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THE URUGUAY ROUND

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

GUIDELINES AND OBJECTIVES PROPOSED BY THE EUROPEAN COMMUNITY  
FOR THE NEGOTIATIONS ON TRADE RELATED ASPECTS OF SUBSTANTIVE  
STANDARDS OF INTELLECTUAL PROPERTY RIGHTS

I. INTRODUCTION

The guidelines proposed by the Community in November 1987 for the GATT negotiations on trade related aspects of intellectual property rights largely focused on issues related to the enforcement of such rights. There were several reasons for this, in particular the importance of enforcement issues per se and the necessity of developing a comprehensive GATT approach to substantive standards in order to provide effective remedies to trade problems created in this context: on this issue, the Community insisted that "the problems created by inadequate or sometimes excessive substantive standards are very serious and require urgent multilateral solutions" and that "... a transposition within the GATT legal system of the rules that enjoy wide international recognition would strengthen the effective protection of the trade interests stemming from intellectual property rights" (MTN.GNG/NG11/W/16).

The purpose of the present communication is to suggest certain guidelines and objectives to address the trade problems arising from inadequate or excessive substantive standards.

The Community reaffirms the importance that it attaches to the resolution of such problems in the context of the Uruguay Round. These problems are not abating, on the contrary. The alternative to effective multilateral action will undoubtedly be increased recourse to bilateral or unilateral measures of a character which cannot but undermine the multilateral system, be it in the field of trade or in that of intellectual property and to the detriment of most trading partners. The Community remains firmly attached to the objective of furthering multilateral solutions which it believes to be in the interest of all parties, developing and developed. The guidelines suggested below are designed to attain this basic objective. If achieved, the result will strengthen both the GATT and other multilateral fora, including the World Intellectual Property Organisation and allow in the field of trade and intellectual property for the symbiosis of effort that the Community has also proposed in other areas.

The Community is convinced that adequate protection of intellectual property not only helps prevent distortions and impediments to international trade but that it contributes to economic growth and development, for example through increased transfers of technology and of direct international investment. The available evidence is beyond dispute : in the absence of adequate protection of basic intellectual property rights, voluntary international transfers of technology and capital are generally reduced. In the absence of adequate protection, investment in research and development will also suffer.

For these reasons, the Community believes that it would be in the interest of all contracting parties<sup>1</sup> to participate actively in the negotiations of intellectual property rights including substantive standards.

## II GUIDELINES

In addition to the general considerations above, the Community suggests that the negotiations on substantive standards be conducted with the following guidelines in mind:

- they should address trade-related substantive standards in respect of issues where the growing importance of intellectual property rights for international trade requires a basic degree of convergence as regards the principles and the basic features of protection;
- GATT negotiations on trade related aspects of substantive standards of intellectual property rights should not attempt to elaborate rules which would substitute for existing specific conventions on intellectual property matters; contracting parties could, however, when this was deemed necessary, elaborate further principles in order to reduce trade distortions or impediments. The exercise should largely be limited to an identification of and agreement on the principles of protection which should be respected by all parties; the negotiations should not aim at the harmonisation of national laws;
- the GATT negotiations should be without prejudice to initiatives that may be taken in WIPO or elsewhere. Insofar as international or regional conventions and treaties on intellectual property matters exist or insofar as standards have been worked out or are in preparation by WIPO or other international organisations, a GATT Agreement should take account of this work;
- principles agreed upon in the GATT should thus provide a wider basis for the recognition of already existing rules in the field of intellectual property while, at the same time, avoiding conflict with existing international conventions;

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<sup>1</sup>In the following, the term "GATT Agreement" is used in its generic sense. It does not denote a preference for a "code" approach.

- a GATT Agreement should encourage participants to adhere to international conventions on intellectual property as well as to participate actively in the elaboration of new conventions within the specific international organisations having a vocation in intellectual property matters;
- the negotiations should result in the insertion into the GATT legal system of widely recognised principles of intellectual property rights which affect trade;
- signatories would undertake to contribute positively to the expeditious elaboration of standards in other international fora with a view to reducing trade problems and, if necessary, be ready to envisage appropriate initiatives in the GATT if such efforts did not succeed within a reasonable time span;
- a GATT Agreement should allow for the incorporation of the results of the work undertaken in other fora.

