INTELLECTUAL PROPERTY QUARTERLY UPDATE

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CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW

IMPLICATIONS OF INVESTMENT AGREEMENTS ON REGULATIONS AND ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS[1]

Introduction

The recent proliferation of investment and Intellectual property (IP) agreements among developed and developing countries invokes fundamental questions on their impact for the implementation of national policies for economic development. Since the conclusion of the North-American Free Trade Agreement (NAFTA), the negotiation of the failed Multilateral Investment Agreement (MAI) and the emergence of a new wave of Free Trade Agreements (FTAs), the interplay of IP rights and investment agreements have become the focus of negotiation. The negotiations continue to relate to both IP laws and outstanding investment and IP claims. The major inconsistencies among investment agreements and the sudden increase in investment disputes call for critical analysis of the TRIPS-plus effects of investment agreements for developing countries.

The upcoming South Centre Research Paper discusses the implications of investment agreements. It reviews several North-South bilateral investment treaties (BIT/BITs) and investment chapters under Free Trade Agreements (FTAs). Below this article, outline the discussion on when IP rights can constitute investment asset and what would be the implication of protecting IP rights under investment agreements for promotion of public interest, competition, technology transfer, enforcement of IP rights and dispute settlements. The last section synthesis the discussion and recommend mechanism to manage the

[1] *This Analysis is based on the South Centre Analytical Note and forthcoming Research Paper on intellectual property rights under investment agreements.*

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interface of IP rights and investment agreements.

IP Rights as Investment Assets

IP rights are increasingly dominating the asset structure of companies in the technologically advanced countries. When companies from the technologically advanced countries allocate their production, services, Research, and Development (R&D) facilities abroad, the capital structure of their subsidiaries can include trade secrets, trade names, technical process and other IP rights. For this reason, investment agreements define investment assets as constituting intangibles, IP rights, licenses, claims and returns including royalty and IP related payments, among others.

The definition of investment assets as comprising IP rights creates the linkage between IP instruments, that are mainly multilateral, and investment agreements, which are mainly bilateral. Whether IP rights should be included in the definition of investment was the subject of major debate during the negotiations of the MAI. Some countries suggested the exclusion of IP from the definition of investment.[2] The issue was not resolved in further negotiation. As a result, the interface between the IP and investment agreements requires broad examination and legal and economic analysis, especially to determine the extent of rights and obligations arising from investment agreements.

The characteristic of investment associated with the asset is relevant in determining whether there is investment protected under the agreement. The US FTAs provides that where an asset lacks the characteristics of an investment, that asset is not an investment regardless of the form it may take.[3] Moreover, the asset must refer to rights and claims that have financial value for the investment. The availability of financial value attached to the asset is crucial to determine whether assets like contracts, licenses and claims constitute investment. In the words of an arbitration tribunal the determination of the financial value of the claimed assets:

> "...creates a link with domestic law, since it is to a large extent the rules of domestic law that determine whether or not there is a financial value."[4]

There is no uniform recognition of the role of the domestic law in determining when IP rights constitute investment. The Chile-Argentina BIT of 1996, under Article 1(1) recognises domestic law as a validity requirement. IP rights assume the characteristics of investment and receive financial value when acquired in accordance with the domestic law.'[5] Investment agreements, like several of the Indian BITs, clearly limit the IP forming investment to the extent accepted in accordance with the relevant laws of the respective countries

However, the broad definition of investment may provide higher protection of assets than available under the domestic law. The majority of investment agreements provide a list of IP rights that may include assets that are in the public domain for the purpose of the domestic law. For example, the U.S. –Vietnam bilateral trade agreement define investment agreements to include encrypted program-carrying satellite signals.[6] Vietnam will start to protect encrypted program-carrying satellite signals only in July 2006 according to the country's new IP law.[7] In the absence of the new law, Vietnam would have been required to extend protection to encrypted program-carrying satellite signals to U.S. investors by the operation of the investment agreement.

In sum, IP rights constitute investment asset when their acquisition is in accordance with the domestic law,

1. OECD (1997), Report to the Negotiating Group on Intellectual Property, Negotiating Group on the Multilateral Agreement on Investment (MAI), DAFFE/MAI/(97) p. 4.
2. U.S.-Singapore FTA (2003) fn15-1; similar notes are found in the U.S.-Chile FTA (2003) at fn10, 11; and U.S.-CAFTA (2004) at fn7, 9. The US FTAs and Model BITs are available at www.ustr.gov , last visited on 19 July 2006.
3. Stockholm Chamber of Commerce, SCC (2004), *Mr. X (United Kingdom) and The Republic (in Central Europe),* p.158 & 161. The tribunal noted that the basis of [Mr X]'s claims in this case is the Investment Treaty and that Treaty should be interpreted in accordance with the rules of public international law. However, domestic law will be of some relevance, since the terms 'investment' and 'asset' in Article 1 of the Investment Treaty cannot be understood independently of the rights that may exist under [the law of the Republic]. It is therefore necessary to determine what the legal significance of that cooperation Agreement is under [the law of the Republic]."
4. See ICSID (2001), *Salini et al. v Morocco*, para. 46.
5. See the U.S.-Vietnam Bilateral Trade Agreement (2001), Chapter 4, Article 1 (1).
6. Vale, Chris (2006), Vietnam's IP modernization, Rouse and co. international, available at http://www.iprights.com/publications/articles/index.asp, last visited on 19 July 2006.

embody financial value and are committed as investment. However, where investment agreement specifically include a given right as investment assets which is not protected by the domestic law, the host-country is obliged to protect such right as investment assets.

Public Interest and the TRIPS - plus Impact of Investment Agreements

Investment agreements follow two different approaches on public interest: general exception clause applicable to the agreement as a whole or specific exception under selected provisions. However, several BITs omit exception based on public interest consideration.

