acts contemplated are likely to be ‘unlawful’ in light of EU competition law principles—in effect preventing the user from becoming entitled to the ‘temporary reproduction’ exception. Yet had the streaming originated from within an EU Member State, where the content provider has a license to stream the copyrighted content exclusively within that Member State, the use of a VPN to stream that content from another EU Member State would remain a lawful act captured by the ‘temporary reproduction’ exception.

Insofar as TPMs are concerned, it was concluded that geo-blocking measures are easily classified as ‘access control’ measures, as that is precisely what they do—i.e. prevent access to content from outside the authorised geographic area. Thus, utilising a VPN to gain access to, and ‘download’ or ‘stream’, content that was exclusively made available to users in another jurisdiction amounts to a circumvention of an ‘access control’ measure leading to a civil cause of action against the violating user under both Singaporean and Australian copyright laws. However, the position in the EU is more complex. When a user engages a VPN to ‘download’ copyrighted content

68 CDPA 1988, s 2962F(1).
69 CDPA 1988, s 2962F(2) (emphasis added).
70 CDPA 1988, s 2962F(3)[b].
exclusively made available outside the EU, civil action may be instituted against that user for circumventing an ‘effective’ TPM. Nevertheless, whether the use of a VPN to ‘stream’ content, exclusively made available to users in a particular jurisdiction, circumvents an ‘effective’ TPM would depend on the origin of the streaming. This is because for a measure to be deemed an ‘effective’ TPM, it must enable the copyright owner to control any use of a work that is restricted by copyright (i.e. any use that would be an infringement). Accordingly, where the streaming originates from outside of the EU, any access control measure that seeks to restrict access to that content from within the EU would be deemed an ‘effective’ TPM, the circumvention of which gives rise to a civil cause of action. Where the streaming originates from within an EU Member State however, the use of the content so streamed within another Member State would not be an act that is restricted (by analogy from the CJEU’s ruling in *FAPL v QC Leisure*). As such, geo-blocking in such an instance will not be deemed an ‘effective’ TPM, disentitling the right-holder from litigating against the user engaging in the circumvention.

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11. SELECTED ASPECTS OF DOMAIN NAME DISPUTE RESOLUTION AND RIGHTS PROTECTION WITHIN THE NEW .AFRICA TOP LEVEL DOMAIN AND THE .ZA COUNTRY CODE TOP LEVEL DOMAIN

Eddie Hurter*

ABSTRACT

During the late 1990s, the exponential growth and importance of the Internet brought to the fore the violation of rights resulting from trademarks used as domain names. The UDRP was sculpted as a remedy against trademark abuse within the domain name system and was proven in part to be successful. The advent of ICANN’s New Generic Top Level Domain Program, where close to 2000 new generic top level domains would be added to the domain name system, again created fears of large scale trademark infringement within the domain name space. This article seeks to provide a truncated exposition of the new rights protection mechanisms introduced as part of the New Generic Top Level Domain Program, as well as a brief introduction to the DotAfrica Generic Top Level Domain, and domain name dispute resolution within the South African .ZA Country Code Top Level Domain.

KEYWORDS: DotAfrica Launch, Domain Name Dispute Resolution, New Generic Top Level Domain (gTLD) Program, Internet Corporation for Assigned Names and Numbers (ICANN), Rights Protection, .ZA Country Code Top Level Domain (ccTLD), UDRP, African Union Commission (AUC), ZA Central Registry (ZACR), .ZA Domain Name Dispute Resolution Regulations

1. INTRODUCTION

The network simply known as the Internet, without which our modern society cannot function, and without which the majority of individuals today cannot imagine living, is controlled and managed by the Internet Corporation for Assigned Names and Numbers (ICANN).1

According to Article I section 1 of ICANN’s Bylaws, ICANN’s mission is to:

[...] coordinate, at the overall level, the global Internet’s systems of unique identifiers, and in particular to ensure the stable and secure operation of the Internet’s unique identifier systems. In particular, ICANN:

1. Coordinates the allocation and assignment of the three sets of unique identifiers for the Internet, which are
   a. Domain names (forming a system referred to as ‘DNS’);
   b. Internet protocol (‘IP’) addresses and autonomous system (‘AS’) numbers; and
   c. Protocol port and parameter numbers.

2. Coordinates the operation and evolution of the DNS root name server system.

3. Coordinates policy development reasonably and appropriately related to these technical functions.2

In keeping with its mandate, ICANN has deemed it necessary to continuously add Generic Top Level Domains (gTLDs) to the domain name system (DNS). Three new gTLD application rounds have thus far been implemented by ICANN: the first; in 2000 saw the introduction of seven new gTLDs (.pro, .museum, .coop, .info, .aero, .biz, .name) to the then existing eight gTLDs (.com, .edu, .gov, .int, .mil, .net, .org and .arpa);3 and the second in 2004, heralded the introduction of six new gTLDs (.travel, .asia, .jobs, .mobi, .cat, .tel).4 The third round of applications was officially born in June 2008 when ICANN’s New gTLD Program was approved for implementation by ICANN’s Board.5 ICANN states that: ‘via the introduction of new top-level domains (TLDs), the program aims to enhance innovation, competition and consumer choice.’6

After the ICANN Board authorised the launch of the New gTLD Program in June 2011, the application window for new gTLDs subsequently opened on 12 January 2012 and the first round of applications closed in April 2012.7 A total number of 1930 applications were received. The number of new gTLD applications that were approved and had already been delegated (introduced into the Internet) totalled 1227 in November 2017.8 The breakdown of applications by regions indicates that the

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7 Ibid...

North American region submitted a total of 911 applications; Europe 675; Asia Pacific 303; South America 24; while the African region only submitted 17 applications. The breakdown of applications by type indicates: 84 community applications; 66 geographic applications; 116 applications for internationalised domain names, representing 12 scripts. The Internet is therefore undergoing enormous change with gTLDs such as .grocery, .hotel, .xyz, .arab, .ghuru and even .ninja being part of the new domain name landscape.

2. THE BIRTH, HISTORY AND LAUNCH OF DOTAFRICA

ICANN’s new gTLD Program presented a unique opportunity for Africa as a continent in bringing to life a much-needed collective identity within the global network: a ‘virtual’ space that could promise so much, for a continent that so desperately needs to realise its potential.

While the development and conceptualisation of ICANN’s New gTLD Programme were progressing in full steam, the African Union ministers tasked with Communication and Information Technologies concluded the ‘Oliver Tambo Declaration’, which re-affirmed that information technologies are key to Africa’s development and economic competitiveness, and made, amongst others, a commitment to work together to ensure that the technical and administrative operations of Africa’s TLDs are at international standards. The ‘Oliver Tambo Declaration’ also expressed the vision that trust, and the use of, ‘African’ domain names will bring financial, economic and socio-cultural benefits to the continent of Africa.

After being ratified by the African Union Head of States and Governments Summit in January 2010, the ‘Abuja Declaration’ was concluded in August 2010, in which the African Union Commission (AUC) was tasked to ‘set up the structure and modalities for the implementation of the DotAfrica project’. A tender process for the operation of the DotAfrica gTLD on behalf of the AUC commenced shortly after. The ZA Central Registry (ZACR), was appointed as the ‘Official Applicant and Registry Operator for the DotAfrica gTLD In April 2012. The ZACR subsequently submitted an official application for the DotAfrica gTLD to ICANN on 13 June 2012.

