I

Introduction to the TRIPS Agreement

A Introduction

1 General

This chapter provides an overview of the TRIPS Agreement. It first explains the historical and legal background of the Agreement and its place in the World Trade Organization (WTO). It then turns to the general provisions and basic principles, as well as other provisions and institutional arrangements, that apply to all the categories of intellectual property rights (IPRs) covered by TRIPS. Chapters II to VIII then discuss each of these categories, their essential principles, and their administration and enforcement, in more detail.

However, in order to understand the TRIPS Agreement it is important to first review the background to the intellectual property (IP) system: what the main forms of IPRs are, why these 'rights' are recognized, and how they are protected. These questions have been at the core of IP policy discussions since the adoption of the earliest IP laws, and continue to spark active debate. This chapter attempts neither to summarize various relevant legal and economic theories, nor to survey the range of views presented in the debate, but merely highlights some of the general concepts and approaches.

IPRs can be characterized as rights given to persons over the creations of their minds. They usually take the form of a limited 'exclusive right' granted under national law to a creator over the use of the creation for a certain period of time. Such a right allows the creator to exclude others from using the creation in certain ways without the creator's authorization. The right holder can then extract economic value from the IPRs by using them directly or by authorizing others to do so. Agreement on the licensing of IPRs can form the basis of commercial and technological partnerships, and the digital environment has also lent itself to trading in valuable content protected by IPRs.

IPRs are territorial rights, which means that they are valid only in the jurisdiction where they have been registered or otherwise acquired. In other words, the existence of a right in one country will normally provide no guarantee of the existence or validity of an equivalent right in any other country (exceptions include systems of regional rights).

IPRs are customarily clustered into two categories: copyright and industrial property.

Copyright can usefully be divided into two main areas:

1. Copyright (or 'authors' rights' in some systems) refers to the rights of authors of literary and artistic works (such as books and other writings, musical compositions, paintings, sculptures, computer programs and films). Authors, or those who derive the right from authors (such as publishers), have the right to determine how their works are used for a minimum period of time after the death of the author.
2. Copyright in a wider sense also includes related rights (sometimes called 'neighbouring rights'), especially the rights of performers (e.g. actors, singers and musicians) over their performances, producers over phonograms (sound recordings), and broadcasting organizations over broadcasts. These rights are also limited in time.

Industrial property can be divided into two fields:

1. The first is the protection of distinctive signs. Trademarks distinguish the goods or services of one undertaking (normally a firm or individual trader) from those of other undertakings. Geographical indications (GIs) identify a good as originating in a place where a given characteristic of the good is essentially attributable to its geographical origin. Trademark protection may last indefinitely, provided the sign in question continues to be distinctive; it is often necessary for a firm actively to use the trademark, or rights can be lost or subject to challenge. A GI can also be protected indefinitely, provided it continues to identify the geographical origin and remains in force in the country of origin.
2. Other types of industrial property are protected primarily to recognize and stimulate technological innovation and industrial design, and to provide the legal framework for the creation of new technologies and products. In this category fall inventions (protected by patents, although, in a number of countries, innovations that could embody lesser technical progress than patentable inventions may be protected

by utility models), industrial designs and trade secrets (also termed confidential or undisclosed information). The protection is usually given for a finite term (now typically twenty years in the case of patents), although trade secrets can be protected as long as they remain secret. Industrial property also includes the legal means to suppress acts of unfair competition – a general concept that embraces various forms of misleading, deceptive or free-riding commercial behaviour.

The IP system is a tool of public policy: generally, it is intended to promote economic, social and cultural welfare by stimulating creative work and technological innovation, and by enabling their benefits to reach the public. More specifically, the main social purpose of protection of copyright and related rights is to encourage and reward creative work. It gives an opportunity for authors and artists to earn their living from creative work. Other than serving as an incentive to authors, copyright essentially provides an economic foundation for cultural industries and the market for cultural products once the rights are licensed or assigned to publishers and producers. Similarly, patents and certain other industrial property rights are designed to provide protection for innovations resulting from investment in research and development (R&D), thus giving the incentive and means to finance applied R&D.

