

AGREEMENT ON TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS

The GATT: Redressing or Creating an Imbalance Seminar

Dr Khaw Lake Tee
Associate Professor
Faculty of Law
University of Malaya

Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)

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Dr. Khaw Lake Tee
Associate Professor
Faculty of Law, University of Malaya

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ON 15 August, 1994, the Final Act of the Uruguay Round of the GATT Multilateral Trade Negotiations was signed at Marrakesh, Morocco, thus marking the end of the Round which was launched in Punta del Este in 1986. Included in the Final Act is the Agreement on Trade-Related Aspects of Intellectual Property Rights, including Trade in Counterfeit Goods, more commonly known as TRIPS.

The Agreement is perhaps one of the most far-reaching international instruments on intellectual property. First, it covers all types of intellectual property rights such as patents, copyright, trademark, trade secrets, industrial designs and layout-designs of integrated circuits. It also seeks to extend protection to areas hitherto unprotected or protected only in certain countries. It establishes minimum universal and adequate standards and principles on intellectual property rights as well as the provision of effective and appropriate means for the enforcement of such rights. Secondly, and more important, in recognition of the fact that inadequate protection or ineffective enforcement of intellectual property rights may lead to distortions in trade, it formalises perhaps for the first time the trend of linking of intellectual property rights with the world of international trade. The Agreement thus brings to end GATT's hitherto permissive approach to intellectual property rights.¹

¹ Although there was, prior to the Agreement on TRIPS, recognition on the part of GATT that intellectual property rights could constitute barriers to trade, it did not lay down nor require members to observe any detailed

This paper examines the impact of TRIPS on the intellectual property regimes in Malaysia in terms of the changes which will have to be made to our existing laws and the introduction of new laws; and the implications of the linkage of intellectual property rights with international trade.

1. MAIN PRINCIPLES OF TRIPS

TRIPS operates on three main principles:

First, it establishes minimum standards and principles concerning the availability, scope and use of intellectual property rights² as well as procedures for the enforcement of such rights.³ The substantial rights imposed are in addition to the obligations which members may have under the various intellectual property conventions, such as the Berne Convention on the Protection of Literary and Artistic Works, the Paris Convention for the Protection of Industrial Property, the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations and the Washington Treaty on the Protection of Intellectual Property in Respect of Integrated Circuits.⁴

Secondly, each member is required to accord to the nationals of other members the same treatment that it accords to its own nationals with regard to the protection of intellectual property.⁵ This is known as the principle of

rules as regards the level of protection or the mechanism for the enforcement of such rights: see Article XX(d) of GATT.

² Articles 9-39 of the Agreement on TRIPS.

³ Articles 41-61.

⁴ Article 2(2).

⁵ Article 3.

National Treatment, which ensures that nationals of member countries are not discriminated against by other member countries.

Thirdly, TRIPS requires members to accord the most-favoured-nation (MFN) treatment, which is the cornerstone of GATT, to all members.⁶ Any advantage, favour, privilege or immunity granted by a party to a national of any other country shall be accorded to nationals of all other parties.

International intellectual property conventions such the Berne and the Paris Conventions operate on the basis of national treatment and some minimum standards. The principle of national treatment ensures that nationals of convention countries are not discriminated against in other convention countries. It does not however ensure that the same level of protection as found in one convention country is granted in another. Intellectual property rights, though the subject matter of various international conventions, have thus always been territorial. There are no effective mechanisms to enforce the conventions or to ensure compliance. Consequently, significant differences in intellectual property laws and their enforcement may exist even amongst convention countries.

Under TRIPS, however, the sovereignty of a country, in so far as the right to legislate in intellectual property rights is concerned, is to a large extent eroded. Members are required to provide for certain minimum standards and enforcement procedures. Failure to comply may result in trade sanctions, the imposition of tariffs or the rescission of trade liberalisation measures.⁷ Intellectual property rights are thus treated as trade-related matters which may

⁶ Article 4.

⁷ Article 64 provides that in the event of a dispute, the Provisions of GATT on the settlement of disputes shall apply. Under these provisions, if a dispute cannot be resolved by consultation, a panel may be summoned that will express an opinion on the matter. The party adjudged to be in the right may be entitled to take certain measures against the other party.

be used as a tool in any bargaining or negotiations process in international trade. The recognition and enforcement of such rights, which are essentially private rights, will become tied up with the trade and investment policies of a country.

2. IMPACT OF TRIPS ON THE INTELLECTUAL PROPERTY LAWS OF MALAYSIA

Malaysia's intellectual property laws are mainly statute-based and cover patents, copyright, trademarks and designs. Common law remedies are also available to protect confidential information and unregistered trademarks.

In the last 15 years or so, Malaysia's intellectual property laws have undergone fairly extensive and significant changes. New copyright and patent laws were introduced; amendments were made to the patent and trademarks laws last year; and there are plans to introduce our own industrial designs law. There are various reasons behind these changes but the main ones are technological and economic developments, and external pressures from major producers of intellectual property products. These factors also accelerated Malaysia's accession to two intellectual property rights conventions: the Paris Convention in 1989 and the Berne Convention in 1990. The former is concerned with patents, trademarks, service marks, indications of source or appellations, industrial designs and repression of unfair competition, while the latter, the protection of literary and artistic works.

