94-302 A

CRS Report for Congress

Intellectual Property Provisions of the GATT 1994: "The TRIPS Agreement"

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March 16, 1994



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INTELLECTUAL PROPERTY PROVISIONS OF THE GATT 1994: THE "TRIPS AGREEMENT"

SUMMARY

This report analyzes the intellectual property (IP) provisions of the General Agreement on Tariffs and Trade (GATT) 1994 -- the Agreement on Trade-Related Aspects of Intellectual Property Rights, known as the "TRIPS Agreement."

Intellectual property standards were negotiated during the Uruguay Round of the GATT at the insistence of the United States. The position of the United States reflects the increased importance of intellectual property protection to our economic well-being in this digital, information age. Effective and adequate protection of intellectual property is no longer simply a matter of justice and fairness to creators and disseminators of intellectual property. Appropriate IP standards translate to profits and economic growth and significantly affect our balance of trade.

The TRIPS Agreement, which is slated to take effect July 1, 1995 if approved by the Congress and other legislatures of GATT Members, achieves the highest level of IP protection in any worldwide agreement. The high level protection is reflected both in the breadth of subject matter coverage (patents, trademarks, copyrights and related rights, trade secrets, semiconductor integrated circuits, indications of geographic origin, and industrial designs) and in the nature of rights protected (e.g., computer software and sound recording rental in the field of copyright; pipeline protection for pharmaceutical and chemical products, and protection for most inventions irrespective of the technological field, in the case of patents; and explicit recognition of trade secret protection).

Although some segments of the United States IP industries were disappointed by the outcome of the Uruguay Round with respect to national treatment, contractual rights, and market access, the TRIPS Agreement embodies most of the intellectual property objectives of the United States.

Following a general summary of the intellectual property provisions of the TRIPS Agreement, the report examines in greater detail the provisions relating to each field of intellectual property.

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INTELLECTUAL PROPERTY PROVISIONS OF THE GATT 1994: "THE TRIPS AGREEMENT"

I. GENERAL PROVISIONS AND BASIC PRINCIPLES

Next to the similar provisions of the North American Free Trade Agreement ("NAFTA"), the intellectual property ("IP") provisions of the recently concluded Uruguay Round of the General Agreement on Tariffs and Trade ("GATT 1994")[1] represent the highest levels of intellectual property protection embodied in any international agreement.[2] This report summarizes and

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[1] The Ministerial Conference reached an agreement on December 15, 1993 that essentially concluded the Uruguay Round of the GATT after seven years of intensive effort. The President has notified the Congress of his intention to sign the GATT 1994, which signature must be carried out by April 15, 1994. (Either the President or Special Trade Representative Kantor will sign for the United States.) The GATT 1994 will then be submitted to the Congress, along with any necessary implementing legislation, for acceptance or rejection of the entire package under the fast-track procedure. No decision has been made whether to seek congressional approval later in 1994 or in January 1995. The GATT Members are expected to complete domestic approval procedures by July 1, 1995, the scheduled date for entry into force of the GATT 1994. This report analyzes only the Agreement on Trade-Related Aspects of Intellectual Property Rights, including Trade in Counterfeit Goods, the so-called "TRIPS Agreement." Future references to the "Agreement" mean the TRIPS Agreement of the GATT 1994. Citations to specific articles will be given as "GATT 1994, Art.____."

[2] The intellectual property provisions of the GATT 1994 and the NAFTA are fairly similar. In general, however, the NAFTA improves upon the IP standards of the GATT 1994. Negotiations on IP standards began first in the GATT Uruguay Round but essentially halted in December 1991 with the Dunkel Draft. The NAFTA negotiators, who began in 1991, were able to increase the level of protection, building upon the Dunkel Draft. When the Ministerial Conference concluded the Uruguay Round on December 15, 1993, they adopted the Dunkel Draft on IP standards with very few changes, some of which slightly increased the level of protection from that in the 1991 Dunkel Draft. Some of the principal differences between the GATT 1994 and NAFTA IP standards are: NAFTA covers program-carrying, encrypted satellite signals but GATT 1994 does not; the NAFTA is silent on protection against parallel imports but the GATT 1994 affirmatively states there is no obligation to protect against parallel imports; the NAFTA states computer programs are literary works, which is

analyzes the GATT 1994 Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods ("TRIPS" or the "Agreement"), which culminates a nearly 10 year effort by the United States to create effective and adequate intellectual property rights and enforcement standards in the GATT.

The issue of intellectual property standards was placed on the agenda of the Uruguay Round at the insistence of the United States. The United States' position reflects the increased importance of intellectual property protection to the well-being of our economy in this digital, information age. Effective and adequate protection of intellectual property is no longer simply a matter of justice and fairness to creators and disseminators of intellectual property. Appropriate IP standards translate to profits and growth for United States industries and significantly impact our balance of trade.

General Obligations

Members must give effect to the provisions of the TRIPS Agreement, which consists of seven Parts and 73 Articles covering the following matters: basic principles; IP standards; enforcement of rights; acquisition and maintenance of IP rights; dispute settlement; transitional measures; and institutional arrangements.

In subject matter coverage, the GATT TRIPS Agreement ranges across almost the entire field of intellectual property: patents, trademarks, copyright and related rights; trade secrets; semiconductor integrated circuits; indications of geographic origin; and industrial design.

In specifying substantive rights and scope of protection, the general approach is to begin with the highest level multilateral rights convention and, building from that platform, add additional rights.

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preferable to the GATT's formulation that computer programs shall be protected as literary works; the NAFTA accords an exclusive commercial record rental right but the GATT 1994 allows a compulsory license subject to a right of remuneration; protection of sound recordings in general is stronger under the NAFTA, especially since the rights are not subject to reciprocity (except for the rights of performers in broadcasts); the NAFTA contains strong national treatment obligations but the GATT 1994 has only a watered-down formulation regarding national treatment; the NAFTA includes strong obligations with respect to contractual freedom but the GATT 1994 does not provide full contractual rights except for patents and trademarks; the NAFTA prohibits dependent patent compulsory licensing except as a remedy for an abjudicated violation of competition laws; and the NAFTA contains broader pipeline protection for pharmaceutical and agricultural chemical products than the GATT 1994. For an analysis of the NAFTA provisions, see CRS Report for Congress by Dorothy Schrader, American Law Division, entitled "Intellectual Property Provisions of the NAFTA" (94-59A).

The breadth of subject matter coverage, the additional substantive rights, and the detailed enforcement standards combine to make the TRIPS Agreement a bastion for intellectual property rights. Although some segments of the United States IP industries were disappointed by the outcome of the Uruguay Round with respect to national treatment, contractual rights, and market access,[3] the Agreement as a whole embodies most of the intellectual property objectives of the United States.

Under the Agreement, the Members must comply with Articles 1-12 and 19 of the 1967 Paris Convention[4] (patents, trademarks, and industrial designs) and Articles 1-21 and the Appendix of the 1971 Berne Convention[5] (copyrights). These are the two principal base-line rights conventions. Certain provisions or principles of two other treaties are invoked in setting the IP standards, although Members need not adhere to these conventions.[6] The 1961 Rome Convention[7]

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[3] National treatment and contractual rights are discussed later. The market access provisions are not part of the TRIPS Agreement; they are in a separate agreement. The United States motion picture industry is disappointed that laws and regulations establishing quotas on the percentage of foreign (*i.e.*, for all practical purposes, read United States) motion pictures that may be exhibited in theaters or on television and tariffs on imported audiovisual products were not eliminated or curtailed by the market access agreement. The European Union, some of whose members impose the quotas and tariffs, emphasizes the cultural significance of the impact of American motion pictures. From that viewpoint, the failure to remove quotas and tariffs on audiovisual products repeats the experience of the NAFTA negotiations, in which the United States acceded to Canada's demand for a cultural industries exemption. The GATT "failure" on this issue is more disappointing to the affected United States entertainment industries for these reasons: the GATT impacts the worldwide market and, most importantly on this issue, the lucrative European market; and, in the NAFTA, the United States at least won the right to retaliate when Canada exercises its cultural industries exemption. Although the United States does not have an affirmative right under the GATT to retaliate against European audiovisual quotas, the United States will probably pursue bilateral avenues. While United States entertainment industries are disappointed by the GATT outcome on national treatment, contractual rights, and market access, the overall benefits of the GATT 1994 likely ensure the support of these industries for United States acceptance of the results of the Uruguay Round.

[4] GATT 1994, Art. 2(1). The "1967 Paris Convention" refers to the Stockholm Act of the Paris Convention for the Protection of Industrial Property, July 14, 1967.

[5] GATT 1994, Art. 9(1). The "1971 Berne Convention" refers to the Paris Act of the Berne Convention for the Protection of Literary and Artistic Works, July 24, 1971.

[6] GATT 1994, Art. 1 (3).

serves to anchor the protection of performers and producers of audio recordings and broadcasters. The 1989 Washington Treaty[8] on Integrated Circuits (minus some provisions) serves to set the initial platform of protection for semiconductor integrated circuits.