The general exception clauses provide exception subject to the standards of non-discrimination and fair and equitable treatment. The Canadian Model BIT, the Japan BIT with Vietnam and Agreement between Japan and Singapore for a New-Age Economic Partnership provide general exception clause. The exceptions are available for the adoption or enforcement of measures necessary to protect human, animal or plant life or health, the conservation of living and non-living exhaustible natural resources and to ensure compliance with laws and regulations that are consistent with the provisions of the agreement. Under the agreements, the application of the measures should not be in a manner that would constitute arbitrary or unjustifiable discrimination between investments or between investors, or a disguised restriction on international trade and investment.[8] The BITs of Mauritius with Switzerland, Egypt, Singapore and Pakistan also provide that the agreement shall not limit the rights of the parties to apply prohibitions or restrictions or any other action directed to the protection of essential security interests, public health, diseases in animals or plants. [9]

The U.S. Model, however, does not provide a general exception clause. Instead, it provides for exceptions under selected provisions on transparency, and performance requirements.[10] Here, the public interest exceptions are confined to the provisions under which they appear.

As a result, countries taking measures against the IP rights of investors have to comply with the requirements under both the TRIPS Agreement and the investment agreements. In *Methanex Corp v. United States,* an investor-state dispute under NAFTA, the tribunal emphasised that according to the general international law, a non-discriminatory regulation for a public purpose, enacted in accordance with due process and, which affects a foreign investment is not expropriatory and compensable.[11] Here, the due process and non-discrimination are important standards to justify the public purpose. The context for the implementation of the public interest measures significantly contributes to their assessment as lawful measures under international law or unjustifiable discrimination against investors.

There are additional features of investment agreements applicable more specifically to health and competition regulation. The U.S. agreements and the Canadian agreements provide in their annex that non-discriminatory regulatory measures to protect public interest are not acts of indirect expropriation.[12] The review of the investment agreements indicate that the flexibilities available for the protection of public health are preserved in many of the investment agreements. However, the ability of countries to take measures on IP rights of a foreign investment for the protection of public health should satisfy the additional requirements under the investment agreements. These requirements include good faith and non-discriminatory implementation, as well as commitment not to use the measures as a disguised restriction on investment or to avoid obligations under the agreement. [13]

7. DFA, (2004), Model BIT of Canada, Article 10 (1), Annex B.13 (1) C, Japan- Vietnam BIT, Article 15 (1) (c) and 15 (2) and Agreement between Japan and Singapore for a New Age Economic Partnership (JSEPA) (2002), Article 69. The BITs are available at www.unctad.org, last visited on 19 July 2006.
8. UNCTAD, Switzerland- Mauritius BIT (1998), Article 11 (3), Mauritius –Egypt BIT (2003), Article 12, Mauritius –Pakistan BIT (1997), Article 12, Mauritius –Singapore BIT (date not given), Article 11.
9. See USTR (2004), Model BIT, Article 8: 3(c) (2), 11 & 19, 13, 32 and Annex B (4) (b).
10. NAFTA (2005), *Methanex Corp v. United States* Final Award, Part IV, Chapter D, para 7.
11. USTR (2004), US Model BIT, Article 8 (3)(c) (2), Annex B (4) (b), DFA (2004), Canada Model BIT Annex B.13 (1) C.
12. Japan-Singapore New Age Economic Partnership Agreement (2002), Article 83.

The U.S. FTAs demand the consistency of the measures to the TRIPS Agreement.[14]

The review of the investment agreements with respect to competition and compulsory license also indicate similar limitations on the use of the TRIPS flexibilities. Recent investment agreements have started to address the specific issue of compulsory license, which indicate the increased awareness of the inter-linkage between IP rights and investment protection.

The U.S. model BIT excludes compulsory licenses from its performance requirement restriction in as far as the licenses are consistent with the TRIPS Agreement.

TRIPS consistent compulsory license issued against foreign owned investment asset involve the payment of remuneration and involve the attainment of legitimate public welfare. However, for the purpose of investment agreements, the expropriation provisions are potentially applicable for the determination of the availability of public purpose, non-discriminatory application, amount of remuneration and manner of payment.[15]

Where the compulsory license is in violation of the fair and equitable standard of treatment, the investment agreements protect the IP rights, which are the subject of such measures. The amount of the remuneration subsequent to issuance of compulsory license, the standard for payment and the assessment of the amount varies between the TRIPS and investment agreements. The TRIPS Agreement requires only the payment of *adequate* remuneration taking into account *the economic value* of the authorisation for compulsory license. The compulsory license granting authority determines the royalty payment commensurate to the expected economic value that the implementation of the specific compulsory license could bring and the objective of the license (e.g. affordability of essential medicine). Since the objective is to remedy anti-competitive practice, the preferable means of payment would be to determine the royalty fee payable by the licensee. Furthermore, challenges against decision by competent authorities on the remuneration are limited only to the domestic adjudication in accordance with Article 31 (j) of the TRIPS Agreement.

Conversely, the investments agreements provide for payment of compensation, though the language varies from treaty to treaty, to the fair market value of the expropriated investment assets itself. Such amount should be paid promptly; as opposed to royalty and several instalments spread over a period to be collected from third parties. As a result, where there is a dispute on the fairness of the issuance of the compulsory license, the payment and the amount of the remuneration for compulsory license against the IP of covered investment, investment agreements can result in a TRIPS- plus standard.

Technology Transfer and IP Rights under Investment Agreements

The IP and investment interface occurs in the context of provisions on performance requirements. In *Indonesia-Autos,* a WTO Panel confirmed the consistency of performance requirements as they relate to the trademark with Article 20 of the TRIPS Agreement.[16] Though consistent with the TRIPS Agreement, the Agreement on Trade-Related Investment Measure (TRIMS) and the Agreement on Subsidies and Countervailing Measures (SCM) outlawed the use of some performance requirements.

Many of the investment agreements, especially those that involve U.S., Canada and Japan fall under the categories of those that:

a) restrict requirements to transfer of technology, production process, or other proprietary knowledge and to undertake R&D except when such requirements are imposed as a condition to receive advantages offered by the government;

b) restrict imposition of technology transfer requirement except in accordance with the TRIPS Agreement, or implementation of

13. See for example, U.S. FTA with Chile (2003), Article 10.9 (5)
14. Correa, Carlos M (2004), "Bilateral investment agreements: Agents of new global standards for the protection of intellectual property rights?" *GRAIN publication*, available at http://www.grain.org/briefings/?id=186#one, last visited on 10 March 2006, pp. 14-16.
15. WTO, Report of the Panel on Indonesia- Certain Measures Affecting the Automotive Industry par., 14.277-2779.

competition laws and government procurement.

