

## CHAPTER 13

# PROTECTION OF INTELLECTUAL PROPERTY

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### OVERVIEW OF RULES

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#### ***1. BACKGROUND OF RULES***

In today's highly-developed economic environment, intellectual creativity (*e.g.*, inventions, design know-how, and artistic creations) is becoming increasingly important in daily business. In these contexts, inventions, designs, literary works, layout-designs of integrated circuits and trade secrets are subject to legal protection. In addition, trademarks are entitled to legal protection to safeguard reputations gained as a result of marketing and production activities, as well as to protect consumers and ensure fair competition. As the volume of trade in goods and services involving intellectual property has greatly increased in recent years, the importance of the protection of intellectual property for the world economy has grown enormously. Inappropriate and insufficient protection of intellectual property among WTO Members can distort free trade.

In developing countries, the protection of intellectual property rights (IPR) was often insufficient. For example, developing countries often had insufficient standards for protection such as limited coverage of protection, very limited protection period, or ineffective practices of enforcement. There were some developed countries that maintained problematic intellectual property regimes that, for example, provided excessive protection, or were quite different from those employed by the rest of the world, so that their administration alone constituted discrimination.

To address the trade distorting effects caused by these problems, through the negotiation in the Uruguay Round, establishment of an appropriate framework for the protection of intellectual property was sought. A number of international treaties already form a common legal framework for the protection of intellectual property. The Paris Convention, which entered into force in 1883, covers patents, trademarks and other industrial property rights. The Berne Convention, which entered into force in 1886, covers copyrights. Recently, however, as countries paid more attention to the trade-related aspects of this subject, they have frequently placed intellectual property protection on the agenda of trade negotiations. Countries recognized that, to establish standards on aspects of trade regarding the protection of intellectual property, as many governments as possible needed to take part in framing an international agreement. As a result, GATT negotiators developed the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) - one of the most important new areas in the Uruguay Round negotiations. A final consensus on the TRIPS Agreement was reached in Marrakesh in April 1994. The TRIPS Agreement took effect on January 1, 1995.

#### ***2. LEGAL FRAMEWORK***

Although a few problems remain, the TRIPS Agreement establishes valuable standards for the

trade-related aspects of protecting intellectual property.

For the meaning, etc. of the TRIPS Agreement, see pages 505-506 in the 2017 Report on Compliance by Major Trading Partners with Trade Agreements - WTO, EPA/FTA and IIA -.

**Figure II-13 Outline of the TRIPS Agreement**

<i>Scope of Coverage</i>	All legally-recognized intellectual property rights (copyright and related rights, patents, industrial designs, trademarks, geographical indications, layout-designs of integrated circuits and undisclosed information)
<i>Relation to Existing Conventions</i>	The TRIPS Agreement incorporates and improves upon protection levels of the Paris Convention (industrial property rights) and the Berne Convention (copyrights). WTO Members who are not parties to the Paris Convention or Berne Convention will thereby be obligated to meet the standards of these conventions.
<i>Basic Principles</i>	<p>The TRIPS Agreement requires national intellectual property regimes to provide MFN treatment (Article 4) and national treatment (Article 3) to the nationals of WTO trading partners. These obligations are excluded from transitional arrangement and have been imposed on developing countries from the effective date of the WTO Agreement. The TRIPS Agreement adopts the national treatment exceptions found in the Berne and Paris Conventions and the MFN exceptions found in existing international and multilateral agreements.</p> <p>Regarding the issue of exhaustion of intellectual property rights (parallel imports), no provisions except national treatment and most-favored-nation treatment under TRIPS Agreement must be used in dispute settlement (Article 6).</p>
<i>Levels of Protection (Standards)</i>	<ul style="list-style-type: none"> <li>● In the area of copyrights and related rights, the TRIPS Agreement specifies the protection of computer programmes (protected as literary works under the Berne Convention) and rental rights.</li> <li>● In the area of patents, the TRIPS Agreement establishes a wide definition of patentable subject matter and requires Members to introduce patent protection for products. As such, it does not allow for the exclusion of pharmaceutical products or foods from patentable subject matter. Protection shall be afforded for at least 20 years from the filing date of the application. The TRIPS Agreement also stipulates strict conditions on authorizing compulsory licenses.</li> <li>● The TRIPS Agreement contains provisions governing the protection of trademarks, geographical indications, industrial designs, layout-designs of integrated circuits, and undisclosed information. It also contains rules on anti-competitive practices in contractual licenses.</li> <li>● The TRIPS Agreement obligates signatories to provide the legal means to prevent misrepresentations of geographical indications and requires additional protection for wines and spirits in relation to geographical indication.</li> </ul>
<i>Enforcement</i>	The TRIPS Agreement requires that domestic enforcement procedures be fair and equitable. Enforcement against infringement must be conducted via the civil and criminal judicial processes, administrative procedures, including border measures and administrative remedies.
<i>Dispute Settlement</i>	WTO dispute settlement procedures apply to disputes under the TRIPS Agreement. Violations of the TRIPS Agreement may result in the suspension of tariff concessions or cross retaliation through the suspension of WTO benefits in another trade sector.
<i>Transitional Arrangements</i>	<ul style="list-style-type: none"> <li>● Developed countries had a transitional period of one year from the date of entry into force of the WTO Agreement with respect to the obligation to apply the TRIPS Agreement, except for Articles 3-5; developing countries and transformation countries</li> </ul>