As part of the initial evaluation of an application, a ‘string review’ was conducted on the applied-for gTLD in order to determine whether the evidence necessary to support a particular geographic name had been garnered. ‘Africa’ is regarded as a ‘geographic name’ for purposes of ICANN’s New gTLD ‘Applicant Guidebook’. Proof of support ‘from at least 60% of the respective governments in the region’ and:

[that] there may be no more than one written statement of objection to the application from relevant governments in the region and/or public authorities associated with the continent or the region.
was therefore needed to accompany the application. The ZACR received the support of 78% of African governments for its application for the DotAfrica gTLD and therefore met the required 60% threshold of regional government support.23 The ZACR’s application passed the initial evaluation for the DotAfrica gTLD on the 12th of July 2013.24 ICANN and the ZACR signed the official DotAfrica gTLD ‘Registry Agreement’ in Singapore, on 24 March 2014.25

Unfortunately, and rather sadly, ‘DotAfrica’ still needed to wait more than three years for the dream of its very own gTLD to be realised. ICANN also received a second application for the delegation of the DotAfrica gTLD. This applicant was, however, not endorsed by the AUC, and therefore did not have the required regional support and consequently did not pass the initial evaluation stage.26

The Applicant insisted on exhausting all of ICANN’s internal review processes,27 and ultimately turned to the courts in the State of California in the United States of America (where ICANN is incorporated), in an effort to frustrate the delegation of the DotAfrica gTLD to the ZACR. These efforts (until present) turned out to be fruitless after the Superior Court of California denied the motion for an injunction to stop the delegation of the DotAfrica gTLD to the ZACR.28 The dawn of Africa’s online renaissance eventually arrived. The CEO of the ZACR, Mr Lucky Masilela, announced a few months later that: .africa will bring the continent together as an Internet community under one umbrella allowing e-commerce, technology and infrastructure to flourish. It is truly an African initiative established by Africans for Africa and the world.29

The official DotAfrica ‘Launch Process’ started on 4 April 2017, with the Sunrise Application Period, followed by four Land Rush Application Periods spanning from 5 June 2017 to 2 July 2017.30 On 4 July 2017, the long-awaited day for the ‘General Availability’ of DotAfrica domain names arrived.31

3. RIGHTS PROTECTION WITHIN THE NEW GENERIC TOP LEVEL DOMAINS AND WITHIN THE DOTAFRICA GENERIC TOP LEVEL DOMAIN

Since its introduction in 1998, the, by now well-established and successful, Uniform Dispute Resolution Policy (UDRP)32 has been the primary rights protection mechanism within the domain name context. The UDRP has proven itself to be a very effective remedy against the vice generally known as ‘cybersquatting’, whereby names or marks in which complainants have rights are registered as a domain name.33 ICANN and its constituencies acknowledged the need to expand the rights protection mechanism frame-work for the New gTLD Programme in light of the enormous risks posed to rights protection with the introduction of the more than 1900 new gTLDs.

The most important new rights protection mechanism sculpted with ICANN’s New gTLD Program in mind is the

26 See ICANN, ‘Decision Tree/Process Flow for Geographic Names Evaluation’ https://www.internetnews.me/2013/09/13/humor-icanns-new-decision-tree/icann-decision-tree/ accessed 28 November 2017. An applicant would ‘immediate fail’ the evaluation phase should it be recorded that the applicant was not able to meet the ‘complete reporting requirements’ for a geographic name.
27 See Hurter and Pistorius, n13 p 1081 – 1084 for a discussion in this regard.
Trademark Clearinghouse (TMCH). The TMCH is a centralised database of trademarks that have been ‘verified’. The database is connected to all new gTLDs. It is stated in the Trademark Clearinghouse Guidelines that it will accept and verify the following intellectual property rights: (i) nationally or regionally registered trademarks; (ii) court validated marks; and (iii) marks protected by statute or treaty. Trademark proprietors can submit trademark data to a centralised database and after the data has been verified, the trademark proprietor will be provided with an ‘authentication key’ which provides the proprietor with first priority in the registration of trademarks in every ‘Sunrise period’ (a period that provides priority in registration to trademarks) of the New gTLD Program. In the event that someone else wishes to register a domain name that matches an authenticated key, the person wanting to register the domain name in any of the new gTLDs will be informed of the trademark proprietors’ rights and will consequently need to acknowledge the proprietors’ rights before the registration of the domain name. If the domain name is registered, the trademark proprietor will also be notified of the registration and the proprietor will therefore be made aware of a potential trademark infringement.

The Uniform Rapid Suspension System (URS), and the Post Delegation Dispute Resolution Procedure (PDDRP), joined the UDRP as rights enforcement mechanisms in addressing domain name disputes within ICANN’s New gTLD Program. The URS is similar to the UDRP, but is aimed at a more timely and definite resolution of disputes. The URS also carries a higher burden of proof than the UDRP, and avails additional defences to registrants. A temporary suspension of the domain name for the duration of a gTLD’s registration period is the only available remedy.

The PDDRP seeks to remedy situations where registry operators played a role in the infringement of rights. There are three Post Delegation Dispute Resolution Procedures: (i) the Trademark Post-Delegation Dispute Resolution Procedure aiming to address registry operator’s involvement in trademark infringement; (ii) the Registration Restriction Dispute Resolution Procedure which seeks to deal with Registry Operators that do not comply with the registration restrictions of community-based New gTLDs; and (iii) the Public Interest Commitments Dispute Resolution Procedure addressing non-compliance with Public Interest Commitments within Registry Agreements.

A. SUPPLEMENTARY DOTAFRICA RIGHTS PROTECTION MECHANISMS

Similar, and ancillary to the TMCH, the DotAfrica Mark Validation System (MVS) creates an additional level of trademark protection for registrants within the DotAfrica domain. Unlike the TMCH, the MVS not only caters for registered trademarks, but also allows for applications based on other existing priority rights such as ‘unregistered trademark rights’ (accompanied by sufficient ‘proof of use’), as well as business, company and trust names. When validated, a ‘validation token’ (VT) for the name or mark applied for is issued. The allocation of ‘validated marks’ will be conducted according to a Priority Ranking System: (i) domain name applications with a VT will receive priority, and rank higher than domain name applications without a VT; (ii) registered trademarks receive a higher ranking than unregistered marks; (iii) trademarks registered in Africa receive a higher ranking than those registered on other
continents; (iv) so-called contention sets will be referred to an external auction process.46

Because of its geographical nature and cultural sensitivity, the ZACR (in collaboration with the AUC, the ‘custodian’ of DotAfrica), has added yet another rights protection mechanism; the Reserve Names List (RNL).47 The RNL is a unique initiative for African governments to reserve significant country specific and geographic names. The categories within which names may fall are listed as: (i) recognised geographic areas; (ii) religious, cultural and linguistic names; (iii) cultural or historic significant names; (iv) economic and/or public interest names; (v) offensive names.48 The AUC is also in the process of making provision for a dispute resolution procedure in order to facilitate a possible dispute resolution mechanism regarding the RNL.49

4. DISPUTE RESOLUTION WITHIN THE .ZA DOMAIN

South Africa has enacted its own domain name dispute resolution regulations as early as 2006.50 The South African Electronic Communications and Transaction Act51 provided in S 69 for the promulgation of regulations ‘for an alternative mechanism for the resolution of disputes in respect of the .za domain name space’ and further that these regulations should take heed of existing international instruments. In keeping with the mandate, the regulations were mainly reflective of the international standard setting UDRP with certain carefully considered variations. These variations were similar to those of the Nominet Dispute Resolution Service (URS), the domain name dispute resolution mechanism for the .UK domain,52 that endeavoured to reflect the then current, state of domain name jurisprudence.53