Under the 2004 U.S. Model BIT, restriction on technology transfer does not apply to compulsory licenses, measures requiring the disclosure of proprietary information consistent with, Article 39 of the TRIPS Agreement and to measures to remedy anti-competitive practice under competition laws.[17] It further provides that parties may condition the receipt of advantage to supply of a service, train or employ workers, construct or expand particular facilities, or carry out research and development, in their respective territory.[18] Governments are free to impose performance requirements in relation to government procurement. Similarly, the Japanese agreements permits technology transfer requirements when the measures concern the transfer of intellectual property in accordance with the TRIPS Agreements.[19]

Other investment agreements have less rigorous restrictions of measures on foreign investment and less detailed exceptions to the restrictions in order to promote research and development, access and transfer of technology. Although mandatory technology transfer and R&D requirements could be consistent with the TRIPS and TRIMS agreements, the review of the investment agreements indicate that many BITs permit only voluntary technology transfer and R&D requirements.

Investment Agreements, and Enforcement of IP Rights

Investment agreements stipulate standards of treatment and protection of investment assets, which in some investment agreements include the international minimum standard on the treatment of foreigners and their property. Accordingly, the host-country is required to provide full protection, and fair and equitable treatment. Recent investment agreements have started to provide detailed stipulation on enforcement procedures. The U.S. – Uruguay BIT of 2004 provides under Article 11(4) standards on administrative proceedings, review and appeal procedures and decisions making.

The enforcement standards are applicable to the organization, control, operation, maintenance and disposition of companies; the making, performance and enforcement of contracts and the acquisition, use, protection and disposition of property of all kinds including IP."[20] Hence, the scope of application of investment agreements covers the acquisition, use, protection and disposition of IP rights, creating links with Part IV of the TRIPS Agreement.

Investment agreements provide full protection and security of investment - the level of police protection required under customary international law.[21] Although infringement of IP rights are not covered by the obligation of the state to provide *full protection and security*, the standard of fair and equitable treatment as applied to *due process of the law and protection from denial of justice* require host-countries to make available acceptable procedures for protection of the investment asset. Where the state fails to provide, by either omission or commission, the procedure for due process of the law and availability of remedies for IP rights of foreign investors, the state violates the investment agreement, since IP rights constitute investment assets.

Recent investment agreements have broadened the transparency obligations.[22] Earlier BITs developed a relatively narrow transparency requirement relating to publication and accessibility of laws and regulations.[23] The U.S. FTAs have extended the transparency obligations to procedures and administrative rulings, an opportunity to comment on draft legislation, establishment of contact points to facilitate communication, publications of laws, regulatory measures, judicial decisions and administrative rulings and notification of measures that materially affect the

16. USTR, 2004 US Model BIT, Article 8:3 (b)
17. Id., Article 8. 2 and 3.
18. See Agreement between Japan and Singapore for a New-Age Economic Partnership (JSEPA) (2002), Article 75 (1) (f) (ii).
19. U.S.-Sri Lanka BIT (1991), Article I.1 (e), See also the US BITs with Ecuador (1993), DRC (1991) Tunisia (1990), Argentina (1991), Bangladesh (1986), emphasis added.
20. *See*, e.g., U.S.-Chile FTA (2003), Article 10.4(2) (b); U.S.-Singapore FTA (2003), Article 15.5(2) (b); U.S.-CAFTA (2004), Article 10.5(2) (b).
21. See, e.g., U.S. – Uruguay BIT (2004), Article 11.
22. See, for example, Australia-China BIT (1998). Transparency obligations are not included in Indian BITS with Thailand, Ghana and Oman.

investment as well as transparency in dispute settlement.[24]

The transparency obligations under investment agreements are higher than the TRIPS Agreement, when the obligation forms part of the fair and equitable standard of treatment or the international minimum. As in *Metalclad Corporation v Mexico,* the lack of clearly established mechanism for the enforcement of IP rights of investors may give rise to claims of violation of the transparency obligation. [25] Here, the danger is more obvious to the developing countries with limited resources to implement fully the TRIPS Agreement.

The Interface between the IP and Investment Dispute Settlement

Unlike the TRIPS Agreement, violation of the standard of treatment of investment may give rise to state-to-state or investor-to-state dispute settlement. Investment agreements are open invitation to unhappy investors, since the rather ill-defined and imprecise provisions can support broad claims of damage. There should be no presumption that countries and multinational corporations that are increasingly dependant on technology and IP rights to maximise the rate of corporate profit and competitiveness in international market, will decline the resort to investment agreements for the protection of IP rights.

As the value of IP and information-based assets grows, the expropriation provisions could be applied to protect these assets. In *Methanex,* the tribunal noted that:

> "[T]he restrictive notion of property as a material "thing" is obsolete …. In the view of the Tribunal, items such as goodwill and market share may … constitute [] an element of the value of an enterprise and as such may have been covered by some of the compensation payment." [26]

Hence, the Tribunal concluded that in 'comprehensive expropriation, items like goodwill and market share may figure in valuation, but it is difficult to see how they might stand alone in the case before the Tribunal.'[27] Similarly, the Permanent Court of International Justice also found in the 1926 case of *German Interests in Polish Upper Silesia – the Chorzow Factory* case that the seizure by the Polish government of a factory plant and machinery was also an expropriation of the closely interrelated patents and contracts of the management company. In recent NAFTA cases, the NAFTA tribunals in *Pope & Talbot, Inc v. Canada*, (Interim Award of 2000), and *S.D. Myers, Inc. v. Canada*, (Partial Award of 2000) addressed claims concerning market access and market share and suggested that these might be property rights for purposes of expropriation.

Though limited, the discussion of intangible property and IP rights in the cases cited above can suggest that expropriation of investment can also be expropriation of the closely related IP rights, and intangibles. Ultimately, the value of the investment would involve the value of the IP rights and intangibles expropriated together with the factory plant or businesses.

