



WIPO-WTO COLLOQUIUM PAPERS

RESEARCH PAPERS FROM THE WIPO-WTO COLLOQUIUM
FOR TEACHERS OF INTELLECTUAL PROPERTY LAW 2011



WTO OMC





World Intellectual Property Organization



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World Trade Organization

**WIPO-WTO COLLOQUIUM FOR TEACHERS OF INTELLECTUAL PROPERTY
(2011)**

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Compiled by the WIPO Academy and the WTO Intellectual Property Division

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FOREWORD BY THE DIRECTORS-GENERAL OF WIPO AND THE WTO



Mr Francis Gurry



Mr Pascal Lamy

The WIPO-WTO Colloquium for Teachers of Intellectual Property (IP) has become a central feature of the burgeoning cooperation between the World Intellectual Property Organization (WIPO) and the World Trade Organization (WTO) on practical capacity building. The course grew from the recognition that the developmental benefits from the intellectual property system can only be reaped through skilled adaptation to national circumstances and judicious use by informed practitioners. It therefore aimed to bolster the capacity of those best placed to ensure truly sustainable, long-term benefits from the adept use of the IP system – those who teach the IP practitioners of the future, and those who conduct research on IP law and policy.

The programme has been a conspicuous success, measured both by the quality of participation – high demand for places means that the course is highly selective – and the way in which participants have actively contributed substance to the programme, offered ideas for its continual improvement, and built valuable connections with each other and the two Secretariats.

To date, the programme has produced more than 160 alumni who, by all accounts, are doing sterling work in their home countries; many have maintained valuable links with one another, building a diverse network of highly engaged teachers and researchers, reaching across the developing world, which is the principal focus of the programme, but also including a number of developed countries.

After eight successful years, improvements have been made to the programme by taking the participants' recommendations into account.

One of the recommendations by previous graduates was to continue publishing the Colloquium publication in order to share with those who did not get the opportunity to attend the course, and help sustain the intellectual exchanges that characterize the programme. This is a second edition of the Colloquium publication, which is a compilation of contributions from nine of the participants in the Class of 2011.

The papers in this publication cover virtually every area of IP from biotechnology to patents, trademarks, geographical indications, copyright, and Internet domain names. Issues relating to competition law, public health, innovation, technology transfer and the interaction between domestic and international IP laws have also been covered.

The Colloquium publication is one example of the growing cooperation between WIPO and the WTO. Such efforts are particularly crucial in light of the two organizations' mandates and ongoing efforts to ensure that development considerations are an integral part of their work.

IP has a significant impact on the everyday lives of all citizens around the world. Without the understanding, support, and global participation of all peoples across the societal spectrum, innovation will be stifled and development will be impeded. Initiatives such as the Colloquium play an important role in building capacity, raising awareness, and engaging all societies that are affected by the evolution of the international IP landscape.

We sincerely congratulate the contributors for their commendable efforts. We also extend our gratitude to our colleagues in the WIPO Academy and the WTO IP Division for organizing the Colloquium and facilitating the publication.

Francis Gurry



**Director General
World Intellectual Property Organization**

Pascal Lamy



**Director-General
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STATEMENT FROM THE DIRECTORS OF THE WTO INTELLECTUAL PROPERTY DIVISION AND THE WIPO ACADEMY

The field of intellectual property has entered a period of unprecedented globalization and a building of international institutions, bringing with it a deepened understanding of the centrality of a balanced and effective intellectual property system in economic and social development. Yet this same period has precipitated an intensive, wide-ranging process of inquiry about how to adapt and apply the principles of intellectual property to promote beneficial outcomes at the national level, in countries that are highly diverse in their economic, social and technological make-up, in their developmental priorities, and in their legal and commercial systems.

Equally, an intellectual property dimension has been apparent in many of the most pressing and challenging public policy issues of the day – including on such fundamental questions as public health, the environment, and food security, with complex, testing debates over intellectual property and the rights of indigenous peoples, equity in the use of genetic resources, promoting a green energy economy, dissemination of creative works on the Internet, diversifying ideas of the innovative and creative processes, and calls for greater access to educational materials.

An essential set of questions concern how intellectual property systems can and should be harnessed to promote social, cultural and economic development, and what are the key design considerations that ensure that intellectual property systems can fulfil their expected role.

The contemporary field of intellectual property is therefore characterized by profound and searching debates on questions of essential public policy; an approach to policymaking that places greater emphasis on empirical research and theoretical clarity; and the harvesting of practical experience from an ever widening base of national intellectual property systems and participants in the policy and practice of intellectual property. It is, therefore, a field in need of a deeper and wider research effort; sophisticated, informed and carefully tailored approaches to education and practical capacity building; and, above all, dialogue and debate founded on a richer base of information, theoretical understanding and practical experience.

Both WIPO and the WTO have been called upon to play a role in strengthening capacity to deal with the intellectual challenges of these policy debates. This increasing diversity of demand for capacity-building support has had a profound impact on programme design and delivery. The WIPO Academy has developed a wide range of specialist courses and training activities to respond to this evolving pattern of demand, and to reach out to and support an ever widening range of stakeholders.

The WTO Intellectual Property Division has also broadened and tailored its technical cooperation and policy support activities, developing a wider engagement with current international issues and with a broader base of stakeholders, exemplified by work on public health issues. But none of these outcomes can be possible without partnerships – the sharing of ideas, pooling of resources, and coordination of practical activities – so that the necessary wide range of experience and expertise can be drawn on to meet diverse needs.

Both the WIPO Academy and the WTO Intellectual Property Division therefore enjoy many valuable partnerships as a central strategy in ensuring programme delivery. The joint

Colloquium exemplifies many of the current trends in technical assistance and capacity building: it builds upon and extends an existing partnership between WIPO and WTO; it responds to the need for stronger, broader dialogue and a greater involvement of voices from all perspectives in contemporary debates; it recognizes the central role of indigenous capacity building and of the key contribution of intellectual property teachers and researchers as the mainstay of sustainable development of the necessary intellectual property expertise in developing countries; it transcends traditional boundaries between regions and between 'north' and 'south', to promote a wider, richer dialogue; and it recognizes the importance, today, of moving beyond a simple, one-way 'educational' function to one of sustaining a collective search for understanding, respectful of the diverse background and intellectual contributions of the ever widening range of teachers and researchers engaged with intellectual property and its cognate fields.

The Colloquium has, in particular, laid emphasis on the role of participants as active players, as informed, stimulating teachers and researchers who bring to the two-week dialogue as much as they take away from it. However, past feedback stressed the need to capture, in more permanent form, the many insights that are gleaned from these few days of intensive, vigorous discussion and debate. It was clear that the participating teachers and researchers were bringing important new ideas and insights to global debates, and that the wider policy and academic communities would benefit from their wider dissemination.

These thoughts, guided very much by the participating teachers and researchers themselves, are what gave rise to the present publication, which is in a way a tribute to the intellectual energy and curiosity of the many alumni of the past Colloquia, with whom we continue to enjoy a range of partnerships and dialogue.

WIPO and the WTO both host numerous meetings every year, in Geneva and in many locations elsewhere, and under numerous headings: committees, seminars, workshops, roundtables, symposia, and so on. But amidst all this activity, the idea of a 'colloquium' has a special ring to it – for the WIPO-WTO Colloquium, it connotes a spirit of academic enquiry, a search for new ideas and new ways of analysing intellectual property and related fields, through open debate, rigorous research, and new ways of communicating the complexities of intellectual property law, practice and policy. We trust that this new publication will bring to a wider community of researchers, policymakers and teachers some of the colloquium spirit that we have valued so much in this unique programme.

All of us who have participated in the Colloquium have benefited from the hard work and dedication of many colleagues within WIPO and the WTO Secretariat. For WIPO, these include our colleagues from the WIPO Academy. For the WTO, these include our colleagues from the Intellectual Property Division. All have been utterly indispensable in the design and delivery of this programme, and their spirit of collegiality makes a demanding programme also a pleasurable one.

