TRIPS Agreement: An Overview

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TRIPS AGREEMENT

1. INTRODUCTION

Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) is an international agreement between the member nations of World Trade Organization (WTO). TRIPS Agreement is aimed at harmonizing the Intellectual Property (IP) related laws and regulations worldwide. The TRIPS Agreement accomplishes this motive by setting minimum standards for protection of various forms of IP. The nations that are signatory to the TRIPS Agreement have to abide by these minimum standards in their national laws related to IP. The TRIPS Agreement generally sets out the minimum standards regarding the grant of rights to the owner of IP, enforcement requirements in the national laws, and settlement of disputes and remedies to those whose IP rights get infringed. The coverage of the TRIPS Agreement encompasses the various areas of IP including patents, trademarks, copyrights, geographical indications, industrial designs, etc. The objective of the TRIPS Agreement is to ensure the protection and enforcement of Intellectual Property Rights (IPR) to contribute to the promotion of technological innovation, transfer and dissemination of technology, mutual advantage of producers and users of technological knowledge in a manner that is conducive to social and economic welfare, and balance of rights and obligations, worldwide.

2. BACKGROUND AND HISTORY

In 1944, for the first time an international agreement was reached upon to govern the international monitory policy. This was called the Bretton Woods Agreement. The Bretton Woods Agreement created two institutions to govern the international monitory policy: International Bank for Reconstruction and Development (IBRD, the World Bank) in 1945 and the International Monetary Fund (IMF) in 1946. These were called the Bretton Woods Institutes. Subsequently, the General

Agreement on Tariffs and Trades (GATT) was established in 1947 to harmonize the trade between various nations.

GATT was the only multilateral instrument governing international trade from 1948 until the establishment of WTO in 1995. In all, eight rounds of negotiations were held under GATT. These rounds were held for refining the international trade and tariff rules. The first five rounds exclusively concentrated on the tariffs. The sixth round included discussion on anti-dumping measures as well which included provisions for member nations to control the dumping of goods into their territory by other nations which can affect the member nation's economy. Further, the seventh round discussed tariff and non-tariff measures. The last GATT round was the Uruguay Round (1986-1994). The Uruguay Round, for the first time introduced discussions on trade related to agriculture, services and IPR. After long discussions and complex negotiations, finally in 1994, WTO was established. WTO became effective from 1st January 1995. All the 123 nations that participated in the Uruguay Round became the members of WTO. India also became the member of WTO. At present WTO has 153 members i.e. almost 90% of World's nations.

WTO deals with the rules of trade between nations at a global or near-global level. The objective of WTO is to provide the common institutional framework for the conduct of trade relations among its member nations in matters related to the agreements and associated legal instruments. WTO is responsible for negotiating and implementing new trade agreements, and is in charge of monitoring member countries' adherence to all the WTO agreements, signed by the majority of the world's trading nations. Under the provisions of WTO, many new agreements, regulations, treaties and conventions were introduced to provide the framework for implementation, administration and operation of the multilateral trade agreements between member nations. All these agreements, treaties, conventions and regulations were based on two principles, namely:

a) Most Favored Nation treatment: Equal treatment for nationals of all trading partners in the WTO;

b) National Treatment: Treating one's own nationals and foreigners equally.

One of the important agreements among all of WTO Agreements is the TRIPS Agreement. The TRIPS Agreement has emerged as the most widely impacting agreement post WTO leading to harmonization of IP related laws and regulations among member nations. The TRIPS agreement came into force on 1st January, 1995. Taking into consideration the disparities in economic and technological developments among different member nations, WTO provided for different transition time periods in different member nations for application of these rules.