GATT Members may provide more extensive protection of intellectual property than that required by the TRIPS Agreement provided the protection is not inconsistent with an explicit provision of the Agreement.[9]

National Treatment

The principle of national treatment or nondiscrimination against the foreignor forms the cornerstone of the copyright and patent multilateral conventions. National treatment is best understood in comparison with the principle of material reciprocity. International agreements relating to intellectual property are ordinarily premised on one of these two principles. National treatment means Country A agrees to protect the works of Country B on the same basis as Country A protects its own nationals. Material reciprocity means that Country A agrees to protect the works of Country B to the same extent Country B protects the works of Country A.

In recent years, some European Union countries have departed from the principle of national treatment in legislating new rights in the copyright field (royalties on audio and video recording equipment and media). The United States protested these departures from national treatment and sought in the GATT negotiations to achieve a firm commitment to apply national treatment in the copyright field. The TRIPS Agreement falls short of United States objectives on this point.

Article 3 of the TRIPS Agreement preserves the status quo: Members agree to provide nationals of other members no less favorable "treatment" than the protection accorded its own nationals, subject, however, to the "exceptions" already provided in the base-line conventions (Paris 1967; Berne 1971; Rome 1961; and Washington 1989). Those Members who assert that certain new rights are not subject to national treatment because they exceed the obligations of a given convention will presumably maintain the national treatment principle does not apply. The TRIPS Agreement does lay the foundation for consultations about a future trade dispute by requiring that Members who apply reciprocity

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[7] The "1961 Rome Convention" refers to the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, adopted at Rome on October 26, 1961.

[8] The "1989 Washington Treaty" refers to the Treaty on Intellectual Property in Respect of Integrated Circuits, adopted at Washington on May 26, 1989. This treaty, however, has not come into force.

[9] GATT 1994, Art. 1(1).

pursuant to Article 6 of the Berne Convention or Article 16(1)(b) of the Rome Convention must inform the TRIPS Council[10] of that fact.[11]

In relation to judicial and administrative procedures, Members may require designation of an address for service or the appointment of an agent within the Member's jurisdiction in the case of non-nationals, provided the practices are not applied in a manner that in reality constitutes a disguised restriction on trade.[12]

Existing Subject Matter

The TRIPS Agreement generally applies to all subject matter existing on the date of application of the Agreement to a given Member and which matter is protected in that Member country or which subsequently comes to meet the criteria for protection under the terms of the Agreement.[13] The Agreement creates no obligations in respect of acts that occurred before the date of application in the Member country in question.[14] Also, as a general rule, there is no obligation to restore protection to subject matter that is already in the public domain in the country in question.[15] In the field of copyright, however, the obligation to protect existing works is solely determined by Article 18 of the Berne Convention (1971). Article 18 of Berne also controls the obligation to protect existing works of performers and record producers.[16]

Under one interpretation, Berne Article 18 requires protection for works under copyright in the country of origin but which fell into the public domain of another country for reasons other than expiration of the term of copyright. The United States adhered to the Berne Convention without making any provision for restoration of copyright for those works that fell into the United States public domain through non-observance of formalities (*e.g.*, notice of copyright; renewal registration) but remain under copyright in the country of origin. In the NAFTA the United States bound itself to restore copyright in

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[10] The "TRIPS Council" refers to the Council for Trade-Related Aspects of Intellectual Property Rights, which is established by Article 68 of the GATT 1994 for purposes of monitoring the operation of the TRIPS Agreement and Members' compliance with its obligations.

[11] GATT 1994, Art. 3(1).

[12] GATT 1994, Art. 3(2).

[13] GATT 1994, Art. 70(2).

[14] GATT 1994, Art. 70(1).

[15] GATT 1994, Art. 70(3).

[16] GATT 1994, Art. 70(2).

certain Mexican motion pictures, subject to any constitutional and budgetary constraints. The TRIPS Agreement's specific reference to Berne Article 18 lays the foundation for other Members to question the level of protection the United States accords existing copyright subject matter. The concession made in the NAFTA regarding Mexican motion pictures will likely give rise to similar requests for copyright restoration from GATT Members in future trade disputes with the United States.

Subject to payment of equitable remuneration, Members may limit the remedies available to a right holder in the case of specific objects embodying protected subject matter which became infringing for the first time under legislation implementing the obligations of the Agreement.[17] The remedies may be so limited provided the otherwise infringing acts commenced, or a significant investment was made, before the date of acceptance of the GATT 1994 by that Member.[18]

Finally regarding existing subject matter, where protection is conditioned on registration, applications already pending when the TRIPS Agreement become applicable to a Member shall be subject to amendment to allow a claim to any enhanced protection provided by the Agreement.[19] The amendments do not extend, however, to new matter.[20] This provision would apply to patents, trademarks, geographical indications, industrial designs, and layout designs of semiconductor integrated circuits. It has no relevance to copyright since protection cannot be conditioned on registration or any other formality.

Developing Country Exceptions

The provisions of the TRIPS Agreement were negotiated primarily among the industrialized countries (the United States, Japan, the European Union, and other western developed countries). Developing countries have less leverage in the context of trade negotiations than in other fora. Nevertheless, the TRIPS Agreement reflects special concern for the interests of developing countries, which results in several exceptions from the Agreement's obligations.

There are actually three categories of "developing" countries who are given different options to delay implementation of the TRIPS Agreement: developing countries, least-developed countries, and countries in transformation from a centrally-planned to a free market economy ("transition economy countries").

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17 GATT 1994, Art. 70(4).

18 *Id.*

19 GATT 1994, Art. 70(7).

20 *Id.*

The ordinary date for implementation of the GATT 1994 TRIPS obligations is one year after the entry into force of the overall Multilateral Trade Agreement establishing the agreements concluded under the Uruguay Round.[21] Developing countries and the transition economy countries may delay implementation for an additional four years (*i.e.*, five years after entry into force), except for the Articles dealing with national treatment, most favored nation status, and relation to the World Intellectual Property Organization[22]

Further delays in implementation are possible. A developing country Member may delay implementation another 5 years (for a total of 10 years from entry into force) with respect to the mandated improvement in product patent protection to areas of technology formerly not protected in that Member.[23] Least-developed country Members may delay implementation of the entire TRIPS Agreement for 11 years from July 1, 1995, except for the articles dealing with national treatment, most favored nation status, and relation to WIPO.[24] And the TRIPS Council shall, on "duly motivated request," delay implementation more than 11 years.[25]

During these periods of delayed implementation, no Member is allowed to make changes in its domestic laws that would "result in a lesser degree of consistency" with the TRIPS standards.[26]

In another concession, developed country Members shall provide incentives to enterprises in their territory to promote and encourage "technology transfer" to least-developed country Members.[27] This obligation is in addition to the obligation to provide (on request and mutually agreed terms) technical and financial cooperation for the benefit of both developing and least-developed Members.[28] Technical and financial cooperation includes assistance in preparing legislation; assistance in enforcement of rights and in preventing abuse of rights; and support in establishing or improving domestic offices

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21 GATT 1994, Art. 65(1). Under the existing schedule, that date would be July 1, 1996.

22 GATT 1994, Art. 65(2) and (3). Under the existing schedule, that date would be July 1, 2000.

23 GATT 1994, Art. 65(4).

24 GATT 1994, Art. 66(1).

25 *Id.*

26 GATT 1994, Art. 65(5).

27 GATT 1994, Art. 66(2).

28 GATT 1994, Art. 67.

responsible for enforcement and prevention of abuse, including the training of personnel.[29]

In summary, least-developed countries can delay application of the TRIPS standards for 11 years at least. Developing countries can delay application of the TRIPS standards for 5 years and can delay the product patent provisions for 10 years. Transition economy countries can delay application of the TRIPS standards for five years. Developed country Members have an obligation, one year after entry into force of the Agreement, to provide technical and financial assistance to both developing and least-developed countries, and to promote and encourage technology transfer to least-developed country Members.

Contractual Freedom

The United States would have preferred inclusion of a general obligation about respect for contractual freedom in all matters relating to transfer and licensing of rights. Instead of such a general obligation, the United States had to settle for brief references in some of the standards sections dealing with specific IP fields to the right to engage in licensing (trademarks -- Article 21; patents -- Article 28(2)). The omission of any reference to contractual rights in the copyright field is viewed by some United States interests as one of the serious defects of the TRIPS Agreement. This means the United States copyright doctrine of works made for hire need not be reorganized by GATT Members.

Under United States copyright law, the employer is frequently the author and first owner of copyright in a motion picture, television production, sound recording, or computer program. The copyright laws of most countries do not recognize the work-for-hire concept of United States law. In most countries, the individual creator is the author and owner of copyright in almost all instances. Exceptions include journalistic works in many countries and the modified work for hire doctrine of other common law countries. In the United Kingdom, for example, the employer is frequently the first owner of copyright but, since the employer is not considered an author, the term of copyright is measured from the life of the employee-creator. In the United States, individual creators are also the author and first owner of copyright in most categories of works other than motion pictures, television productions, sound recordings, and computer programs.

A trend has emerged in recent years in which members of the European Union have extended new rights (home video and audio taping compensation, for example) primarily to individual authors and only on a basis of reciprocity. The result is the United States motion picture and recording industries in particular are deprived of significant revenues from use of their works in Europe. The United States has attacked this trend and argued both for the principle of national treatment and full recognition of contractual rights,

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[29] *Id.*

including work for hire contracts that designate the employer as author. The Europeans succeeded in rejecting the arguments of the United States on these points within the TRIPS Agreement.