### III. OBJECTIVES AND CONTENTS OF SUBSTANTIVE STANDARDS IN AN AGREEMENT ON TRADE RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS

The Community proposes that the Negotiating Group examine the following main objectives and contents of an agreement:

#### A. Format

The provisions on substantive standards should constitute an integral part of a GATT Agreement on trade related aspects of intellectual property rights which should also cover enforcement issues. (Some aspects of such an agreement, for example the applicability of general GATT principles, would be common to both substantive standards and enforcement issues and are mentioned below for reasons of completeness.)

#### B. Coverage

A GATT Agreement on Intellectual Property Rights should in particular cover the trade related aspects of the following intellectual property rights: patents, trade marks, copyright, computer programs, neighbouring rights, models and designs, semi-conductor topography rights, geographical indications (in particular appellations of origin) and acts contrary to honest commercial practices. Further additions may be proposed in the course of the negotiations. A review clause should allow for amendments and additions.

#### C. General objectives

The main objective of that part of a GATT Agreement which would be devoted to substantive standards should be to eliminate (or at least substantially reduce) the distortions and impediments to international

trade created by the inadequacies or excesses of substantive standards. In particular, the Agreement should contain provisions to the effect that:

- national legislation and other relevant provisions on substantive standards shall not create obstacles or distortions to international trade;
- to the extent allowed for under the Agreement the parties will, when encountering trade related intellectual property problems with other signatories, have recourse to the dispute settlement mechanism provided for under the Agreement rather than to bilateral or unilateral action;
- the parties will follow normal GATT practice with respect to the conformity of national legislation with the Agreement;
- the provisions of the Agreement will apply to the signatories; they will not create any rights or obligations for private parties;
- a GATT Agreement should also actively encourage its widespread signature and the wider adherence to international conventions on intellectual property. It should allow for a certain transition period during which the parties would, as appropriate, take the necessary measures to implement the Agreement. A special, but finite, transition period could be foreseen but no party would reap the full benefits of the Agreement before it had fully implemented its provisions. It should also encourage technical assistance, in particular for developing countries.

D. Main provisions

A GATT Agreement should reflect and be based upon relevant international rules, whether they are laid down in conventions, model laws, recommendations or other instruments prepared by competent international bodies, as well as current international or regional practice. More specifically:

1. The Paris and Berne Conventions

All parties to a GATT Agreement should be obliged to adhere to and respect the Paris Convention for the Protection of Industrial Property and the Berne Convention for the Protection of Literary and Artistic Works in their latest revisions. Although one of these conventions (the Paris Convention) is far from providing an adequate degree of protection in all important aspects, a much more widespread adherence to these two conventions would constitute important progress. It is of the greatest importance to further the adherence to and respect of these key conventions.

2. Other conventions

Concerning other conventions (such as for example the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations, the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods or the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration) no formal obligation to become party to these conventions is suggested. They have, for a variety of reasons, so far attracted only a limited number of signatories. It therefore seems preferable to include minimum standards applicable in the areas covered by such other conventions in a GATT Agreement. Signatories of a GATT Agreement should nevertheless be invited to adhere to other existing international conventions on intellectual property as well as to participate actively in the elaboration of new conventions within the international organisations competent for intellectual property matters, thus strengthening the multilateral system as suggested in the introduction.

3. Principles related to substantive standards of Intellectual Property Rights

The obligations described above would contribute to a reduction in trade distortions and impediments. Very significant lacunae would, however, persist unless steps were taken to insert appropriate principles in this regard in a GATT Agreement.

The following list of principles covering the range of trade related substantive standard issues should, in the Community's view, be addressed in the negotiations. The list should be considered as being preliminary in the sense that the Community is prepared to examine proposals from other participants, that it may itself wish to modify or add to the list as the negotiations proceed, and that the development of negotiations elsewhere (e.g. in the context of the forthcoming diplomatic conference on semi-conductor topography rights) should also be taken into account.