Succinctly, the most significant differences between the .ZA domain name dispute resolution regulations and the UDRP are:

(i) the definition of what constitutes ‘rights’ in order to be able to file a domain name dispute is much broader in terms of the .ZA regulations than that of the UDRP. The UDRP was drafted with a very limited scope of rights protection, for specific and well debated reasons.54 Reg 1 of the .ZA regulations defines ‘Rights’ in order to file a domain name dispute within the .za domain much more broadly than the UDRP (which is limited to trade – or service marks) as:

intellectual property rights, commercial, cultural linguistic, religious and personal rights protected under South African law, but is not limited thereto.55

(ii) The terminology and concepts employed within the .za regulations are not as trademark-centric as those found within the UDRP. According to Reg 3(1)(a) of the .za regulations, a complainant needs to prove only identity or similarity and not ‘confusing’ similarity between the name or mark and the domain name which is required in the context of the UDRP.56 As to the indications that a domain name may be indicative of an abusive registration, Reg 4(1)(b) of the .za Regulations again omits the term ‘confusion’57 and reads in Reg 4(1)(b):

circumstances indicating that the registrant is using, or has registered the domain name in a way that leads people or businesses to believe that the domain name is registered to, operated or authorised by, or otherwise connected with the complainant.58

The innovative but yet illusive concept of an ‘offensive registration’ is introduced in the .za regulations as a basis of submitting a complaint. Under Reg 1 of the .za Regulations, an ‘offensive registration is defined as:

48 Ibid.
49 Personal interviews; E Hurter and M Masilela May 2017.
50 General Notice R1166 in GG 29405 of November 2006.
55 Act 25 of 2002 [ECT Act]. For a discussion on the ‘Rights’ definition within the .ZA domain see Eddie Hurter, n 54.
56 UDRP, n 33 para 4(a)(i).
57 Ibid para 4(b).
58 Act 25 of 2002 [ECT Act].
... a domain name in which the complainant cannot necessarily establish rights but the registration of which is contrary to law, contra bonos mores or is likely to give offence to any class of persons. 59

Reg 4(2) of the .ZA regulations, which lists the factors that may serve as evidence of an ‘abusive registration’, describes that:

an offensive registration may be indicated if the domain name advocates that is based on race, ethnicity, gender or religion and/or that constitutes incitement to cause harm. 60

The South African legislature has as recently as November 2017 further refined the regulations by amongst others: (i) introducing an informal mediation procedure; (ii) adding the ‘cancellation’ of the disputed domain name as a possible remedy; (iii) introducing the possibility of a ‘summary decision’ to be made by an adjudicator if no response is received from the registrant; and (iv) introducing a ‘penalty’ by not accepting any further complaints from a particular complainant if within a period of two years, three disputes from the complainant were refused based on reverse domain name hijacking. 61

The South African Institute for Intellectual Property Law (SAIIPL) is the primary domain name dispute resolution service provider for the .za domain name space and is well-respected and competent in providing the service. Close to three hundred complaints have been submitted since the promulgation of the regulations, 62 and the quality of the adjudication of disputes is mostly world-class, considering the nuanced differences between the regulations, the UDRP and DRS.

5. CONCLUSION

A concerted effort is needed in Africa in the context of rights protection within the domain name industry. Two workshops, organised and hosted by ICANN, have been held during the past few years in an effort to address rights protection within the domain name context in Africa: in Benin, 63 and Zimbabwe. 64 Most African ccTLD registries and important domain name players were represented.

There were encouraging signs in taking forward the shared realisation that Africa as a continent needed to do a lot more regarding rights protection in the domain name context. It is clear that Africa has a huge mountain to climb.

There is, however, an encouraging African proverb that reads:

If you wish to move mountains tomorrow you must begin by moving stones today 65

Africa, as a continent, is becoming more relevant every day. Africa should not allow itself to become less relevant than our counterparts in other parts of the world in the realm of rights protection in the domain name industry. Africa as an important and relevant player within the domain name industry needs to be honest with itself: Africa as a continent is at present not on par with the global community in the context of rights protection. With effort, and over time, there is no reason, or excuse, for Africa not to take its rightful place within the domain name eco-system, including rights protection.

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12. AT THE CROSSROADS BETWEEN COMPETITION LAW AND INTELLECTUAL PROPERTY: PATENT SETTLEMENT AGREEMENTS IN THE PHARMACEUTICAL SECTOR

Hanna Stakheyeva*

ABSTRACT

The pharmaceutical sector is being subject to increasing competition law scrutiny. This is not surprising, given the significant potential for distortion of competition in this market; and the sheer importance of this market for public health policy.

The most prominent competition concerns may stem from pharmaceutical patents and the monopoly power that they confer; power that is susceptible to various abuses, such as preventing the market entry of rival generic companies, entering into trade restricting settlement agreements, and misusing supplementary protection certificate rights and regulatory processes.

Many such abusive practices are currently under scrutiny by the European Commission, particularly patent settlement agreements between originators and generics which have the effect of delaying entry of cheaper medicines into the EU market and distorting competition.

This article begins by offering a general overview of the interplay between competition law and intellectual property (IP) rights in the pharmaceutical sector. It then focusses specifically on the norms relating to ‘pay-for-delay’ agreements, discussing various cases from the EU in this regard. It also discusses some national case law from the UK, Italy and Turkey and touches upon comparative aspects of the approaches to similar issues under US law.

It is argued that competition law may take priority over IP rights; hence pharmaceutical companies ought to be more careful about their practices and agreements with other market participants to mitigate the risk of attracting competition law liability including heavy monetary fines. In assessment of patent settlement agreements there should be neither per se permission nor per se prohibition, instead the rule of reason or the (rebuttable) presumption of illegality. In any case, a deep analysis of the agreements, circumstances of the case and economic rationale/public health imperatives are essential.

Keywords: patent settlement agreements, pharmaceuticals, generics, originators, anticompetitive, compulsory licensing, EU, Turkey, sanctions, abuse of dominance, competition law

1. INTRODUCTION

We are witnessing an increasing enforcement of competition law across various sectors, including the pharmaceutical sector. Anticompetitive agreements (patent settlement agreements, restrictions in distribution agreements), abuse of dominance (tying, refusals to license, excessive pricing) and merger control constitute the main pillars of competition law, which may also be regarded as the main concerns in IP-related industries.

The most common concern for the competition authorities is the possible violation of competition law in IP-related industries due to the existence of patents, trademarks, and copyright, which grant exclusive power that may potentially be abused by IP rights holders to the detriment of consumer welfare as well as innovation. Hence, competition law is applicable to the area of IP and may be invoked by consumers and any interested/affected third parties to ensure that the IP rights holders are not abusing their (dominant, if not monopolistic) positions.

At the same time, IP rights holders may rely on competition law to protect themselves from unfair competition and encourage more competition and innovation in the relevant market.