Instead of a provision affirming contractual freedom, the Members agree that some licensing practices that restrain competition may have an adverse effect on trade and may impede transfer and dissemination of technology.[30] Consequently, nothing in the Agreement prevents Members from specifying and dealing with those licensing practices that may constitute an abuse of IP rights.[31] Examples of potentially abusive practices include exclusive grantback conditions; conditions preventing challenges to validity; and coercive package licensing.[32] Members may adopt appropriate measures to control such abusive practices.

On request, a Member shall enter into negotiations with another Member who believes a right holder is acting anti-competitively.[33] The Members shall engage in consultations and exchange publicly available, non-confidential information.[34]

Acquisition and Maintenance of IP Rights

In the case of patents, trademarks, layout designs of semiconductor integrated circuits, and geographic indications, Members may require compliance with reasonable procedures and formalities as a condition of acquiring or maintaining IP rights[35] These requirements must be consistent with the Agreement.

When registration or a government grant is required to acquire IP rights, the Member must ensure the right is granted or registered within a reasonable period of time.[36] If the national law provides for administrative revocation or interference procedures (such as opposition, revocation, and cancellation of the right), the Member must ensure the procedures are fair and equitable, not unnecessarily complicated or costly, nor involve unreasonable time-limits or

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30 GATT 1994, Art. 40(1).

31 GATT 1994, Art. 40(2).

32 *Id.*

33 GATT 1994, Art. 40(3).

34 *Id.*

35 GATT 1994, Art. 62(1).

36 GATT 1994, Art. 62(2).

delays.[37] Also, decisions on the merits 1) shall preferably be in writing with reasons for the outcome, 2) shall be made available to the parties without undue delay, and 3) shall be based only on evidence for which the parties were given an opportunity to be heard.[38] Final administrative decisions shall be subject to judicial or quasi-judicial review,[39] except in cases of unsuccessful opposition or administrative revocation (provided the grounds for such procedures can be the subject of invalidation procedures).[40]

Any procedures relating to acquisition or maintenance of IP rights included in multilateral agreements concluded under the aegis of the World Intellectual Property Organization are not subject to the obligations of this Agreement concerning national treatment and most-favored nation treatment.[41]

Most-Favored Nation Treatment

Any advantage, favor, privilege or immunity with respect to intellectual property protection granted by a Member to nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other Members.[42]

Exceptions to most-favored nation treatment are permitted in the following cases: i) international agreements on judicial assistance and law enforcement of a general nature; ii) the provisions of the Berne Convention 1971 or the Rome Convention 1961 authorizing reciprocal treatment; iii) agreements for rights of performers, producers of phonograms and broadcasting organizations not provided under this Agreement; and iv) IP international agreements which entered into force prior to the entry into force of the GATT 1994, provided such agreements are reported to the Council on TRIPS and do not constitute an arbitrary or unjustifiable discrimination against nationals of other Members.[43]

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37 GATT 1994, Art. 62(4).

38 Id., incorporating the provisions of Article 41(2) and (3).

39 GATT 1994, Art. 62(5).

40 *Id.*

41 GATT 1994, Art. 5.

42 GATT 1994, Art. 4.

43 *Id.*

Institutional Arrangements

The Agreement creates a Council for Trade-Related Aspects of Intellectual Property Rights ("TRIPS Council) to monitor operation of the Agreement and compliance with its obligations.[44] The Council facilitates consultations, assists as requested in dispute settlement procedures, seeks information to carry out its functions, and, in consultation with WIPO, will attempt to establish within one year of the Council's first meeting, appropriate arrangements for cooperation with the constituent bodies of WIPO.[45]

Members also agree to cooperate with each other to eliminate international commerce in infringing goods.[46] To facilitate cooperation, each Member shall establish contact points in their national administrations, notify other Members of these contact points, and be ready to exchange information about trade in infringing goods.[47] Specifically, Members shall promote active cooperation between customs authorities regarding trade in counterfeit trademark goods and pirated copyright goods.[48]

Enforcement Standards and Dispute Settlement

The Agreement contains specific enforcement standards and procedures, which cover administrative and judicial procedures, civil and criminal penalties and procedures, and customs regulation. In general, the enforcement standards are intended to ensure expeditious application of remedies to prevent infringement and to deter future infringement. The procedures must be fair and equitable, not unnecessarily complicated or costly, and must not entail unreasonable time-limits or unwarranted delays.[49] The procedures must also be applied to avoid the creation of barriers to legitimate trade and to safeguard against abuse by right holders.[50]

To facilitate enforcement, Members must publish laws, regulations and final judicial or administrative rulings of general applicability to protection of IP

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44 GATT 1994, Art. 68.

45 *Id.*

46 GATT 1994, Art. 69.

47 *Id.*

48 *Id.*

49 GATT 1994, Art. 41(1) and (2).

50 GATT 1994, Art. 41(1).

rights.[51] If publication is not practicable, the same information must at least be publicly available in a national language.[52] Special agreements between governments or agencies of Members relating to the provisions of this Agreement shall also be published.[53] All of this information shall also be reported to the Council on TRIPS, unless the Council waives the obligation because a common register of information has been established with WIPO.[54]

The dispute settlement procedures and mechanisms of the GATT 1994 create extremely important tools that can be used to enforce the substantive IP standards and the other enforcement standards of the TRIPS Agreement. Article 64 of the TRIPS Agreement incorporates by reference the basic framework for dispute settlement and, most importantly, its elaboration in an agreement, reached at the conclusion of the Uruguay Round, which is known as the Understanding on Rules and Procedures Governing the Settlement of Disputes (hereafter, the Dispute Settlement Understanding or "DSU").[55]

The DSU becomes applicable upon entry into force of the TRIPS Agreement (*i.e.*, July 1, 1995), except that its application to so-called "non-violation" complaints is delayed for five years. During this five-year delay, the TRIPS Council handles "non-violation" complaints by consensus.

The DSU establishes a hierarchy of solutions to trade disputes with the objective of securing a positive, non-contentious outcome. The mechanisms range from consultation and voluntary mediation to detailed, formal processes -- dispute settlement panels, a Dispute Settlement Body for decision-making, an Appellate Body for review of the decision, and, if necessary, authorization from the Dispute Settlement Body to suspend trade concessions pending withdrawal of a measure in conflict with the provisions of the TRIPS Agreement.

One of the key questions for the United States is the extent to which the DSU procedures and mechanisms inhibit a Member from taking unilateral action against a restrictive trade practice. Section 23 of the DSU purports to strengthen the commitment to multilateral action. The Industry Functional Advisory Committee on Intellectual Property Rights for Trade Policy Matters

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51 GATT 1994, Art. 63(1).

52 *Id.*

53 *Id.*

54 GATT 1994, Art. 63(2).

55 The Dispute Settlement Understanding is Annex 2 of the overall agreement encompassing the GATT 1994. For a more detailed analysis of the enforcement and dispute settlement provisions of the GATT 1994, see the CRS Report No. 94-228A entitled "Enforcement of Intellectual Property Rights under the GATT 1994 TRIPS Agreement." See generally, CRS Report No. 93-82A. Dispute Settlement under Free Trade Agreements and the GATT.

(IFAC-3) takes the position that the United States may continue to employ measures such as Section 301 of the Trade Act and GSP (generalized systems of preferences) but acknowledges that the extent to which the sanctions of domestic law can be invoked are more limited if the GATT 1994 Agreements are accepted.[56]

Once the Dispute Settlement Understanding becomes fully effective in the year 2000, the extent to which unilateral action can be taken to remedy a trade practice may become a contentious issue for the United States. On the other hand, once the DSU is fully effective, the United States can invoke its strong enforcement mechanisms to achieve a satisfactory resolution of a trade grievance within a reasonable period of time. In the long run, multilateral enforcement should provide more satisfactory and lasting conflict resolution than unilateral action -- at least that is the hope of those who negotiated the Dispute Settlement Understanding for the United States.

II. COPYRIGHT PROVISIONS OF THE GATT 1994 TRIPS AGREEMENT

General Obligation

The 1971 version of the Berne Convention for the Protection of Literary and Artistic Works (hereafter, "Berne Convention") serves as the base-line convention governing the general obligations of the GATT 1994 TRIPS Agreement in the field of copyright.[57] The Berne Convention obligations are supplemented by additional, explicit obligations especially with respect to computer programs and databases.

Subject Matter Protection

With respect to subject matter, Article 2 of the Berne Convention establishes baseline protection of literary and artistic works, including the works explicitly enumerated in that article. To these works, the GATT 1994 TRIPS Agreement explicitly adds that computer programs shall be protected as literary

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[56] *See,* "Report to Congress on the Uruguay Round" by the IFAC-3 (Unpublished memorandum; 28 pp.) January 1994 at 6. (Hereafter, "IFAC-3 Report").