Unlike the conclusion under *German Interests in Polish Upper Silesia – the Chorzow Factory* expropriation of physical assets, may result only in infringement of patent rights, since the expropriation entails acquisition without consent of the investor. The investor still maintains the patent in all the protected markets. An effective expropriation could occur when the inventions yet to be patented are transferred to the state and the expropriation is extended to specifically include trademarks, patents and other IP rights held by the investment.

In addition to expropriation, there are several instances where IP rights could surface in investment related disputes. These include, but not limited to:

1. the determination of the consistency of measures to protect and advance public interest on IP rights of covered investment to the provisions of the investment agreement and, where provided, to the TRIPS Agreement,
2. the determination of the availability of public purpose, and the necessity of the measures to achieve the public purpose;
3. whether regulatory measures, including competition policy, compulsory license,

23. See, e.g., USTR, the 2004 Model BIT of the U.S. and Article VI and Canada-Croatia BIT (2001), Article XIV.
24. ICSID (2000), Metaclad *Corporation v Mexico*, ICSID Case No. ARB/AF/97/1, Award 30 August 2000, available at www.worldbank.org/icsid, last visited on 10 March 2006 para. 99.
25. Id., Part IV – Chapter D- Page 7-8.
26. Id.

and technology transfer requirements that affect IP rights of the covered investment, are non-discriminatory regulation for a public purpose, enacted in accordance with due process;

4. whether the disclosure of trade secrets or data submitted for approval purpose and failing to prevent third parties from utilising or acquiring approval relying on unlawfully disclosed information amounts to indirect expropriation, and
5. claims of discriminatory treatment, lack of fair and equitable treatment, due process and enforcement mechanisms in relation to investment activities as including the acquisition, protection and enforcement of IP rights.

Furthermore, the determination of the extent to which IP rights constitute an investment asset, and the relevance of domestic laws in defining the availability, validity and scope of IP rights of covered investment are also legal issues that can arise in investment disputes. There could also be several instances involving IP rights of investment assets resulting in diminishing investment and giving rise to expropriation and compensation claims.

In the case of comprehensive investment expropriation, directly or indirectly, it is established that IP rights and other intangibles can form part of the value of the property for compensation, if the investment is effectively disposed of its IP rights. However, the question of jurisdiction and competence of investment tribunals is problematic when it comes to partial expropriations affecting only IP rights of investment assets. In the absence of clear exclusion of a subject matter from the scope of investment dispute settlement, investment arbitration tribunals may not decline competence by the mere fact of the existence of effective dispute settlement avenues in WTO or elsewhere.

As in the conclusion of the tribunal in *Methanex vs. United States*, IP rights alone should not constitute a ground for claim by themselves. There is strong justification for denying subject matter jurisdiction on claims purely related to the IP rights of investment. In cases of the FTAs, the investment dispute mechanisms are not applicable to measures that are consistent with the IP section, which convey the desire of the parties to treat IP rights differently. In addition, the international law on IP rights as developed through the WIPO treaties and the TRIPS Agreement have emphasised on domestic law remedies for the enforcement of IP rights, and a state-to-state dispute settlement mechanism where the domestic laws and institutions are below the established standards under the treaties. The taking up of IP disputes to investment arbitration create imbalance of interest in IP rights and significantly affect the global governance structure on negotiation, implementation and dispute settlement with respect to IP rights.

Synthesis of Implication and Options for Developing Countries

The complex relationship between investment and IP right norms call for a cautious approach by developing countries when negotiating the agreements.

Many developing countries continued to engage in new investment agreements. Few countries have shown a cautionary approach. Some with no bilateral investment treaties in force continue to enjoy substantial flow of investment.[28] Other countries are renegotiating investment agreements in order to update and agree to stronger commitments.[29] There is the expectation of increase in number of the renegotiation of BITs. [30]

Considering the trends in negotiation and renegotiation of BITs, developing countries need to address the interplay of the IP rights and investment agreements. The use of memorandum of understanding, protocols and amendments can help to revisit the issues specifically.

27. UNCTAD (2005), Investment Policy Review Brazil, Geneva, p.39.
28. See IISD, *Investment Treaty news* of February 2006 and UNCTAD (2005), Investment Policy Review Colombia, Geneva.
29. UNCTAD (2006), Recent Developments in International Investment Agreements, 2 *IIA Monitor 2005,* International Investment Agreements, Geneva, p.7.

Developing countries can consider the following elements in their negotiations, renegotiations or by initiating amendment of investment agreements in order to address their impact on the rights and flexibilities under the IP instruments.

1. ascertaining the role of domestic law for validity, determination of scope and applicable exceptions to IP rights and avoiding categories of rights not protected under the domestic laws;
2. Providing general exception that the agreement does not affect the parties' rights and obligations under multilateral IP rights agreements to which they are parties, including the TRIPS Agreement;
3. In case of a country with bilateral or regional IP rights instruments, the agreement should not require the extension of the treatment accorded to third countries by virtue of bilateral/regional agreements on IP rights and;
4. The exclusion of the administration, acquisition, maintenance, enforcement and protection of IP rights from the dispute settlement provisions of the investment agreement.

AN OVERVIEW OF RELEVANT IP DEVELOPMENTS IN VARIOUS FORA

The following is an overview of the developments in the various fora dealing with intellectual property issues in the second quarter of 2006.

World Trade Organization (WTO)

The Council for TRIPS met from June 12 - 16 2006. The meeting was preceded by several informal consultations led by Deputy Director-General Rufus Yerxa, and immediately preceded by a Special Informal Session of the Council on the 12-14th June.

The informal consultations were continuations of those occurring in the First Quarter of 2006, under the direction of the Director-General who was mandated in Hong Kong to carry out such consultations so as to achieve some progress in the negotiations. The discussions mainly addressed the issues of Disclosure of Origin and Geographical Indications.

Proposed Amendment of TRIPS on Disclosure

During informal consultations, a group of developing countries (Brazil, China, Cuba, India, Pakistan, Peru, Thailand and Tanzania), submitted a text that they proposed should be the basis for further negotiations on the issue of Disclosure of Origin. The text (WT/GC/W/564Rev.1) was a proposed amendment to the TRIPS Agreement to add a new article 29bis that required disclosure of the origin of biological resources used in a patent application.