These standard policy objectives are supported by the economic theory that suggests that works and information resulting from creative work and innovation have characteristics of public goods in the sense that they are 'non-excludable' and 'non-rivalrous' in consumption – in other words, once created, absent specific measures, none can be excluded from 'consuming' them. In addition, one's use of a work or an invention does not deprive another of its use and it can be freely used by anyone (unless there are specific legal constraints), unlike physical property such as land that can be fenced off. Therefore, in the absence of IP protection, it is difficult for creators to extract economic value from, or 'appropriate', financial returns from their work, or indeed to influence how they are utilized. Thus, from society's perspective, there is a risk of 'market failure' – that is, underinvestment in socially beneficial creative and innovative work. The IP system also allows market-driven decentralized decision-making, where products are created and technology developed in response to demand. The IP system offers a range of options, but does not preclude the need for other forms of financing mechanisms, in particular in areas where the market alone may not provide adequate

incentives (for example, contemporary concert music or cures for neglected diseases).

Another objective of IP protection is the transfer and dissemination of technology. A well-functioning IP regime should, other things being equal, facilitate the direct and indirect transfer of technology, by means such as foreign direct investment (FDI), trade and licensing. The legal titles provided by the IP system are used to define and structure the distinct rights and responsibilities in technology partnerships, such as research cooperation or technology sharing or transfer arrangements. One of the purposes of the patent system is to disseminate technological information by requiring inventors to disclose new technology in their patent applications rather than attempt to keep it secret, so that new technology can become part of the common pool of knowledge of mankind and be freely used once patents expire. Improved information technology tools that facilitate, for example, the availability of patent information on the Internet, means that this 'teaching' function of the patent system is becoming increasingly more effective and accessible in practice.

Trademarks, GIs and other distinctive signs are protected so as to inform consumers and prevent consumer deception. In addition, these forms of IP help to ensure fair competition among producers. They provide an incentive for companies to invest in their reputation through the provision of quality products and services. An equally important objective is to enable consumers to make informed choices between various goods and services.

Reflecting their role as tools of public policy, IPRs are not absolute and unlimited, but are generally subject to a number of limitations and exceptions that aim to balance the legitimate interests of right holders and users. These limitations and exceptions, together with the carefully defined scope of protectable subject matter and a limited term of protection, are intended to maintain an appropriate balance between competing public policy interests so that the system as a whole can be effective in meeting its stated objectives.

2 Historical and legal background

The WTO is the legal and institutional foundation for the administration and development of trade relations among its 164 members at the multilateral level. It aims to provide fair and stable conditions for the conduct of international trade with a view to encouraging trade and investment that raises living standards worldwide. It is the successor to the former

General Agreement on Tariffs and Trade (GATT), a multilateral trade agreement that was concluded in 1947. In the period from that time to 1994, further trade liberalization and the development of trade rules were pursued under the auspices of the GATT through 'trade rounds' aiming at further tariff cuts and strengthened rules. The Uruguay Round was the eighth round of trade negotiations and by far the most comprehensive: it was launched in 1986 and completed in 1994.

The main outcomes of the Uruguay Round included a further major reduction of customs tariffs worldwide, and the liberalization of, and development of better rules governing trade in textiles and agriculture – two areas previously largely excluded from the GATT. The trading system was also extended into new areas of trade relations not previously dealt with, notably trade in services and IP. This reflected the growing economic importance of these two areas and their increased share of international trade. Furthermore, the results included the development of a reinforced and integrated dispute settlement system. The Uruguay Round also resulted in the creation of a new organization – the WTO – to administer the agreements. The Marrakesh Agreement Establishing the World Trade Organization (WTO Agreement) entered into force on 1 January 1995. The 'GATT' now refers to an updated agreement on trade in goods, dubbed 'GATT 1994' to distinguish it from the earlier GATT, now designated 'GATT 1947'. The GATT 1994 is only one of a number of multilateral trade agreements annexed to the WTO Agreement – like TRIPS, therefore, it does not have a separate legal existence outside the framework of the overarching WTO Agreement.