[57] Articles 9-13 of Part II, Section 1 of the GATT 1994 establish the obligations relating to copyright subject matter.

works and compilations of data must be protected if their selection or arrangement constitutes an intellectual creation.[58]

Exclusive Rights

With respect to the grant of rights, the GATT countries must provide the rights enumerated in the Berne Convention, except that there is no obligation to apply Article 6 *bis* of Berne. This means any alleged failure by the United States to accord moral rights protection cannot be subject to dispute settlement under the GATT (or trade retaliation).

The rights extended under the Berne Convention (1971) include the following: the reproduction right; the adaptation right; the right of public performance of literary, dramatic, musical, or audiovisual works; the right of public communication of the same works; and the right to make recordings of literary and musical works (subject to a possible compulsory license).

The GATT 1994 TRIPS Agreement explicitly requires protection of the right of commercial rental of the original or a copy of a computer program except where the copy is not an essential object of the rental,[59] and of the commercial rental of cinematographic works (motion pictures). There is no obligation to accord a software rental right to software contained in cars, microwave ovens, elevators, or other leased products that contain computer programs but which programs are not the real subject of the rental. Also, there is no obligation to accord this right to copies purchased prior to the application of this Agreement in a Member country.[60]

The obligation to accord a commercial rental right to motion pictures was initially resisted by the United States because our copyright law does not grant an exclusive rental right to motion pictures. The TRIPS Agreement finesses the issue, however, by creating an exception to this obligation. The United States

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[58] GATT 1994, Art. 10. The explicit recognition that computer programs shall be protected as literary works and that original compiliations of data must be protected represent two of the major copyright policy objectives of the United States. Given the technological leadership of the United States in the computer and database fields, the explicit obligations to protect this subject matter are highly important to the United States. In accordance with standard copyright policy, the obligation to protect an original compilation of data shall not extend to any uncopyrightable data or prejudice any copyright already subsisting in the component elements of the compilation. GATT 1994, Art. 10(2).

[59] GATT 1994, Art. 11. The commercial rental right of United States law as applied to computer programs is subject to terminate on October 1, 1997. The GATT 1994 obligates the United States to make permanent this rental right. Legislation must be passed before October 1, 1997.

[60] GATT 1994, Art. 70(5).

assumes that it can invoke the exception, which is that no Member has any obligation with respect to commercial rental of motion pictures unless the practice of rental leads to widespread unauthorized copying of the motion pictures to such an extent that the reproduction right is materially impaired. That is, rental activity must lead to widespread piracy of motion pictures before a Member must legislate to protect motion pictures against commercial rental. The United States is counting on the assumption that most renters of motion pictures do not illicitly copy the work, or at least, any copying is for delayed viewing, which arguably is not a material impairment of the reproduction right. If this assumption is proved wrong, United States acceptance of the GATT 1994 may ultimately force us to legislate a commercial rental right for motion pictures.

The TRIPS Agreement neither requires explicit recognition of a right of importation nor protection against parallel importation (that is, importation of so-called "gray market goods" whose making and distribution are authorized for certain countries but not for the country of importation). In fact, a footnote to Section 4 (Border Measures) of the Agreement states there "shall be no obligation to apply such procedures to imports of goods put on the market in another country by or with the consent of the right holder . . . ."

Term of Copyright

Copyright protection must endure generally for the life of the author plus 50 years, as provided in the Berne Convention. If the term is not based on the life of a natural person, copyright must endure for 50 years from first publication, or, if the work is unpublished, 50 years from the making of the work.[61] An exception is made for photographic works and works of applied art which, consistent with Berne, allows a term of 25 years for works in these two categories.

Limitations on Rights

Limitations on the rights provided for in Articles 9-11 of the TRIPS Agreement must be justified on a general principle derived from Article 9(2) of the Berne Convention. Any limitations or exceptions to exclusive rights can only apply in "special cases" that do not conflict with normal exploitation of the work *and* do not unreasonably prejudice the legitimate interests of the right holder.[62] Under this principle, any significant commercial use of the work should be ineligible for one of the limitations or exceptions. Ordinary commercial use would surely either conflict with marketing of the work by the rights holder or would prejudice legitimate expectations of compensation for use of the work.

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61 GATT 1994, Art. 12.

62 GATT 1994, Art. 13.

This general principle applies to noncommercial uses as well, but its vagueness probably makes the principle too imprecise to control exceptions for noncommercial purposes unless the deleterious effect of widespread use can be easily demonstrated. Berne Convention adherents have debated, for example, whether application of this principle to private home video or audio taping requires compensation for the rights holder. Certain Committees of Experts have concluded that this principle requires compensation for private home taping, but this conclusion is not accepted by all members of the European Union, for example. If private home taping were accepted as prejudicial to the legitimate interests of the rights holder, those members of the European Union who enact domestic royalty systems to compensate for home taping could not refuse to give national treatment protection against home taping to United States authors. Since several countries in Europe do refuse national treatment protection against home taping, it seems clear that the general principle of Article 9 (2) of Berne, which the GATT 1994 TRIPS Agreement adopts, essentially provides a debating point about the scope of exceptions for noncommercial uses.

Nevertheless, this general brake on otherwise unlimited exceptions to rights represents a good compromise in an international instrument between silence on a matter of copyright policy and excessive, fractious detail. The language will control commercial uses and provides a negotiating point in the case of noncommercial uses.

Developing Country Exceptions

The 1971 Paris version of the Berne Convention contains an Appendix for Developing Countries. This Appendix emanated from the international copyright policy conflicts between developed and developing countries in the 1960's. With great reluctance, the western copyright exporting countries yielded to the combined pressure of the socialist bloc and the developing countries to establish special exceptions to exclusive rights that could be invoked by developing countries. These exceptions take the form of permission to engage in compulsory licensing with respect to translation and reproduction of works under certain conditions. In practice, the special exceptions of the Appendix for Developing Countries have been rarely invoked.

The TRIPS Agreement allows developing countries the privilege of invoking the compulsory licensing options of the Appendix to the Berne Convention.[63]

Moral Rights

Article 6*bis* of the Berne Convention requires some protection of the so-called "moral rights" of the author, independent of the exercise of the economic

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[63] GATT 1994, Art. 9. Moreover, as noted earlier, developing countries may delay implementation of the TRIPS Agreement 5-11 years.

rights. The minimum moral rights are the right of paternity (or attribution; that is, the right to have authorship correctly attributed) and the right of integrity (the right to object to modifications of the work prejudicial to the author's reputation). The United States originally adhered to the Berne Convention without enacting any federal moral rights protection. It contends that the minimum obligations of Article 6*bis* are satisfied by a combination of federal trademark law, contract law, and state statutory and common law. In 1990, Congress enacted federal moral rights protection with respect to individually created visual artworks[64] (i.e., paintings, sculpture, limited edition graphic artworks other than designs of useful articles, and certain limited edition photographs). While other authors may seek additional federal moral rights legislation, they are opposed generally by producers and publishers of works in categories other than visual artworks.

Pursuant to Article 9(1) of the GATT 1994, TRIPS Agreement there is no obligation to extend moral rights protection under the Agreement. This means that any alleged deficiency in moral rights protection by the United States cannot be the subject of dispute settlement under the GATT or of trade retaliation by a GATT country. This concession means that the United States can continue to emphasize the primacy of economic rights as the best approach to assuring the protection of the interests of authors.

III. SOUND RECORDING PROTECTION UNDER THE GATT 1994 TRIPS AGREEMENT

The United States is one of the significant *minority* of countries who protect sound recordings under the copyright law. Strong copyright protection for sound recordings exists under United States law both with respect to exclusive rights (except that the right of public performance is withheld) and the term of protection (generally 75 years from publication).

A majority of countries protect sound recordings as a "related right," or a "neighboring right." Many of those countries adhere to the 1961 Rome Convention on the Protection of Performers, Producers of Phonograms, and Broadcasting Organizations, which allows non-copyright protection for sound recordings and a minimum term of 20 years (usually from fixation or publication). The GATT 1994 TRIPS Agreement reconciles these two approaches essentially in favor of the related rights approach, but allows the copyright option as an alternative.

The base-line convention for the protection of sound recordings is the 1961 Rome Convention. The minimum obligations of that Convention are, however, substantially beefed-up by additional obligations of Article 14 of the Agreement.

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[64] Visual Artists Rights Act of 1990, Public Law 101-650, Title VI, 104 Stat. 5089, 5128 (December 1, 1990).

This designation of the 1961 Rome Convention as the base-line rights convention governing protection of sound recordings was initially resisted by the United States because it is not a member of this convention, and because its frequent resort to reciprocity and the minimum term of the 20 years create an inadequate level of protection for sound recordings in the judgment of the United States. The European Union insisted upon designation of the 1961 Rome Convention as the base-line convention in part as a negotiating tactic and in part because they genuinely wish to upgrade the level of protection for performers. The European Union tends to believe that the United States fails to protect the rights of performers adequately, and that it is only concerned in the field of "related rights" with protection for producers of sound recordings.

As discussed below, the United States should be able to satisfy the minimum obligations of the TRIPS Agreement with respect to performers' rights without amendment of our law,[65] although this obligation may be the subject of future trade disputes if the European Union challenges the adequacy of U.S. protection for performers.

Exclusive Rights

The TRIPS Agreement in Article 14 specifies the nature of the minimum rights for the protection of performers, record producers, and broadcasters.