	<p>had five years (until January 2000); and least-developed countries had 11 years (until January 2006) (Articles 65 and 66)<sup>1</sup>.</p> <ul style="list-style-type: none"> <li>● Developing countries that did not provide product patent protection were accorded an additional transitional period of five years (ten years in total, until January 2005) for application of the provisions on product patents (paragraph 4, Article 65). The TRIPS Agreement also contains provisions that, from the date of entry into force of the Agreement, required developing countries during the transitional period to: (a) provide a means for filing patent applications for pharmaceutical and agricultural chemical products, and (b) grant exclusive marketing rights for pharmaceutical and agricultural chemical products that are the subject of a patent application under certain conditions (Article 70, paragraphs 8 and 9)<sup>2</sup>.</li> </ul> <p><sup>1</sup> The TRIPS Council decided in November 2005 to extend the transition period for least-developed country Members until July 1, 2013. Furthermore, the TRIPS Council decided in June 2013 to extend the transition period until July 1, 2021.</p> <p><sup>2</sup> Paragraphs 8 and 9, Article 70 are the provisions for supplementing the transitional period, notwithstanding the provisions of Part VI of the TRIPS Agreement such as Article 65 and 66. With regard to the application of paragraph 9, Article 70 (granting of exclusive marketing rights for pharmaceutical products), however, the WTO General Council had decided in July 2002 to waive the obligations to grant exclusive marketing rights for pharmaceutical products for least-developed countries until January 1, 2016, with annual reviews on the waivers to be held during this period. As a result of the discussion held during 2015, the waiver of the obligations under both paragraphs 8 and 9, Article 70 was extended until January 1, 2033 (see also “(4) Recent Developments” below).</p>
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### ***3. ECONOMIC ASPECTS AND SIGNIFICANCE***

See pages 506-508 in the 2017 Report on Compliance by Major Trading Partners with Trade Agreements - WTO, EPA/FTA and IIA -.

### ***4. RECENT DEVELOPMENTS***

#### **(1) WORK IN THE TRIPS COUNCIL**

The TRIPS Council held three regular sessions during 2017, at which discussions were held regarding the relationship between the TRIPS Agreement and the Convention on Biological Diversity (CBD) and regarding intellectual property and innovation. At special sessions of the Council, discussions are to be held regarding a multilateral system of notification and registration of geographical indications on wines and spirits, for which further negotiations were mandated within the TRIPS Agreement (the Built-in Agenda). No progress has been made, however, as substantive discussions were not held during 2012-2017 since the Chairman's report with the combined texts that summarized the negotiation status attached was presented in April 2011.

Also, the issue regarding expansion of items covered by the additional protection of geographic identification and the relationship between the TRIPS agreement and the CBD, which were to be examined as directed by the Doha Ministerial Declaration in 2001, were not discussed during 2017, and no further progress has been made after the report which the WTO Director-General released in April 2011 stated that the discrepancy between the viewpoints of different countries remained significant.

The transition period granted to least developed countries (LDCs) under Article 66 of the TRIPS Agreement was extended until July 1, 2013 at the TRIPS Council meeting in 2005. The transition period was further extended for eight more years, until July 1, 2021, at the TRIPS Council in June 2013 (see “Transitional Arrangements” in Figure II-13).

