

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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Negotiating Group on Trade-Related Aspects
of Intellectual Property Rights, including
Trade in Counterfeit Goods

TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS

Submission from the European Communities

The following submission has been received from the delegation of the European Communities, with the request that it be circulated to members of the Negotiating Group.

A. INTRODUCTION

At the Mid-Term Review of the Uruguay Round Negotiations Ministers agreed on a framework for the negotiations on Trade-Related Aspects of Intellectual Property Rights (TRIPS) which should encompass a number of issues which have not yet been the subject of an exhaustive discussion in the Negotiating Group, nor of systematic submissions by participants. Most of the latter have focussed on the elements contained in paragraphs 4(b) and 4(c) and 7 of the Ministerial decision, i.e. on the provision of adequate standards and principles concerning the availability, scope and use of Trade-Related Intellectual Property Rights and on the provision of effective and appropriate means for their enforcement. The other issues addressed by the Ministerial decision are, however, equally important for the conclusion of a balanced and effective agreement on TRIPS which is intended to achieve the objectives of further liberalisation and expansion of world trade to the benefit of all participants, of strengthening the role of the GATT, and of increasing the responsiveness of the GATT system to the evolving international economic environment, inter alia by strengthening the relationship of the GATT with the relevant international organisations.

The Community addresses below these other elements of an agreement on TRIPS. Some of these issues have been dealt with in previous submissions by the Community to the Negotiating Group on the issues of enforcement and substantive standards. The present submission replaces the corresponding parts of these previous submissions and the suggestions contained therein are intended to apply to the TRIPS agreement as a whole. This framework is not presented as a draft agreement, but rather indicates the Community's preferences regarding these issues. It will therefore still require a

transposition into treaty language. The suggestions made below are preliminary in the sense that the Community remains ready to examine proposals from other participants and that it may itself wish to modify them during the negotiations. It is important that the Group starts a process of collective reflection concerning the essential parameters of an agreement on TRIPS. This can be done without prejudice to the question relating to its international implementation (for its part, the Community remains fundamentally attached to the "GATTability" of a TRIPS agreement).

B. BASIC PRINCIPLES

a) National Treatment

National treatment principles are included in multilateral intellectual property conventions and in the GATT. Nevertheless, the Community is of the view that the agreement on TRIPS should also include a provision on national treatment.

The principle of national treatment contained in multilateral intellectual property conventions requires as a general rule that the protection available to foreigners must be at least as good as that available to nationals. The agreement on TRIPS, including its national treatment provision, should not derogate from the full application of this principle.

The principle of national treatment contained in the GATT requires that imported goods shall be accorded treatment no less favourable than that accorded to domestically produced goods and, subject to Article XX(d), also applies when measures relating to the protection of intellectual property rights are adopted. The agreement on TRIPS, including its national treatment provision, should not derogate from the full application of this principle.

The provision on national treatment in the agreement on TRIPS should provide that the protection of intellectual property rights of foreigners be no less favourable than that provided to nationals. It should apply with regard to the standards and principles concerning the availability, scope and use of trade-related intellectual property rights contained in the agreement, as well as with regard to the procedures and remedies, laid down therein, concerning the enforcement of intellectual property rights.

b) Most-Favoured-Nation Treatment/Non-Discrimination

The most favoured nation treatment principle is one of the cornerstones of the international trading system established under the GATT. It plays an important role in the liberalisation of international trade and limits recourse to sectoral or bilateral reciprocity. Like the national treatment principle, it ensures non-discrimination between goods of different origin.

This concept of non-discrimination is also important with regard to the protection of intellectual property rights. Discrimination between nationals of countries other than the country providing the protection could lead to distortions of trade, the elimination of which is the very objective of these negotiations. It is also important to avoid that bilateral agreements relating to the protection of intellectual property rights lead to nullification or impairment of benefits resulting from the agreement on TRIPS.

In the area of intellectual property protection and enforcement the application of the national treatment principle will, to a large extent, ensure such non-discrimination since, under normal circumstances, a government will not grant to foreigners treatment which is more favourable than that accorded to nationals. However, there have been cases where foreigners originating in one country were given treatment more favourable than the nationals of the importing country, leading to competitive disadvantages for nationals of other countries. In these circumstances, the national treatment principle would not be sufficient to ensure non-discrimination, and it appears necessary to adopt a provision to cover such cases.