Performers shall be able to authorize (i) the first fixation of their performance and its reproduction in a phonogram (audio recording), and (ii) the broadcasting and communication to the public of their **live** performances. The United States could consider that it satisfies these obligations by a combination of federal and state law: those performers who are non-employee authors enjoy "category (i)" rights under the copyright law; performers who are employees in works made for hire also enjoy "category (i)" rights as a matter of contract law and collective bargaining in all states and under the criminal laws or unfair competition laws of just over one-half of the states; "category (ii)" rights are also provided by a combination of contract law, collective bargaining rights, and state criminal or unfair competition laws. The federal copyright law does not accord a right of public performance to the owners of copyright in a sound recording; therefore, we must rely upon state law to accord performers a right with respect to broadcasts of live performances. As a practical matter, however, live performances are almost never broadcast; the broadcasts are made from recorded performances, as to which the Agreement accords performers no rights. Broadcasts of live performances do occur, however, at sporting events which are broadcasted, so the United States will have to accord some protection to these performers, presumably at state law. Another possible argument for the United

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[65] IFAC-3 nevertheless recommends enactment of a federal anti-bootlegging statute by amendment of the Criminal Code, title 18 U.S.C. No property right would be created, but the unauthorized fixation of a live performance and its reproduction would be a federal crime. IFAC-3 Report of January 1994 at 12.

States is this: the TRIPS Agreement performers' right is stated as a right to prevent certain acts without authorization; therefore, the performer has a right of objection, which the United States can assume is fully protected by contract and collective bargaining.

The record producer shall have the right to authorize or prohibit direct or indirect reproduction of the audio recording. Except for the commercial rental right discussed below, the record producer enjoys no other rights. Thus, the GATT 1994 does not explicitly cover the distribution right, although an argument can be made that this right is implicitly included in the reproduction right.

Broadcasters have the right to prohibit (i) the fixation of their broadcasts; (ii) reproduction of such fixations; (iii) rebroadcasting; and (iv) communication to the public of television rebroadcasts. GATT Members have the option of extending these rights to broadcasting organizations either in their own right or may extend the equivalent rights under the copyright law to owners of the works that are the subject of broadcasts. The United States can satisfy these obligations under its copyright law without any question, especially since Article 14(3) specifically allows for any limitations on those rights permitted by the Berne Convention. The reference to the Berne Convention justifies the cable retransmission of broadcasts by means of the compulsory license of our copyright law.

The obligation to accord a commercial rental right to audio recordings is one of the signal improvements in protection under the GATT 1994 TRIPS Agreement. Under Article 14(4), the provisions of Article 11 (commercial rental right for computer programs) apply in the same way to "producers of phonograms and any other right holders in phonograms as determined in domestic law." Since the United States copyright law accords a rental right in sound recordings, our law is consistent with this provision. The Agreement qualifies this right, however, in a way that is not satisfactory to the United States record industry. As an accommodation to Japan, Article 14(4) provides that a country that only accords a right of remuneration for record rental under its law in effect on December 15, 1993 may maintain that law provided the commercial rental of audio recordings does not materially impair the reproduction right. This accommodation for Japan bears some similarities to, but also differs from, the accommodation for United States law on video rental. The similarity is that existing law may be maintained provided rental practices do not lead to material impairment of the reproduction right. The differences are: the United States accords no protection for video rental after the first sale of the copy whereas Japan gives a right of remuneration (*i.e.*, compensation subject to compulsory licensing) for record rental; on the other hand, the United States should have an easier time than Japan in establishing non-impairment of the reproduction right through rental practices. Most video renters either do not copy or those who copy do so for delayed viewing and then erase the copy, whereas most record renters make a copy and preserve it for repeated use in lieu of purchasing the original. Record rental is therefore more likely than video rental to lead to material impairment of the reproduction right. Japan's record

rental law could be the subject of a trade dispute between the United States and Japan in the future.

Term of Protection

One of the signal achievements of the GATT 1994 TRIPS Agreement is the increased term of protection of sound recordings. The minimum term of protection for record producers and performers is 50 years from the year of first fixation or when the performance took place. The minimum term under the 1961 Rome Convention is only 20 years. For broadcasting organizations, the minimum term of protection remains 20 years.

Limitations on Rights

Under Article 14(6) of the Agreement, any Member may apply the conditions, limitations, exceptions and reservations of the 1961 Rome Convention with respect to the rights mentioned in Article 14, except with respect to the commercial rental of sound recordings. This resort to the limitations and reservations of the 1961 Rome Convention is consistent with its status as the base-line convention, but this means that, except for the rental right, the rights may be subject to reciprocity if the 1961 Rome Convention so provides. The United States record industry would have preferred a system of rights based upon national treatment rather than reciprocity.

Article 14(6) also provides that the provisions of Article 18 of the Berne Convention (1971) shall apply in the same way to the rights of performers and record producers. Berne Article 18 governs protection for works that have not fallen into the public domain of their country of origin at the time a country becomes bound by the Berne Convention. In effect, Article 18 seems to require restoration of protection for such works if they had fallen into the public domain of the newly adhering country. Application of this article to sound recordings for the first time opens the door to future trade disputes about retroactive protection. The United States had such a dispute with Japan, which resulted in a commitment from Japan to give limited retroactive protection to United States recordings.

IV. PROTECTION OF LAYOUT DESIGNS OF SEMICONDUCTOR INTEGRATED CIRCUITS UNDER THE GATT 1994 TRIPS AGREEMENT

In 1984, the United States enacted the first statutory protection for a new form of intellectual property, which we called "mask works." The topography or layout designs of semiconductor integrated circuits (also called "chip designs") more accurately describes the nature of the subject matter. This *sui generis* form of protection draws principles from copyright law and industrial property

law governing designs of useful articles; the nature of protection is copyright-like, except that registration is mandatory within two years of commercial exploitation in order to establish the right.

Articles 35-38 of the GATT 1994 TRIPS Agreement establish the obligations to protect "chip designs." The reference to a base-line convention in this case is most unusual. The approach is to adopt certain articles of the 1989 Washington Treaty on Intellectual Property in Respect of Integrated Circuits (hereafter, "1989 Washington Treaty"), reject other provisions of the Treaty, and substitute new provisions. In effect, we have the 1989 Washington Treaty - minus-and-plus. The Treaty has not in fact come into force (and United States policy opposes its coming into force because of the deficiencies of the Treaty). The United States and Japan, which in 1989 accounted for approximately 85% of the world's chip production, refused to sign the Final Act of the Treaty, and have remained united in their opposition to it. The deficiencies of the Treaty are highlighted by the additional obligations set out in Article 36 of the Agreement.

The Members agree to protect layout designs of integrated circuits in accordance with Articles 2 through 7, 12 and 16(3) of the 1989 Washington Treaty except for Article 6(3). These provisions require each Party to make unlawful the unauthorized importation, sale, or other commercial distribution of a layout design, an integrated circuit incorporating a protected layout design, or an article incorporating such an integrated circuit.[66] The obligation to protect against importation of articles incorporating a protected design is an important clarification of the rights in the Washington Treaty.

Other "plus" provisions in the GATT 1994 TRIPS Agreement adjust the obligation to compensate the right holder even in the case of "innocent infringement" and fix a 10 year minimum term.

A defense of "innocent infringement" must be allowed if a person did not know and had no reasonable ground to know about the infringement when the person acquired copies of the protected integrated circuit or an article incorporating the integrated circuit. This defense is appropriate because a business person could easily purchase a product (a television, microwave oven, etc.) that has an infringing chip design without having any knowledge of the infringement. After the "innocent infringer" receives notice of the infringement, the person may dispose of stock on hand or on order, subject to payment to the right holder of an amount equivalent to a reasonable free market royalty.[67]

Compulsory licensing of layout designs of integrated circuits is permitted by or for a government for public non-commercial uses in order to remedy a practice that has been determined anti-competitive after a judicial or

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[66] GATT 1994, Art. 36.

[67] GATT 1994, Art. 37(i).

administrative process.[68] The compulsory licensing provision of the 1989 Washington Treaty constitutes probably the major objection by the United States to the Treaty. The United States felt there was no justification for compulsory licensing given the commercial nature of the product, the modest scope of protection (against copying), and the permissibility of legitimate reverse engineering to achieve a new chip design. Although the TRIPS Agreement permits compulsory licensing, it improves the level of protection by sharply restricting the purpose of the compulsory license.

Consistent with United States and Canadian law, the Agreement allows registration as a condition of protection. If registration is mandatory, the term is 10 years from either the date of filing for registration, or from the date of first commercial exploitation.[69] If registration is not a condition of protection, the term is 10 years from the date of first commercial exploitation. A Member may provide that protection lapses 15 years after creation of the layout design.[70]

In the GATT 1994 TRIPS Agreement the United States has come close to the level of protection it sought, but of which it fell short, in the 1989 Washington Treaty. The commitment of developing country Members to this higher level of protection is especially important because the developing countries at the 1989 Washington Diplomatic Conference blocked the effort to achieve what the United States considered appropriate levels of chip design protection.[71]

V. PROTECTION OF INDUSTRIAL DESIGNS UNDER THE GATT 1994 TRIPS AGREEMENT

International protection of industrial designs is characterized by a lack of harmony in the level of protection, the basis of the protection, and the relevance of formalities. The 1967 Paris Convention deals with industrial designs that are novel and therefore subject to patenting. The 1971 Berne Convention provides that the artistic features of industrial designs may be protected by copyright for a minimum term of 25 years. The Hague Agreement concerning the International Deposit of Industrial Designs provides yet another avenue of protection--in effect, *sui generis* design protection. The United States is not a member of the Hague Agreement.