There has been a tension between IP law and competition law in the pharmaceutical sector. The pharmaceutical sector may be considered a ‘strategic’ sector for most jurisdictions, and competition authorities worldwide have started to focus their efforts on ensuring effective competition by way of controlling potentially anticompetitive practices. This is due to the importance of the pharmaceutical sector in the health system, and a great potential for distortion of competition in this market due to the existence of patents, which may confer limited monopoly rights on pharmaceutical companies that could lead to various abuses, such as, to name a few, the impediment to parallel trade and/or prevention of market entry of rival generic companies.

Practices preventing or delaying the entry of generic rivals into the pharmaceutical market, particularly, the contents of patent settlement agreements, have been under the collaboration with ACTECON www.actecon.com (Istanbul, Turkey); a member of the Bar (Advokatura) of Ukraine and the Academic Society for Competition Law; graduated from the Kyiv National Taras Shevchenko University (B.L and Ph.D. in International law) and University of Amsterdam (LL.M in European Business law); also holds an International Bacalaureate diploma from the UWC “Atlantic” (Wales, UK); is fluent in Russian, Ukrainian and English with basic knowledge of Turkish and French.

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scrutiny of the European Commission in recent years. This is because the generic-side competition is essential for a proper functioning of the market as well as consumer welfare. Over the past few years, the European Commission has been monitoring patent settlement agreements in order to identify those settlements which could potentially be problematic from a competition law perspective — namely those that limit generic entry against a significant value transfer from an originator to a generic company. Patent settlement agreements between originators and generics very often delay the entry of cheaper medicines into the market and extend the period of monopoly profits.\(^1\)

This article gives a general overview of the interplay between competition law and IP rights (focusing on the pharmaceutical sector), analyses the potentially problematic ‘pay-for-delay’ agreements from the point of view of competition law, and provides highlights of the latest investigations into the pharmaceutical sector in relation to patent settlement agreements at the EU and national level, including Turkey.

It is concluded that pharmaceutical companies should be more aware of their practices and agreements with other market participants: they should not assume that ‘their intellectual property rights will stand in the way of finding an antitrust infringement’\(^2\) - their behavior will be scrutinized closely by the competition authorities and there are high chances that competition law may take priority over their IP rights.

As for the Competition Authority’s approach to such agreements, there should be neither per se permission nor per se prohibition, instead the rule of reason or the (rebuttable) presumption of illegality. In any case, a deep analysis of the agreements, circumstances of the case and economic rationale are essential.

2. HIGHLIGHTS OF INTERPLAY BETWEEN COMPETITION LAW AND IP IN THE PHARMACEUTICAL SECTOR IN THE EU

The competition rules applicable to the pharmaceutical sector are not harmonised within the EU single market,\(^4\) however, pharmaceutical companies are obliged to comply with the EU competition rules.\(^5\) There are a number of areas which can potentially be problematic from the competition law perspective and where pharmaceutical companies should be particularly careful not to violate the law.

First of all, parallel trade, patent settlements (pay-for-delay), SPC and deregistration of pharmaceutical products may fall under art. 101 of the Treaty on the Functioning of the European Union (TFEU) and can be considered as anticompetitive and forbidden practices under certain circumstances.\(^6\)

Secondly, the most prominent competition concerns stem from pharmaceutical patents and the dominance power that they confer. Dominance invokes a special responsibility for an undertaking to behave in a certain way in the market. Abuse of dominance is prohibited under art. 102 of the TFEU.

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\(^4\) This market is regulated at the national level, i.e. national pricing and re-imbursement rules for medicines are not harmonised within the EU market.

\(^5\) In addition to competition law, state rules are also applicable to pharmaceutical companies. State aid is an advantage/support in any form conferred on a selective basis to companies by public authorities. Because a company that receives the government support gains a competitive advantage over its rivals, the Treaty of the Functioning of the EU (TFEU) generally prohibits state aid, unless it can be justified by the general economic development. State aid rules envisage the notification/exemption system. The EC is in charge of ensuring that the said aid is complies with the TFEU. State aid may raise concerns when tax exemptions or direct grants are given to pharmaceutical companies, providing unfair treatment to other operators in this market, or by over compensating publicly-owned hospitals.

\(^6\) Article 101 TFEU is a general prohibition of (horizontal and/or vertical) agreements between two or more independent undertakings which restrict competition (e.g. price-fixing and/or market sharing etc.).
Thirdly, mergers between pharmaceutical companies are of particular concern when it comes to multinational companies with strong market positions. It is important to ensure that a new merger neither impedes generic competition, nor limits competition in research and development.

This paper focusses on anticompetitive practices and abuse of dominance in the pharmaceutical sector, since those are most common there. Very often these violations come together in one case (see for instance the Servier case below) - a violation of art.101 TFEU and also abuse of a dominant position under art.102 TFEU.

A. ABUSE OF DOMINANCE VIA SUPPLEMENTARY PROTECTION CERTIFICATES

Supplementary protection certificates (SPCs) are a unique intellectual property right that extends the duration of the exclusive rights of a pharmaceutical company for its products under patent protection. It enters into force after the expiry of a patent upon which it is based. Such certificates compensate for the length of time needed to obtain authorisation to put products on the market. A lifetime of an SPC is up to five years and can be extended up to five and a half years under the paediatric rules.

The methods used by pharmaceutical companies in trying to prolong patent protection for their products may very often breach competition law, as such methods prevent or delay the entry of generic products into the market. AstraZeneca was fined €60 million for abusing the patent system for authorisation of pharmaceutical products to delay the entry of generics. AstraZeneca made misleading representations to national patent offices to obtain SPCs for longer periods than it would otherwise have, or in some cases to obtain SPCs which the patent offices would not even have granted in the absence of the misleading representations.

The case is significant as it is the first time that an abuse of the regulatory processes was held to be an abuse of a dominant position under EU competition law. This approach was confirmed by the Court of Justice of the EU and can be expected to result in more similar cases being brought (not limited to the pharmaceutical sector only).

The European Commission, just as any competition authority, has jurisdiction to ensure that activities of undertakings comply with competition rules; it does not have a jurisdiction to redress and penalize for other offenses, i.e. fraud. However, it does have power to sanction any anticompetitive behaviour and abuses by imposing heavy fines. According to this case, a lack of transparency can be sufficient for there to be an abuse of a dominant position since ‘abuse of dominance is an objective concept and must be assessed on objective factors, and proof of the deliberate nature of the conduct and of the bad faith of the dominant undertaking is not required.’

At the same time there must be an anticompetitive effect on the market resulting from such behavior – or at least sufficient evidence of a potential anticompetitive effect, which was the case in AstraZeneca.

B. ANTICOMPETITIVE PRACTICES VIA PATENT SETTLEMENT AGREEMENTS

Patent settlement agreements (PSAs), like any other agreements, are subject to competition law, and under certain circumstances, these agreements may be considered contrary to competition law.

It is unacceptable that a company pays off its competitors to stay out of its market and delay the entry of cheaper medicines. Agreements of this type directly harm patients and national health systems, which are already under tight budgetary constraints. The Commission will not tolerate such anticompetitive practices.

As the expiry of the patent term approaches and medicines lose patent protection, originators are increasingly confronted with the prospect of competition from generics (with significantly lower prices). Originators in many instances enter into patent-related procedures, disputes or litigation to delay the entry of generics into the market. Normally originators claim that their patents have been infringed by generics who have introduced their own versions of the product prior to the expiry of the patents. Generics, in turn, deny such infringement and contest the validity of the patents. In such circumstances, patent settlement agreements are a fast and economical way to end patent disputes, particularly where both parties recognise the merits of settlement and decreased litigation costs.

