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THE AGREEMENT ON TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY
RIGHTS (TRIPS) - THE PRESENT INTERNATIONAL FRAMEWORK FOR THE
PROTECTION OF INTELLECTUAL PROPERTY - ITS PROVISIONS
PERTAINING TO TECHNOLOGY TRANSFER

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AGREEMENT ON TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS

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MAIN DATES IN THE APPLICATION OF THE TRIPS AGREEMENT

Final Act of the results of the Uruguay Round	14.04.1994
Entry into force of the WTO Agreement	01.01.1995
Special arrangements for pharmaceuticals and agricultural chemical products not protected in a member country as of the date of entry into force of the Agreement (Art.70.8-9)	
a) Means for filing applications	01.01.1995
b) Criteria for patentability (to be applied as of the time that the patent protection has become available in the country in question)	01.01.1995
c) Exclusive marketing rights for five years (to be applied once all conditions of Article 70.9 are met.	01.01.1995
Entry into force of TRIPS Agreement (Art.65.1)	01.01.1996
National treatment principles applicable to all countries	01.01.1996
Most-favoured-nation treatment applicable to all countries (Art.4)	01.01.1996
Review of issue of patentability of plants and animals other than micro-organisms (Art.27.3(b))	01.01.1999
Transitional arrangement for developing countries (Art. 65.2)	01.01.2000
Transitional arrangement for economies in transition, but only if conditions of article 65.3 are met	01.01.2000
Review and amendment by Council of TRIPS Agreement (Art.71.1)	2000 ⇒ ⇒
Transitional arrangement for developing countries concerning product patent protection – to technologies not previously protected by product patents (Art. 65.4)	01.01.2005
Transitional arrangements for least developed countries (Art. 66.1)	01.01.2006

Source: UNCTAD: The TRIPS Agreement and Developing Countries, New York, Geneva 1996, S.35.

THE TRIPS AGREEMENT – ITS PROVISIONS PERTAINING TO TECHNOLOGY TRANSFER

Preamble: Members

- Desiring to reduce distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade;
- Recognizing that intellectual property rights are private rights;
- Recognizing the underlying public policy objectives of national systems for the protection of intellectual property, including developmental and technological objectives;
- Recognizing also the special needs of the least-developed country Members in respect of maximum flexibility in the domestic implementation of laws and regulations in order to enable them to create a sound and viable technological base;

Art. 1: Nature and Scope of Obligations

1. Members shall give effect to the provisions of this Agreement. Members may, but shall not be obliged to, implement in their law more extensive protection than is required by this Agreement, provided that such protection does not contravene the provisions of this Agreement. Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice.

Art. 6: Exhaustion

For the purposes of dispute settlement under this Agreement, subject to the provisions of Articles 3 and 4 nothing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights.

Art. 7: Objectives

The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations.

Art. 8: Principles

1. Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socioeconomic and technological development, provided that such measures are consistent with the provisions of this Agreement.
2. Appropriate measures, provided that they are consistent with the provisions of this Agreement, may be needed to prevent the abuse of intellectual property rights by right holders or the resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology.

Art. 40 (Section 8): Control of Anti-Competitive Practices in Contractual Licenses

1. Members agree that some licensing practices or conditions pertaining to intellectual property rights which restrain competition may have adverse effects on trade and may impede the transfer and dissemination of technology.
2. Nothing in this Agreement shall prevent Members from specifying in their legislation licensing practices or conditions that may in particular cases constitute an abuse of intellectual property rights having an adverse effect on competition in the relevant market. As provided above, a Member may adopt, consistently with the other provisions of this Agreement, appropriate measures to prevent or control such practices, which may include for example exclusive grant back conditions, conditions preventing challenges to validity and coercive package licensing, in the light of the relevant laws and regulations of that Member.

Art. 65: Transitional Arrangements

A Member availing itself of a transitional period under paragraphs 1,2,3 or 4 shall ensure that any changes in its laws, regulations and practice made during that period do not result in a lesser degree of consistency with the provisions of this Agreement.

Art. 66: Least-Developed Country Members

Developed country members shall provide incentives to enterprises and institutions in their territories for the purpose of promoting and encouraging technology transfer to least-developed country Members in order to enable them to create a sound and viable technological base.

Art. 67: Technical Cooperation

In order to facilitate the implementation of this Agreement, developed country Members shall provide, on request and on mutually agreed terms and conditions, technical and financial cooperation in favour of developing and least-developed country Members. Such cooperation shall include assistance in the preparation of laws and regulations on the protection and enforcement of intellectual property rights as well as on the prevention of their abuse, and shall include support regarding the establishment or reinforcement of domestic offices and agencies relevant to these matters, including the training of personnel.