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68 GATT 1994, Art. 37(2).

69 GATT 1994, Art. 38(i).

70 GATT 1994, Art. 38(2)-(3).

71 As discused earlier, the developing countries can delay implementation of this improved level of protection for five years; least-developed countries can delay improved protection for 11 years. GATT 1994, Arts. 65(2) and 66(1).

The United States protects novel useful designs under the design patent law and protects the separate and independent artistic features of useful articles under the copyright law as pictorial, graphic, or sculptural works. Many useful designs fail to enjoy either patent or copyright protection. To some extent, the trademark law has been interpreted to fill in the gap in protection partially by protecting the configuration of packages and containers. A bill to create a new form of design protection (usually for 10 years and based on modified copyright principles) has been pending in virtually every Congress since 1914 (except for World War II and the immediate post-war era), but has failed to be enacted.

Given the lack of one harmonizing convention in the field of industrial design, the GATT 1994 TRIPS Agreement makes no reference to any convention as forming the base-line principles of protection. Instead, Articles 25 and 26 simply set forth a few basic principles with a fair degree of flexibility in meeting the minimum obligations. Each Member shall provide for the protection of independently created industrial designs that are new *or* original.[72] Since new or original designs are the object of protection, the Member may elect to grant protection under either the patent or copyright laws, or under a *sui generis* law.

Beyond the very general standards of new or original, the Agreement does not seek to define the level of protection. As an option, a Member may provide that it will not consider designs new or original if they do not significantly differ from known designs or combinations of known design features. A Party also may deny protection to designs dictated essentially by technical or functional considerations.[73] Since no existing design law protects designs dictated by technical or functional considerations, the absence of an agreement to exclude such designs may simply mean the Members did not have the time, or did not consider the issue important enough, to resolve any language differences in expressing the exclusion.

The basic right granted is the right to prevent the unauthorized making or selling of articles that copy or substantially copy the protected design for commercial purposes.[74]

Textile designs are singled out for special care, however. Members have the option of requiring registration as a condition of protection. They shall, however, ensure that the requirements--in particular the registration costs and examining or publication requirements--do not unreasonably impair the opportunity to seek and obtain textile design protection.[75]

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72 GATT 1994, Art. 25(1).

73 *Id.*

74 GATT 1994, Art. 26(1).

75 GATT 1994, Art. 25 (2).

The minimum term of protection is 10 years.[76] Again, presumably because of the lack of a harmonizing convention, the Parties did not specify the starting point for the 10 year term--whether from publication of the design, registration, filing, creation, or commercial exploitation.

With respect to exceptions or limitations, the TRIPS Agreement simply adopts once more the principle of Article 9(2) of the Berne (Copyright) Convention. A Member may provide limited exceptions that do not unreasonably conflict with normal exploitation of the design and do not unreasonably prejudice the legitimate interests of the owner. The Agreement does add a further caveat that broadens the possibility for limitations: the Member should also take account of legitimate interests of persons other than the owner of rights.[77] These persons would be retail businesses, consumers, and other purchasers of objects that contain protected designs. Again, given the lack of a harmonizing convention, the GATT countries did not attempt to describe the limitations with any specificity. A typical limitation in national law might exempt "innocent infringers," especially if they disclose the source of the infringing product. Other exceptions would at least allow the "innocent infringer" to dispose of existing stock, even after notice of infringement, but subject to reasonable remuneration to the right holder.

VI. TRADEMARK PROTECTION UNDER THE GATT 1994 TRIPS AGREEMENT

The GATT 1994 TRIPS Agreement provides an adequate and effective system of protection for trademarks, which is established by Articles 15-21 of the Agreement. Article 15 broadly defines a trademark as consisting of "[a]ny sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings . . . . Such signs, in particular words, including personal names, letters, numerals, colors, figurative elements and combinations of colors as well as any combination of such signs, shall be eligible for registration as trademarks."[78]

Service marks are specifically included in the obligation to protect trademarks.[79]

The basic obligation is to grant the trademark owner the right to prevent unauthorized use in commerce of identical or similar signs in connection with identical or similar goods or services, where the use would result in the

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[76] GATT 1994, Art. 26(3).

[77] GATT 1994, Art. 26(2).

[78] GATT 1994, Art. 15(1).

[79] *Id.*

likelihood of confusion as to the source of the goods or services.[80] A Member must establish a presumption of likelihood of confusion if an identical sign is used for identical goods or services.[81]

Trademark rights must be extended to registered trademarks, and a Member has the option of granting rights on the basis of use of the trademark.[82] Actual use shall not, however, be a condition for filing for trademark registration, and an application cannot be refused solely on the ground the intended use has not taken place within three years of the date of application.[83] The nature of the goods or services to which the mark is attached shall not form an obstacle to registration.[84]

Trademark protection may be obtained through registration or through use under the common law in the United States and other common law countries. Like the Paris Convention (1967), the GATT 1994 TRIPS Agreement relies on domestic law for most of the details of a trademark registration system. Pursuant to Article 2 of the GATT 1994 TRIPS Agreement, each member must comply with Articles 1-12 and 19 of the Paris Convention (1967). Trademark opposition proceedings may be allowed at the option of a Member.[85] Members must publish registered trademarks and afford an opportunity to petition for cancellation.[86]

Article 6*bis* of the Paris Convention shall apply to services.[87] Whether a trademark is well known or not shall be determined by knowledge of the mark in the relevant sector of the public. A Member cannot require that the reputation of the trademark must extend beyond the public sector that normally deals with the relevant goods or services, in order to enjoy protection against unauthorized use.[88]

The trademark must be valid for a minimum of 7 years, renewable at 7 year or longer intervals. The trademark is renewable indefinitely when the

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80 GATT 1994, Art. 16(1).

81 *Id.*

82 GATT 1994, Art. 15(3).

83 *Id.*

84 GATT 1994, Art. 15(4).

85 GATT 1994, Art. 15(5).

86 *Id.*

87 GATT 1994, Art. 16(2) and (3).

88 GATT 1994, Art. 16(2).

conditions for renewal have been met.[89] If use of the mark is one of the conditions for maintaining the trademark, registration may be canceled for non-use only after an uninterrupted period of at least three years of non-use (unless the owner is able to prove that obstacles to use establish valid reasons for non-use).[90] Valid reasons include import restrictions on, or other government requirements for, the good or services identified by the trademark.[91] The general principle is that, if non-use occurs because of circumstances independent of the will of the trademark owner, cancellation of the trademark registration is not justified.

Authorized use by a licensee of the trademark owner, including use to maintain registration, must be recognized by a Member.[92] Use of the mark in commerce cannot be encumbered by special requirements.[93] A Member may, nevertheless, determine conditions on the licensing and assignment of trademarks, subject to two caveats: compulsory licensing of the mark is prohibited; and the trademark owner shall have the right to assign the mark with or without a transfer of the business to which the mark applies.[94]

A Member may also provide limited exceptions to the rights, such as allowing the fair use of descriptive terms. Again there is a caveat: the exceptions must take account of the legitimate interests of the trademark owner and of other persons.[95] These persons would be retail businesses and other purchasers of goods or services to which the mark might be applied.

VII. PATENT PROTECTION UNDER THE GATT 1994 TRIPS AGREEMENT

General Obligations

The GATT 1994 TRIPS Agreement establishes obligations in Articles 27-34 to provide a fairly good level of patent protection, requiring that patents shall be available for any invention, whether a product or process, in all fields of

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89 GATT 1994, Art. 18.

90 GATT 1994 Art. 19(1).

91 *Id.*

92 GATT 1994, Art. 19(2).

93 GATT 1994, Art. 20.

94 GATT 1994, Art. 21.

95 GATT 1994, Art. 17.

technology, if the product or process is new, results from an inventive step, and is capable of industrial application.[96]

The base-line convention for patent protection is the 1967 Paris Convention for the Protection of Industrial Property. Unlike the copyright field, however, this base-line international convention provides relatively modest protection. The 1967 Paris Convention lacks the detailed minimum rights that characterize the Berne Convention in the copyright field. National treatment protection is the cornerstone and almost the sole foundation of the 1967 Paris Convention.[97] While national treatment is certainly preferred to reciprocity, the absence of supplementary minimum rights has held down the minimum level of protection in the patent field. In addition, the 1967 Paris Convention allows compulsory licensing of patents, and many national laws invoke the compulsory licensing option.

The obligations established by the GATT 1994 TRIPS Agreement certainly improve the level of patent protection, for example, by including a broad clause on nondiscrimination against fields of technology and by imposing conditions on compulsory licensing. These clauses will make American pharmaceutical products subject to greater patent protection in many countries. From the viewpoint of certain American businesses, however, the Agreement does not go far enough since it does not mandate protection for diagnostic, therapeutic, and surgical methods; for transgenic plants and animals; and for essentially biological processes for producing plants and animals other than the protection allowed for microorganisms and plant varieties.[98] Also, a developing country

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[96] GATT 1994, Art. 27(1). At the election of a Member "inventive step" may be considered synonymous with "non-obvious," and "capable of industrial application" may be considered synonymous with "useful."