The GATT 1947 included several provisions that made reference to IP. For instance, the GATT 1947 confirmed that Contracting Parties could have rules on the protection of certain IPRs provided that they were consistent with principles of non-discrimination and were not disguised restraints on trade. Article III:4 requires treatment for imported products that is no less favourable than that accorded to like products of national origin in respect of all laws, regulations and requirements; this includes IP laws. More specifically, Article XX(d) allows a general exception to the application of GATT obligations with respect to compliance with laws and regulations that are not inconsistent with GATT provisions, including those that deal with patents, trademarks and copyrights and the prevention of deceptive practices. Additionally, Article IX:6 contains a positive obligation on Contracting Parties to cooperate with each other to prevent the use of trade names in a manner that would misrepresent the true origin of a product, or that would be to the detriment

of distinctive regional or geographical names of products protected in other parties' territories by national legislation.

In the Tokyo Round of multilateral trade negotiations (1973 to 1979), which immediately preceded the Uruguay Round, a proposal was put forward to negotiate rules on trade in counterfeit goods. This resulted in a draft Agreement on Measures to Discourage the Importation of Counterfeit Goods. However, negotiators did not reach agreement and this subject was not included in the results of the Tokyo Round when it concluded in 1979. Instead, in 1982, pursuant to a work programme agreed on by trade ministers,[1] a revised version of a draft agreement on trade in counterfeit goods was submitted. This draft was referred to a group of experts in 1984, which submitted its report a year later. The group met six times in 1985. It produced a report on trade in counterfeit goods which recommended that joint action was probably needed. The group, however, could not decide on the appropriate forum and left it to the GATT Council to make a decision.

During the early 1980s, negotiators worked on a mandate for negotiations for a new Round, including on aspects of IP. Trade ministers met at Punta del Este, Uruguay, in September 1986, and adopted a decision on future trade negotiations, which included the following mandate under the title 'Trade-related aspects of intellectual property rights, including trade in counterfeit goods':

> In order to reduce the 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, the negotiations shall aim to clarify GATT provisions and elaborate as appropriate new rules and disciplines.
>
> Negotiations shall aim to develop a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods, taking into account work already undertaken in the GATT.
>
> These negotiations shall be without prejudice to other complementary initiatives that may be taken in the World Intellectual Property Organization and elsewhere to deal with these matters.

[1] 'The CONTRACTING PARTIES instruct the Council to examine the question of counterfeit goods with a view to determining the appropriateness of joint action in the GATT framework on the trade aspects of commercial counterfeiting and, if such joint action is found to be appropriate, the modalities for such action, having full regard to the competence of other international organizations. For the purposes of such examination, the CONTRACTING PARTIES request the Director-General to hold consultations with the Director-General of WIPO in order to clarify the legal and institutional aspects involved.'

A negotiating group on 'trade-related aspects of intellectual property rights', or TRIPS, was formed to pursue this mandate.[2] From 1986 to April 1989, the group mainly discussed whether there was a mandate to negotiate rules on IPRs in general, or only on their trade-related aspects. For the developing countries, such 'trade-related aspects' only included trade in counterfeit goods or anti-competitive practices in relation to IPRs. However, in the mid-term review of the overall Uruguay Round negotiations, undertaken in April 1989, a decision was adopted that gave the negotiating group on TRIPS a full mandate.[3] This decision is the basis for the current structure of the TRIPS Agreement.

Between the spring of 1989 and the spring of 1990, several detailed proposals were submitted by all the major players: the United States, the European Communities, Switzerland, Japan and a group of fourteen

[2] A more detailed description of the TRIPS negotiations, comprising informal accounts of individual negotiators and a thematic overview, is available in J. Watal and A. Taubman (eds), *The Making of the TRIPS Agreement* (WTO, 2015), available at: www.wto.org/makingtrips.