On the other hand, PSAs can be detrimental to competition in the market if:

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7 More than 8,000 SPCs for medicinal and plant protection products were filed in Europe between 1991 and 2003.
9 More information is in section 4 below.
10 Black S, Moore S, Eqc Ruling Dismisses AstraZeneca’s Appeal In Abuse Of Dominance Case, 2012
https://www.lexology.com/library/detail.aspx?g=b36f264d-5978-4c18-ba0e-9d1cb559fc89
11 Also known as reverse payment settlement agreements
entry of generic products is delayed;
• there is a decline in the number of new medicines and less competition from the generics’ side; and
• consumers and national health systems have to pay higher prices, as two years after market entry, generic products are on average 40 percent cheaper than the originator products.

Therefore, special attention to PSAs is stemming from the public health imperative, i.e. anticompetitive PSAs deprive customers of cheaper or affordable healthcare, as well as novel medicines. ‘Ultimately, it may be the consumer who pays the price for a delay in market entry resulting from such agreements’ and any benefits to the society are likely to be outweighed by the negative effects of the anticompetitive PSA. In this context, an assessment of each individual case would be necessary.

3. ASSESSMENT OF PATENT SETTLEMENT AGREEMENTS

PSAs can be regarded as commercial agreements to settle patent-related disputes, e.g. issues of patent infringement or patent validity.

On the one hand, the aim of PSAs is to find a mutually acceptable compromise and discontinue a dispute. Such practices are generally accepted as a legitimate way of privately ending a dispute which saves courts and/or competent administrative bodies’ time and effort. Hence, PSAs can be viewed as positive for society.

On the other hand, as already mentioned, PSAs may be problematic from a competition law perspective. This concerns, in particular, those PSAs that lead to a delay of generic entry in return for a value transfer or payment by the originator company to the generic company. So far, in all PSA cases investigated by competition authorities, ‘initial concerns stemmed from the fact that the settlements under scrutiny involved large payments from a patent holder to the generic entrant.’ Settlement agreements containing restrictions beyond the exclusionary zone of the patent (e.g. beyond its geographic scope, its period of protection etc.) or involving patents for which the patent holder knows that the patentability criteria are not met (e.g. lack of inventive step, incorrect, misleading or incomplete information etc.) can also be regarded as problematic agreements.

PSAs can be categorised into two types: with no limitation of generic entry; and with a limitation of generic entry (with or without the transfer of money).

Agreements that do not restrict the generic company’s ability to market its own product are normally agreements that simply discontinue proceedings without any further commitment on any of the parties, and without any payment. Some form of payment from the originator to the generic is acceptable if it covers litigation costs and/or damages, i.e. in case of an interim injunction invoked against a generic that was prevented from marketing its products. There could also be a payment from generic to originator, i.e. when the generic company had riskily entered the market before the expiration of the patent.

Mutual compensation or mutual royalty-free licences are also acceptable under PSAs that do not restrict generics’ entry into the market and are normally unproblematic from a competition law perspective.

Agreements that foresee a limitation on the generic company’s ability to market its own product without payment from the originator to the generic company can raise competition concerns and require competition law scrutiny on a case-by-case basis. Such agreements normally contain a ‘non-challenge clause’, i.e. a clause stating that the generic company will refrain from challenging the validity of the originator’s patent, and/or ‘non-compete clause’, i.e. a clause preventing market entry until the patent has expired. Agreements that foresee a limitation on the generics’ entry with payment from the originator to the generic company for agreeing to delay the generic product launch and/or for discontinuing the patent challenge are problematic and require the highest degree of competition law scrutiny on a case-by-case basis.

The European Commission considers that PSAs infringe art. 101 TFEU by their objects, i.e. restrict competition by their very nature, without any assessment of actual or likely anticompetitive or pro-competitive effects, (the main difference with the US, where the rule of reason approach is applicable to such cases) when the following conditions are met:

• the generics are potential competitors;
• there is a significant restriction on business activity/behaviour of the generics; and
• the agreement is effective for a non-negligible period of time and is not proportionate to the interests of the当事人.

16 See, for instance, Citalopram case below.
17 Killick J, Berghe P, ‘Applying a by object test to patent settlements is very different from the rule of reason’, 2014, 2 Concurrences 21
• there is a value transfer from the originators to the generics.

4. ANTITRUST INVESTIGATIONS IN THE PHARMACEUTICAL SECTOR

A. EU LEVEL

There has been a number of cases where infringements of competition law have been found and high fines have been imposed on pharmaceutical companies. Many of those cases involve a significant restriction on the business activity of the generics and a substantial value transfer from the originators to the generics (violation of art.101 TFEU); and/or delay of the generics’ market entry via misuse of regulatory strategies primarily (violation of art.102 TFEU).

A notorious example of the latter is AstraZeneca case. The European Commission fined the Anglo-Swedish group AstraZeneca (2005) €60 million for misusing regulatory and patent strategies for one of its medicinal products, Losec. In particular, AstraZeneca was found guilty of delaying the market entry of rival generic products by:

• deliberately making misleading representations before the patent offices and/or courts of several EEA Member States (which prevented them from being able to correctly identify the date of first marketing authorization), and thereby inducing them to grant extended patent protection for Losec in the form of SPCs to which the product was not entitled; and

• preventing parallel imports by deregistration of Losec’s marketing authorisations (at that time, generic products could only be marketed, and parallel importers only obtain import licenses, if there was an existing reference marketing authorisation for the product).

As a result of the investigation, the European Commission concluded that AstraZeneca’s conduct amounted to an abuse of its dominant position. The European Commission’s decision was appealed to the General Court. The General Court confirmed the European Commission’s findings, but reduced the fine to €52.5 million, as, in the General Court’s opinion, the European Commission did not provide evidence that AstraZeneca’s conduct was of a nature which intended to exclude parallel imports. At the same time, the General Court rejected the argument that the conditions of competition would not be normal or the same on the pharmaceutical market and that exceptional circumstances would be required for a pharmaceutical manufacturer to hold a dominant position. Finally, the General Court confirmed that, to constitute an abuse, a company’s behaviour:

• does not necessarily need to have a direct effect on competition (the capacity to restrict competition may be indirect); and

• does not require an intent to cause harm (since abuse of dominance is an objective concept).

The General Court rejected AstraZeneca’s arguments that ‘there could be no abuse under Article 102 TFEU where there was no enforcement of the SPCs it had obtained by means of the misleading representations.’ In the General Court’s opinion, however, ‘the question of whether AstraZeneca had ever enforced the SPCs to which it was not entitled was irrelevant; it sufficed for the finding of abuse that the SPCs had been obtained as their mere existence would deter generic competitors from entering.’ AstraZeneca had also argued that there could be no abuse under art. 102 TFEU unless the misleading representations had been made in bad faith or were fraudulent in nature. Again, the General Court rejected the applicant’s arguments. Hence, a mere lack of transparency on the part of a dominant company was enough to determine an abuse.

The case was further appealed to the CJEU. The CJEU rejected all of AstraZeneca’s arguments, including its challenge of the relevant market definition and of the infringements of competition law, which will make it easier for victims of anticompetitive practices to obtain compensation.