The translation of these principles into national law would not be undertaken in a vacuum but with proper regard to the rules contained in relevant international or regional conventions.

a. Patents

- (i) A patent shall confer on the proprietor exclusive rights. The proprietor shall be entitled to prevent third parties not having his consent from making, offering, putting on the market or using a product which is the subject matter of the patent, or importing or stocking the product for these purposes. In the case of a patented process, the patent confers on its proprietor the right to prevent others not having his consent from using that process and from offering, putting on the market, using, or importing or stocking for these purposes the product obtained directly by that process.

Limited exceptions to the exclusive rights conferred by a patent, which take account of the legitimate interests of the proprietor

of the patent and of third parties, may be made for certain acts, such as acts done privately and for non-commercial purposes and acts done for experimental purposes.

- (ii) Patents shall be granted for any inventions, whether products or processes, which are susceptible of industrial application, which are new and which involve an inventive step.

Patents shall be available for inventions in all fields of technology, except for:

- inventions the publication or exploitation of which would be contrary to "ordre public" or morality;
  - plant or animal varieties or essentially biological processes for the production of plants or animals; this does not apply to microbiological processes or the products thereof.
- (iii) The term of the patent shall be generally 20 years from the date of filing of the application.
- (iv) The granting of compulsory licences for lack or insufficiency of exploitation, compulsory licences in respect of dependent patents, official licences, and any right to use patented inventions in the public interest shall, in particular in respect of compensation, be subject to review by a court of law.

b. Trademarks

- (i) The registration of a trademark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those for which the trademark is registered. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall not be required.

Protection shall, as far as possible, also extend under trademark law or other law to the use in the course of trade of any sign which is identical with, or similar to, the trademark in relation to goods or services which are not similar to those for which the trademark is registered, where the latter has a reputation and where use of that sign without due cause takes unfair advantage of or is detrimental to the distinctive character or the repute of the trademark.

Limited exceptions to the exclusive rights conferred by a trademark, which take account of the legitimate interests of the proprietor of the trademark and of third parties, may be made, such as fair use of descriptive terms and exhaustion of rights.

The term "trademark" shall include service marks and collective marks.

- (ii) Protection shall be granted for any signs capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings.

Protection shall, in particular, be denied to marks which are (i) devoid of any distinctive character, (ii) contrary to public policy or to accepted principles of morality, (iii) of such a nature as to deceive the public, for instance as to the nature, quality or geographical origin of the goods or services, and (iv) in conflict with earlier rights.

- (iii) A trademark right may be acquired by registration or by use, in particular by use resulting in a reputation of the trademark. A system for the registration of trademarks shall be maintained. Use of a trademark prior to registration shall not be a condition for registration.
- (iv) Registration of a trademark may be renewed indefinitely.
- (v) If use of a registered mark is required to maintain trademark rights, the registration may be cancelled only after an uninterrupted period of at least five years of non-use, unless legitimate reasons for non-use exist. Circumstances arising independently of the will of the proprietor of a trademark which constitute a serious obstacle to the use of the mark (such as e.g. import restrictions on products protected by the trademark) are sufficient to constitute legitimate reasons for non-use.

The compulsory licensing of trademarks shall not be permitted. Trademarks may be transferred with or without the transfer of the undertaking to which they belong.

#### c.1 Copyright

Authors and their successors in title shall enjoy the rights conferred upon them by the Berne Convention for the Protection of Literary and Artistic Works.

#### c.2 Neighbouring rights

Producers of phonograms shall enjoy the right to authorize or prohibit the direct or indirect reproduction of their phonograms.

The protection provided for performers shall include the possibility of preventing:

- (a) the broadcasting and the communication to the public of their live performance;
- (b) the fixation of their unfixed performance; and
- (c) the reproduction of a fixation of their performance.

Broadcasting organisations shall enjoy the right to authorise or prohibit:

- (a) the fixation of their broadcasts;
- (b) the reproduction of fixations; and
- (c) the communication to the public of their television broadcasts.

The term of protection granted to producers of phonograms, performers and broadcasting organisations shall last at least until the end of a period of 20 years computed from the end of the year in which the fixation was made or the performance or broadcast took place.