At the Council Session, the group of developing countries provided a comprehensive set of answers to questions that had been raised by other Members on the proposed text.

Japan and Norway also tabled separate proposals during the Council session. Japan's proposal (IP/C/W/472) was similar to that submitted to the April meeting of the WIPO Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore (IGC) (WIPO/GRTKF/IC/9/13). It emphasized that there was no conflict between TRIPS and the CBD and that a disclosure of origin requirement would not address the core problem of 'erroneous patents'. It also pointed out the need to consider the work being done at WIPO and not to duplicate efforts, suggesting that WIPO was the proper forum for this discussion.

The Norwegian proposal (WT/GC/W/566), essentially restated Norway's previous position on disclosure of origin and the relationship between TRIPS and the CBD. It also argues for an amendment to TRIPS on Disclosure of origin.

While the text was welcomed by many states there was little agreement as to what role it should play in moving the process forward. The response from some developed countries was that the amendment attempts to address a problem which does not exist, in particular, the suggestion that the TRIPS agreement is incompatible with the CBD. However, developing countries supporting the proposals have noted that their approach is not premised on a conflict between the two but on ensuring that the TRIPS Agreement enables the application and implementation of CBD principles.

At the conclusion of the TRIPS Council there was no progress beyond the texts submitted and no agreement as to whether the text was a sufficient basis for carrying forward negotiations. With more support from developing countries it may become the de facto basis for negotiations at the ambassadorial or ministerial level.

Geographical Indications

Consultations on the extension of Geographical Indications beyond Wines and Spirits were carried out in April and May leading up to the informal and formal sessions of the TRIPS Council. In addition, the special session also considered a proposal to establish an international system for notification and registration of geographical indications for wines and spirits. There was little progress on these issues during this phase of discussions.

During the formal sessions, member states largely reiterated their positions on the extension of protection for geographical indications with proponents calling for text-based negotiations and other parties, in this case the US, suggesting caution.

At the end of formal discussions, the issue of GI extension was moved to ambassadorial-level consultations chaired by Deputy Director-General Rufus Yerxa, with a small invited group of participants. Concern exists that while ambassadors were permitted to be accompanied by a delegate, the membership was apparently limited only to the invited group. This concern is only heightened by reports that the discussions focused on how the GI issue may be linked to the larger agriculture negotiations. This would seem to link the GI issue not just to Agriculture but also to disclosure of origin issues, as some delegates have suggested.

The issue of a register of GI's did not progress beyond the informal sessions, with only a few statements at the informal sessions as to country positions.

EU Proposal on Enforcement

The EU submitted another proposal addressing 'border measures' and 'good practices' on enforcement to the formal session of the TRIPS Council (IP/C/W/448). There was little change in positions with respect to general enforcement issues, with some developed countries supporting the proposal and others, such as Australia and Switzerland, showing more caution. A significant concern is that the continuous presence of this issue on the agenda of the Council may serve to further legitimize the issue as a subject for negotiation when it is largely an issue left to states under the agreement.

The next formal TRIPS Council meeting is scheduled for 25-26 October.

World Intellectual Property Organization (WIPO)

Informal meeting of the Standing Committee on Patents April 10-12

This informal meeting of the Committee was intended to discuss and determine a way forward after the impasse at the 2005 General Assembly. This was the second item on the mandate from the General assemblies. The first was that an Open Forum be held on the SPLT. The second was that the committee devise a work programme taking into account the outcomes of the Open Forum.

Despite this, some countries (Group B developed countries) wanted to proceed on the basis of the Casablanca proposal, which

had been rejected at the previous general assemblies and had not been reflective of the inputs of the majority of member countries and the discussions at the Open Forum. Discussion circled around whether it was better to have a comprehensive work programme addressing the broad range of concerns expressed at the Open forum or to proceed with a limited set of issues, (i.e. novelty, inventive step and disclosure), ignoring issues such as traditional knowledge, disclosure of origin, and Exceptions and Limitations among others. India suggested that since traditional knowledge, disclosure of origin and genetic resources issues were being raised in the SCP and the IGC, that it would be appropriate to hold joint sessions of the committees. The proposal received some interest but not much support as discussion remained focused on the appropriate way forward for the committee.

Despite intensive discussion, countries could not come to an agreement before the close of the meeting. As a result, the scheduled formal meeting of the SCP July 2006 was cancelled pending any actions by the General Assembly in September/October 2006.

No further meetings of the SCP have been scheduled for 2006. The WIPO Secretariat has, however, announced that there will at least six meetings on patents issues, dubbed "colloquia" in 2006 and 2007 to provide information and serve as a forum for an exchange of information. There will be two meetings in the third quarter of 2006, namely, on "The Research Exemption" on 11 October, and "Standards and Patents" on 30 November.

WIPO Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore (IGC), Ninth Session April 24 to 28, 2006

Discussions at the committee continued around the primary source of tension: whether the committee should move to negotiations aimed at achieving a binding treaty on the issues under the mandate. Little or no movement was seen on these positions at the meeting. Norway proposed a non-binding high-level declaration that addressed only traditional knowledge and folklore (WIPO/GRTKF/IC/9/12) and that attracted some developed country support, but it found little other support as it was not considered to meet the goals of developing countries who seek a binding agreement that also covers genetic resources.

Japan (WIPO/GRTKF/IC/9/INF/3), Peru (WIPO/GRTKF/IC/9/10) and South Africa (WIPO/GRTKF/IC/9/11) also submitted papers to the describing national examples and problems.

Despite attempts by several developing countries to lead discussions towards a text, there was little movement. The committee also could not agree on the future work of the committee. The Committee finally agreed that: written comments on objectives and principles with respect to the issue of folklore in WIPO/GRTKF/IC/9/4; on objectives and principles with respect to the issue of traditional knowledge in WIPO/GRTKF/IC/9/5; and on objectives and principles with respect to the issue of genetic resources in WIPO/GRTKF/IC/9/9 and WIPO/GRTKF/IC/8/9 would be submitted by stakeholders by July 31st. Future work would centre around discussion of the comments made on these issues.