Meanwhile, pursuant to paragraph 7 of the 2001 Doha Declaration on the TRIPS Agreement and Public Health, LDCs are subject to (i) a transition period (TRIPS Council decision in 2002 [IP/C/25]; Part II, Section 5 (Patents) and Section 7 (Protection of Undisclosed Information) of the TRIPS Agreement are not applied to LDCs) and (ii) a waiver of obligations (General Council decision in 2002 [WT/L/478]; LDCs are exempt from the obligation to comply with paragraph 9 of Article 70 of the TRIPS Agreement) concerning the provisions on pharmaceutical products. Both decisions set January 1, 2016, as the time for expiration of the respective treatments. It was decided/agreed at the TRIPS Council’s reconvened meeting in November 2015 that both the (i) the transition period and (ii) waiver of obligations will be extended to January 1, 2033 ((i): decision of IP/C/73) and ((ii): agreement of IP/C/74). With regard to (ii), it was recommended to the General Council that a draft decision to exempt LDCs from the obligation to comply with paragraphs 8 and 9 of Article 70 of the TRIPS Agreement be adopted; subsequently, the General Council officially adopted the decision.

## **(2) DISCUSSIONS OF GEOGRAPHICAL INDICATIONS**

“Geographical indications” refer to those indications which identify a product predominantly based on its origin within a territory or region of a Member and is associated with a certain quality and/or reputation (e.g., “Champagne” (a wine) or “Gorgonzola” (a cheese)). Under the TRIPS Agreement, geographical indications are protected as intellectual property rights.

Article 22 of the TRIPS Agreement protects geographical indications in general, but allows for products not produced in the geographic region to be labeled as “like” or “style” (e.g., “Gorgonzola type” cheese). However, Article 23 grants powerful legal protection to geographical indications for wines and spirits that does not permit “kind”, “like”, “type” or “style” forms of labeling. Protection as stipulated in Article 23 is referred to as “additional protection” because it goes beyond the protection afforded under Article 22.

Regarding geographical indications, the Doha Ministerial Declaration of 2001 (Paragraphs 12(b) and 18) provided for: (i) negotiation of the establishment of a multilateral system for the notification and registration of geographical indications for wines and spirits within the framework of the new round (Built-in Agenda); and (ii) the granting of additional protection of Article 23 for geographical indications for products other than wines and spirits. The TRIPS Council was instructed to report its discussions to the Trade Negotiations Committee by the end of 2002. Although active discussions have been held since then, no significant progress has been seen to date (as of February 2018), as the division of opinion has been significant between the countries arguing for further strengthening of protections, including the EU, Switzerland, and India, and the countries arguing for maintaining the current levels of protection, including the US, Canada, Australia, and New Zealand. For details concerning the development of the discussions, etc., see pages 509-511 in the 2017 Report on Compliance by Major Trading Partners with Trade Agreements - WTO, EPA/FTA and IIA -.

## **(3) RELATIONSHIP BETWEEN THE TRIPS AGREEMENT AND THE CONVENTION ON BIOLOGICAL DIVERSITY (CBD)**

The Convention of Biological Diversity (CBD), which went into effect in 1993, includes provisions related to intellectual property. The Doha Ministerial Declaration of November 2001

(Paragraphs 12(b) and 19) provided for examination of the relationship between the provisions of the CBD and the TRIPS Agreement and it was discussed mainly at the TRIPS Council. The Hong Kong Ministerial Declaration of December 2005 decided to intensify the consultation process and to take appropriate action by the General Council by July 31, 2006 at the latest (Paragraph 39).

However, although there have been ongoing discussions since then, the division of opinions among countries is significant. Some developing countries, such as India, Brazil Peru, the African group and the LDC group argued that the TRIPS Agreement should be amended to include a disclosure requirement of source and country of origin of genetic resources, prior informed consent to the use of genetic resources and provisions evidencing fair and equitable benefit sharing in order to obligate disclosure of such information in patent applications. To the contrary, other countries (including Japan and the US, etc.) find no conflict between the TRIPS Agreement and the CBD, and believe that it is possible to apply the two agreements in a mutually supportive manner. The discussions have not converged yet as of February 2018.