Limited exceptions to the exclusive rights conferred by these neighbouring rights should follow the line of the Rome Convention.

c.3 Computer programs

Creators of computer programs and their successors in title shall at least have the exclusive right of reproduction, adaptation and translation<sup>1</sup>.

Limited exceptions to these exclusive rights should follow the line of the Berne Convention.

Without prejudice to the provisions of the international conventions in the field of copyright, the term of protection of computer programs shall in no event be shorter than the minimum term provided for in the Berne Convention for certain categories of works, i.e. 25 years from the date of creation.

d. Models and designs

- (i) Industrial models and designs which are original or novel shall be protected in accordance with Articles 5B and 5quinquies of the Paris Convention, without prejudice to the protection under copyright law.

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<sup>1</sup>The Community considers that account should be taken of the legitimate interests of users, the promotion of international standardization, the development of compatible and inter-working systems and maintaining the conditions of competition.



- (ii) The protection conferred shall permit the creator and his successor in title to prevent at least the manufacture, the sale, or the importation for these purposes, of an object which infringes the model or design right.
- (iii) The term of protection shall be at least 10 years.

e. Topography rights

The following principles will be reviewed and completed in the light of the negotiations on a Treaty on the Protection of Intellectual Property in respect of Integrated Circuits under the auspices of WIPO:

- (i) The topography of a semiconductor product, however fixed or encoded, shall be protected by exclusive rights.
- (ii) The exclusive rights shall include the rights to authorize or prohibit the reproduction of a topography, the commercial exploitation or the importation for that purpose of a topography or of a semiconductor product manufactured by using the topography.
- (iii) As regards formalities, a signatory may require registration.
- (iv) The reproduction for the purpose of analyzing, evaluating or teaching shall be permitted. A topography created by an own intellectual effort on the basis of an analysis and evaluation of another topography shall not be considered to infringe the rights in the analyzed topography.

f. Geographical indications including appellations of origin

- (i) Geographical indications are, for the purpose of this agreement, those which designate a product as originating from a country, region or locality where a given quality, reputation or other characteristic of the product is attributable to its geographical origin, including natural and human factors.
- (ii) Geographical indications shall be protected against any use which constitutes an act of unfair competition, including use which is susceptible to mislead the public as to the true origin of the product. Shall notably be considered to constitute such use:
  - any direct or indirect use in trade in respect of products not coming from the place indicated or evoked by the geographical indication in question;
  - any usurpation, imitation or evocation, even where the true origin of the product is indicated or the appellation or designation is used in translation or accompanied by expressions such as "kind", "type", "style", "imitation" or the like;

- the use of any means in the designation or presentation of the product likely to suggest a link between the product and any geographical area other than the true place of origin.

(iii) Where appropriate, protection should be accorded to appellations of origin, in particular for products of the vine, to the extent that it is accorded in the country of origin.

(iv) Appropriate measures shall be taken under national law for interested parties to prevent a geographical indication from developing into a designation of generic character as a result of the use in trade for products from a different origin, it being understood that appellations of origin for products of the vine shall not be susceptible to develop into generic designations.

The registration of a trademark which contains or consists of a geographical or other indication denominating or suggesting a country, region or locality with respect to goods not having this origin shall be refused or invalidated. National laws shall provide the possibility for interested parties to oppose the use of such a trademark.

(v) In order to facilitate the protection of geographical indications including appellations of origin, the establishment of an international register for protected indications should be provided for. In appropriate cases the use of documents certifying the right to use the relevant geographical indication should be provided for.

g. Acts contrary to honest commercial practices

Trade and business secrets shall be protected by law at least by providing their proprietor the right to prevent these secrets from becoming available to, or being used by, others in a manner contrary to honest commercial practices.

4. Participation in the elaboration and implementation of further substantive standards

The accelerated pace of scientific and technological progress has been such in recent years that important modifications or additions to intellectual property rights have become overdue in certain areas. The GATT Agreement should therefore encourage the participation in and implementation of new international rule-making in the area of intellectual property rights:

- signatories should (taking into account their level of development) undertake to contribute positively to the expeditious elaboration of standards in other international fora

with a view to reducing or eliminating trade distortions or impediments arising from inadequate or inexistent standards in such areas;

- if such other international efforts did not succeed within a reasonable time span, the parties to a GATT Agreement could attempt to elaborate trade related principles in respect of the issues at hand and to include them in the Agreement;
- provision should be made (through a review clause) permitting to incorporate into the GATT Agreement principles derived from the new substantive standards adopted in other fora.