The next meeting of the IGC is 4-12 December 2006.

Standing Committee on Copyright and Related Rights (SCCR) 14th session May 1-5

The only item on the agenda of the meeting was the Proposed Treaty on the rights of Broadcasting Organisations. The working text was provided by the chair who stated that this was a cleansed text, from which all controversial proposals had been removed (SCCR/14/2). However, despite serious and widespread objections to the inclusion of webcasting in any document under discussion, the committee was presented with a document by the Chair and secretariat that included a 'so-called' Non-Mandatory Appendix on Webcasting and relegated all other proposals to a Working Paper for the Preparation of the Basic proposal, into which all disputed or controversial proposals from the 13th Session were supposedly placed. In particular this included proposals made by Chile and Brazil (SCCR/14/3). The main text also included several references to simulcasting over the web, as well as to webcasting proper. After several

delegations expressed concern that the text, which was meant to be a consolidation, omitted several proposals, the meeting agreed that the documents would now all be taken together as a single consolidation and that nothing in the main document or the appendix would be considered more valid than any others.

Discussion on the draft reflected pre-existing positions, with only the US and Japan in favour of the inclusion of webcasting, and the EC in favour of the inclusion of simulcasting over the web. Absolute opposition to the inclusion of webcasting of any kind came from many country delegates, as well as, NGO's and some industry representatives. At the end of the meeting, the committee decided that all references to webcasting would be removed from the text as would the non-mandatory appendix. The committee chair was asked to create a second consolidated text that included all proposals made to date so far. This consolidated text would be due by August 1st 2006, and become the basis for discussions to be held at a meeting of the Committee to be held before the WIPO General Assemblies in September and the result of those discussions would be the committee's recommendation to the General Assembly. An ordinary meeting of the committee would be held after the WIPO General Assembly at which one of the agenda items would address the issue of webcasting and simulcasting. Proposals on this issue to be included in a working paper are due at the WIPO Secretariat by August 1st 2006. However, this meeting will have no connection to the diplomatic conference, nor will it be committed to the convening of a diplomatic conference on webcasting. There exists no timetable for conclusion of this matter at present. The US stated that it understood that it was agreeing to such an approach only on the condition that the General Assemblies recommend a diplomatic conference. If that did not take place, it understood that issues of webcasting would be included in the consolidated text with other proposals. The EC stated that it understood the agreement to include simulcasting in the main text, a view not necessarily shared by other delegations. These understandings and the agreement seems set to place pressure on the general assemblies to approve a diplomatic conference before issues such as limitations and exceptions, and technological protection mechanisms are decided. In addition, it should be noted that the US and the EU did not agree that they would not introduce such proposals at a diplomatic conference. This suggests that the webcasting issue will play a significant role at any diplomatic conference, at the very least as a bargaining chip to ensure conclusion of the treaty.

The dates for the next meeting of the SCCR are September 11-13, 2006

WIPO Advisory Committee on Enforcement 15-17 May

The Committee largely involved information sharing regarding member country experiences with enforcement efforts. The Committee panels are dominated by industry representatives, and this issue was raised by some public interest NGO observers, backed by Brazil and a few other developing countries. The US opposed a discussion on the participation of NGOs as outside the mandate of the committee. No resolution was reached as these issues were caught up in the discussion about the future scope of the work of the committee and whether it should include issues such as limitations and exceptions, and competition law. The committee agreed on broad outlines of discussion regarding coordination and international regional and national levels. Consultations will continue to determine the scope of discussions at the next meeting likely to be held in 2007.

Informal Consultations on a Mechanism to Further Involve member States in the Preparation and Follow-Up of the Program and Budget of the organisation, June 6, 2006

Informal Consultations were held in April and June on establishing a new mechanism. The first consultations discussed a working paper presented by the secretariat (WO/PBC/IM/I/06/INFORMAL PAPER). Taking into account comments from members states at the first consultations the secretariat provided a proposal at the second round of consultations, for mechanisms outlined in a Second Informal Working Paper on A New Mechanism to Further Involve Member States in the Preparation and Follow up of the Program

and Budget (WO/PBC/IM/2/06/INFORMAL-PAPER). The document proposed several changes, the most significant being that information on Programme Performance for the previous two years and the Report of the Internal Auditor will be made available to the member states at the same general assembly. Combined with a, hopefully, more transparent consultation process regarding the WIPO Draft Work Programme in the Autumn leading up to December, this may result in greater developing country input. This would be in contrast to a process that was dominated by non-transparent consultations with only major budget contributors and without sufficient information available to properly evaluate the priorities and effectiveness of Secretariat work with respect to developing countries. The member states, while welcoming this document, requested that closer synchronisation between Program review and Financial Review be explored as the Internal Auditor's report was not considered sufficient.

The 10th session of the Program and Budget Committee will be held from July 11-13, 2006.

Extraordinary Session of WIPO Coordinating Committee June 19-20 (WO/CC/54)

This extraordinary session was held to consider the appointment of senior officials. The Director-generals choices (WO/CC/54/2) for Deputy Director-General and Assistant Director-General positions were approved, although concerns were expressed that the geographical representation of developing countries in the secretariat was too small in comparison to their membership in WIPO. The appointments were as follows:
Deputy Director-Generals: Francis Gurry (Australia), Philippe Petit (France) Narendra Sabharwal (India) Michael Keplinger (United States). Sabharwal replaces Geoffrey Yu (Singapore) and Keplinger replaces Rita Hayes (United States). Francis Gurry and Philip Petit are serving a second term as DDG's.
Assistant Director-General: Ernesto Rubio (Uruguay), Geoffrey Onyeama (Nigeria) Wang Binying (China). Ms. Wang's present position at WIPO has been upgraded from Director level to Assistant Director-General. The appointments are set to expire in 2009 at the end of Director-General Kamal Idris' term of office.