[3] The following is an extract from the mandate:

3. Ministers agree that the outcome of the negotiations is not prejudged and that these negotiations are without prejudice to the views of participants concerning the institutional aspects of the international implementation of the results of the negotiations in this area, which is to be decided pursuant to the final paragraph of the Punta del Este Declaration.
4. Ministers agree that negotiations on this subject shall continue in the Uruguay Round and shall encompass the following issues:
   (a) the applicability of the basic principles of the GATT and of relevant international intellectual property agreements or conventions;
   (b) the provision of adequate standards and principles concerning the availability, scope and use of trade-related intellectual property rights;
   (c) the provision of effective and appropriate means for the enforcement of trade-related intellectual property rights, taking into account differences in national legal systems;
   (d) the provision of effective and expeditious procedures for the multilateral prevention and settlement of disputes between governments, including the applicability of GATT procedures;
   (e) transitional arrangements aiming at the fullest participation in the results of the negotiations.
5. Ministers agree that in the negotiations consideration will be given to concerns raised by participants related to the underlying public policy objectives of their national systems for the protection of intellectual property, including developmental and technological objectives.
6. In respect of 4(d) above, Ministers emphasise the importance of reducing tensions in this area by reaching strengthened commitments to resolve disputes on trade-related intellectual property issues through multilateral procedures.

developing countries (Argentina, Brazil, Chile, China, Colombia, Cuba, Egypt, India, Nigeria, Pakistan, Peru, Tanzania, Uruguay and Zimbabwe). A composite text, based on these submissions, was prepared by the Chairman of the Negotiating Group in June 1990. From then until the end of the Brussels Ministerial Conference in December 1990, detailed negotiations were conducted on every aspect of this text. There were six Chairman's drafts of the agreement between July and November 1990. A revised TRIPS text was then sent to the Brussels Ministerial Conference.[4] There was commonly agreed upon language for large parts of the agreement, but differences persisted on the forum for lodging the agreement and on dispute settlement, as well as on some twenty-five other outstanding issues, mainly relating to certain provisions on patents and undisclosed information, copyright, GIs and transition periods. Work continued in Brussels until a sudden breakdown of negotiations in the overall Round due to the failure to reach an understanding on agriculture.

Progress was made on the patent provisions, particularly in autumn 1991 – including on the scope and timing of rights, exceptions to patentability, compulsory licensing/government use, exhaustion of rights, term of protection, protection of test data, transition periods and the protection of existing subject matter. The question of forum was resolved with the decision to encapsulate the results of the negotiations within a Single Undertaking, which would also establish a new organization, provisionally termed the Multilateral Trade Organization (MTO). A Draft Final Act was released by the then Director-General of the GATT, Arthur Dunkel, on 20 December 1991, and came to be known as the 'Dunkel Text'. Only two changes were made to TRIPS provisions between the 1991 Draft Final Act and the 1993 Final Act: first, introducing the text on the moratorium on so-called 'non-violation complaints' in dispute settlement cases (Article 64.2–64.3); and, second, limiting the scope of compulsory licensing of semi-conductor technology (Article 31(c)).

3 *Place of TRIPS in the WTO*

The TRIPS Agreement is Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization (WTO Agreement) of 15 April 1994, which entered into force on 1 January 1995. The TRIPS Agreement is an integral part of the WTO Agreement, and is binding on each member of the WTO from the date the WTO Agreement becomes

[4] GATT document MTN.TNC/W/35/Rev.1.

effective for that country. However, the TRIPS Agreement gave original WTO members transition periods, which differed according to their stage of development, to bring themselves into compliance with its rules (see section D1 of this chapter for transition periods). The Agreement is administered by the Council for TRIPS (informally called the 'TRIPS Council'), which reports to the WTO General Council. Figure I.1 illustrates where the TRIPS Council fits within the WTO's governance structure.