18 Even though the pharmaceutical companies have already been faced with heavy fines, there is a risk that they will sustain further financial losses for their anticompetitive conduct via private actions for damages. According to the rules on private enforcement, any person or company affected by anticompetitive behaviour as described in the above cases may bring the matter before the courts of the EU Member States and seek damages. The case law of the Court of Justice of the EU and Council Regulation 1/2003 both confirm that in cases before national courts, a European Commission decision is binding proof of illegal behaviour. Damages may be awarded without any reduction, irrespective of the amount of fine already imposed by the European Commission on the companies concerned. In addition, the private enforcement mechanism is expected to be used more widely in the EU following the adoption of Directive on actions for damages brought under the domestic national law for abuse of its dominant position. The European Commission’s decision was appealed to the General Court. The General Court confirmed the European Commission’s findings, but reduced the fine to €52.5 million, as, in the General Court’s opinion, the European Commission did not provide evidence that AstraZeneca’s conduct was of a nature which intended to exclude parallel imports. At the same time, the General Court rejected the argument that the conditions of competition would not be normal or the same on the pharmaceutical market and that exceptional circumstances would be required for a pharmaceutical manufacturer to hold a dominant position. Finally, the General Court confirmed that, to constitute an abuse, a company’s behaviour:

• does not necessarily need to have a direct effect on competition (the capacity to restrict competition may be indirect); and

• does not require an intent to cause harm (since abuse of dominance is an objective concept).

19 The General Court is one of the EU’s judicial institutions of the European Union. Decisions of the General Court can be appealed to the Court of Justice (CJEU), but only on a point of law. Before the Lisbon Treaty came into force on 1 December 2009, it was known as the Court of First Instance. // Glossary of summaries <https://eur-lex.europa.eu/summary/glossary/general_court.html> accessed 25 September 2018


21 AstraZeneca AB v European Commission (C-457/10 P) [2013]
finding that AstraZeneca’s patent and regulatory strategies constituted an abuse of a dominant position. The CJEU upheld the General Court’s decision and the European Commission’s analysis in full. The case demonstrates an important difference between the EU and how US courts deal with finding infringement. Under the US regime, only where patents have been obtained fraudulently, can they be challenged under competition law (to be precise, in order to find an infringement of Section 2 of the Sherman Act, misrepresentations must be intentional, and the dominant undertaking must take actions aimed at enforcing the fraudulently obtained patents). In the EU it is not necessary to demonstrate bad faith or fraudulent intent of the company – it is sufficient that the company’s conduct (that is characterized by a manifest lack of transparency) is contrary to the special responsibility of a dominant undertaking not to impair by its conduct genuine undistorted competition. Specifically, in relation to PSAs, there have been numerous investigations conducted by the European Commission with a subsequent confirmation of the correctness of the authority’s finding by the Court of Justice of the EU.

For instance, in the Citalopram case the European Commission fined the Danish pharmaceutical group Lundbeck €93.8 million and four generic companies (Alpharma, Arrow, Ranbaxy, and Merck) a total of €52.2 million. The European Commission found that the companies concluded agreements concerning Citalopram antidepressants to prevent the market entry of rival generic versions of Citalopram following patent expiry. The agreements involved significant value transfers (by way of direct payments, as well as the purchase of generic Citalopram stock for destruction) from Lundbeck to its generic competitors. The European Commission concluded that the agreements thus constituted pay-for-delay agreements, which violated art.101 TFEU.

The case was appealed before the General Court. Lundbeck believed that the European Commission’s decision contains several ‘serious legal and factual errors’ and requested that the Court annul the decision and/or reduce the fine imposed. Eventually, the General Court in September 2016 rejected Lundbeck’s arguments in full and upheld the European Commission’s findings and ruled that pay-for-delay agreements were in breach of EU competition law. The General Court noted that irrespective of any patent dispute, generic competitors agreed with Lundbeck to stay out of the market in return for value transfers [...] which constituted a “buying-off of competition,” which is a restriction of competition by object that cannot be tolerated. Moreover, such agreements could not be justified by a legitimate need for IP rights protection.

This approach is slightly different when compared to the US. While the FTC and European Commission share the view that patent settlement agreements may be detrimental to competition, the US Supreme Court in the Actavis case (with facts similar to that of the Lundbeck case) rejected the FTC’s ‘presumptively illegal’ standard for the assessment of such agreements, and instead adopted a ‘rule-of-reason’ approach. Therefore, in the US, it is for the competition authority and/or complainants to prove that the settlement agreement harms competition.

Interestingly, the General Court referred on several occasions to the Actavis judgment; and both judgments are similar such that they upheld that PSAs are subject to competition law scrutiny, and both considered the amount of value transferred in the process of assessing the legality of the PSA.

The question remains open – which of the antitrust rules shall be regarded as the most appropriate for the assessment of the patent settlement agreement, particularly considering that ‘nobody denies the...
possibilities of efficiency advantages of patent settlements.31

Some scholars summarize the antitrust rules as:

(1) Per se permission: Parties are free to make patent settlements with agreed entry dates (up to the patent expiration date) and reverse payments (formal scope of the patent);

(2) Per se prohibition: Parties are allowed to make patent settlements only on agreed entry dates but no reverse payments are allowed (or the variant "no reverse payments beyond litigation costs");

(3) Full rule of reason: Such an antitrust assessment of patent settlements would require a case-by-case analysis of all positive and negative effects of the patent settlement; and

(4) Presumption of illegality: (High) reverse payments would lead to a presumption of illegality that could be rebutted by a number of efficiency effects.32

In our opinion, there should be neither per se permission nor per se prohibition, instead the rule of reason or the (rebuttable) presumption of illegality. In any case, a deep analysis of the agreements, circumstances of the case and economic rationale are essential.

In the Fentanyl case,33 the European Commission was concerned about a so-called ‘co-promotion’ agreement between the Dutch subsidiaries of the US pharmaceutical company Johnson & Johnson (Janssen-Cilag) and the Swiss company Novartis (Sandoz), entered into in 2005. The main aim of the agreement was to avoid the companies competing against each other, thus depriving users of fentanyl in the Netherlands from access to a cheaper painkiller. The agreement foresaw monthly payments from Janssen-Cilag to Sandoz for as long as no generic product was launched in the Dutch market. Consequently, Sandoz abstained from entering the market with generic fentanyl patches for the duration of the agreement from July 2005 until December 2006. This may have delayed the entry of a cheaper generic medicine for 17 months and kept prices for fentanyl in the Netherlands artificially high. The key concern was that the agreed monthly payments exceeded the profits that Sandoz expected to obtain from selling its generic product, for as long as there was no generic entry.

The European Commission concluded that the agreement breached Article 101 TFEU and imposed fines of €10,798,000 on Johnson & Johnson and €5,493,000 on Novartis.

