

**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

COMMUNICATION FROM BRAZIL

The following communication has been received from the Permanent Mission of Brazil, with the request that it be circulated to members of the Negotiating Group.

1. This document follows document MTN.GNG/NG11/W/30, dated 31 October 1988, and contains a further contribution by Brazil to the fulfilment of the negotiating objectives established in the Punta del Este Declaration concerning trade-related aspects of intellectual property rights.
2. In the Brazilian view, the attainment of these objectives would greatly benefit from a clearer understanding on the relation between intellectual property and trade.
3. Intellectual property is a concept applied to the protection of inventions and intellectual work. Its objective is to safeguard for a limited period of time the rights of inventors or authors against undue appropriation of their invention or work. It is, therefore essentially a legal concept.
4. Trade involves the sale and purchase of goods and services. Property in trade is transferred through sale on the act of delivery.
5. The two concepts begin to interrelate when intellectual property starts influencing the factors which determine a commercial transaction, i.e. price, quality and availability. The lesser or greater degree of protection of intellectual property rights may affect, to a lesser or greater extent, the price of products, their quality and their availability (production).
6. The existing situation featuring, on one hand, the General Agreement, which establishes multilateral rules for trade and, on the other, a series of international conventions which regulate the various fields of intellectual property, has undeniably provided favourable conditions for growth in international trade. This has occurred in spite of the fact

that, in many cases, the provisions of the General Agreement, in particular, have not been respected by the major trading partners, nor allowed for a greater participation of developing countries in the benefits of international trade.

7. The Negotiating Group should, therefore, examine the items of its agenda in light of the GATT objectives and the Punta del Este Declaration, particularly with a view to raising standards of living, promoting economic growth, especially for less developed contracting parties, and increasing liberalisation of international trade.

8. On a conceptual basis, the protection of intellectual property rights allows holders of these rights a temporary and monopolistic control over their invention or work, which, in principle, contradicts the notion of free competition and, likewise, the improvement of international trade rules embodied in the General Agreement. When analysed exclusively from the point of view of international trade, such protection would be tantamount to a highly unacceptable technological protectionism.

9. However, through a legal perspective, the protection of intellectual property rights is justifiable as an element for the promotion of inventive activities and technological development. Nevertheless, when examined solely in these terms, it would favour technological concentration, as well as market concentration, which would produce equally unacceptable trade distortions.

10. In view of the fact that the mandate of the Group calls for the examination of trade-related aspects of intellectual property rights, it is the Brazilian view that the Group should conduct such examination guided, on one hand, by the balance between the need to respect the objectives of the Punta del Este Declaration and those of the General Agreement, and, on another, the maintenance of an intellectual property system which fosters technological development of all countries, especially developing countries.

11. With regard to the elements contained in paragraph 4 of the TNC April 1989 decision (MTN.TNC/11), Brazil considers necessary that its discussion take due account of the following principles, in addition to the points mentioned above:

- (a) concerning the applicability of the basic principles of the GATT, Brazil is of the view that these principles should only be discussed inasmuch as they relate to trade aspects of those transactions involving intellectual property rights; as for the rights themselves, only those principles contained in international conventions dealing with intellectual property should apply.

- (b) with respect to standards and principles concerning the availability, scope and use of trade-related intellectual property rights, the consideration of any proposed new standards or principle should take fully into account the need to:
 - (i) respect national development objectives and national public interests;
 - (ii) facilitate the development of and the access to modern technology;
 - (iii) favour the strengthening of free and legitimate international trade competition; and
 - (iv) avoid, control and eliminate restrictive business practices.
- (c) in the area of enforcement of trade-related intellectual property rights, it would be useful to proceed to the examination of means to secure the rights and to respect the obligations of parties involved in trade transactions related to the protection of intellectual property rights. For that purpose, as for the rights themselves, their enforcement would be done in the context of the national legal systems and according to international agreements, where applicable.
- (d) rejection of recourse to unilateral measures for the settlement of disputes.

12. The following suggestions concerning the various elements which make up the system for the protection of intellectual property rights attempt, in essence, to ensure better conditions for trade competition, as well as to increase the participation of developing countries in the benefits of both international trade in goods and technological development.

PRINCIPLES OF THE GATT AND OF INTERNATIONAL INTELLECTUAL PROPERTY AGREEMENTS OR CONVENTIONS

13. Generally speaking, GATT principles would be applicable whenever the case under consideration involves trade in goods, regardless of the fact that it may involve intellectual property rights. The application of such principles would be restricted to the essential trading aspects. It would not be extended to commercial operations taking place between operators established in the territory of a country, since those would be considered as domestic operations.

14. The principles of intellectual property rights agreements or conventions would, in turn, be applied to those legal aspects related to legal entities or individuals, involving essentially, the protection of intellectual property rights.

15. It would not be possible, therefore, to accept the cross-reference of principles in order to bring evidence to the objectives of interested parties.

16. In practice, Brazil considers acceptable the examination of trade issues which involve, in some way, the protection of intellectual property based on GATT principles, provided that such principles are restricted to the trade-related aspects of the matter.