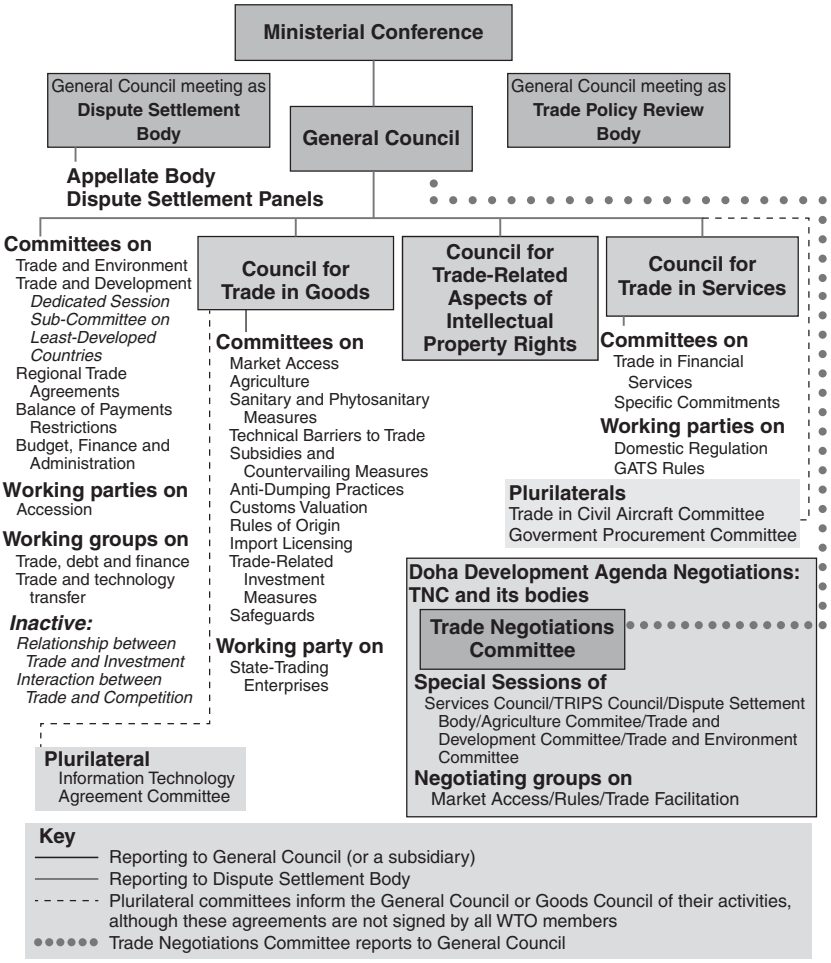

Figure I.1 WTO organizational structure

The Ministerial Conference is the highest decision-making body in the WTO, drawing together ministers representing member governments. Its sessions are to take place at least once every two years, when all matters under the WTO agreements may be addressed. The General Council constitutes the second tier in the WTO structure. It comprises representatives from all member governments, usually ambassadors/permanent representatives based in Geneva. It meets some five times in a year. It may adopt decisions on behalf of the Ministerial Conference when the Conference is not in session. The General Council has authority over the Trade Negotiations Committee. The General Council also meets as the Trade Policy Review Body (TPRB), with a distinct chairperson, to carry out trade policy reviews as mandated by the Trade Policy Review Mechanism (Annex 3 of the WTO Agreement), and as the Dispute Settlement Body (DSB), with another chairperson to administer the rules in the Understanding on Rules and Procedures Governing the Settlement of Disputes. The Ministerial Conference and the General Council have direct responsibility for matters regarding the TRIPS Agreement, acting on the recommendation of the TRIPS Council. The DSB deals with all disputes regarding the TRIPS Agreement. And the TPRB includes IP matters in the range of trade policy matters that it reviews.

The TRIPS Council, also consisting of all members, is one of the three sectoral (i.e. subject area) Councils operating under the General Council, the other two being the Council for Trade in Goods and the Council for Trade in Services. It is the body, open to all members of the WTO, responsible for the administration of the TRIPS Agreement and in particular for monitoring the operation of the Agreement. The Council meets in Geneva formally three to four times a year as well as informally as necessary.

The WTO Agreement serves as an umbrella agreement for the TRIPS Agreement and the other trade agreements annexed to it. It includes provisions on the structure and operation of the WTO. Section E of this chapter explores some of these institutional aspects, namely the cross-cutting decision-making and amendment procedures in the WTO Agreement, and discusses the work of the TRIPS Council.

4 Overview of TRIPS provisions

The TRIPS Agreement is a comprehensive multilateral agreement on IP. It deals with each of the main categories of IPRs, establishes standards of protection as well as rules on administration and enforcement of IPRs, and