3. WHAT IS TRIPS AGREEMENT?

The TRIPS Agreement (hereinafter referred to as, the Agreement) is an international agreement administered by WTO that sets down minimum standards for many forms of IP regulations. The Agreement, which came into effect on 1st January, 1995 is till date the most comprehensive multilateral agreement on IP. The Agreement covers the following areas of IP:

- **Copyrights and Related rights (i.e. the rights of performers, producers of sound recordings and broadcasting organizations)**
- **Trademarks (including service marks)**
- **Geographical Indications (including appellations of origin)**
- **Industrial Designs**
- **Patents (including the protection of new varieties of plants)**
- **Layout-designs of Integrated Circuits**
- **Undisclosed Information (including Trade Secrets and Test Data)**

With respect to the above areas of IP, the Agreement governs the following issues:

- **How basic principles of the trading system and other international IP agreements should be applied?**

- How to give adequate protection to IPR?
- How countries should enforce IPR adequately in their own territories?
- How to settle disputes on IP between members of the WTO?
- Special transitional arrangements during the period when the new system is being introduced.

The Agreement is the first agreement under WTO under which the member nations are required to establish relatively detailed norms within their national legal systems, as well as to establish enforcement measures and procedures meeting minimum standards. The three important features of the Agreement are:

- Standards
- Enforcement
- Dispute Settlement

First, in respect of each of the areas of IP covered by the Agreement, each of the member nations is obliged to provide a minimum set of standards for protecting the respective IPR. Under each of the areas of IP covered by the Agreement, the main elements of protection are defined, namely the subject-matter to be protected, the rights to be conferred and permissible exceptions to those rights, and the minimum duration of protection. Second, each member nation is obliged to provide domestic procedures and remedies with respect to protection of IPR. The Agreement lays down certain general principles applicable to all IPR enforcement procedures. The Agreement also lays down certain other provisions on civil and administrative procedures and remedies, special requirements related to border measures and criminal procedures, which specify, in a certain amount of detail, the procedures and remedies that must be available so that right holders can effectively enforce their rights. Third, under the Agreement disputes between WTO member nations regarding the respect of the TRIPS obligations are subject to the WTO's dispute settlement procedures.

4. STRUCTURE OF THE TRIPS AGREEMENT

The three important features of the Agreement, i.e. standards, enforcement and dispute settlement are covered in seven parts i.e. the Agreement consists of seven parts. Part I deals with the general provisions and basic principles. Part II describes the standards concerning the availability, scope and use of IPR with respect to different types of IP. Part III describes the IPR enforcement obligations of member nations, and Part IV addresses the provisions for acquiring and maintaining IPR. Part V is directed specifically to dispute settlement under the Agreement. Part VI concerns transitional arrangements, and the Part VII concerns various institutional arrangements.

The detailed discussion of the above mentioned seven parts of the Agreement will follow in subsequent sections of this article.

5. GENERAL PROVISIONS AND BASIC PRINCIPLES

Part I of the Agreement deals with the general provisions and basic principles. Part I of the Agreement has eight Articles out of which Articles 3 and 4 form the basic fundamentals of the Agreement.

Article 3 deals with National Treatment commitment. Under this article the member nations are obliged to accord to the nationals of other member nations, a treatment no less favorable than that it accords to its own nationals with regard to the protection of IPR. However, this article recognizes certain exceptions already provided in the Paris Convention (1967), the Berne Convention (1971), the Rome Convention and the Treaty on Intellectual Property in Respect of Integrated Circuits.

Article 4 deals with Most-Favored-Nation Treatment. Under the provision of this article, with regard to the protection of IPR, any advantage, favor, privilege or immunity granted by a member nation to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other member nations, except for a few exceptions mentioned in this article.

6. STANDARDS CONCERNING THE AVAILABILITY, SCOPE AND USE OF IPR

Part II of the agreement consists of 22 articles which deal with each of the areas of IP covered by the Agreement with respect to the main elements of protection, such as, the subject-matter to be protected, the rights to be conferred and permissible exceptions to those rights, and the minimum duration of protection. This is one of the most important part of the Agreement as it deals with almost all the forms of IP like, Patents, Trademarks, Copyrights, Geographical Indications, etc. As an obligation under this part of the Agreement, all the member nations have to provide same protection to each of the IPs covered by the Agreement. For example, in all the member nations the duration of protection offered by a utility patent has to be for minimum 20 years.

6.1 COPYRIGHT AND RELATED RIGHTS

Copyright protects literary works and other forms of works that constitute expression of ideas, like painting, etc. Under the provision of Article 10, Computer Programs, whether in source or object code, are protected as literary works under the Berne Convention (1971). The term of protection for such kind of works under the Agreement is calculated based on the life of a natural person. Term of protection for copyright is not less than up to 50 years from date of end of calendar year of making of such a work.