[97] Because patents are issued by the government, the Paris Convention provides that any patent issued in one country for a given invention is independent of the patent in another country for the same invention. The grant of a patent in one country does not entail any obligation to issue a patent in another member country. By contrast, copyright arises automatically upon creation of the work, and each member of the Berne Convention is required to protect original literary or artistic works that emanate in another member country. In the case of patents, the principal benefit of the Paris Convention aside from the obligation to apply the principle of national treatment is the right of priority of filing for the patent. By filing in one member country, the applicant gains 12 months in which to comply with the filing requirements in any other member countries. The Paris Convention provides a similar priority filing benefit in the case of trademarks, except that the grace period for filing is six months.

[98] GATT 1994, Art. 27(3).

Member whose protection for product patents is inadequate may take up to 10 years to adjust its law to higher level protection.[99]

Exclusions

Patentability may also be excluded on the ground that exclusion is necessary to protect public order or morality--for example, to protect human, animal or plant life or health, or to avoid serious prejudice to nature or the environment.[100] This general public order exclusion, if exercised, cannot be applied solely on the ground that the Member prohibits commercial exploitation of the subject matter in its territory.[101] That is, there cannot be a generic public order exclusion; the exclusion must be based on a finding that the particular product or process would seriously harm life or health or the environment.

The exclusions noted above for essentially biological processes for producing plants and animals are subject to review four years after entry into force of the Agreement.

Basic Rights

Both product and process patents must be protected. In the case of product patents, the owner is entitled to prevent others from making, using, selling or importing the patented subject matter without consent.[102] In the case of process patents, the owner is entitled to prevent others from using that process and from using, offering for sale, selling or importing the product obtained directly from the patented process without consent.[103] Although importation is mentioned as one of the basic rights, the right is restricted to counterfeit goods since Article 6 provides nothing in the Agreement addresses "exhaustion" of rights (which means that importation of gray market goods is not covered).

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99 GATT 1994, Art. 65(2) and (4). Least-developed countries can delay the implementation of higher level protection for 11 years. GATT 1994, Art. 66(1).

100 GATT 1994, Art. 27(2).

101 *Id.*

102 GATT 1994, Art. 28(i).

103 *Id.*

Limitations

Limited exceptions to these exclusive patent rights are permitted, provided the exceptions do not unreasonably conflict with normal exploitation of the patent and do not unreasonably prejudice the legitimate interests of the patent owner, taking account of the legitimate interests of other persons.[104] Again, the Agreement adopts the general copyright principle on limitations of rights found in Article 9(2) of the Berne Convention, to establish the general principle of limitations acceptable in the patent field. Like the principle applied to industrial designs, the general limitation departs from copyright practice in requiring the Members to take account not only of the interest of the right holder but the "legitimate interests of third parties."

The Agreement plows new ground in attempting to establish a brake on exceptions to patent rights by adoption of a general principle that has served that function in the copyright field. The effectiveness of this transmogrification is unclear. There are no patent precedents, and it is unlikely that copyright precedents will have any interpretive value. Presumably, this attempt to engraft a new limiting principle to the patent field is better than silence on permissible limitations. Also, in combination with the restrictions on compulsory licensing, the general limitation on exceptions should improve the level of patent protection available to American rights holders in many countries.

Non-discrimination against Technologies

There are other guarantees to assure an appropriate level of patent protection. Unless the patentable matter can be excluded by Article 27(2) and (3) (necessity of public order or morality; diagnostic, therapeutic or surgical methods; plants and animals other than microorganisms; and essentially biological processes for production of plants and animals), patents shall be available and rights enjoyed without discrimination as to the field of technology, irrespective of the territory of the Member where the invention was made or whether the patented products are imported or locally produced.[105] This clause should mitigate any attempt to require the working of a patent or manufacture of the product locally as a condition of maintaining the patent.

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[104] GATT 1994, Art. 30.

[105] Although the recently adopted North American Free Trade Agreement has the same provision, the ground is "new" because there has been no experience under that Agreement.

Assignability

Each Party shall permit assignments and transfer of patents and must assure the patent owner is entitled to engage in licensing the rights.[106]

Compulsory Licensing

Compulsory licensing of patents has been a controversial issue for decades. The 1967 Paris Convention allows compulsory licensing, and virtually all countries permit compulsory licensing of certain patents for exceptional reasons. Even the United States allows compulsory licensing of weapons technology needed for defense and national security purposes.[107] Other countries have similar provisions to justify government appropriation of patentable subject matter for purposes of defense and national security. Controversy has centered on application of compulsory licensing to non-military activities, both non-commercial and commercial. While the GATT 1994 TRIPS Agreement does not prohibit compulsory licensing of patentable subject matter, it substantially narrows the permissible grounds for compulsory licensing.

The following conditions must be observed under the Agreement in the case of exceptions to rights not justified by the general limitation provision of Article 30.[108] Governmental authorization to engage in compulsory licensing must be considered on its individual merits; there can be no blanket authorization to appropriate a patent. The proposed compulsory licensee must have made efforts to obtain a negotiated license from the right holder on reasonable commercial terms and failed to do so within a reasonable period of time.[109] As an exception, a Member may waive the requirement to seek a negotiated license

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106 GATT 1994, Art. 28(2).

107 Title 28 U.S.C., section 1498(a) creates a right of action against the government for patent infringement, but also allows for administrative settlement of infringement claims by payment of damages. The provision has sometimes been treated as an eminent domain or compulsory license mechanism. Since the government cannot be enjoined from continuing the infringement, the patent holder has lost the power of authorization and has only a right to remuneration.

108 The use authorized by a compulsory license would exceed the limits of Article 1709(6). That is, the use would conflict with the normal exploitation of the patent or would prejudice the legitimate interests of the patent owner. Those who invoke a compulsory license must find additional justification for depriving the patent owner of his or her normal rights. The usual justifications are national defense or security; abuse of the patent monopoly through anti competitive behavior; failure to work the patent in a given country; and overriding interest in protecting life, health, or the environment.

109 GATT 1994, Art. 31(a)-(b).

first in cases of national emergency or other circumstances of extreme urgency, or in cases of public non-commercial use. This exception means governments may continue to invoke the national security justification for compulsory licensing without first seeking a negotiated license. If a compulsory license is issued on the ground of national emergency or extreme urgency, the right holder shall be notified as soon as reasonably practicable. If the compulsory license is issued for public non-commercial purposes, the right holder shall be informed where use of the patent is known or demonstrable grounds to impute knowledge exist without making a patent search.[110]

The right holder must be paid adequate remuneration for the use under the compulsory license, consistent with the economic value of the authorization to use the patent.[111]

Other conditions are: the scope and duration of the use shall be limited to the purpose for which the governmental authorization is given; the license is non-exclusive and non-assignable (except as part of a transfer of the business or good will of the business enjoying the use); the license shall be authorized predominantly for supplying the domestic market, thus prohibiting compulsory licensing primarily for export; the compulsory license should be terminated if the justification for its issuance ceases and is unlikely to recur; to facilitate termination, the governmental authority shall review requests for termination from the right holder; issuance of the compulsory license, including the amount of remuneration, shall be subject to judicial review or other independent, higher review.[112]

The issuance of a compulsory license to exploit a dependent patent is permitted, subject to the following conditions: i) the invention in the second patent must represent an "important technical advance of considerable economic significance" in relation to the first patent; ii) the owner of the first patent is entitled to cross-license the second patent on reasonable terms; and iii) the use authorized of the first patent is non-assignable except with assignment of the second patent.[113]

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110 GATT 1994, Art. 31(b).

111 GATT 1994, Art. 31(h).

112 GATT 1994, Art. 31(c)-(j).

113 GATT 1994, Art. 31(l).

As a transitional matter, however, governments are not required to apply the restrictions on compulsory licensing set out in Article 31 nor the non-discrimination against a field of technology clause of Article 27(1) to uses of inventions already granted by a government before December 15, 1993.[114]

The restrictions on compulsory licensing set out in Article 31(b) through (f) may be waived where the license is issued to remedy an anti-competitive situation that has been judicially or administratively determined to exist. The conditions subject to waiver are: the requirement of seeking a negotiated license first; the limitation of the scope and duration of the license based on the purpose of the authorized use; non-exclusivity and non-assignability of the license; and limitation of the license to supply of the domestic market predominantly. Correction of the anti-competitive behavior may also affect the amount of remuneration, and the governmental authority may refuse to terminate the license if the anti competitive behavior is likely to recur.[115]

The restrictions on compulsory licensing represent a significant advance on the level of protection mandated by the 1967 Paris Convention. The achievement is substantially muted however by the concession in Article 65 allowing developing countries to delay application of the higher level patent protection for 5 years generally and up to 10 years for certain product patents.