Marcelo di Pietro Peralta



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WIPO - WTO COLLOQUIUM FOR TEACHERS OF INTELLECTUAL PROPERTY

Class of 2011



Participants of the WIPO-WTO Colloquium for Teachers of Intellectual Property (2011) with Mr Marcelo di Pietro Peralta, Director of the WIPO Academy (front left) and Mr Antony Taubman, Director of the WTO Intellectual Property Division (front right). Also pictured are Ms Martha Chikowore of the WIPO Academy, as well as Mrs Xiaoping Wu, Mrs Thu-Lang Tran Wasescha, Mrs Jayashree Watal and Mr Hannu Wager of the WTO Intellectual Property Division.

1 LAW, ECONOMICS AND POLITICS OF UNIVERSITY-INDUSTRY TECHNOLOGY TRANSFER IN ARGENTINA

* Dr Maximiliano Marzetti

ABSTRACT

This article reviews the *status quaestionis* of technology transfer in Argentina and the laws that regulate it. Further, it analyses their economic impact, enumerates the shortcomings of the system and provides recommendations for its improvement.

Keywords: *technology transfer, research and development, innovation, intellectual property, patents, licensing, public policy*

I. INTRODUCTION

In Argentina, like in many other developing countries, there is growing interest in taking full advantage of the economic potential of academic intellectual property.¹ Argentina has 47 national (i.e. publicly-funded) universities and other public research organizations (PROs)², amongst which the leading one is the National Scientific and Technical Research Council (Consejo Nacional de Investigaciones Científicas y Técnicas, or CONICET).³

A particular feature of Latin American countries is the fact that privately-funded research and development (*R & D*) is a rarity. Most of the research in Argentina and the region is conducted by publicly-funded institutions. When local industries are in need of an innovative solution, it is cost-effective for them to enter into an *R & D* agreement with a university or PRO instead of staffing their own *R & D* units. Innovative Argentine companies are outsourcing *R & D* activities to the public sector.⁴ Intellectual property (IP) legislation, universities, and CONICET's policies allow such a praxis, which is both legal and an economically sound practice in Argentina. A *Bayh-Dole* type of legislation to attribute ownership of publicly-funded *R & D* and intellectual property rights to universities is not required. Scholars have discussed whether a rule that attributes ownership to the university or PRO in question is more

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¹ The word 'academic' is used in this paper to refer both to public (national) universities as well as to other publicly-funded research organizations. Argentina has many private universities as well, some of them world-class and renowned abroad. Regrettably, the private universities do not have the financial resources to carry out scientific or technological *R & D*; only the Argentine Government, by pooling resources from taxpayers and foreign sources of funding (e.g. grants from the World Bank and the Inter-American Development Bank), can afford to do so. For this reason, private universities have been excluded from this analysis.

² The full list of official universities is available at the website of the Argentine Ministry of Education:
http://www.me.gov.ar/spu/Servicios/Autoridades_Universitarias/autoridades_universitarias.html accessed on 27 September 2011.

³ CONICET, established in 1958, is the main *R & D* institution in Argentina; it has a staff of 6,500 researchers and 2,500 technicians. It is an autarchic governmental agency under the jurisdiction of the Ministry of Science, Technology and Productive Innovation.

⁴ The phenomenon is by no means widespread. Most SMEs are not even aware of the possibility of resorting to universities to negotiate an *R & D* agreement.

efficient than one that attributes ownership to scientists or university professors.⁵ In accordance with Article 10(a) of Argentina's Patent Act (No. 24.481), in the case of work-for-hire employment relationships ownership of intellectual property rights is granted *ab origine* to the employer, whether a public or private employer. Universities and PROs employ workers, i.e. professors and scientists, and as a consequence they own the intellectual property rights of their employees, which are created as a direct result of their professional duties.⁶ The Argentine legal system is flexible enough to allow universities and PROs to establish their own IP policies to incentivize their workers (i.e. *ad hoc* rules for the distribution of future revenue streams from the exploitation of intellectual property rights). Further, universities and PROs can, within statutory limitations, freely bargain with private companies with respect to *R & D* and collaboration agreements, which, in the absence of high transaction costs, may lead to Coasean-like efficient outcomes.⁷

Another peculiarity of the region is the low level of autochthonous patenting activity. The quantity of granted patents is a usual benchmark of innovation under a country's umbrella. The bulk of patenting in Argentina is carried out by foreign companies, in most cases pursuant to Article 4 of the Paris Convention, which relates to the right of priority. Out of a total of 1,354 patents granted in Argentina in 2009, 1,110 (82 per cent) were to non-residents and only 244 (18 per cent) to residents.⁸ Such a pattern is common in all Latin American countries.

II. DEFINING TECHNOLOGY TRANSFER

Technology transfer is an activity closely related to intellectual property rights. The Agreement on Trade-Related Intellectual Property Rights (TRIPS) recognizes that the transfer of technology is one of the purposes that justifies the existence of intellectual property rights (Article 7) and that countries can take appropriate actions to prevent restrictions to international transfer of technology. Furthermore, TRIPS also states that transfer of technology is a basic right of patent holders (Article 28.2), it can be affected by anti-competitive practices (Article 40), and is an obligation of developed nations towards less developed ones (Article 66.2).

Intellectual property rights are defined with varied degrees of precision in various multilateral treaties. Conversely, there is no internationally accepted legal definition of what constitutes technology transfer. Therefore, we resort to other sources for a workable meaning. The drawback is that definitions differ in terms of attention to the varying goals of the defining institutions.

For instance, MIT defines technology transfer as '[t]he ability to take a concept from outside the organization (typically from a government or university research programme) and

⁵ See B Godfar and M Henrekson, 'Bottom-Up versus Top-Down Policies towards the Commercialization of University Intellectual Property', (2003) *Research Policy* 32, pp. 639 to 658. It is interesting to recall that not long ago Germany changed the patent ownership rule from professor's ownership to university ownership, thus amending the *Gesetz über Arbeitnehmererfindungen* in an attempt to boost technology transfer activities.

⁶ Article 10 of Argentina's Patent Act also refers to other ownership situations in Clauses 'B' and 'C'.

⁷ See Ronald Coase, 'The Problem of Social Cost' (1960) 3(1) *Journal of Law and Economics* 44.

⁸ Ibero-American Network of Science and Technology Indicators (*Red Iberoamericana de Indicadores de Ciencia y Tecnología – RICYT*), available online at: [http://bd.ricyt.org/explorer.php/query/submit?excel=on&indicators\[\]=PATOTO&syyear=1990&eyear=2009&](http://bd.ricyt.org/explorer.php/query/submit?excel=on&indicators[]=PATOTO&syyear=1990&eyear=2009&) accessed 28 September 2011.

create a product from it'.⁹ A Canadian agency states that technology transfer is '[t]he process of moving research results from the laboratory to the marketplace'.¹⁰ According to WIPO, '[t]he dissemination and transfer of technology is a major pillar that supports the *raison d'être* of the patent system'.¹¹ Although there are many more definitions out there, for the sake of this article these will suffice to extract a few general ideas.

Primarily, transfer of technology is a dynamic activity or process. The final objective is the transfer of applied science (usually protected by an intellectual property right – patents, utility models, designs, trade secrets, plant breeder's rights, etc.). The technology is intended to arrive in the marketplace (commercialization) and the final beneficiary is the consumer. In order for the successful transfer of technology to occur from a laboratory to the market, a bridge is needed to connect the different mindsets, jargons, goals and incentive schemes. This bridge is technology transfer¹², which constitutes both a science and an art. Traditionally, technology transfer only referred to the sale or licensing of intellectual property rights; more recently this perception has been expanded to include the creation of spin-offs or start-up companies. The emphasis is on management and monetization of intellectual property rights, the legal protection being a prerequisite and not an end in itself.

Technology transfer is gaining momentum in developing countries. The reason is simple: in a knowledge-based and globalized economy, companies require a constant influx of innovation to add value and markup to their products and services. If they cannot afford to staff their own *R & D* departments, companies will look at universities and PROs to enhance their competitiveness.