On the other hand, as recognised by Article 19 of the Paris Convention or Article 20 of the Berne Convention, there are numerous bilateral or plurilateral agreements on matters such as the exchange of mutual benefits relating to the registration and protection of trademarks, or on matters of civil or criminal procedure, where the continued limitation of benefits of such agreements to its parties may constitute a legitimate objective. In these cases, the application of the national treatment principle would not be sufficient to ensure non-discrimination between foreigners either, and the application of most favoured nation treatment with a view to extending the benefits or advantages resulting from such agreements to the nationals of other countries may not be desirable or possible. Where, for example, the facilitation of the execution of a letter of request by country B concerning the taking of evidence in country A is granted by the latter on the basis of a plurilateral convention, this facility should not necessarily have to be extended to country C where possibly the internal conditions which led country A to grant this benefit to country B are not fulfilled. Consequently, and without prejudice to the application of Article I of the GATT in cases already covered by the General Agreement, it would not seem appropriate to extend an unqualified principle of most favoured nation treatment to foreigners in the area of intellectual property rights.

The main objective, therefore, should be to adopt a principle according to which signatories should not protect or enforce intellectual property rights in a manner which could constitute a means of arbitrary or unjustifiable discrimination between nationals of other signatories, or a disguised restriction to international trade, or which could nullify or impair benefits resulting from the TRIPS agreement.

c) Transparency

Provisions on transparency should be an essential element of the TRIPS agreement, and this not only to enable parties to the agreement to monitor its implementation by the other parties, but also to ensure that the agreement achieves its objective to liberalise legitimate trade, enabling right holders and defendants to take full advantage of their rights.

Consequently, the agreement should:

- (i) require, in conformity with the objectives pursued by Article X of the GATT, the prompt publication of laws, regulations, judicial decisions and administrative rulings of general application, pertaining to the availability, scope, acquisition and enforcement of intellectual property rights, in such a manner as to enable governments and traders to become acquainted with them;
- (ii) require the notification of such laws and regulations to the appropriate body with a view to permitting parties to the agreement to monitor the notifying party's compliance with the agreement. Moreover, upon request, a party to the agreement shall have access to specific judicial decisions and administrative rulings as well as to bilateral agreements;
- (iii) encourage an exchange of information and consultation between parties to the agreement relating to possible changes in their intellectual property right laws and regulations which could affect the operation of the agreement.

d) Dispute Settlement

(i) General

The provision of effective dispute settlement procedures is crucial for the success of an agreement on TRIPS. It is indispensable for the exclusive role which the multilateral process must play in the settlement of disputes on matters covered by the agreement. Thus, the corollary of an undertaking not to engage in unilateral action should be the adoption of an effective multilateral dispute settlement mechanism.

Effective dispute settlement depends essentially on two factors: expeditious, albeit balanced, procedures and meaningful sanctions.

(ii) Procedures and Subject Matter

The procedures established by Articles XXII, XXIII of the GATT, in conjunction with the 1979 "Understanding regarding Notification, Consultation, Dispute Settlement and Surveillance" and the improvements agreed on a trial basis at the Mid-Term Review would appear to be satisfactory for the purpose of settling disputes in situations where a party considers that another party has failed to carry out its obligations under the TRIPS agreement. Subject to a review of this question in the light of the definitive form of the improvements to be decided before the end of the Round, there is no need to set out alternative comprehensive dispute settlement procedures which would specifically apply to disputes on TRIPS.

(iii) WIPO

Under the terms of the 1979 Understanding, panels are free to consult with appropriate persons and organisations on issues relevant to their mandate. It would be appropriate to institutionalise consultation of WIPO by panels. For example, it would seem useful to consult WIPO in the context of a dispute settlement proceeding where the interpretation of one of the international conventions administered by WIPO is at issue. Such a situation could arise, for example, if it was alleged that a signatory, contrary to the obligations assumed under the TRIPS agreement, had not respected provisions of the Paris or Berne Conventions.

(iv) Sanctions

Where consultations and conciliation do not lead to a satisfactory solution of a dispute, and where recommendations and rulings of the Contracting Parties are not complied with, sanctions would be necessary to ensure compliance with the agreement. In conformity with Article XXIII of the GATT, such sanctions would include the possibility of the suspension by a contracting party of the application to any other contracting party which is party to the agreement on TRIPS, of any concession or other obligation under the GATT, as determined to be appropriate by the Contracting Parties. Without such sanctions, the dispute settlement process would be deprived of its efficiency and thereby would fall short of the Mid-Term decision of Ministers.