In the Modafinil case,34 the companies Cephalon and Teva settled patent infringement disputes in the UK and the US concerning Modafinil (a treatment for sleeping disorders).35 As part of the settlement agreement, Teva undertook not to sell its generic Modafinil products on EEA markets before October 2012 and a series of side deals were included in the settlement agreement. The European Commission opened an investigation to assess whether the patent settlement agreement violated EU competition law. The investigation is still on-going. On 17 July 2017, the European Commission sent a Statement of Objections to Teva with its preliminary view that a patent settlement agreement concluded with Cephalon was in breach of EU competition law since the originator company Cephalon agreed on paying the generic company Teva to keep its cheaper generic version of Cephalon’s sleep disorder drug out of the market. The sending of a Statement of Objections does not prejudge the outcome of the investigation.36

The Perindopril (Servier) case37 concerns an investigation launched by the European Commission on the practices of the French pharmaceutical company Servier and several of its generic competitors38 for potentially delaying the generic entry onto the market of Perindopril, a cardiovascular medicine. The European Commission concluded following a lawsuit concerning an alleged infringement of Cephalon’s processing patents on modafinil, the companies settled their litigation in the UK and the US with a world-wide agreement.39 The Statement of Objections in Teva/Cephalon case, just as in any other case, is a formal step in European Commission’s investigations into suspected violations of EU antitrust rules to inform the parties concerned in writing of the objections raised against them. There is no legal deadline for the European Commission to complete antitrust inquiries into anticompetitive conduct. The duration of an antitrust investigation depends on a number of factors, including the complexity of the case, the extent to which the undertaking concerned cooperates with the Commission and the exercise of the rights of defence.37


Teva Pharmaceutical Industries, Unichem and its subsidiary Niche, as well as Matrix, which is now known as Mylan Laboratories, Krka and Lupin.

32 Ibid at footnote 49, p. 11
34 Cephalon (Case COMP/AT.39686) case is pending, details of the investigation are available at <http://ec.europa.eu/competition/eljojade/serf/case_details.cfm?proc_code=1_39686> accessed 5 July 2018
35 Cephalon owned the patents for the drug and its manufacture. After certain Cephalon patents on the modafinil compound expired in EEA, Teva entered the UK market for a short period of time with its cheaper generic product. According to the EC’s press release,
that Servier had: acquired competing technologies for the production of Perindopril to preserve its position with regard to Perindopril, which was about to reach the end of its patent protection; and induced its generic challengers to conclude patent settlements.

By concluding the agreements, the competitors violated Art.101 TFEU and Servier also abused its dominant position under art.102 TFEU. The European Commission imposed a €427.7 million fine on the companies.

As opposed to the above cases, the European Commission did not only refrain from imposing a fine but also specifically asked the undertakings to enter into the patent settlement agreement and find ‘a mutually acceptable solution to their dispute within the limits of antitrust rules’ in Boehringer and Almirall (lung disease treatments) case.40 The Spanish pharmaceutical company Almirall complained to the European Commission claiming that the German pharmaceutical company Boehringer had filed patent applications for new treatments of COPD relating to three broad categories of active substances. The categorical substance-based applications were so broad that they included a new active substance that Almirall had discovered which could potentially block or considerably delay the market entry of Almirall’s competing medicines. Eventually Boehringer agreed to remove the alleged blocking positions in the EU and grant a licence for two countries outside Europe, which lifted the obstacles to the launch of Almirall’s products and the European Commission closed the antitrust investigation. The patent settlement in this case did not involve any value transfer; and moreover, it was viewed as ‘the most efficient and speedy way to ensure that consumers will be able to benefit from Almirall’s product’.41

The above cases demonstrate the European Commission’s, on the one hand, strict approach towards agreements that limit generic entry into the market and hence competition in the market, and on the other hand, encouragement to enter into patent settlement agreements (without a value transfer though) if it ensures that the consumers may benefit from it in the most efficient and speedy way. By imposing heavy fines the European Commission aims to prevent similar violations of competition law from happening and it seems that it has succeeded. According to the 8th Report On the Monitoring of Patent Settlements, the number of pay-for-delay agreements, which restrict generic entry and show a value transfer from the originator to the generic company, ‘have stabilized at a low level’. In the period covered by the sector inquiry (1 January 2000 to 30 June 2008), such agreements represented 22% of all settlements reported. This percentage has decreased over the years to reach 11% in 2016.42 These figures prove the effectiveness of the current control mechanism. Hence, the competition authorities should continue monitoring and scrutinizing such settlements.

B. NATIONAL LEVEL

Inspired by the European Commission’s practice, patent settlement agreements have also been more actively investigated at a national level by the competition authorities of (non-)EU member states. (i) ITALY

The Competition Authority of Italy fined Pfizer €10.6 million for abuse of dominance in the market for commercialising glaucoma medicines based on the active ingredient Latanoprost. The investigation was initiated upon a complaint lodged by the generic producer Ratiopharm. The Authority found that the company implemented an exclusionary strategy designed to obstruct the entry of generic drugs into the market by obtaining (via abuse of administrative procedures and SPCs) an artificial extension to patent protection in Italy. The decision was at first overturned by the Italian Administrative Tribunal which found Pfizer’s actions to be legitimate and without “a clear exclusionary intent.”43 However, the Competition Authority appealed to the Italian Highest Administrative Court, which in 2014 upheld the original decision of the Competition Authority finding that Pfizer infringed art.102 TFEU.44

In addition, the Competition Authority of Italy, upon a complaint from the Italian Ophthalmological Society and an association of private healthcare facilities in 2013, conducted an investigation into the pay-for-delay agreement between Novartis and Roche Holding AG. It was alleged that the agreement kept Roche’s Avastin off the Italian market to the advantage of Novartis’ sales of Lucentis. These products have equivalent effects for treating eye diseases, although Lucentis is more expensive than Avastin. As a result of the investigation, in 2014 the

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41 Ibid at footnote 37.
42 Ibid at footnote 2, para 49.
Competition Authority found that Novartis and Roche were colluding, and the companies were fined €182.5 million.\(^{(45)}\)

(ii) UNITED KINGDOM

The UK Office of Fair Trading\(^{(46)}\) investigated whether patent settlement agreements concluded between GlaxoSmithKline (GSK) and generic companies (Alpharma, Generics (UK) and Norton Healthcare Limited (IVAX)) infringed competition law.\(^{(47)}\) It concluded that:

- the generic companies were each attempting to enter the UK market with a generic Paroxetine product in competition with GSK’s branded product;
- GSK challenged the generic companies with allegations that their products would infringe GSK’s patents;
- to resolve these disputes, the parties concluded agreements delaying the entry of the generic products onto the market and involving substantial payments from GSK to the generic companies; and
- the settlement agreements breached competition law and GSK abused its dominant position.

The OFT closely followed the approach taken by the European Commission in the Lundbeck case in assessing the agreements, and it emphasized that ‘the large sums transferred were a “strong indication” that GSK perceived the generics as competitive threats.’\(^{(48)}\) As a result of this investigation, the OFT imposed a fine totalling £45 million on GSK and the generic companies for their anticompetitive conduct.

(iii) TURKEY

There is insufficient information on how the patent settlement agreements in the pharmaceutical sector\(^{(49)}\) are treated in Turkey. The Turkish Competition Authority (TCA) published a pharmaceutical sector report in 2013 (Report). As stated in the Report, the pharmaceutical sector was one of the first sectors to be subject to competition law in Turkey.\(^{(50)}\) Merger control and anti-trust issues are major aspects of the TCA’s workload in this sector. As for patent settlements, the TCA does not have sufficient information on how often parties enter into these agreements.\(^{(51)}\) It is therefore fair to say that these agreements are rare in Turkey but we are not in a position to come to a credible conclusion on this matter yet.

The TCA very often refers to the European Commission’s and FTC’s assessments of the pay-for-delay agreements\(^{(52)}\) and does not go into detailed analysis under Turkish competition law. Also, to the best of our knowledge, the TCA has not yet rendered a decision on that front.

The TCA only noted that originators in Turkey are constantly initiating lawsuits against generics. The cases are mentioned as ‘patent cases’ and ‘patent infringement cases.’