Perceptions of intellectual property rights, particularly across the North-South axis, are fiercely antagonistic.¹³ Domestic university-industry technology transfer, i.e. within the borders of a country, is one of the rare areas of intellectual property in which there appears to be no antagonism or conflicting interest, allowing for complementarity and synergies to be forged. Domestic technology transfer appears, *prima facie*, like a win-win opportunity for all parties involved. On the one hand, private companies require, more than ever before, innovative

⁹ MIT Sloan School of Management, available online at: <http://ccs.mit.edu/21c/iokey.html> accessed 25 September 2011.

¹⁰ Interagency Advisory Panel on Research Ethics, available online at: <http://www.pre.ethics.gc.ca/english/tutorial/glossary.cfm> accessed 25 September 2011.

¹¹ 'Licensing and Technology Transfer', WIPO, available online at: <http://www.wipo.int/patent-law/en/developments/licensing.html> accessed 24 September 2011.

¹² In this paper, no distinction is made between technology and knowledge transfer. Knowledge transfer is sometimes associated, as regards IPRs, with copyright and neighboring rights. But it can also have a broader meaning that is inclusive of technology transfer. According to the European Commission:

Knowledge transfer consists of the range of activities which aim to capture and transmit knowledge (either explicit, such as in patents, or tacit such as know-how), skills and competence from those who generate them to those who will transform them into economic outcomes. It includes both commercial and non-commercial activities such as research collaborations, consultancy, licensing, spin-off creation, researcher mobility and publication.

European Commission, Press Release: 'Knowledge Transfer between Research Institutions and Industry – Frequently Asked Questions', Memo/07/127 (4 April 2007), available online at: <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/07/127> accessed 13 February 2012.

¹³ For a fact-based research on the different perceptions of intellectual property rights, see Roya Ghafele, 'Perceptions of Intellectual Property: A Review', IP Institute (London 2008).

products and services to compete in both global and domestic markets. Particularly in developing countries, most small and medium-sized enterprises (SMEs) lack the financial resources to set up their own private *R & D* departments.¹⁴ To SMEs, universities and PROs represent a golden opportunity for outsourcing *R & D* and thus improving competitiveness.¹⁵ On the other hand, universities and PROs need, more than ever before, additional sources of funding, as public investment in education and *R & D* activities shrinks worldwide. The additional financial resources universities can obtain by engaging in technology transfer activities with the private sector may help reduce the income gap between privately-employed and publicly-employed scientists (which in turn may reduce inter-sector brain drain). In addition, collaboration with the private sector helps to anchor and focus the public *R & D* agenda towards real-world needs and demand-oriented solutions. Both sectors benefit from interacting with each other, generating synergy. Moreover, the collaboration between university and industry brings about positive externalities. Society as a whole benefits from the dissemination of new knowledge, modern technologies incorporated into products and services, job creation, and increased wealth.

A new model of university is emerging, the *entrepreneurial university*.¹⁶ The roles of universities have evolved over time. The functions performed by higher education institutions during the 20th century were three, namely, education, research and outreach activities. The 21st century calls for a fourth role: technology transfer and development of the regional economy. The entrepreneurial university model is no substitute for private industries or private companies; the core function of universities still remains the creation and dissemination of knowledge. However, as a consequence of the increased value of knowledge in contemporaneous society, the university is being called on to play a more active role. Technology transfer should be part of a bigger framework, a National Innovation System (NIS). According to the OECD: '[t]he concept of national innovation systems rests on the premise that understanding the linkages among the actors involved in innovation is key to improving technology performance'.¹⁷ Technology transfer, entrepreneurial universities and innovative SMEs only make sense within such a scheme. The knowledge economy requires each participant to perform its role. Academia, industry and government form the so-called *triple-helix*¹⁸ propelling economic growth.

III. REGULATION OF TECHNOLOGY TRANSFER IN ARGENTINA

Ab initio regulatory emphasis was put on international technology transfer in relation to international trade and foreign direct investment. International technology transfer generally occurs from developed to developing countries and takes the form of licensing agreements. In a pre-TRIPS era, most developing countries (then closed or more-closed-than-today economies) found these contracts threatening, because of the risk of currency flight and other strategic

¹⁴ There are some noteworthy exceptions.

¹⁵ Because the outsourcing is domestic (within the country) the usual negative connotations associated with off-shoring are absent.

¹⁶ See generally AA Gibb and P Hannon, 'Towards the Entrepreneurial University' (2006) *International Journal of Entrepreneurship Education* 4, pp. 73 to 110.

¹⁷ National Innovation Systems (OECD, 1997), available online at: <http://www.oecd.org/dataoecd/35/56/2101733.pdf> accessed 11 February 2012.

¹⁸ A concept attributed to H Etzkowitz and L Leydesdorff. See H Etzkowitz and L Leydesdorff, 'The Endless Transition: A 'Triple Helix' of University-Industry-Government Relations, Introduction to a Theme Issue' (1998) *Minerva* 36, pp. 203 to 208.

concerns. They therefore enacted legislation to oversee and limit the contents of those agreements. Argentina was no exception.

Argentina's Laws Nos. 19.231, 20.794 and 21.617 established a constitutive, registry-based system for technology transfer agreements between a foreign transferor of technology or other intellectual property rights and an Argentine transferee. To be valid in Argentina the contract had to be previously subject to a three-stage control by the enforcing authority: economic (not inconvenient or contrary to public interest¹⁹), technological (usefulness and value) and legal (certain clauses were *ab initio* illegal). In addition, some species of transactions were prohibited and presumptions about the validity or invalidity of a series of acts were created *ex lege*. Unregistered contracts were held invalid, and, as a consequence, the payment of royalties to a transferor abroad was forbidden, no tax deduction was possible for the Argentine transferee and, in some special cases, additional legal sanctions were applicable.

As is always the case when a governmental control supersedes market forces, serious problems arose: politicization of economic decisions, high transaction and administrative costs, and insufficient information.²⁰ In 1981, Law No. 22.425 was passed to remedy the shortcomings of the previous system. Like the old, the new legislation also subjected onerous technology transfer agreements (licences or assignments of patents, utility models, designs, trademarks and trade secrets) between a foreign person or company (transferor) and an Argentine person or company (transferee) to the approval of the enforcement authority (Article 2). A transaction would only be approved if the consideration had been deemed fair or balanced according to normal market practices. Unlike the previous system, however, where the enforcing authority did not approve the transaction, the consequence was not the outright invalidation of the agreement; governmental control was now merely informative. The legal sanction in question pertained to the applicable tax laws. The remuneration paid to the foreign transferor was considered net income *in totum* and no deduction was possible to the effect of alleviating the pressure of income tax. The payment of remuneration solely for the transfer of a foreign trademark was prohibited *ex lege*. More recently, during the process of liberalization of Argentina's economy, some dispositions of Law No. 22.425 were abrogated. Under the current legal regime, the registration of an international licensing agreement before the enforcement authority is not a requirement to have a legally binding instrument, but it does have healthy fiscal consequences: royalties paid abroad are deductible from the local transferee's income tax.

Argentina also regulates domestic technology transfer, *rectius*, it intends to foster technology transfer activities between local research institutions and industry. In 1990, the Law for the Advancement and Encouragement of Technological Innovation (Ley de Promoción y Fomento de la Innovación Tecnológica), No. 23.877, was passed.²¹ Article 1 clarifies its objective: to foster and to improve productive and commercial activities through the promotion of *R & D*, technology transfer and technological support activities.

To achieve its objectives, Law No. 23.877 creates a specific vehicle, the *Technology Transfer Unit* (*Unidad de Vinculación Tecnológica*, UVT), similar but not identical to US or

¹⁹ A concept difficult to define, if not impossible to quantify.

²⁰ Some economists think the market is a better mechanism to produce information than centralized bureaucratic agencies. See, *inter alia*, Friedrich Hayek 'The Use of Knowledge in Society', (1945).

²¹ Law No. 23.877 is completed by other norms, such as Decree No. 508/1992 (regulatory), Decree 1331/1996 (amendment), etc.

European technology transfer offices (TTOs).²² UVTs are non-government entities that require governmental approval to operate as such. Their purpose is the identification, selection and implementation of *R & D* programmes, technology transfer and technological support activities (Article 3). A UVT can be constituted as a civil corporation²³, business corporation, cooperative company or mixed company. In all cases they must have a unique object (as laid out in the aforementioned Article 1). UVTs can enter into agreements with the public and private sectors and must set up a revenue distribution (royalty sharing) scheme in advance.