Provisional Committee on Proposals Related to a WIPO Development Agenda (PCDA) (2nd session) June 26 - 30

The committee met to determine what measures to recommend to the General Assemblies, as mandated. The documents under discussion were the Appendix to the draft report (PCDA/2/1 REV.), which clustered the 111 proposals from the previous meeting into 6 thematic areas, as agreed at the previous committee meeting. The only other document was a formal proposal (PCDA/2/2) tabled by the Group of Friends of Development (Argentina, Bolivia, Brazil, Cuba, Dominican Republic, Ecuador, Egypt, Iran, Kenya, Peru, Sierra Leone, South Africa, Tanzania, Uruguay and Venezuela), suggesting a text to forward to the General Assembly and proposing a method for further work on the Development Agenda. Initial discussions and questions addressed the particular status of this proposal with only Mexico raising any objection to the formal document.

The Chair (Rigoberto Gauto Vielman of Paraguay) proposed that the committee work on the basis of the cluster in the appendix to the draft report, without prejudice to other proposals. The results of this, however, were that most developing countries did not address or engage the proposal by the Friends of Development, which had attempted to synthesize and include most of the proposals in the Appendix. Instead, developed countries, the Baltic and Eastern European states, and Japan engaged in a process of stating which numbered proposal in which cluster they could support and which they could not. This resulted in what appeared to be widespread support for technical assistance proposals, but no support for norm-setting, institutional, or transfer of technology proposals. This was not fully reflective of the discussion, however, since neither the Friends of Development, the Asian Group, nor the African group engaged in such listing. The Chairman's proposal for a recommendation to be sent to the General Assembly and which identified those proposals which he thought reflected near-term consensus was rejected by these

groups as not reflective of the range of opinions expressed. Of particular concern was that the proposal essentially reflected the position of only one member state, the United States, with only minor modifications, while entirely excluding the major formal proposal on the table, that of the Friends of Development. This method of work, in which developing country formal proposals are ignored in favour of informal proposals from the chair, was part of the impetus behind the Development Agenda process. Those developing countries in favour of the Agenda found it insupportable for such processes to continue in this forum and rejected the Chair's document. The Chair however, refused to withdraw his document, citing support from several member states. This resulted in a stalemate and a decision that a factual record of the committee meetings be sent to the general assembly including all formal proposals. In reaction, the delegation of Kyrgyzstan, vice-chair of the committee, submitted the Chair's proposal as a formal country submission for forwarding to the General Assemblies PCDA/2/3.

Upcoming WIPO Meetings

The WIPO General Assembly: Thirty-Third (16th Extraordinary) Session, will be held from September 25, 2006 to October 3, 2006 (*Geneva, Switzerland*);

Other Multilateral Fora

Convention on Biological Diversity (CBD)

Under Decision VIII/4C, paragraph 1, the Conference of the Parties agreed to "establish a group of technical experts to explore and elaborate possible options, without prejudging their desirability, for the form, intent and functioning of an internationally recognized certificate of origin/source/legal provenance and analyse its practicality, feasibility, costs and benefits, with a view to achieving the objectives of Articles 15 and 8(j) of the Convention." The Secretariat has notified and invited international organizations, indigenous and local communities and all relevant stakeholders to submit their view, results of their research, and work on this issue **by 1 September 2006**. These will form part of the inputs to the meeting of **technical experts group in Peru in the second half of 2006, before the fifth meeting of the Working Group on Access and Benefit- Sharing. Nominations for 7 observers to serve on the expert group are requested "from** indigenous and local communities, industry, research institutions/academia, botanical gardens, other *ex situ* collection holders, and representatives from relevant international organisations and agreements interested in the issue of access and benefit-sharing within the framework of the Convention on Biological Diversity." These are due by August 1, 2006. The other members are nominated by states parties to the CBD, and nominations are also due by August 1, 2006.

Food and Agriculture Organization (FAO)

The **second meeting of the Contact Group for the drafting of the Standard Material Transfer Agreement (MTA) was held in Alnarp, Sweden on 24-28 April. The contact group considered** the draft Standard MTA – the instrument for facilitating transfer of plant genetic resources and benefit sharing in the ITPGRFA's multilateral system – and made recommendation for adoption of a draft resolution (IT/GB-1/06/6) adopting the draft MTA to the **first session of the Governing Body of the ITPGRFA, which took place in Madrid, Spain on 12-16 June, 2006**. Accordingly, the Governing Body adopted the resolution and the MTA.

The draft resolution calls for implementation of the non-monetary benefit sharing provisions of the treaty and urges parties and other holders of plant genetic resources to contribute them to the multilateral system set up by the treaty.
Pertinent elements of the MTA are: recipients under the system undertake to use the material only for research, breeding and training for food and agriculture; they will not claim intellectual property on the material 'in the form received'; recipients pay a 1.1% of sales when product containing the material is commercialized but not available without restriction to others for further research and breeding; the agreement recognizes 'click-wrap' agreements as legally binding. A statement requiring the recipient to notify the Governing body if they obtain an IP right

that limits access to a product containing the material received under the system was removed during the meeting at the insistence of North American delegates.
The next session of the Governing Body will be held in sequence with the next session of the CGRFA, in early 2007 in Rome, Italy.

UN Committee on Economic, Social and Cultural Rights (CESR)

During its 36 Session held from 1-19 May 2006 the CESR discussed about the relationship between the FTA Morocco signed with the US and compliance with its human rights obligations. The committee signalled its concern for public health in particular and recommended that Morocco carry out an impact assessment and review of the FTA with respect to its effect on public health and marginalised communities.

The World Health Organization (WHO)

The work of the Fifty Ninth World Health Assembly in May 2006 was partly over-shadowed by the sudden death of the WHO Director General Lee Jong-Wook on the first day of discussions. His unexpected death affected many delegates who nevertheless were able to continue their work, albeit with much less time.

The Assembly adopted two resolutions that have some relations with intellectual property rights. Resolution WHA59.24 is on "Public health, innovation, essential health research and intellectual property rights: towards a global strategy and plan of action. The Resolution was based on proposals from Brazil and Kenya suggesting for a global framework on essential health research and development which was adopted by the Executive Body (EB 117 R13) and the report from the WHO Commission on Intellectual Property Rights, Innovation and Public Health (CIPIH), asking for a working group to develop a global plan of action based on the report.