Minimum Term

The minimum term for patents must be at least 20 years from the date of filing.[116] This provision requires amendment of United States law which generally sets the term as 17 years from issuance.[117]

Burden of Proof - Process Patents

In the case of process patents, the burden of proving that the allegedly infringing product was made by a process other than the patented process shall be placed on the defendant in at least one of the following cases: (i) the product is new, or (ii) there is a substantial likelihood of infringement but the patent owner has not been able through reasonable efforts to determine which process was used by the defendant.[118]

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114 GATT 1994, Art. 70(6).

115 GATT 1994, Art. 31(k).

116 GATT 1994, Art. 33.

117 Title 35, U.S.C. 154.

118 GATT 1994, Art. 34(1).

The court, however, should take account of the trade secret rights of the defendant in the gathering and evaluation of the evidence.

Patent Revocation

Members must provide for judicial review of any decision to revoke a patent.[119]

Protection of Pharmaceutical and Agricultural Chemicals

Developing countries and former socialist bloc countries may generally delay for 5 years the amendments necessary to upgrade their levels of patent protection pursuant to Article 65(2)-(3). They must, however, make special provision for accepting patent applications from the entry into force of the Agreement in the case of inventions relating to pharmaceutical and agricultural chemical products.[120] These Members must apply the criteria of patentability as of the date of application of the GATT 1994 in that country as if the criteria were in force on the filing date, must recognize any priority filing date, and ultimately must grant patent protection for the unexpired remainder of the patent term, once their law has been adjusted to the level of protection required by the GATT 1994 TRIPS Agreement.[121]

In addition, where the Member delays the grant of patent rights as discussed above, exclusive marketing rights must nevertheless be granted for a period of five years after obtaining marketing approval in that Member or until a product patent is granted or rejected, whichever period is shorter, provided a patent has been granted and marketing approval obtained for the product in another Member country.[122]

VIII. TRADE SECRET PROTECTION UNDER THE GATT 1994 TRIPS AGREEMENT

The GATT 1994 TRIPS Agreement is the second international agreement explicitly to recognize an obligation to protect trade secrets. The first agreement explicitly to protect trade secrets was the North American Free Trade Agreement. Article 10 *bis* of the 1967 Paris Convention provides some protection against unfair trade practices, but not against disclosure of trade secrets

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119 GATT 1994, Art. 32.

120 GATT 1994, Art. 70(8).

121 *Id.*

122 GATT 1994, Art. 70(9).

explicitly. Clearly, the agreement to protect trade secrets ("undisclosed information") represents a substantial improvement in intellectual property protection and is one of the major accomplishments of the GATT 1994 TRIPS Agreement.

Trade secrets protection originated under common law doctrines. It remains a state law system of protection in the United States, since there is no general federal trade secret law. Some states have supplemented the common law with the Uniform Trade Secrets Act. Given the common law nature of the right, it is not surprising that no international agreement before the NAFTA explicitly protected trade secrets.

Unlike other forms of intellectual property, trade secrets do not entail the power to exclude other persons from any particular activity, such as copying, using, or performing the subject of protection. The trade secret owner instead has the right to prevent acquisition of the proprietary information through unlawful means, including breach of confidence, breach of contract, industrial espionage, and illegal tampering with employees.

In order to enjoy trade secret protection, the information must be secret, have economic value, and be protected against disclosure.

Article 39 of the Agreement establishes an obligation to accord protection against the disclosure, acquisition, or unconsented use of trade secrets contrary to honest commercial practices. Trade secrets are defined as information that is secret, has commercial value because it is secret, and as to which the owner has taken reasonable steps to ensure secrecy.[123] The information is secret if it is neither generally known nor readily accessible to persons who normally deal in that type of information. The trade secret must be protected indefinitely, as long as the conditions for a valid trade secret are met.[124]

Proprietary data that must be submitted to the government in order to obtain approval to market pharmaceutical or agricultural chemical products which utilize new chemical entities are singled out for explicit protection. Such data shall be protected against unfair commercial use and disclosure where its origination involves considerable effort, except where disclosure is necessary to protect the public or unless steps are taken to protect against unfair commercial use of the data.[125]

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123 GATT 1994, Art. 39(2). The TRIPS Agreement uses the phrase "undisclosed information" instead of "trade secrets." This report employs the phrase "trade secrets," which describes the subject matter protected by United States law.

124 *Id.*

125 GATT 1994, Art. 39(3).

IX. PROTECTION OF GEOGRAPHICAL INDICATIONS UNDER THE GATT 1994 TRIPS AGREEMENT

General Obligations

Articles 22-24 of the GATT 1994 TRIPS Agreement establish obligations to protect against misleading misdescription of the geographical origin of a good. A Member shall prevent a designation or presentation of a good that misdescribes its true origin in a manner that misleads the public as to the geographical origin of the good.[126] A Member shall also prevent any use that constitutes an act of unfair competition within the meaning of Article 10*bis* of the 1967 Paris Convention on Industrial Property.[127]

Either on its own initiative or upon request of an interested person, a Member government shall refuse to register (or invalidate a registration already made for) a trademark containing or consisting of a geographical indication that misdescribe the origin of a good in a way that misleads the public.[128] This obligation applies even where the geographical origin is correctly indicated but there is also a false representation that the goods originate in another territory, region, or locality.[129]

Special Protection For Wines and Spirits

The GATT 1994 TRIPS Agreement contains additional provisions specially mandating protection for geographical indications of wines and spirits. Members shall provide the legal means to prevent use of geographical indications for wines and spirits not originating in the place indicated by the indication in question even where the true origin is indicated or where the indication is used in translation or is accompanied by qualifications such as "kind," "type," "style," "imitation" or similar terms.[130] The obligation may be enforced by administrative action.[131]

Registration for a trademark which contains or consists of a geographical indication identifying wines or spirits shall be refused or invalidated on the

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126 GATT 1994, Art. 22(2).

127 *Id.*

128 GATT 1994, Art. 22(3).

129 GATT 1994, Art. 22(4).

130 GATT 1994, Art. 23(1).

131 *Id.*

initiative of a Member (if domestic legislation permits) or at the request of an interested person if the origin of the wine or spirit is misdescribed.[132]

Homonymous geographic indications for wines shall be protected separately, subject to the provision of Article 22(4)(although literally true, the indication also falsely represents that the goods originate in another territory).[133] Each Member determines the conditions for differentiating one homonymous indication from the other, taking account of the need to ensure equitable treatment and to avoid misleading the public.[134]

These explicit provisions for indications identifying wines and spirits are, however, subject to the exceptions of Article 24, which are discussed below. In particular, paragraph (6) says there is no obligation if the indication for a product of the wine is identical with the customary name of a grape variety existing in the Member's territory.

The Members also agree to further negotiations under the aegis of the Council for Trade-Related Aspects of Intellectual Property Rights regarding establishment of a multilateral system of notification and registration for geographic indications identifying wines.[135] Negotiations shall also be undertaken to increase the protection of individual geographical indications.[136]

The Council shall also conduct a review of the provisions on geographical indications within two years of entry into force of the GATT TRIPS Agreement, and matters affecting compliance with the obligations may be brought before the Council. The Members are expected to consult about a satisfactory solution on a bilateral or plurilateral basis. The Council may take further action by consensus.[137]

Exceptions

Article 24 sets out several exceptions or qualifications on the obligations to protect geographic indications.

There is a grandfather provision regarding continuous use of a geographical indication identifying wines or spirits. The obligation to prevent misleading

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132 GATT 1994, Art. 23(2).

133 GATT 1994, Art. 23(3).

134 *Id.*

135 GATT 1994, Art. 23(4).

136 GATT 1994, Art. 24(1).

137 GATT 1994, Art. 24(2).

misdescription of geographical origin does not apply if the indication has been used continuously on the same or related goods or services by any national or domiciliary of the Member in its territory for at least 10 years before December 15, 1993, or in good faith before that date.[138]

Also, there is no obligation to provide protection where the geographical indication is identical to the customary term in common language in that Member's territory as applied to a particular good or service,[139] or if the indication is unprotected, or has fallen into disuse, in the country of origin.[140] There is no obligation to protect an indication with respect to a product of the vine if the relevant indication is identical with the customary name of a grape variety existing in the territory of that Member as of the entry into force of the GATT 1994 TRIPS Agreement.[141]

A Member may condition protection, in connection with use or registration of a trademark, on presentation of a request within five years after the adverse use has become known in that Member or after the date of trademark registration (provided the trademark has been published by that date) if such date is earlier than the date on which the adverse use became generally known in that Member and provided the geographical indication is not used or registered in bad faith.[142]

If trademark protection has been applied for or registered in good faith, or trademark rights acquired through use in good faith, either before Articles 22-24 become applicable in that Member or before the geographical indication is protected in its country of origin, no Member may take any measures to negate trademark protection on the basis that the mark is identical with, or similar to, a geographical indication.[143]

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138 GATT 1994, Art. 24(4).

139 GATT 1994, Art. 24(6).

140 GATT 1994, Art. 24(9).

141 GATT 1994, Art. 24(6).

142 GATT 1994, Art. 24(7).

143 GATT 1994, Art. 24(5).

Finally, no Member shall take any measures generally to prejudice the right to use one's own name or the name of a predecessor of that person's business in the course of trade, except where the name is used to mislead the public.[144]

144 GATT 1994, Art. 24(8).