Kababe highlights the dichotomy between the goals set up in Law No. 23.877 and the real effects it has had in practice.²⁴ She found that most of the activities of UVTs are administrative in nature and do not constitute actual technology transfer activities. *Voluntas legislatoris* is not sufficient in itself to bring about technological change, economic growth and development.

IV. ECONOMIC ANALYSIS OF TECHNOLOGY TRANSFER

‘Law and economics’ or the ‘economic analysis of law’ can be defined as ‘the application of economic theory – primarily microeconomics and the basic concepts of welfare economics – to examine the formation, structure, processes and economic impact of law and legal institutions’.²⁵ It is the main approach to the study of law in the United States and is gaining momentum in Europe and in developing countries. By examining the effects of legal institutions, it provides a useful tool for devising sound public policies. Although law and economics literature have studied intellectual property profusely²⁶, the area of technology transfer has received little attention. The following section will briefly review the major findings involved in the economics of technology transfer.²⁷

From an economic perspective, technology transfer offices mainly exist to build reputation.²⁸ In turn, reputation helps reduce asymmetric information between the contracting parties. Information asymmetry, i.e. one party to a transaction knowing much more than the other, can lead to a market failure: the absence of technology transfer activities. One of the consequences of information asymmetry is adverse selection, i.e. firms cannot determine *ex ante*

²² In particular, the Spanish model of Technology Transfer Office (*Oficina de Transferencia de Resultados de Investigación*, OTRI).

²³ This represents an oddity of Argentina's Law. The *Sociedad Civil* is not a partnership (that is, an *Asociación Civil*).

²⁴ Yamila Kababe, 'Las Unidades de Vinculación Tecnológica y la Articulación entre el Sector Científico Tecnológico y el Sector Empresario', (2010) 2 *SaberEs*. pp. 41 to 58.

²⁵ Nicholas Mercuro and Steven Medema, *Economics and the Law - From Posner to Post-Modernism* (Princeton University Press 1999).

²⁶ See, *inter alia*, William M Landes and Richard A Posner, *The Economic Structure of Intellectual Property Law* (Harvard University Press 2003); 'Indefinitely Renewable Copyright', available at SSRN eLibrary (2002); 'Trademark Law: An Economic Perspective' 30 (1987) *The Journal of Law and Economics*; *The Political Economics of Intellectual Property Law* (AEI-Brookings 2004); Francois Leveque and Yann Ménière, *The Economics of Patents and Copyright* (Berkeley Electronic Press July 2004).

²⁷ Ferran Vendrell Herrero and Pedro Ortín Angel, 'The Economic Analysis of University Technology Transfer Offices: A Theoretical Review and Empirical Implications', No. 200902, Working Papers, Basque Institute of Competitiveness, available online at: <http://econpapers.repec.org/RePEc:ivc:wpaper:200902> accessed 10 February 2012.

²⁸ I Macho-Stadler, et al., 'Licensing of University Innovations: The Role of the Technology Transfer Office', Mimeo, Universitat Autònoma de Barcelona and Katholieke Universiteit Leuven, Working Paper BBVA (2005).

which R & D , innovation or project is worthy. To remedy this failure an intermediary institution is necessary. For instance, UVTs (and TTOs in general) can build and catalyse reputation more easily than individual professors and scientists. A successful UVT has a signalling effect (it signals quality R & D projects) in the market for innovation.

In order to build reputation, TTOs need a critical size (i.e. sufficient to achieve their objectives).²⁹ As a corollary, not all universities or PROs need to set up a TTO. A TTO will only be successful in those institutions with a critical mass (both quantitatively and qualitatively) of R & D . The tendency of universities and PROs to set up a UVT regardless of a cost-benefit analysis may result in some cases in a waste of resources. It has been proven empirically that TTOs generate higher income both for universities and SMEs (than when no intermediary institution is present). A TTO will seek to maximize the difference between its costs (i.e. looking for a firm-transferee, C) and benefits (i.e. the expected utility from future royalty's streams, B). Coherently, a TTO will choose to transfer only those projects with potential to generate profits ($C - B = \geq 0$). Commercialization would not be possible if there was no form of compensation to the scientist and/or academic department³⁰ (e.g. royalty participation or equity). Consequently, the higher the percentage in the distribution of royalties or equity to university professors, the higher the quality of their R & D . Efficient UVTs, TTOs, and SMEs (i.e. those that better maximize their C - B ratio) generate a higher number of commercial transfer activities than the rest.³¹

Another issue analysed by economists is the decision to choose between licensing (or selling) the technology in question and creating a spin-off company. There are two sets of explanations proffered. One suggests that only lower-quality R & D projects may end up in a spin-off. Higher quality projects are transferred by licensing agreements, because the higher the quality of the project the lower the cost of finding a potential transferee. Consequently, only lower-quality projects will be transferred by spin-offs (those with higher costs of finding a potential transferee).³² The alternative explanation argues that spin-offs will be preferred when it is not possible to secure a patent.³³

Spin-offs also give rise to another economic problem related to information asymmetry – moral hazard – when a party to a transaction does not bear all the costs of its decision. Venture capitalists willing to invest in a spin-off cannot be insured against bad behavior (e.g. shirking) on the part of the scientists working on the project. To remedy this issue, economic literature suggests giving equity to the scientists involved.³⁴ Thus, the solution to the moral hazard problem is to make the scientists shareholders of the spin-off company. In some situations the spin-off is the best way to motivate a scientist.

²⁹ Ferran Vendrell Herrero and Pedro Ortín Angel, *ibid.*, page 11.

³⁰ Ferran Vendrell Herrero and Pedro Ortín Angel, *ibid.*, page 13.

³¹ Ferran Vendrell Herrero and Pedro Ortín Angel, *ibid.*, page 15.

³² C Chukumba and R Jensen, 'University Inventions, Entrepreneurship and Start-ups', NBER Working Paper No. W11475 (2005).

³³ A Lockett, et al., 'Technology Transfer and Universities' Spin-out Strategies' (2003) *Small Business Economics* 20, pp.185 to 200; S Shane and T Stuart, 'Organizational Endowment and Performance of University Start-up' (2002) *Management Science* 48, pp.154 to 170.

³⁴ I Macho-Stadler, et al., 'Designing Contracts for University Spin-offs', Working Paper presented at XXII Jornadas de Economía Industrial (2006), available online at: http://www.iese.edu/en/events/spsp/JEI_2006/Program/Program.asp#23107 accessed 10 February 2012.

V. AN ARGENTINE TECHNOLOGY TRANSFER TANGO

It is relatively simple to transplant legal norms from abroad; a far more difficult challenge is to transplant the social norms that make those legal norms successful in their place of origin. The challenges to successful domestic technology transfer in Argentina are many and of a varied nature. Let us group these challenges in sociological, economic and institutional categories.

Of a sociological nature: within the scientific community working at public universities and PROs, ideological biases against firms and markets remain strong. This ideological perspective traditionally opposes the 'propertization' of research findings (intellectual property rights) and favours the free/open science paradigm. The sociological dimension may be influenced by institutional design; alterations in institutional design may bring about changes in behaviour. In recent times, some scientists, perhaps as a reaction to insufficient funding and low stipends from the State, have begun to look at firms and markets as an alternative source of financing *R & D* activities. Furthermore, the different cultures involved in technology transfer activities (corporate, bureaucratic and academic) clash because their specialized jargon makes communicating in a common language challenging.

Of an economic nature: to economists, both public and private scientists are rational beings. But incentives differ in these sectors and this fact may explain attitudinal differences. For instance, a scientist employed by a university will have an incentive to publish papers but not to file patents (because, for instance, only the publication will count as an academic antecedent for promotion). The absence of the profit incentive (no bonuses on productivity), the peer-reviewed mechanism of publications, the cumulative nature of science and ambitious long-termed research objectives may also foster an anti-market predisposition. Ironically, however, sometimes market mechanisms are more useful to promote the public good than non-market alternatives.³⁵

To some analysts, an economic hurdle is the unsophisticated internal market. Most Argentine firms produce and sell commoditized and/or low-tech products. Local companies compete mostly in one dimension, price. Adding *R & D* costs to their mark-up would only put innovator companies out of the market. However, there are signs that this feature of the local market may be temporary and could change soon. Modifying consumer habits takes time and is both cultural and budget constrained. However, with economic stability and steady growth since 2002, the Argentine consumer has recovered acquisitive power and is becoming more sophisticated in his purchase decisions. In the near future, consumers may not only demand cheap prices but higher quality and more innovative products as well.