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\(^{(46)}\) The Office of Fair Trading was responsible for protecting consumer interests throughout the UK. It closed on April 1, 2014, with its responsibilities passing to a number of different organisations including the Competition and Markets Authority and the Financial Conduct Authority.

\(^{(47)}\) ‘To Fight or Not To Fight; Pharmaceutical Patent Settlements’ (Competition Bulletin, 2013) <http://competitionbulletin.com/2013/05/03/to-fight-or-not-to-fight-pharmaceutical-patent-settlements/> accessed 5 August 2017


\(^{(49)}\) ‘The Turkish pharmaceutical sector is subject to intense public regulation and also the structure of demand is shaped by doctors, rather than consumer choice. Regarding drug manufacturers, it can be seen that the majority of the original pharmaceutical companies are operating on a global level. On the other hand, the generic drug companies are seen to be mainly local scale’. See Organization for Economic Co-operation and Development, ‘Global Forum on Competition - Competition Issues In The Distribution Of Pharmaceuticals, Contribution from Turkey’ , DAF/COMP/GF/WD(2014),<http://www.rekabet.gov.tr/Dosya/sektor-raporlarlari/8-rekabet-kurumu-ilac/>. accessed 5 July 2018


\(^{(52)}\) ‘The Pharmaceutical Sector Report, para 544, ‘As seen in the findings of the FTC- the US competition authority, settlement agreements may have provisions that may be subject to competition rules.’ For instance, such settlement agreements may foresee a payment by the originators to generics, which in turn cause a delay in market entrance of the generic product's market entrance. FTC determined that in such a case, consumers and insurance companies are harmed by the delay. Due to the negative effect of these agreements on competition, measures have been imposed under the competition rules.'
Most of the lawsuits are decided in favour the generics. The TCA, therefore, determined that the originators are initiating lawsuits against the generics just to delay their competition. That is to say, originators are abusing their ‘right of litigation.’ However, since initiating a lawsuit is a rightful action under the law, the legitimacy of such behaviour cannot be evaluated by the TCA.53

Having said that, the TCA evaluated the situation from both originators’ and generics’ perspective:

- Generics generally argue that the reason behind the vast number of patent cases decided in favour of the generics is the originators’ allegedly abusive behaviour, i.e. generics claim that originators know that they will lose the case, but initiate the lawsuit anyway to delay competition;
- Whereas originators generally argue that the reason behind their unsuccessful litigations is the weakness in Turkish patent legislation. The weakness, according to the originators claim, was due to the difference between the Turkish Patent Institution’s (TPI) procedure and European Patent Office’s (EPO) procedure. For instance, for the EPO procedure, third-party claims may be raised even after patenting. Depending on the legitimacy of the claims, the EPO sometimes changes the content of the patent. For TPE procedure, however, the claims could be raised only until the patenting (therefore, the patent content of the same product could be different in Turkey and the EU, which from time-to-time constitutes the ground for dismissal in the Turkish Courts).
- With the adoption of new Industrial Property Law 6769 (came into force on January 10, 2017), this deficiency was eliminated. Currently, any interested third party may challenge the patent (‘out of court’) and the Authority may cancel them upon submission of a petition within six months following the publication of the patent in the patent bulletin.

In evaluating the above, the TCA refers many times to the EC reports and sometimes takes EU data as the basis for its findings for the Turkish market in the absence of reliable data on that matter.

This suggests that the pharmaceutical sector, and particularly agreements between the originators and generics, will continue to be under special attention/scrutiny of the TCA. In fact, in the TCA’s Memorandum,54 the following is directly suggested as part of the next steps to be taken:

- assessing the agreements between brand and generic drug firms by taking into account those characteristics of the sector which enable multi-market communication.55

The above practices of the competition authorities worldwide towards patent settlement agreements send a clear message to pharmaceutical companies that they should be more careful while deciding on the terms of the market access of generics. It is clear that the national approach to assessing such agreements shall continue to be in line with that of the European Commission, which is currently rather strict and negative about patent settlement agreements particularly in assessing the financial value of such deals.

There is a ‘nearly unanimous consensus’56 among scholars and competition authorities that the size of payments is an important criterion for the anticompetitive effects of the patent settlement agreement, and the net value transfer from originators to generics can be used as an assessment criterion of such practices.  

5. CONCLUDING REMARKS

Based on the analysis of the cases, it may be concluded that on the one hand, the European Commission follows a strict approach towards agreements that limit generic’s entry into the market and hence competition in the market, and on the other hand, encourages them to enter into patent settlement agreements (without a value transfer though) if it ensures that consumers may benefit from it in the most efficient and speedy way. Such pro-competitive patent settlement agreements can be considered an opportunity for both generics and originators as they prevent high litigation costs and provide certainty as to the outcome of the dispute.

However, special care is required when negotiating patent settlement agreements; especially if the settlements involve restrictions on the entry of generic products onto the market with a value transfer from originators to generics (e.g. any payment from originators under the patent-settlement agreements cannot exceed generic profits). Any language that might suggest an anticompetitive intent or exclusion should be avoided.57

53 The Pharmaceutical Sector Report, para 670
55 Ibid at p. 5
56 Ibid at footnote 49, at p. 5
Rather, the focus should always be on protecting legitimate IP rights.

There is always a risk for the originators (and at the same time an opportunity for generics) that generic companies or competitors may challenge the originators’ IP rights. In addition, patent settlements may be challenged by competitors and more regularly fall under the scrutiny of competition authorities in the EU under art. 101 TFEU, resulting in substantial financial losses for pharmaceutical companies.

Multinational companies ought to bear in mind an important difference between the EU and how US authorities deal with finding an infringement related to such agreements: in the EU the “buying-off of competition” is a restriction of competition by object that cannot be justified by a legitimate need for IP rights protection; while in the US according to the ‘rule-of-reason’ approach the actual harm to competition by the settlement agreement must be shown to find a violation.

PSA’s ‘trouble’ may come together with the finding of an abuse of dominance. Indeed, another danger for the pharmaceutical companies is related to their dominance in the market, which, as mentioned, entails a special responsibility. Again, the EU and US authorities diverge in their approaches in finding an infringement related to abuse of dominance. Under the US regime, in order to find an abuse of dominance, actions of the undertakings concerned must be intentional, and aimed at enforcing the fraudulently obtained patents. In the EU it is not necessary to demonstrate bad faith or fraudulent intent of the company – it is sufficient that the company’s conduct is contrary to the special responsibility of a dominant undertaking not to impair by its conduct genuine undistorted competition. Hence, the EU’s approach is stricter than that of the US.

Recent approaches of the Competition Authorities worldwide towards patent settlement agreements seem a clear message to pharmaceutical companies that they should be more careful while deciding on the terms of market access of the generics. It is clear that the national approach to assessing such agreements shall continue to be in line with that of the European Commission, which is currently rather strict and negative about patent settlement agreements particularly in assessing the financial value of such deals.

The European Commission’s strict approach towards agreements that limit generic’s entry into the market and hence competition in the market, imposing heavy fines aims at preventing similar violations of competition law from happening. Considering that the number of pay-for-delay agreements, which restrict generic entry and show a value transfer from the originator to the generic company, have decreased over the years, it is recommended that the competition authorities continue monitoring and scrutinizing such settlements.

Additionally, in the author’s opinion, applying the rule of reason approach towards patent settlement agreements makes more sense (reverse payments would lead to a presumption of illegality that could be rebutted by a number of efficiency effects), but this would also mean more work for the European Commission.

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