PATENTS

17. The granting of patents should basically comprise the exclusive right of the owner to industrially exploit the product of his creativity and his obligation to work his invention or any other patentable subject matter in a way conducive to or consistent with national development, technological objectives and public interest.

18. The principles and provisions of the Paris Convention have allowed countries a satisfactory degree of flexibility to establish rules for the granting of patents in a way consistent with individual national interests. Therefore, the examination of principles and provisions in the Negotiating Group should not lose sight of the fact that such flexibility has benefited the whole system of protection of intellectual property rights. In this context, the following elements for reflection are presented with a view to discussing their trade-related aspects and their relevance to the promotion of legitimate trade, as well as the attainment of technological development.

(a) Patentable subject matter

19. Patents should be granted to those inventions which satisfy the criteria of patentability, exception made to inventions that are contrary to morality, religion, public order, public health and bearing in mind public interest and technological and economic development considerations.

(b) Conditions for patentability

20. Patents should be granted according to the principle of "first to file", with the possibility of pre-grant opposition by third parties. The following criteria should be respected:

- (i) novelty;
- (ii) industrial applicability;
- (iii) inventive step; and
- (iv) full disclosure of the invention, including the best mode of its working.

(c) Term of protection

21. Countries have the right to establish a term of protection in accordance with their national interests, provided that the following criteria of the Paris Convention are met: priority, independence of patents and national treatment.

(d) Rights conferred

22. The patent confers on its owner exclusive and territorially limited rights to industrially exploit his invention. The granting of a patent also confers on society in general the right to benefit from the protected technology, through, inter alia, local working.

23. A patent confers exclusive rights on the owner with regard to certain industrial acts, in accordance with the provisions of national legislation and in conformity with the national treatment principle established in the Paris Convention.

24. Exceptions to the exclusive rights of owners are admitted under certain circumstances such as restrictive business practices, unfair competition and acts done privately and for non-commercial purposes.

(e) Compulsory licensing

25. Compulsory licensing is an instrument which enables society to exercise its legitimate right to benefit from patented technology. It is also a useful tool for the control of misuse, non-use or abusive use of exclusive rights conferred through patents, as well as for the promotion of public interest.

26. The granting of compulsory licensing should be subject to transparency requirements.

27. Some of the reasons for justifiable granting of compulsory licensing would include the non-working or insufficient local working of a patent.

(f) Forfeiture

28. Forfeiture can be applied with a view to rationalising the system of protection of intellectual property rights, as well as to encouraging industrial working of patents.

(g) Obligations of the patentee

29. A patent should require from its owner the fulfilment of the following obligations:

- (i) to work his invention in the host country;
- (ii) to avoid engaging in restrictive business practices in connection with agreements for the licensing of patents, such as: tied purchases of inputs; prohibition or restriction of exports from the host country; restrictions on the use of technology after the expiry of the agreement; restrictions on research, use of personnel, adaptations, marketing, publicity, price fixing, cross-licensing agreements, and others. The infringement of this rule should entail the nullification of the agreement and,

according to the circumstances, such as recidivism, should justify the denial of protection in the host country. Appropriate compensation mechanisms for losses arising from anti-competitive conditions and restrictive business practices should be sought; and

(iii) contribute to the transfer of technology to the host country through transparent and more favourable licensing conditions.

30. Participants should undertake a commitment to control and punish their national holders of intellectual property rights who have engaged in restrictive business practices, as well as imposed anti-competitive conditions which can negatively affect the interests of other parties.

TRADEMARKS

(a) Definition

31. Protection should be granted to distinctive signs, such as names, words, denominations, monograms, emblems, and symbols which allow the differentiation of goods and services for commercial purposes.

32. A trademark should also enable the distinction between the goods or services of two undertakings and assure quality to the consumer.

33. Those signs which contain some elements that form part of an existing registration or conflicts therewith or are prohibited by law or by the Paris Convention shall not be registerable as trademarks.

(b) Derivation of rights

34. Protection for trademarks should derive from registration. The use of a trademark should not be a pre-requisite for registration.

(c) Rights conferred

35. The registration of a trademark shall confer on the owner exclusive rights therein.

36. The use, reproduction, manufacturing and non-authorised imitation by third parties, which would result in error or confusion, should be considered as a violation of the rights conferred to trademark owners.

(d) Protection of well-known marks

37. Protection should be provided for trademarks which are well-known in the country where such protection is granted. For that purpose, countries should examine the adoption of internal rules of protection, according to their interests and needs. Such rules may establish, for example, that well-known trademarks should be given protection in all classes and be kept

on a special register so as to prevent the registration of another mark which reproduces or imitates the well-known mark, when confusion may arise as to the origin of the goods or services or when the reputation of the well-known mark is damaged.

38. It is incumbent on the owner of the mark to have recourse to means provided in domestic legislation against violation of well-known marks.

(e) Exceptions to rights conferred

39. Exceptions to rights conferred by a mark, which take account of rights of third parties as well as of public interest, should be allowed. The principle of international exhaustion of rights should be applied in the case of parallel imports.