The related rights regarding protection of performers, producers of phonograms (Sound Recordings) and broadcasting organizations mentioned in Article 14 grants the producers of phonograms the right to authorize or prohibit the direct or indirect reproduction of their phonograms. These rights grant the broadcasting organizations the rights to prohibit the fixation, the reproduction of fixations, and the rebroadcasting by wireless means of broadcasts, as well as the communication to the public of television broadcasts of the same.

6.2 TRADEMARK

Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, is capable of constituting a trademark. Such signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colors as well as any combination of such signs, are eligible for registration as trademarks. Where signs are not inherently capable of distinguishing the relevant goods or services, member nations may make registrability to depend on distinctiveness acquired through use. Member nations may require, as a condition of registration, that signs be visually perceptible. For initial registration, and each renewal of registration of a trademark a term of protection is no less than seven years. The registration of a trademark is renewable indefinitely.

6.3 GEOGRAPHICAL INDICATIONS

As per the Agreement, Geographical Indications are indications which identify certain goods as originating in the territory of a member nation, or a region or locality in that territory. Geographical Indications are used to protect those goods whose quality, reputation or other characteristics are essentially because of their geographical origin.

Under the provisions of the Agreement, a member nation can prohibit other member nations from the use of any designation or presentation of any goods that indicates or suggests that those goods originate from a geographical area other than the true place of origin in a manner which misleads the public. The term of protection for Geographical Indication is eternal.

6.4 PATENTS

Article 27 of the Agreement deals with patentable subject matter. The patentable subject matter according to the Agreement constitutes any inventions, whether

products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application. However, the member nations may exclude from patentability, diagnostic, therapeutic and surgical methods for the treatment of humans or animals. Further, plants and animals other than micro-organisms, and essentially biological processes for the production of plants or animals other than non-biological and microbiological processes may also be excluded from patentability. Under the provisions of the Agreement the member nations have to provide protection for plant varieties either by patents or by an effective *sui generis* system or by any combination thereof. The term of protection available is usually twenty years counted from the filing date of the patent application.

Under provisions of Article 21 of the Agreement, member nations may provide limited exceptions to the exclusive rights conferred by a patent, provided that such exceptions do not unreasonably conflict with a normal exploitation of the patent and do not unreasonably prejudice the legitimate interests of the patent owner, taking account of the legitimate interests of third parties.

Article 31 of the Agreement has provisions for allowing the grant a compulsory license for pharmaceuticals by the government of a member nation without the consent of the patentee in certain conditions. Compulsory license may be allotted particularly in following conditions:

- Normally the person or company applying for a license has to have tried to negotiate a voluntary license with the patent holder on reasonable commercial terms. Only if that fails can a compulsory license be issued, and
- Even when a compulsory license has been issued, the patent owner has to receive payment; the TRIPS Agreement says "*the right holder shall be paid adequate remuneration in the circumstances of each case, taking into account the economic value of the authorization*", but it does not define "adequate remuneration" or "economic value".

Compulsory licensing must meet certain additional requirements as well. For example, it cannot be given exclusively to licensees (e.g. the patent-holder can continue to produce), and it should be subject to legal review in the country.

6.5 INDUSTRIAL DESIGNS

Member nations have to provide for the protection of independently created industrial designs that are new or original. Member nations may provide that designs are not new or original if they do not significantly differ from known designs or combinations of known design features. Member nations may provide that such protection will not extend to designs dictated essentially by technical or functional considerations. The term of protection for industrial designs is 10 years from the creation of the industrial design.

6.6 LAY-OUT DESIGNS FOR INTEGRATED CIRCUITS

Under the provisions of the Agreement, member nations are obliged to provide protection to the layout-designs (topographies) of integrated circuits in accordance with the Treaty on Intellectual Property in Respect of Integrated Circuits. The member nations have to provide for protection of not less than 10 years from the date of filing of application for lay-out designs, however, member nations may limit the duration of protection up to fifteen years from the date of creation of the lay-out design.