(v) Unilateral Action

At the Mid-Term Review, Ministers emphasised the importance of reducing tensions in the area of trade-related intellectual property rights by strengthened commitments to resolve disputes through multilateral procedures. In the Community's view, parties to an agreement on TRIPS should, therefore, accept an explicit commitment to refrain from all unilateral measures concerning matters covered by the TRIPS agreement and to abide by the dispute settlement procedures contained or referred to in this agreement.

They should, furthermore, as appropriate, modify their domestic (trade) legislation and related procedures in such a manner as to ensure the conformity of the measures taken thereunder with such commitments.

C. MUTUALLY SUPPORTIVE RELATIONSHIP BETWEEN RELEVANT INTERNATIONAL ORGANISATIONS

A large number of countries are contracting parties to the GATT; many, but not all, are also members of WIPO. While under the GATT Contracting Parties agree on the rules under which international trade shall be conducted, WIPO is the principal international rule-making body with regard to intellectual property rights. The availability and the enforcement of these rights has, however, an important impact on international trade and is of direct concern to GATT as well. It would be appropriate, therefore, that Contracting Parties seek co-operation with WIPO (and other relevant and interested international organisations) with a view to pursuing a dialogue concerning the development of rules relating to the effective protection of trade-related intellectual property rights. This protection should be commensurate with the need to strengthen the role of the GATT through agreed, effective and enforceable multilateral disciplines in order to reduce distortions and impediments to international trade.

Such co-operation could, for example, consist in the identification of areas where new developments in the field of technology might lead to trade problems unless appropriate international rules were established, either through the amendment of existing conventions or through the creation of new ones.

Moreover, Contracting Parties which are members of WIPO should be encouraged to contribute positively to the expeditious elaboration of such rules in WIPO with a view to reducing trade problems and, if necessary, to be ready to envisage appropriate initiatives in the GATT. In addition to the commitment to adhere to the (as of now) latest revisions of the Paris and Berne Conventions, they should be encouraged to adhere to other international conventions on intellectual property and thus to create an interlocking membership of GATT and these other conventions in order to reduce obstacles to international trade.

Where Contracting Parties, in the context of dispute settlement proceedings, are called upon to consider or deal with problems of interpretation of other international agreements negotiated under the auspices of WIPO, they should consult with WIPO regarding such interpretation.

D. DEVELOPING COUNTRIES

The acquisition of foreign technology is an integral part of the economic development of developing countries. Adequate protection of intellectual property rights is a key element for the transfer of technology and essential for the increase of foreign investment flows. Consequently, a comprehensive and meaningful agreement on TRIPS would constitute a major concrete contribution to development.

It is, however, a fact that many developing countries may face special problems, including institutional and infrastructural ones, in the preparation and application of intellectual property laws. Their developmental and trade needs may hinder these countries' ability to discharge fully their obligations under the agreement within the same timeframe as developed countries. This fact should, therefore, be taken into consideration, especially in the context of the determination of the transitional period (see below). The special problems of the least-developed countries could be given particular attention in this context.

E. TRANSITIONAL PERIOD

The success of an agreement on TRIPS in terms of a reduction of distortions and impediments to international trade depends on its widespread acceptance. Having regard to the fact that potential signatories have attained different levels of development, the agreement should allow for reasonable, but finite, transition periods which would allow the largest possible number of participants to adhere to it.

F. TECHNICAL ASSISTANCE

Parties to the agreement on TRIPS should be prepared, through WIPO or bilaterally, to provide substantially increased technical assistance to developing countries to facilitate the preparation and implementation of national laws relating to the protection and enforcement of intellectual property rights as well as the prevention of their abuse. Such assistance could, for example, include the training of officials employed in the legislative and executive branches of the applicant country.

G. EXCEPTIONS

The obligations assumed under an agreement on TRIPS should be subject to exceptions which are necessary for the protection of a party's essential security interests.

H. INTERNATIONAL CO-OPERATION

The agreement on TRIPS should provide for appropriate forms of international co-operation of signatories necessary to further prevent trade in infringing goods. Such co-operation could, for example, include the establishment of a notification system and mutual assistance by customs authorities with regard to trade in counterfeit goods.

I. REVIEW CLAUSE

The TRIPS agreement should contain a review clause allowing for the possibility of amendment to take account of, inter alia, technological developments.