Another set of economic factors that may explain why UVTs are not often used by SMEs in Argentina are symmetric information and transaction costs. There appears to be great

³⁵ César Milstein, an Argentine scientist later nationalized British, discovered monoclonal antibodies in 1975 (with Georges J.F. Köhler). Both scientists succeeded in using cells to create antibody bio-factories. They were awarded the Nobel Prize, but they did not file a patent for their innovation, willingly. They preferred to share it with the world, for free. Hybritech, a California corporation, was the first to apply the findings of Milstein-Köhler to develop diagnostic kits. Hybritech did file a patent for the kits, and obtained it. With that patent Hybritech managed to obtain a monopoly over a very important line of Milstein and Köhler's research. This is just one of the many cases in which the subsequent exploitation of a scientific breakthrough was granted to a single firm which was not involved in the pioneering *R & D*. It might have been a better strategy for the common good had the scientists filed for a patent and granted non-exclusive free licences.

disparity in the performance of various UVTs.³⁶ Different UVT origins (public or private, university or corporate) imply different sets of values and cultures, which may lead to different outcomes. As a consequence, some UVTs are more (or less) successful than others. The problem is that the transfer of technology market in Argentina does not provide sufficient signals to enable a determination of which UVT falls under which category. A potential company looking for an innovation does not know *ex ante* which UVT is good or bad. One way to address this problem would be to have credible and complete information regarding UVT performance with, for instance, track records easily available. Inefficient UVTs have no incentives to disclose negative information. Government agencies and other institutions provide some UVT indicators, but these are insufficient for effective analysis. On the other hand, a ranking of UVTs, for instance, would help diminish the impact of asymmetric information in the technology transfer market.

Transaction costs associated with using UVTs are high. A local firm would only use a UVT to obtain an innovation when doing so is cheaper than obtaining the same innovation without the UVT. Because of the high transaction costs of negotiating with an UVT, in some situations it may be cheaper for companies to hire a scientist (for example by offering him a higher salary than the one paid by the university) than to use the UVT mechanism. Furthermore, if transactions costs are too high, in other words, higher than the expected utility of selling a product incorporating the sought-after innovation, the firm will simply do nothing. Therefore it is crucial to lower as much as possible the transaction costs of using UVTs. Promoting competition among UVTs may contribute towards this goal. However, it is unclear what sort of institutional mechanism should be used to that end.

Of an institutional nature: it should be noted that to the majority of SMEs, UVTs and technology transfer remain a mystery. An Argentine scholar stated: 'UVTs are the lesser known agents of the NIS'.³⁷ This statement is sad but true. There have been insufficient marketing and PPRR campaigns in relation to UVTs and almost no advertising of successful cases, even though such cases exist. This should be one of the first issues tackled. Another pertinent institutional dynamic is the dissimilar incentive schemes of private and public workers. Traditional neoclassical economics has suggested that private workers are more efficient than public ones. Four reasons sustain the assertion: the profit motivation is absent in public jobs; public institutions are usually monopolies, thus they face no competitive pressure to improve or lower costs; public workers vote (and politicians are aware of that); and public employers tend to substitute monetary wage increases (which is scandalous to non-public workers/voters) with other expensive, but subtler benefits, such as job security, longer holidays, earlier access to pension, etc. This line of argument should lead (and actually did lead at one stage in Argentina's history) to massive privatization of public companies and public jobs.

Richard Posner, a renowned intellectual associated with the Chicago School of Economics, recently wrote an extremely interesting post in which he empirically assessed the efficiency argument of private workers.³⁸ Using regression analysis, he tested in 27 countries the following hypothesis: whether a country with a large number of public employees is less efficient than other countries with a low percentage of its workforce in public jobs. The results

³⁶ Yamila Kababe, *ibid.*

³⁷ Speech by H Baccarini at the II Ibero-American Course on Management and Innovation, Instituto Tecnológico de Buenos Aires (8-19 August 2005).

³⁸ Richard Posner, 'Too Many Government Workers?' The Becker-Posner Blog, available online at: <http://www.becker-posner-blog.com/2011/09/too-many-government-workersposner.html> accessed 29 September 2011.

were puzzling, because the hypothesis was not proved. Sweden, an efficient economy with an elevated gross domestic product per capita, has the highest percentage of workers in public jobs (33.8 per cent). Singapore, another efficient economy with high gross domestic products per capita, has the lowest percentage of workers in public jobs (less than 10 per cent).

In conclusion, there is no correlation between the percentage of public jobs, overall economic efficiency and gross domestic product per capita. There must be other variables responsible for the wealth (and poverty) of nations such as culture, work ethic, corruption, unsound subsidies, efficient or inefficient laws and the type of public jobs. For instance, the predominance of public workers in education, the army, the police or other activities may have less impact than the same number of workers would have in a market-determined sector of the economy. From all this, however, emerges an important institutional lesson: the success of university-industry technology transfer does not depend on whether TTOs are privatized or nationalized.

Another consideration is that big numbers do not necessarily indicate success. This is the conclusion from the quantitative analysis of UVTs registered in Argentina. The official number of registered UVTs to date, according to the enforcement authority, is 239.³⁹ Given the usual delay in adding information to official databases, it is conceivable that there could be even more. In any case, this appears to be quite a high figure for a country having a comparatively low level of *R & D* expenditure (0.51 per cent of gross domestic product in 2007, while during the same year Sweden spent 3.61 per cent and Singapore 2.52 per cent⁴⁰) and that has, moreover, not traditionally championed intellectual property rights.⁴¹ Why then does Argentina have so many registered UVTs? There is no decisive explanation. Assuming there is a good basis for UVTs, there must also be other incentives (public funding, subsidies, fiscal incentives, etc.) that can justify their high numbers. The rate of increase has been exponential in some years. In 1992 four UVTs were registered: 162 in 2000, 223 in 2007 and 233 in 2009. Even if data are scarce, it would appear that the rate of technology transfer activities has not augmented at the same pace. This may signal a waste of resources in UVT creation and maintenance.

³⁹ National Agency of Technological Promotion (*Agencia Nacional de Promoción Tecnológica*) under the aegis of the Ministry of Science, Technology and Productive Innovation (Ministerio de Ciencia Tecnología e Innovación Productiva), available online at: http://www.agencia.gov.ar/spip.php?article41&pageNum_traerUVTs=0&provincia=&keyword= accessed 29 September 2011.

⁴⁰ World Bank, Data: Research and Development Expenditure: % of GDP, available online at: http://data.worldbank.org/indicator/GB.XPD.RSDV.GD.ZS?order=wbapi_data_value_2008+wbapi_data_value+wbapi_data_value-last&sort=asc accessed 30 September 2011.

⁴¹ For instance, in the 2011 edition of *International Property Rights Index*, a project of the Property Rights Alliance led by Peruvian economist Hernando De Soto, Argentina scored 4.7 points (10 being best) and ranked 87 out of 129 countries surveyed. Argentina shares the same score and rank with the Philippines, Mozambique, Senegal, Honduras and Macedonia. The first country in the list, with a score of 8.5, is Sweden. The difficulty in effectively protecting IPRs in Argentina may be read as a co-adjutant factor to the low number of successful cases of domestic technology transfer. Companies may simply prefer other methods to preserve technological competitive advantages, such as lead-time and trade secrets. But this is pure speculation on the part of the author. *International Property Rights Index* available online at: http://www.internationalpropertyrightsindex.org/ATR_2011%20INDEX_Web.pdf accessed 29 September 2011.