6.7 PROTECTION OF UNDISCLOSED INFORMATION

Undisclosed information discussed herein is also called Trade Secret. The member nations are obliged to offer protection for trade secrets as per the provisions of the Agreement. The undisclosed information is considered as trade secret, if:

- It is secret in the sense that it is not generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;
- It has commercial value because it is secret; and
- It has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

7. ENFORCEMENT OF IPR

The Agreement was not only aimed at providing minimum standards for protecting IPR but it was also aimed at providing the enforcement of the same. The Agreement provides minimum standards for the enforcement of IPR that allows right holders to protect their legitimate interests through civil court or administrative proceedings. It is not required for a WTO member nation to establish special or separate courts for IPR, or specially allocate resources, like man power, special enforcement offices, etc. for IPR enforcement. Part III of the Agreement on Enforcement of IPR sets out the obligations of member nations to establish administrative and judicial mechanisms through which IPR holders can seek effective protection of their interests. The general obligation of member nations to provide enforcement mechanisms requires that enforcement procedures should be available under their national law so as to permit effective action against any act of infringement of IPR covered by the Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements. Member nations are obligated to ensure that enforcement procedures are "*fair and equitable*", and "*not unnecessarily complicated or costly, or entail unreasonable time limits or unwarranted delays*." Regarding the civil administrative procedures and remedies, the Agreement provides for equal rights for both the defendant and complaining parties. The rules of the Agreement provide that both parties should have the opportunity to present and contest evidence, and that adequate remedial measures should be available.

The Agreement permits member nations to exclude the grant of injunctions in circumstances involving compulsory licenses and other uses.

The Agreement obligates member nations to make provision for the ordering of prompt and effective provisional measures to prevent entry of infringing goods into channels of commerce and preserve evidence against such infringing goods and their traders. This means that the IPR holder should be entitled to seek a prompt action against the infringement, whether or not the party alleged to be acting in an infringing manner can be notified and given opportunity to be heard.

With respect to Border Measures, the Agreement requires member nations to allow certain right holders to prevent release by customs authorities of infringing goods into circulation especially, with respect to counterfeit trademarks and pirated copyright goods.

The Agreement also provides for certain Criminal Measures (penalties) for trademark counterfeiting and copyright piracy on a commercial scale.

8. ACQUISITION AND MAINTENANCE OF IPR

Part IV of the Agreement deals with acquisition and maintenance of IPR. It provides that member nations are obligated to apply reasonable procedures and formalities in connection with the grant or maintenance of IPR, that registrations will be undertaken within a reasonable period of time, and that service mark registrations will be subjected to the same basic Paris Convention procedures as trademark registrations. The procedures by which IPR are granted or denied are of great interest to applicants, those opposing applications and the population that uses the subject matter of such IPR. The Agreement provides limited guidance in this area.

9. DISPUTE SETTLEMENT AND PREVENTION

Part V of the agreement deals with dispute settlement and prevention. Article 63 establishes the transparency requirements. Under these requirements there is an obligation on the part of member nations to publish or otherwise make available legal texts such as laws and judicial decisions. The provisions related to dispute settlement and prevention are governed by the TRIPS council. The Article 63 establishes an obligation to notify laws and regulations to the TRIPS Council or to World Intellectual Property Organization (WIPO) for the common register, which contains a compilation of laws and regulations, final judicial decisions, etc. pertaining to the Agreement, should that be decided upon. Member nations are obligated to furnish applicable rules or decisions, or sufficient details about them, at the request of member nations who reasonably believe their rights may be affected. Confidential information is entitled to protection. Each member nation is required to be prepared to supply, in response to a written request from another member nation, the information regarding Law, rulings, Judicial decisions and administrative rulings pertaining to the subject matter of the Agreement (the availability, scope, acquisition, enforcement and prevention of the abuse of IPR).

Article 64 deals with the dispute settlements. The Articles XXII and XXIII of GATT 1994 as described and applied by the Dispute Settlement Understanding (WTO's procedure for resolving the trade quarrels) also apply to consultations and the settlement of disputes under the Agreement except as otherwise specifically provided. Article XXIII of the GATT 1994 provides for three types of cause of action (a set of facts sufficient to justify a right to sue) in GATT dispute settlement: "violation", "non-violation" and "situation".