With regards to CBD, the Nagoya Protocol concerned with Access and Benefit-Sharing was adopted in the 10th Conference of Parties of United Nations Conventions (COP10) in October 2010. The number of countries required to ratify the Protocol and put it in force was achieved in July 2014, and the Protocol came into effect in October 2014. Japan accepted the Protocol on May 22, 2017, and it came into effect in Japan on August 20 of the same year. In the Nagoya Protocol, at the insistence of the developing countries, the patent office and the like were designated as the check points, and it was made obligatory to submit recorded proof of information of the place where the concerned genetic resource was obtained, the contract details, etc., at the time of patent applications for inventions that utilize genetic resources etc. However, no regulations were incorporated against noncompliance, whereas measures should have been taken, such as not allowing the examination procedure.

#### **(4) EU ENFORCEMENT PROPOSAL**

See pages 512-513 in the 2017 Report on Compliance by Major Trading Partners with Trade Agreements - WTO, EPA/FTA and IIA -.

#### **(5) INTELLECTUAL PROPERTY AND INNOVATION**

This agenda item aims to focus on the positive side of the intellectual property rights system by presenting successful cases of intellectual property rights utilization in the respective countries. The United States has been leading the discussion since the TRIPS Council meeting in November 2012. Many Members, including both developed and developing countries, have made remarks, mainly presenting examples regarding small- and medium-sized enterprises (March), cost effective innovations (June), and sports (October) in 2013; technological collaboration with universities (February), incubation (June), and promotion of the intellectual property rights system (October) in 2014; women and innovation (February), the role of intellectual property in financing innovation (June), and entrepreneurialism and new technologies (October) in 2015; and in 2016 education and diffusion (March), sustainable resource and low-emission technology strategies (June), regional innovation models (November). The annual topic for 2017 was “inclusive innovation and micro-, small- and medium-sized enterprises.” Members shared their insights concerning supportive measures in relation to various topics, namely inclusive innovation and cooperation among micro-, small- and medium-sized enterprises (March), inclusive innovation and the growth of micro-, small- and medium-sized enterprises (June), and inclusive innovation and trade by micro-, small- and medium-sized enterprises (October). On the other hand, some countries, including India, etc., assert that intellectual property is just one factor for promoting innovation and intellectual property

should be protected taking into account the balance with social welfare such as public health issues.

## **(6) CONTRIBUTION OF INTELLECTUAL PROPERTY RIGHTS TO THE PROMOTION OF ENVIRONMENTAL TECHNOLOGY TRANSFER**

See page 513 in the 2017 Report on Compliance by Major Trading Partners with Trade Agreements - WTO, EPA/FTA and IIA -. This agenda item was not addressed during 2016.

## **(7) AMENDMENT OF TRIPS AGREEMENT CONCERNING TRIPS AND PUBLIC HEALTH**

Based on the Doha Ministerial Declaration of 2001, a decision regarding implementation of paragraph 6 of the Doha Ministerial Declaration on the TRIPS Agreement and public health was adopted at the General Council held on August 30, 2003 concerning specific resolutions related to use of compulsory licenses by developing countries that do not have the capacity to manufacture pharmaceutical products. It was agreed to temporarily waive the obligations stipulated in Articles 31 (f) and (h) of the TRIPS Agreement, making possible the export of pharmaceutical products manufactured through compulsory licensing to developing countries that do not have manufacturing capacity (paragraph 6, System). At the meeting of the General Council held on December 6, 2005, an amendment to reflect the content of the decisions was incorporated into Article 31.2 of the TRIPS Agreement. Its annex and the appendix to the Article were adopted, accompanied by the Chairman's statement, on August 30, 2003.

In the TRIPS Council, the Secretariat reported on the implementation status of decisions mentioned above and the approval status of the protocol based on the annual review of the Paragraph 6 system, which is conducted based on the decisions mentioned above. The TRIPS Agreement revision protocol becomes effective within the Member countries that approved the revision when two-thirds of the WTO Members approve the protocol. The protocol will become effective for other Member countries when each Member approves the protocol. Although the approval period of the initial TRIPS Agreement revision protocol was December 1, 2007, this has been extended repeatedly by decisions of the TRIPS Council after receiving the approval of the General Council. On January 23, 2017, three countries including Liechtenstein, the United Arab Emirates and Viet Nam approved to the protocol, which means that two-thirds of the WTO Members approved it. In response, the revision protocol came into force. Japan already completed the approval procedure in 2007, and therefore the protocol became effective in Japan on that date. Japan was able to implement a system that responds to the revision protocol achieved in the negotiations under its existing Patent Act and other related laws and regulations, so it did not need to revise any laws and regulations at the time of approval.