Another contention is the geographical concentration of UVTs: 45 per cent of UVTs are located in the Buenos Aires area (province and autonomous city⁴²). Depending on how or from where we look at the geographic distribution of UVTs, it may or may not be problematic. On the one hand, Buenos Aires province and autonomous city concentrates almost half of the country's population in one area, as well as most of the wealth and productive activities. On the other hand, too many UVTs concentrated in one area do not lead to the harmonious and balanced development of all provinces *pari passu* (a constitutional objective in a federalist republic such as Argentina).

Last but not least, an institutional weakness I personally was able to observe while working with national UVTs is the insufficient number of staff and lack of specific skill sets. The majority of technology transfer professionals working in UVTs are lawyers, some of them with a graduate degree in IP law, few of them with specific training in technology transfer. To my knowledge, no university in Argentina provides systematic training in technology transfer. This lacuna must be filled through graduate or professional certification programmes that focus on the best practices and business skills necessary to run a successful TTO.⁴³ Additionally, no UVT I have visited uses specialized software (patent metrics, IP management and the like).⁴⁴ Efficiency and network externalities could be gained by promoting the use of specific technology transfer software and uniform valuation criteria among all NIS actors.

VI. INCREASING UNIVERSITY-INDUSTRY TECHNOLOGY TRANSFER

As suggested in my previous article, it is time for developing countries to shift the emphasis of intellectual property rights from the protection-exclusionary binomial to monetization and profit-making.⁴⁵ In countries such as Argentina, where most SMEs lack the financial capacity to carry out *R & D* activities, the cooperation with public universities and PROs is key to entering the knowledge economy. Efficient regulation and sound public policies are necessary to achieve that goal, as individuals left to their own devices may be affected by coordination problems and strategic behavior.

To change Law No. 23.877 would be, *prima facie*, unnecessary. The Law for the Advancement and Encouragement of Technological Innovation was enacted with good intentions and works well in some exceptional cases;⁴⁶ nevertheless, it can be improved and/or

⁴² Argentina has 23 provinces and one autonomous city.

⁴³ Education is a one of the main concerns of the United States. See Association of University Technology Transfer, available online at: <http://www.autm.net> accessed 16 February 2012. The European Union is working towards a *European Certification and Training Framework for Technology Transfer Management*; more information available online at: <http://www.ttt-manager.eu> accessed 9 February 2012. The *Licensing Executives Society* also offers training and certification programmes.

⁴⁴ There are many products in the market, both proprietary and open-source (such as EPO's *IPScore*®).

⁴⁵ Maximiliano Marzetti, 'IP Education – What Next? A View from the Southern Cone', *WIPO Magazine* 5/11., available online at: http://www.wipo.int/wipo_magazine/en/2011/05/article_0008.html accessed 29 September 2011.

⁴⁶ The National Institute of Agricultural Technology (*Instituto Nacional de Tecnología Agropecuaria*, INTA) created its own UVT in 1987. Between 2007 and May 2011 INTA obtained 103 plant breeder's rights, five patents, five copyrighted works, two trademarks and signed 106 technology transfer agreements. In addition, INTA developed a Digital Management System for Technology Transfer Agreements (SIGEC), a Normative Technology Transfer Policy and a Handbook of Technology Transfer Practices. INTA is active in five innovation parks and other *R & D* clusters in the country.

supplemented. Had Argentina no 'innovation' law in place it could be argued that TTOs (UVTs) would require approval by a governmental agency, which would only add red tape (i.e. transaction and administrative costs) and lead to rent-seeking behavior. With that objective in mind, in addition to the suggestions mentioned in previous paragraphs, the following are a few suggestions with low cost and high potential impact:

- (a) First and foremost, *divuligation*. Most SMEs are not aware they can enter into *R & D* agreements with universities, and most researchers do not know about intellectual property rights and how to benefit from them. It is necessary to raise awareness of the NIS, the UVTs and intellectual property rights in both the public and private sectors. Technical students at secondary and tertiary levels must be educated to take an active part in the knowledge economy. Publication in the media of successful cases of university-industry technology transfer would be desirable.
- (b) Secondly, *education*. It is necessary to educate HHRR in the specialized fields of IP protection, IP management, IP monetization, and technology transfer. It makes no sense to have TTOs without qualified technology transfer professionals staffing them. Apart from this, specialized courses, particularly addressing scientists and businessmen, are required to move innovation and technology from the laboratory to the assembly line.
- (c) Thirdly, *performance indicators*. As argued in previous sections, the market for technology transfer is affected by asymmetric information (adverse selection and moral hazard problems). Objective indicators, reliable information sources, iterated interactions, even brand names and government auditing are all suitable solutions to the challenge of information asymmetry.⁴⁷
- (d) Fourthly, *competition*. The transaction and administrative costs of using the UVT mechanism are high. There seem to be too many UVTs (from an economic standpoint, it may signal a waste of resources). Intra-UVT competition may lower costs and improve efficiency. Only the most efficient UVTs, i.e. those with a better track record of successful technology transfer activities, should receive public funding or other forms of government support. Creative destruction must take its toll.
- (e) Fifthly, *coordination*. There is low coordination across the NIS actors. A nation-wide, long-term and well-planned IP policy is imperative, in the same way that a ship needs a compass not to lose the way in a starless night. IP policy should identify the areas in which a country has competitive advantages. A national innovation charter needs to be articulated, not only across the NIS, but also across other sectors (involving the Ministries of Economics and Public Finance, Federal Planning, Public Investment and Services, Industry and Agriculture, Stockbreeding, Fishing and Food, etc.).

Moreover, income from royalties derived from IPRs licensed to the private sector has grown exponentially in recent years.

⁴⁷ G Akerlof, 'The Market for Lemons: Quality Uncertainty and the Market Mechanism' (1970) *The Quarterly Journal of Economics*, 84, pp. 488 to 500.

A final word about nirvanas: improving the IP system of a given country, boosting its innovation policy, strengthening interrelationships between university and industry, and lubricating the mechanisms of technology transfer are all actions that may contribute to the development of a knowledge economy, but, in isolation, are not enough. The Nirvana fallacy is a logical error – the belief that there is one easy theoretical way out of complex real problems. Tweaking one or two IP-related regulations may not be sufficient to transform a developing country into an innovative nation. The World Bank has identified four pillars that support a knowledge economy. Only one of these relates to intellectual property rights and technology transfer.⁴⁸ The moral of the story: to foster academic-industry technology transfer, IP legislation alone will not suffice. The approach must be holistic and, above all, realistic. Developing nations also need to tackle poverty, corruption, lack of infrastructure and access to capital, to name but a few endemic challenges. Only then can innovation be more than wishful thinking.

⁴⁸ The so-called four pillars, according to the World Bank, are: (1) education and training; (2) information infrastructure; (3) economic incentive and institutional regime; (4) innovation systems. Available online at: http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTECAREGTOPKNOECO/0_contentMDK:20422383~menuPK:921081~pagePK:34004173~piPK:34003707~theSitePK:677607,00.html accessed 29 September 2011.

2 FISCAL INCENTIVE PROVISIONS - A PATHWAY FROM RESEARCH AND DEVELOPMENT AND INNOVATION TO INTELLECTUAL PROPERTY RIGHTS

* Dr Cristián Gárate

ABSTRACT

This paper contains an account of the evolution pathway of fiscal incentive provisions from research & development & innovation to intellectual property rights. In order to set the main legal and economic framework, this work recognizes four different stages which are briefly described in the following paragraphs.