10. TRANSITIONAL ARRANGEMENTS

Under the transitional arrangements of the Agreement, the member nations were allowed some transition period to make the national laws compliant with the Agreement. The developing and least developed countries were given an extra

period as compared to developed nations. Developing countries were granted a grace period of five years (i.e. up till 2000) to make their national laws compliant with TRIPS. An additional grace period of five years (i.e. up till 2005) was given to the developing countries to introduce product patent protection in those fields of technology in which there was no provision for product patent protection.

11. INSTITUTIONAL ARRANGEMENTS

The Council for TRIPS monitors implementation of the Agreement. Also the council for TRIPS monitors member nations' compliance with the obligations required under the Agreement. The council for TRIPS affords member nations the opportunity of consulting on matters relating to TRIPS. It also carries out other responsibilities assigned to it by the member nations, and provides any assistance requested by them in the context of dispute settlement procedures.

12. TRIPS AGREEMENT AND INDIA

India became a party to the TRIPS Agreement in April 1995. The Patent Act of 1970 was in contravention with the Article 27 of the Agreement. Hence India needed to take some measures to make its IPR laws compliant with the Agreement. The Agreement provided a three stage framework for developing countries like India which did not allow product patents in the areas of pharmaceuticals and agricultural chemicals before the Agreement came into force. These three stages included:

- Introduction of Mail-Box facility from 1st January, 1995 for product patent applications in the field of pharmaceuticals and agricultural chemicals. These Mail-Box applications were not examined till the end of 2004. But Exclusive Marketing Rights (EMR) could be granted for the Mail-Box applications for which a patent had been granted in at least one member nations and the application was not rejected in the member nation where

the patent protect was sought by the applicant for the reason of invention being not patentable.

- Compliance with the other obligations of the Agreement such as, rights of patentee, term of protection, compulsory licensing, etc. from 1st January, 2000.
- Full implementation of product patents in all technological domains including pharmaceuticals and agricultural chemicals with effect from 1st January, 2005. Also, all Mail-Box applications were to be taken for examination from 1st January, 2005.

Thus the Agreement came into force in India from 1st January, 2005. The Agreement changed the face of the IP regime in the world. Many developing countries, including India, which had weaker IPR systems (for example, patents) had to extensively revise their patent laws, or where there were no IPR regimes (the most important examples being plant variety protection, layout designs and geographical indications) had to put in place new IPR systems. The implications of the Agreement have their own pros and cons.

On the positive side, with the revision of patent laws, a stronger patent protection system came into existence which is of international standards, because of which the foreign investors were encouraged to invest in India. It may be expected that while domestic investment may not respond to a stronger patent regime in a big way in either the short or long term, Foreign Direct Investment (FDI) might. Further, the research and development expenditures of the domestic players tremendously increased in post Agreement period as compared to the pre-Agreement period. The other positive implication of a technological nature is the availability of better products which might not have been available with weaker IPR protection. However, the prices of these better and patented products may not be affordable for majority of population.

Domestic private sector investment and foreign investment in the seeds sector has risen. The post Agreement environment has encouraged domestic private sector

and foreign firms to invest in research and development for the development of better seeds. Some of the geographical indications belonging to India which are of importance for domestic industry have got protection and have encouraged investment in these sectors, for example, Dargiling Tea. On the negative side, the most immediate impact of post Agreement may be seen on prices of drugs. The new and required drugs will have product patent protection unlike the earlier scenario and so the prices might escalate.

This article is prepared by Ashish Jogi and Deepti Nigam. Please feel to reach them at askippro@ipproinc.com in case of any feedback or comments.

LIST OF ACRONYMS

- DSU : Dispute Settlement Understanding
- FDI : Foreign Direct Investment
- GATT : General Agreement on Trade and Tariff
- IMF : International Monetary Fund
- IP : Intellectual Property
- IPR : Intellectual Property Rights
- TRIPS : Trade Related Aspects of Intellectual Property
- WB : World Bank
- WIPO : World Intellectual Property Organization
- WTO : World Trade Organization

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