Taking into account the fact that it would be difficult for all Members that had not yet approved the protocol to do so by the deadline set after the abovementioned repeated extension, namely December 31, 2017, the TRIPS Council agreed to extend the approval period by two years to December 31, 2019. This extension was also approved by the General Council.

## **(8) CONSIDERATIONS REGARDING OTHER ISSUES**

"Non-violation," which has been the subject of dispute settlement under GATT, refers to an action by a Member which, while not violating the TRIPS Agreement *per se*, infringes on or nullifies the interest of other Members. The timeline for postponement of application of this concept has been extended several times: The Doha Ministerial Declaration of 2001 aimed to complete it by the 5th Ministerial Conference; at the General Council held in July 2004, it was extended to the 6th Ministerial Conference; in the 6th Ministerial Conference (Hong Kong) held in

December 2005, it was extended to the 7th Ministerial Conference; in the 7th Ministerial Conference (Geneva) held in December 2009, it was extended to the 8th Ministerial Conference; at the 8th Ministerial Conference (Geneva) held in December 2011, it was extended to the 9th Ministerial Conference; in the 9th Ministerial Conference (Bali) held in December 2013, it was extended to the 10th Ministerial Conference; in the 10th Ministerial Conference in December 2015 (Nairobi), it was extended to the 11th Ministerial Conference. Although the scope and aspects of a “non-violation declaration” have been discussed at the TRIPS Council meetings since then, the gap between those supporting the adoption and those against could not be bridged, and at the 11th Ministerial Conference, it was decided to extend the discussions until the 12th Ministerial Conference scheduled in 2019.

## **(9) OVERVIEW OF TRIPS DISPUTE SETTLEMENT**

Since the TRIPS Agreement took effect on January 1, 1995 until the end of December 2017, 37 matters have been referred to consultations under the WTO dispute settlement procedures; of these matters, 16 panels have been established (see Chapter 3 of Appendices). In particular, in March 2012, Ukraine requested consultations regarding the problem of Australia’s regulation on packing tobacco products (DS434), and a panel was established in August that year in which Japan is scheduled to participate as a third party. Furthermore, regarding the same Australian regulation, consultations were also requested by Honduras in April 2012 (DS435) and by Dominican Republic in July of the same year (DS441), by Cuba in May 2013 (DS458), and by India in September of the same year (DS467), respectively. At the DSB meeting in April 2014, a decision was made to establish a unified panel for these requests. The panel was established in May 2014. With regard to DS434, in May 2015 Ukraine requested suspension of the proceedings in its dispute in accordance with paragraph 12 of Article 12 of the Dispute Settlement Understanding (DSU), and the Panel allowed the suspension. Because resumption of the proceedings was not requested within 12 months, the authority of the Panel lapsed and so the proceedings terminated in accordance with the same paragraph. A panel report has not yet been issued as of the end of 2017, although it was scheduled to be completed by the end of the third quarter (end of September) of 2017 according to a Communication from the Chairperson of the Panel in September 2017 (WT/DS435/22, etc.).

In addition, Qatar requested consultations about the economic blockade by the United Arab Emirates, Bahrain, and Saudi Arabia (DS526, DS527, and DS528). A panel was established for DS526 at the DSB meeting in November 2017 (Japan participated as a third party).

Until 2000, most of the cases dealt with issues regarding developing countries after expiry their transitional period or those regarding the national treatment and MFN obligations incurred by all the Members at the time the Agreement took effect. Due to the recent intense debate regarding the TRIPS Agreement, fewer matters have been referred to dispute settlement procedures. Now that the TRIPS Council has conducted Member implementation reviews, Japan urges Members to focus not only on WTO-inconsistent legislation, but also on further improvements in enforcement by actively identifying problems and cooperating with rights holders.

Japan will continue to monitor the status of disputes between Members. Japan also believes appropriate measures should be taken to enhance effectiveness of the TRIPS Agreement