(f) National registration systems

40. Countries should maintain a system for the registration of marks, with a view to administering existing trademark rights under conditions of fullest possible transparency. Such system should include provisions allowing third parties to raise objections to the granting of a registration, among other procedures which permit the safeguarding of rights of third parties in the country, the enforcement of law, as well as facilitate the administrative control by interested third parties of the local use of marks, including well-known marks.

(g) Term of protection

41. The term of protection as well as the conditions for renewal of registration should be defined by national legislations.

(h) Use requirements

42. National legislations which establish compulsory use of a mark should include provisions for forfeiture of a mark due to non-use or interrupted-use, after a reasonable period of time and in cases where the owner does not present valid justifications.

43. National legislations could establish the following criteria for the use of a mark: (i) a licensing agreement per se is not an evidence of the use of a mark; (ii) evidence of use by third parties requires the registration with the relevant government authority of the licence granted by the owner of the mark.

(i) Licensing and assignment

44. National legislations should be able to establish the terms and conditions for the assignment of a mark.

(j) Non-discriminatory treatment

45. The principle of national treatment, as contained in the Paris Convention, should be strictly observed by national legislations.

(k) Obligations of trademark owners

46. In order to avoid abuse, trademark owners should have the following obligations:

- (i) to use a mark in the host country lest the registration of the mark be declared forfeited;
- (ii) to avoid anti-competitive use of a mark;
- (iii) to avoid engaging in restrictive business practices in connection with licensing agreements, such as: tied purchases of inputs; prohibition or restrictions on exports from the host country; restrictions on the use after the expiry of an agreement; and others;
- (iv) contribute to the transfer of technology to the host country through transparent and more favourable licensing agreement conditions.

47. Participants assume the obligation to control and punish national trademark owners which engage in restrictive business practices adversely affecting the rights of third parties.

TRADE SECRETS

48. Trade secrets are not the object of intellectual property protection since the latter deals only with disclosable subject matters. Therefore, trade secrets should not be subject of discussion in the Negotiating Group.

49. The regulation of acts related to the maintenance of secrets should be left to legal provisions of national systems such as the Civil and the Criminal Codes, which are of different legal nature than that of intellectual property.

COPYRIGHT

50. Concerning the protection of literary and artistic works, the Berne Convention and the national legislation are the adequate instruments to deal with the subject.

ENFORCEMENT

51. This document presents the Brazilian position on item 4(c) of the TNC decision (MTN.TNC/11) concerning trade-related aspects of intellectual property rights, including trade in counterfeit goods.

(a) General considerations

52. It is the view of the Brazilian Government that enforcement measures which may result from the negotiations should take fully into account the specific nature of intellectual property rights, in that they constitute a

matter of regulation by national legislations, as well as an integral element of the set of factors which form part of international trade transactions.

53. Brazil, while holding the view that the sovereign right of States to organise their respective domestic legal systems should be represented, considers that the subject of negotiations on enforcement should be situations where international commercial operations involve, in a relevant manner, aspects of intellectual property rights as, for example, the case of trade operations subject to disputes for reasons of intellectual property.

54. Internal enforcement of intellectual property rights is a matter of strict competence of domestic legislations. Legal situations involving in a predominant way intellectual property rights should be dealt with by national laws and international agreements, where applicable.

55. It should be accepted, as a principle, the recognition of countries' geographic, political, legal, and economic conditions, among others, under which their national enforcement system operates. In particular, the difficulties of developing countries in terms of fulfilling possible obligations should be recognised. Possible final commitments should not result in excessive material burden for the agencies responsible for the enforcement of intellectual property rights in those countries.

(b) Enforcement at the border

56. Border measures for the enforcement of intellectual property rights should be made available for the interested parties in cases where alleged infringement or abusive use of rights cause damage to their trade interests or create distortions to international trade. Such measures should not be used in a way to constitute barriers to prejudice legitimate trade. Local authorities may request the fulfilment of certain requisites in order to prevent abusive recourse to such measures. The application of such measures should observe the principles of national treatment and non-discrimination. It is recognised that the undue or abusive use of intellectual property rights may damage legitimate trade interests and trade distortions. In cases where there is infringement or abusive use of intellectual property rights, the following should be observed: (i) exhaustion of all internal procedures and measures immediately available to the interested party in the country where the violation has occurred in order to obtain recognition of allegedly infringed rights, as well as possible compensation; (ii) the party allegedly affected either by the infringement or the abusive use of intellectual property rights should send prior notification to the relevant authority of the country where the infringement or the abusive use has been produced, in order to enable such competent authority to take the necessary action for the solution of the dispute; (iii) in cases where prior or immediate retention of goods by the customs authorities may occur, the notification to be provided by the interested party should contain the fullest possible evidence of infringement or abusive act. Local authorities may impose additional requirements, in cases where there is suspicion of creating unjustified obstacle to legitimate trade.

(c) International Cooperation

57. Developed countries should assume the commitment to cooperate with developing countries, upon request, in the form of transfer of technology, provision of equipment, training of personnel and others, which contribute to the improvement of efficiency in the area of enforcement of intellectual property rights in developing countries.