As a result of the above developments, our intellectual property laws are more or less in conformity with accepted world standards, which are to a large extent also reflected in the Agreement on TRIPS. It is thus not expected that TRIPS, when ratified, would make any dramatic changes to our existing statutory systems. Nevertheless, there are certain amendments which must or may have to be made, the majority of which are expected to be to the Patents Act 1983.

Patent Law - Under TRIPS, the term of protection for patents is twenty years from the date of filing. Under our Patents Act 1983, the term of protection is 15 years from the date of grant. Changes in our law in line with TRIPS would mean first, a longer term of protection; and secondly, patent protection would commence from the date of filing and not from the date of grant.

Article 27(3)(b) of the Agreement makes plant varieties a patentable subject matter, although protection by a *sui generis* system is also possible. Our Patents Act 1983 specifically excludes plant varieties from patentability. Malaysia may thus have to amend section 13 to remove plant varieties from the list of non-patentable inventions or to legislate separately for the protection of plant varieties.

Article 40 of the Agreement recognises that there are some licensing practices and conditions which may have adverse effects on trade and may impede the transfer and dissemination of technology. For this purpose, the Agreement permits members to make provisions to prevent or control practices such as, although not necessarily restricted to, exclusive grant-back clauses, conditions preventing challenges to validity and coercive package licensing. In Malaysia, restrictive clauses in patent licensing agreements are dealt with in section 45 of the Patents Act. The said provision invalidates clauses which place restrictions which are not derived from the rights conferred upon a patent owner or which are unnecessary for the safeguarding of such rights. Excluded from section 45 are clauses which restrict the scope, extent or duration of exploitation, the geographical area in which the patented invention may be exploited and the quantity and quality in connection with therewith.

Apart from section 45, patent licensing agreements are also subject to the scrutiny of the Malaysian Industrial Development Authority (MIDA). MIDA screens and approves all agreements involving the licensing and

transfer of technology entered into between manufacturers of projects licensed by the Ministry of International Trade and Industry and foreign parties. The thrust of this process is to ensure that licensing agreements do not contain provisions which impose unfair and unjustifiable restrictions on the licensee or which are prejudicial to the national interests. More specifically, MITI tries to ensure that the licensee has access to information and any improvements to the technology, fair remuneration, sufficient time for the absorption and working of the technology, adequate training and that there are no unreasonable restrictions on exports.

In view of current developments, it is suggested that section 45 be amended to state in clearer terms the prohibition of anti-competitive or abusive terms. It is also suggested that MITI in screening and approving licensing agreements take into account the amended section 45.

As Article 40 of TRIPS applies to all types of intellectual property rights, provisions may also be made in the relevant statutes to reflect the terms of Article 40. The importance of regulating anti-competitive practices and of ensuring that local licensees of intellectual property rights are not unduly prejudiced or burdened by restrictive clauses in licensing agreements cannot be overemphasised in the post-TRIPS era. In this regard, it is pertinent to note that Article 8(2) provides that members may adopt appropriate measures to "prevent the abuse of intellectual property rights by right holders or the resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology".

Apart from the above statutory changes, Malaysia will be expected to enact new laws with respect to the following:

i. **Plant Varieties** - A new regime may be needed if a decision is made not to include plant varieties as patentable inventions.

ii. **Performers' Rights** - Article 14 of TRIPS requires members, *inter alia*, to accord performers the right to prevent unauthorised fixation of their unfixed performance, reproduction of such fixation, the broadcasting and communication to the public of their live performances. Currently, in Malaysia, performers have no rights over their unfixed or live performances. Parliament may have to introduce a new law on performers' rights or to amend the Copyright Act 1987 to include such rights.

iii. **Layout-Designs** - Malaysia does not protect layout-designs of integrated circuits, although there may be some protection to the extent that they may be regarded as artistic works within the meaning of the Copyright Act 1987. A new law may thus be required.

3. **IMPACT OF THE LINKAGE OF INTELLECTUAL PROPERTY RIGHTS WITH INTERNATIONAL TRADE**

Malaysia is a consumer rather than a producer of intellectual property products. According protection to other nationals, as is required by virtue of our membership in the two intellectual property conventions and GATT, and widening our scope of protection, will certainly increase our financial obligations and affect our foreign exchange situation. This may be compensated by greater accessibility to technology and other products of intellectual property.

But of greater significance is the effect of linking intellectual property rights with international trade. After TRIPS, any member country which fails to comply with its provisions within the stipulated period, may be

subject to trade sanctions. When examined in the light of current trends, this is not as revolutionary as has been made out to sound. Producer countries, and in particular, the United States, have been using trade sanctions as a means of effecting changes to and enforcing intellectual property rights in other countries. Malaysia was one such country. The difference now is that any action taken against any member which has failed to adequately protect or enforce intellectual property rights will be, at least nominally if not realistically, under the auspices of GATT rather than at the instance of a single country.

4. CONCLUDING REMARKS

There is no doubt that intellectual property rights do raise trade-related issues, especially in cases of counterfeit goods. This was acknowledged during the Tokyo Rounds in 1973-79 although the draft on trade in counterfeit goods did not materialise. There is also no doubt that the Agreement on TRIPS will change the way in which intellectual property rights are understood or perceived. While the independence of any member country to legislate in intellectual property rights is now compromised, members, and in particular, developing countries, should take note of Articles 7 and 8, which may allow some degree of domestic control over the legislation of intellectual property rights. Article 7 provides that "the protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations". Article 8(1) allows members to adopt measures necessary "to protect public health and nutrition, and to promote the public interest in sectors of importance to their socio-economic and technological development".