Keywords: *research, development, innovation, intellectual property, intangibles, fiscal incentives, taxation*

I. FIRST GENERATION: FISCAL STIMULATION FOR SCIENCE AND TECHNOLOGY

The legal and economic concept had its genesis after the Second World War. Following this period, changes in fiscal policy concepts made industrialized nation governments increasingly aware of the enormous influence that their fiscal policy measures¹ had on economic and social spheres. Thus fiscal policy measures turned out to be one of the most fundamental instruments for the extensive reconstruction efforts in Europe, the attainment of long-term financial stability, the improvement of social welfare, and the advancement of economic activities based on industrial development.²

The establishment of special fiscal regimes (*stimulants fiscaux*) prevailed during the second half of the 20th century as one of the most important measures for invigorating the required post-war industrial expansion by encouraging investments in various scientific and technological fields.³ During this period, the effect of economic growth driven by industrial development was sustained by the enhancement of investments for the manufacture of capital assets, which in turn produced consumer goods and services. Theoretically, this required a

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¹ IBFD, 'Fiscal Policy: part of economic policy which relates to taxation and public expenditure', International Tax Glossary, 2005, page 173:

² J Van Hoorn Jr., Régime Fiscal de la Recherche et du Développement Technique (Tax Treatment of Research and Development) (OECD Paris 1962) page 15; *La Recherche Fondamentale et la Politique des Gouvernements* (OECD Paris 1966) page 13: 'Après la guerre, l'évolution de la fiscalité a obéi à des concepts différents La fiscalité est devenue l'un des principaux instruments de la politique gouvernementale Lorsque, pour des raisons politiques, on estime nécessaire d'encourager certaines activités, l'un des moyens auxquels on peut recourir consiste à doter ces activités de régimes fiscaux particuliers. Ces stimulants fiscaux diffèrent entièrement, par leur nature, des privilèges et immunités, car ils doivent être fondés sur des considérations d'intérêt général.'

³ Frascati Manual, *The Measurement of Scientific and Technological Activities, Proposed Standard Practice for Surveys on Research and Experimental Development* (OECD 1993), page 18, (OECD 2002). Also, 'Le système de la recherche' (OECD Vol. 1 1973), page 15.

combination based on fiscal planning measures in the form of direct fiscal instruments and some restrictions to importations, within an import substitution trade policy.⁴

In this early phase, fiscal incentive provisions (FIPs) were not depicted in the concept of research & development (*R & D*)⁵ and innovation (*I*)^{6,7}. The contrasting effects of direct fiscal policy measures, comprising direct financing with fiscal subsidies⁸, as opposed to indirect fiscal measures that entailed fiscal funding through tax advantages, were not clearly determined. Firstly, direct fiscal measures, encompassing economic assistance in the form of fiscal grants, loans, guarantees or other fiscal subsidies, allowed governments to control and plan the direction of the post-war efforts, particularly in the areas of public defence, energy, transport, social security, education, health, and agriculture.⁹ Subsequently, fiscal policymakers from Western economies predominantly used direct fiscal measures to foster *R & D* for civil use during the post-World War II reconstruction and economic reorganization, and to encourage the military status quo that prevailed during the Cold War period.^{10 11 12} Secondly, fiscal

⁴ WTO, Trade Report 2006, Chapter II, page 67.

⁵ Frascati Manual (OECD 2002) page 30. According to the commentaries by Frascati Manual, the definition of *R & D* covers three activities: basic research, applied research and experimental development. These three distinct categories are denominated indistinctively across jurisdictions in the world as: (a) basic, pure or fundamental research; (b) applied, experimental or industrial research; (c) applied, industrial or experimental development.

⁶ OECD *The Measurement of Scientific and Technological Activities Proposed Guidelines for Collecting and Interpreting Technological Innovation Data*, (OECD 1992), (hereinafter Oslo Manual) 3rd edition of the OECD Oslo manual published 27 October 2005.

⁷ IBFD, *International Tax Glossary* (2005) page 341: 'Research and Development (*R & D*): Any systematic or intensive study carried out in the manufacturing and industrial fields, the results of which are to be used for the production or improvement of products and processes. As a general proposition, *R & D* only extends from the laboratory or drawing board to prototype status, i.e. so long as an activity still contains an element of uncertainty/technical risk it is within the realm of *R & D*. Quality control, routine product testing, data collection, efficiency surveys, management studies, market research and sales promotion are normally not considered *R & D* activities. Not all countries define *R & D* in their national legislation; some define it in regulations, others rely on commercial law, accounting principles, case law, etc. In many countries the definition of *R & D* for deduction purposes is broader than the definition for *R & D* credits or incentives.'

⁸ IBFD, *International Tax Glossary* (2005) page 385: Subsidy: 'Grant of money by a government to a supplier of goods or services in order to facilitate or aid current production or to enable the goods or services to be made available at a lower price. Subsidies may be in the form of a cash payment, a tax benefit, soft loan (i.e. interest at less than the market rate), etc.'

⁹ *Troisième Conférence Ministérielle sur la Science* (OECD 1968), Rapport Comité Scientifique: 'Le développement de la recherche fondamentale, en particulier en Europe, se heurte à divers obstacles dont les plus manifestes sont: la rigidité des mécanismes de financement, la dispersion des efforts, la difficulté d'intégrer, dans les structures universitaires traditionnelles, la recherche interdisciplinaire ou celle qui se situe à la frontière de plusieurs disciplines, l'absence d'une politique de recherche bien définie des institutions d'enseignement supérieur, les entraves à la mobilité des chercheurs tant à l'intérieur des pays qu'entre ceux-ci, l'insuffisance de données statistiques valables pour la planification.'

¹⁰ Albert Link, *Evaluating Public Sector Research and Development* (Praeger 1996) page 1: 'Since World War II direct government support of *R & D* and of other aspects of the innovation process increased dramatically in response to military needs and to the government's responsibility for enhancing research capabilities as outlined in the National Science Foundation Act of 1947. This public support has been focussed in two areas. One is basic research, which is an investment in the nation's science base; and the other is applied *R & D*, which even when it has a defense orientation still enhances the overall research capabilities of individual firms. During the 1940s, in addition to increasing its investment in basic science, the nation also began developing its first systematic technology policy, chiefly in connection with civilian use of nuclear power.' See also Albert N Link *Public/Private Partnerships*,

Innovation Strategies and Policy Alternatives, Chapter 2 'The History of Public/Private Partnerships' (Springer 2006) page 16.

¹¹ EU Parliament, Fact Sheets, 'Policy for Research and Technological Development': 'Community Research and Technological Development (RTD) policy was originally based on Article 55 of the European Coal and Steel Community (ECSC) Treaty (expired in 2002); Articles 4 to 11 of the European Atomic Energy Community (EAEC) Treaty (Euratom nuclear research); and Articles 35 and 308 of the European Community (EC) Treaty. An important milestone in the development of a European RTD policy was the adoption of four Council Resolutions on 14 January 1974, notably one concerning the coordination of national policies and the definition of projects of interest to the Community in the field of science and technology and one on the need for the Community to have its own science and technology policy. Title XVIII 'Research and technological development' of the EC Treaty was introduced by the Single European Act (SEA), which entered into force on 1 July 1987, and provided a new and explicit basis for RTD policy, based on multi-annual framework programmes.

...

The main instrument of Community RTD policy is the multi-annual Framework Programme (FP), which sets objectives, priorities and the financial package of support for a period of several years (usually five, with planning for successive FPs overlapping by one or two years, but with distinct financial envelopes usually running over four years). With the first FP (1984-1987), Community RTD activities were for the first time coordinated as part of a single, structured framework. The main aim of the second FP (1987-1991) was to develop technologies for the future, integrating major Community programmes in the areas of information technology (ESPRIT), materials (EURAM), industrial technologies (BRITE) and advanced communications technologies (RACE). The third FP (1990-94) broadly followed the same lines, focussing on fewer lines of action, but also on the dissemination of research results. In April 1994, after a long and difficult procedure, Council and Parliament (in the first ever co-decision) adopted the fourth FP (1994-1998). This programme built on the previous initiatives, but contained several important innovations, such as a new programme on targeted socioeconomic research. The fifth FP (1998-2002) marked a shift from research concentrating largely on technical performance towards research and innovation addressing targeted socioeconomic objectives.

...

The sixth RTD Framework Programme (FP6) was adopted on 27 June 2002 (Decision 1513/2002 of the European Parliament (EP) and the Council). The programme runs from 1 January 2003 to 31 December 2006. FP6 was specially designed to promote the establishment of a European Research Area (ERA) endorsed by the Lisbon European Council in March 2000 and supported by the EP. The creation of an ERA aims at: (i) ensuring the free movement of researchers, ideas and technology in Europe; (ii) overcoming the fragmentation of European research and creating a critical mass; and (iii) coordinating national and European programmes and policies.

...