Main Provisions on Copyright and Related Rights:

- Protection of works covered by the Berne Convention, excluding moral rights, with respect to the expression and not the ideas, procedures, methods of operation or mathematical concepts as such.
- Protection of computer programs as literary works and of compilations of data.
- Recognition of rental rights, at least for phonograms, computer programs, and for cinematographic works (except if rental has not led to widespread copying that impairs the reproduction right).

- Exceptions to exclusive rights must be limited to special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the rights-holder.
- Recognition of a fifty-year minimum term for works (other than photographic or applied artworks) owned by juridical persons, and for performers and phonogram producers.
- Recognition of rights of performers, producers of phonograms and broadcasting organizations.

Main Provisions on Trademarks:

- Definition of protectable signs, which should be capable of distinguishing the goods or services of one undertaking from those of other undertakings. Service marks shall receive a protection equivalent to marks for goods.
- Registrability, but not filing of an application, can be dependent on use.
- Definition of exclusive rights conferred with respect to identical or similar goods and services.
- Protection of well-known trademarks for goods and services, including the case if knowledge thereon is acquired through their promotion.
- Exceptions to exclusive rights must be limited and take into account the legitimate interest of the trademark owner and of third parties.
- The minimum term of protection is seven years, indefinitely renewable.
- Requirements for use are to be limited both in terms of the minimum period of non-use and the admissibility of reasons for non-use.
- Special requirements for use are limited, as well as the conditions of licensing and assignment of trademarks. A trademark can be assigned without the transfer of the business to which it belongs.
- Measures to combat trade in counterfeiting goods should be available at the border.

Main Provisions on Geographical Indications:

- Geographical indications are indications that identify goods as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the goods is essentially attributable to their geographical origin.
- Legal means shall be provided to prevent use of an indication in a manner that misleads the public or when it constitutes unfair competition, and to invalidate a trademark if the public is misled as to the true place of origin.
- Additional protection is conferred on geographical indications for wines and spirits, including ways of protecting homonymous indications.

- Negotiations shall be undertaken to establish a multilateral system of notification and registration, aiming at increasing the protection of indications for wines and spirits.
- Exceptions to the required protection may be based on prior and continuous use of an indication, prior application or registration in good faith of a trademark, or on the customary use of the indication.
- Obligations only relate to geographical indications that are protected in their country of origin.

Main Substantive Provisions on Industrial Designs:

- Protection should be conferred on designs which are new or original.
- Requirements for protection of textile designs should not impair the opportunity to seek and obtain such protection.
- Exclusive rights can be exercised against acts for commercial purposes, including importation.
- Ten years is the minimum term of protection.

Main Provisions on Patents:

- Patents shall be granted for any inventions, whether products or processes, provided they are new, involve an inventive step and are capable of industrial application.
- Patents shall be granted in all fields of technology. No discrimination is allowed with respect to the place of the invention, or based on whether the products are locally produced or imported.
- Member countries can exclude from patentability diagnostic, therapeutic and surgical methods of treatment for humans or animals, as well as plants and animals and essentially biological processes for the production thereof.
- Exclusive rights conferred in the case of product and process patents are defined, subject in the case of imports to the principle of exhaustion (article 6).
- Inventions shall be disclosed in a manner which is sufficiently clear and complete for a skilled person in the art to carry out the invention. The indication of the best mode of carrying out the invention, as well as information concerning corresponding patent applications and grants, may be required.
- Limited exceptions to the exclusive rights can be defined by national laws (article 30).
- Conditions for granting other uses without the authorization of the patent-holder (compulsory licenses) are set forth; Member countries can determine the grounds to allow such uses.
- Revocation/forfeiture is subject to judicial review.

- The term of protection shall be at least twenty years from the date of application.
- Reversal of the burden of proof in civil proceedings relating to infringement of process patents is to be established in certain cases.

Layout designs of integrated circuits:

- The layout designs (topographies) of integrated circuits shall be protected according to the provisions of the Washington Treaty of 1989, except those specifically excluded by the Agreement (e.g. provisions on compulsory licenses).
- Protection shall extend to layout designs as such and to the industrial articles that incorporate them.
- Bona fide purchasers of products involving infringing layout designs shall be liable to pay a compensation to the rights-holder after notification.
- The terms of protection shall be a minimum of ten years.

Main Provisions on Undisclosed Information:

- Undisclosed information is to be protected against unfair commercial practices, if the information is secret, has commercial value and is subject to steps to keep it secret.
- Secret data submitted for the approval of new chemical entities as pharmaceutical and agrochemical products should be protected against unfair commercial use and disclosure by governments.