#### 5. Other international mechanisms

A GATT Agreement should also actively encourage the establishment of or adherence to other international mechanisms relating, inter alia, to systems for the international registration of trade marks.

An international register for geographical indications should be established. In appropriate cases the use of documents certifying the right to use the relevant geographical indication should be provided for.

#### 6. General principles and mechanisms of the GATT

A GATT Agreement should also provide for the application of certain general principles and mechanisms of the GATT to the intellectual property field (see also the Community's submission to the GATT of 20 November 1987):

- (i) With a view to providing maximum market access compatible with an adequate protection of intellectual property rights, neither the adoption of substantive standards nor their application should have the effect of creating unnecessary obstacles or distortions to international trade. For this purpose appropriate surveillance procedures should be established.
- (ii) Two fundamental GATT principles are those of most favoured nation treatment and of national treatment. These GATT principles concern the treatment given to goods whereas an agreement on intellectual property rights would be concerned with the protection of the rights held by persons. Bearing this difference in mind, these principles should constitute essential elements of a GATT Agreement on trade related aspects of intellectual property rights:
  - under the most favoured nation treatment principle, parties would be obliged to accord to nationals and residents of other parties any advantage relating to the protection and enforcement of intellectual property rights granted to the nationals and residents of any other country.

It will, however, be necessary to define certain implications and limitations of the MFN principle. In particular, advantages which accrue to a party by virtue of an intellectual property convention and which have not been incorporated in the GATT Agreement should only have to be granted to nationals or residents of signatories of such conventions. For the same reason, and without prejudice to the final form of and participation in a GATT Agreement, its advantages should similarly be limited to signatories.

- the national treatment principle would require that nationals or residents of another signatory of the GATT Agreement should be granted protection which would not be less favourable than the one granted under like circumstances to nationals or residents of the importing country. This principle would not have to be granted with regard to aspects of protection exclusively based on an intellectual property rights convention to which the other party concerned had not adhered.

In applying these GATT principles, account must be taken of the fact that the Paris Convention for the Protection of Industrial Property and the Berne Convention for the Protection of Literary and Artistic Works also provide for the national treatment for nationals of signatories of these conventions. The application of these GATT principles should be without prejudice to the full application of this fundamental provision of the Paris and Berne Conventions.

- (iii) Transparency is an important element not only to ensure the respect of an agreement on intellectual property rights but also to ensure that maximum benefit can be drawn from such an agreement by right holders. Transparency should not only entail the publication of the relevant laws and regulations, but also an obligation to respond to requests for information by other signatories.
- (iv) Moreover, an appropriate surveillance mechanism (e.g. by the establishment of a competent committee or expert group) should be set up. It would have the task of examining the compatibility of relevant laws and regulations with the obligations subscribed to by virtue of the GATT Agreement. Moreover, a mechanism of prior consultation could allow for an exchange of information between signatories relating to possible changes in their intellectual property right laws and regulations which could affect the operation of the Agreement. This would provide an opportunity for comments, and for taking such comments into consideration before such modifications were finalized.
- (v) In addition to provisions relating to consultations and possibly conciliation in a competent committee to be established under a GATT Agreement on intellectual property rights, there should be

provisions on effective dispute settlement to be applied where consultations did not lead to an acceptable solution. Such procedures would apply not only where it was alleged that a signatory's laws had been applied in a manner inconsistent with its international obligations, but also where the conformity of its national legislation with these obligations was at issue.

While the General Agreement provides for such procedures (as do several of the Tokyo Round Codes in rather greater detail), the specificity of intellectual property rights questions may, if the parties so agree, lead to the involvement of technical experts in the process.

- (iv) The possibility of appropriate measures (including the suspension of concessions) should be provided for in appropriate cases.