The Resolution (WHA59.24) established a working group on global strategy and plan of action in order to provide a medium-term framework based on the recommendations of the Commission on Intellectual Property Rights, Innovation and Public Health. Membership of the group is welcome to any member country of the WHO, and other IGOs as well as NGO's are invited to be participants.

The Assembly also adopted Resolution WHA59.26 on International Trade and Health asking government to promote a better dialogue between trade and health ministries and place health concerns at the same level as trade. The Resolution was accepted by the Assembly only after India, Turkey and Venezuela modified their proposed additions to the draft. India managed to retain a reference to 'flexibilities' in the text. The working group is to complete its work by the 61st WHA, with an interim report to the 60th Assembly.

The Working Group established by Resolution WHA59.24 is expected to report to the next assembly and submit the final global strategy and plan of action to the Sixty-first World Health Assembly through the Executive Board.

Free Trade Agreements Involving the United States

The new USTR Susan Schwab has recently created a new IP Office with a Special negotiator on Enforcement. While this does not suggest that US activity on Free Trade Agreements will slow, it indicates a shift from pushing for legislation to enforcement, perhaps anticipating the possible non-renewal of 'fast-track' Trade Promotion Authority.

In April, the US released the so-called "Special 301" annual report on Intellectual Property protection and enforcement by its trading partners. The report singles particular countries for criticism and is intended to provide a basis for the application of further pressure and possible sanctions. As usual, China and Russia are major preoccupations of the report. Also on the priority Watch list are:

- Argentina, remains on the list for essentially granting too few patents and not enough protection for test data
- Brazil, remains on the list for copyright issues, as well as test data protection and low patent grant rate.
- Egypt, for enforcement problems related to the judicial system
- India, for lack of test data protection, and copyright protection issues

The list also includes Indonesia, Israel, Lebanon, Turkey, Ukraine, and Venezuela. Uruguay was removed from any listing because of 'progress' on copyright issues.

South and Central America and the Caribbean

The US has concluded a separate Trade Promotion Agreement with Colombia similar to that agreed to with Peru.

The CAFTA Agreement came into force for Guatemala on July 1, 2006, leaving only Costa Rica and the Dominican Republic as the countries not considered compliant with the US requirements for implementing legislation.

Asia

The US has concluded the first round of negotiations on an FTA with Malaysia. A second round is scheduled for mid-July in Washington D.C. and negotiations are expected to be concluded by the end of 2006.

In May, the United States reached an agreement with Vietnam on bilateral market access clearing the way for Vietnam's accession to the World Trade Organization (WTO). It takes effect when Vietnam joins the WTO.

Thailand is in the 6th round of negotiations for an FTA. Due to the political crisis in Thailand, negotiations were delayed and may remain so while a caretaker government is in place. It is likely that there will be little movement before the end of 2006.

Africa

Little has happened in the SACU negotiations although the parties agreed to continue engaging on the issues presenting them with difficulties, especially investment and Intellectual Property.

Middle East

The US has yet to ratify the FTA signed with Oman. While it has been approved by the Senate it has yet to pass muster in the House. Objections do not centre on the IP provisions which most representatives are find more than acceptable. The FTA may be falling victim to increased distrust of FTAs by unions and farm groups in the US.

Negotiations are also continuing on an FTA with the United Arab Emirates with a fifth round concluding in May. IP issues did not seem to feature in the discussions but it is clear that difficulties remain as the two sides have not been able to agree on a date for the next round of negotiations.

Free Trade Agreements Involving the European Union

The European Union is currently pursuing a number of regional trade negotiations, including with Mercosur (Argentina, Brazil, Uruguay, and Paraguay) and the Gulf Cooperation Council (GCC) (Kuwait, United Arab Emirates, Bahrain, Oman, Qatar and Saudi Arabia), as well as negotiations towards Economic Partnership Agreements (EPAs) between the European Union and the African, Caribbean and Pacific (ACP) countries. The ACP negotiations are aimed at concluding by the end of 2007.

The ACP countries met in Papua New Guinea in June and adopted a 'Five Point Plan for EPA Implementation and Adjustment', which focused on ensuring adjustment aid, as well as safeguards for sensitive areas such as fisheries. Intellectual property does not seem to have been a major issue in the discussions.

There are reports that the GCC negotiations may conclude before the end of the year as negotiations seem to be progressing more smoothly. The concerns on both sides seem to be about investment, rather than intellectual property which does not seem to have registered as an issue to be negotiated.

The Mercosur negotiations do not seem to have progressed since the last round in 2005.

Upcoming EU agreements

The EU is seeking an agreement with the Central American states that signed CAFTA, minus the Dominican Republic which is a member of the ACP.

The EU is also considering the launch of trade talks with the ASEAN group but these are complicated by the lack of any real regional integration within the group and the status of Myanmar (formerly Burma).

ABOUT THE IP QUARTERLY UPDATE

The IP Quarterly Update is published on a quarterly basis by the South Centre and the Center for International Environmental Law (CIEL). The aim of the Update is to facilitate a broader understanding and appreciation of international intellectual property negotiations by providing analysis and a summary of relevant developments in multilateral, plurilateral, and bilateral fora as well as important developments at the national level. In each IP Quarterly Update, there is a focus piece analysing a significant topic in the intellectual property and development discussions.

Today, in addition to the World Trade Organization (WTO) and the World Intellectual Property Organization (WIPO), there are other multiple fronts of discussion and negotiation on intellectual property. These other fora range from international organisations, such the United Nations Educational and Scientific Organization (UNESCO), the Food and Agriculture Organization (FAO), the World Health Organization (WHO), the United Nations Conference on Trade and Development (UNCTAD), the World Customs Organization (WCO), INTERPOL, and the UN human rights bodies to regional and bilateral fora such as in the context of free trade agreement (FTAs) or economic partnership agreements (EPAs). In some cases, national processes or decisions, for example, invalidation of a key patent may have important international ramifications.

Consequently, all these processes constitute an important part of the international intellectual property system and require critical engagement by developing countries and other stakeholders such as civil society organisations. Multiple fronts of discussions and negotiations require a coordination of strategies and positions that is not always easy to achieve. The Quarterly Update is meant to facilitate such coordination and strategy development, and is therefore a vehicle for awareness raising as well as capacity development.

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