Art. 27: Patentable Subject Matter

1. Subject to the provisions of paragraphs 2 and 3, patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application. Subject to paragraph 4 of article 65, paragraph 8 of article 70 and paragraph 3 of this article, patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced.
2. Members may exclude from patentability inventions, the prevention within their territory of the commercial exploitation of which is necessary to protect order public or morality, including to protect human, animal or plant life or health or to avoid serious prejudice to the environment, provided that such exclusion is not made merely because the exploitation is prohibited by their law.
3. Members may also exclude from patentability:
 - a) diagnostic, therapeutic and surgical methods for the treatment of humans or animals;

b) plants and animals other than microorganisms, and essentially biological processes for the production of plants or animals other than non-biological and microbiological processes. However, Members shall provide for the protection of plant varieties either by patents or by an effective sui generis system or by any combination thereof. The provisions of this subparagraph shall be reviewed four years after the date of entry into force of the WTO Agreement.

Article 28: Rights Conferred

1. A patent shall confer on its owner the following exclusive rights:

- a) where the subject matter of a patent is a product, to prevent third parties not having the owner's consent from the acts of: making, using, offering for sale, selling, or importing¹ for these purposes that product;
- b) where the subject matter of a patent is a process, to prevent third parties not having the owner's consent from the act of using the process, and from the acts of: using, offering for sale, selling, or importing for these purposes at least the product obtained directly by that process

2. Patent owners shall also have the right to assign, or transfer by succession, the patent and to conclude licensing contracts

Implications: International Trade

- far-reaching predictions not yet possible;
- inconsistent assumptions;
- contradictory evidence;
- unsettled question of exhaustion of rights.

pro:

- rather increase in trade than in FDI;
- stipulation that imports will suffice the patent provisions;
- markets in target countries will be served from abroad.

contre:

- declining trade with subsidiaries in foreign countries (substitution of vertical integration for trade);
- final assembly in countries which adhere to the standards of IP-conventions instead of trade with subsidiary companies.

Implications: Foreign Direct Investment and Technology Transfer

- far-reaching predictions not yet possible;
- inconsistent assumptions;
- contradictory evidence.

¹ (TRIPS Agreement note) This right, like all other rights conferred under this Agreement in respect of the use, sale, importation or other distribution of goods, is subject to the provisions of article 6.

pro:

- domestic locations might become more attractive to foreign investors;
- trade secrets are covered by the TRIPS Agreement as an IP-instrument and might contribute to an increase in FDI;
- adequate IP-protection is part of a whole bundle of factors leading to investment decisions;
- enhanced licensing might induce additional technology transfer.

contre:

- in the past, countries with high IP protection standards failed in attracting foreign investment as the frame conditions were not conducive to that end
- countries without adequate protection standards were successful in attracting FDI as the overall frame conditions were conducive;
- leveling of IP standards under TRIPS will increase the relevance of those external factors to an investment decision;
- companies are not at all capable of establishing production facilities in every target country.

Implications: Macroeconomic structures

- far reaching predictions not yet possible - inconsistent assumptions;
- several different IP instruments covered by the TRIPS Agreement leading to contradictory socio-economic implications;
- all-encompassing econometric modeling not possible;
- implications of TRIPS are part of the broader effects incurred by the developing countries pursuant to their accession to WTO;

pro:

- encouragement of additional economic interactions;
- enhanced protection of IP-sensitive goods will induce world market growth;
- increase in productivity;
- growth of domestic markets.

contre:

- enormous financial burden due to implementation and market costs;
- negative employment effects;
- widening of the technological gap between South and North;
- economic leap-frogging and growth are getting more difficult.

Basic Conclusions:

- TRIPS will have some serious and negative consequences for developing countries, especially in view of technology transfer
- reverse engineering and product imitation will become more difficult;
- conditions of access to technology are deteriorating;
- local companies will face more difficulties in negotiating access to technology;
- TRIPS requires substantially enhanced IP protection and enforcement in many countries.

pro:

- more local innovation;
- more inward foreign direct investment;
- more technology transfer.

contre:

- less technology transfer;
 - higher costs for protected technologies and products;
 - limited options for technology diffusion through product imitation or copying;
 - it is still too early to come to far reaching conclusions on the TRIPS implications;
 - implications of different IP instruments are depending on the given protection standards and the level of technological and economic development as well as the mode of implementation;
- TRIPS has been imposed on developing countries. Now it is necessary to mitigate negative effects arising from its implementation and to enhance its positive effects;
- developing countries have to strike a balance between incentives to innovation and the need for adequate diffusion.

Recommendations:

- realization of the space of manoeuvre;
- promotion of innovations;
- utilization of all available information systems;
- effective competition policy to counter potential/likely abuses;
- improvement of domestic capabilities to adsorb incoming;
- technologies into the own economy.

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