The European Commission published its initial proposal on 6 April 2005 with an overall budget of €72.7 billion (current prices) for the EC FP over the period 2007-2013 and €3.1 billion for the Euratom FP over the period 2007-2011. The proposals contain a number of important innovations, including creating a European Research Council (ERC) in support of investigator-driven frontier research, launching Joint Technology Initiatives (JTIs) around key technologies and helping create new research infrastructures. The EC FP is structured into five specific programmes: Cooperation (supporting collaborative research activities in nine thematic priorities); Ideas (introducing the European Research Council); People (supporting training and career development of researchers); Capacities (supporting key aspects of European research and innovation capacities) and non-nuclear actions of the JRC. The Euratom FP is structured into two specific programmes and contains substantial funding for fusion energy research, in line with the international commitments undertaken by the Community for the realization of ITER (International Thermonuclear Experimental Reactor) together with the United States, Japan, Russia, China and Korea.'

¹² Paul A David, Bronwyn H Hall, and Andrew A Toole, *Is Public R & D a Complement or Substitute for Private R & D? A Review of the Econometric Evidence* (1999) page 1: 'Most of the growth in the relative importance of this intangible form of capital accumulation has come within the past half-

instruments, consisting of indirect fiscal financing of businesses with fiscal advantage provisions, slowly matured and started to show evidence of positive effects, but the benefits of *R & D* investments spilled over to the whole industry or sector, and not only to the particular company targeted with the benefits.¹³

At that time, the range of fiscal policy choices alternated between enforcing direct fiscal measures as full support measures (*vollförderung*) as opposed to indirect fiscal measures as supplementary or subsidiary measures (*subsidiäre Förderung*). Concurrently, fiscal incentive policies for *R & D* were also discussed from the perspectives of the welfare state, the market economy and the efficient allocation of public resources. All of the aforementioned concepts had to be analysed, having as a background the tension between the legal and economic principles of fiscal planning, fiscal subsidiarity and private autonomy applied to the area of *R & D* (*plan national de recherche vs. laisser rechercher-laisser faire*).¹⁴ As a corollary from a legal point of view, direct fiscal measures comprising fiscal financing with grants, loans, guarantees and other fiscal subsidies, as opposed to indirect fiscal measures comprising fiscal advantage provisions such as tax exemptions and tax allowances, coexisted in various legal systems without thoughtful analysis about their scope and impact.

II. SECOND GENERATION: FISCAL INCENTIVE MEASURES FOR RESEARCH AND DEVELOPMENT

In the context of indirect fiscal measures of a tax nature impacting on *R & D* during the second half of the 20th century, it is difficult to distinguish precisely between fiscal incentive provisions of a general scope (*dispositions générales*), based on general fiscal advantage policy measures, and special fiscal incentive provisions (*dispositions spéciales*), based on particular tailored fiscal advantage policy measures. Thus, according to information obtained from OECD countries, fiscal studies barely distinguish between these binary categories of normative propositions.¹⁵

Clearly, the initial forms of indirect fiscal measures comprised non-specific tax advantage provisions, forming part of the general tax incentive architecture of a given national

century: even under the stimulus of military preparations during the 1930s, total *R & D* expenditures in countries such as the United States, the United Kingdom and Japan remained in the range between 0.66 per cent and 0.25 per cent of their respective national product figures. In the aftermath of World War II, the belief that organized research and development could stimulate economic growth and contribute to improving economic welfare led to the creation of many new public institutions supporting civilian science and engineering, and pushed the civil *R & D* fraction upwards towards the 1 per cent point level in a growing number of countries.'

¹³ OECD, *Tax Incentives for Research and Development: Trends and Issue*, (2004) page 8.

¹⁴ G Braunling, DM Harmsen, *Die Förderungsprinzipien und Instrumente der Forschungs- und Technologiepolitik, Schriftenreihe der Kommission für Wirtschaftlichen und Sozialen Wandel*, Bd. 85 Göttingen 1975, S. 62; Europäische Forschungs- und Technologiepolitik und die Anforderungen des Subsidiaritätsprinzips, Band 5, (1996); Theodor Schilling, *Subsidiarity as a Rule and a Principle or: Taking Subsidiarity Seriously*, NYU School of Law (1995); Thomas Stauffer, *Subsidiarity as Legitimacy?*, (World Bank 1999).

¹⁵ J Van Hoorn Jr., *Régime Fiscal de la Recherche et du Développement Technique*, IBFD, 1962, page 15. The introductory report briefly outlines country measures aimed at financing and encouraging research activities, comprising subventions, fiscal advantages and mandatory contributions: 'Les deux systèmes – octroi de subventions et avantages fiscaux – peuvent coexister... Il y a même une troisième possibilité: le gouvernement peut obliger les entreprises à contribuer financièrement à un programme donné de recherche ou à y participer, parce qu'elles peuvent bénéficier des travaux réalisés par d'autres.'

fiscal system. These non-specific fiscal measures seemed to be particularly embedded in the national income tax structure; their objectives were not limited to the particular encouragement of *R & D*, but rather they were focussed on fostering national or foreign investments in general. Within this scope, studies often describe the general income tax allowances which were applicable to amortize the assets acquired to conduct a scientific research project. The second kind of indirect fiscal measures comprised tax advantage provisions specifically designed for the encouragement of *R & D* investments, with a focus on science and technology projects.

To some extent, an analysis of such fiscal measures demonstrates the attempt of some countries to enact an unsystematic bulk of *R & D* FIPs, encompassing tax benefits ranging in scope from very broad to very limited. For example, in some jurisdictions, contributions made to research institutions and universities were exempt from donation taxes and could be deducted for income tax purposes; also, custom tariffs were waived for importation of certain technical materials used in research laboratories.

Furthermore, as a result of the progressive internationalization of markets and trading, the progress of science and advancement of automatization technologies in the 1970s, new *R & D* FIPs were extended and designed with far-reaching consequences. For example, some jurisdictions contemplated broader deductions of *R & D* expenditures in the form of improved tax allowances; fiscal legislation comprised a special tax credit for income tax purposes, in order to promote *R & D*; and tax incentives encompassed selective contributions to institutions or universities for *R & D* activities.¹⁶ At the same time, the degree of sophistication of fiscal policy measures for the promotion of industrial development found a natural correlation in the targeting of international trade measures for the promotion of exportations and in the targeting of investment measures for the attraction of foreign direct investment (FDI).

At the end of the 20th century, an accumulation of various phenomena comprising the high intensity of international commercial exchanges fostered by e-commerce and e-businesses, the increased importance of intellectual property rights (IPRs), as well as the fierce competition among jurisdictions to capture *R & D* activities, were reflected in far more complex incentive measures comprising enhanced FIPs. This intricate net of fiscal incentives included local, national, regional and global tax incentives, investment tax credits and special investment tax allowances, and other special direct tax measures of a different calibre. In sum, various fiscal devices were enacted as general or specific tax incentives applicable to national and foreign investment, with a focus on the encouragement of *R & D*, IPRs and the transfer of technology.¹⁷

¹⁶ IBFD, International Series, *Tax Treatment of Research and Development Expenses* (1988), Foreword: 'Given the current internationalization of the marketplace, it is generally in the best interests of a country that it should encourage, and even stimulate, research and development activities among companies and universities. The tax laws of most countries, if applied in a pedantic fashion, would actually discourage research and development activities. This is because, as a general tax principle, expenditures that may result in the production of an asset with a useful life of more than one year must be capitalized, rather than deducted currently. Most countries, however, recognizing the folly of such a strict approach to taxation, now permit a current deduction for research and development activities. Some countries, in addition, allow a special tax credit for research and development expenditures. Tax incentives are often granted for contributions to universities for use in basic research.'

¹⁷ IFA, Cahiers, Volume LXXXIIa, *The Taxation of Income Derived from the Supply of Technology*, General Report (Kluwer, 1997) page 45: 'Incentives can take the form of fairly simple approaches such as tax credits for performing research and development activities or tax holidays of various sorts although such incentives do not depend in most cases on an export of products or services.' Also, page 113: 'Bei diesen Anreizen handelt es sich teilweise um recht einfache Methoden, wie, z.B. die

At the same time, improved mechanisms of direct and selective government intervention appeared in the form of direct grants, equity, loans, reimbursable aid, guarantees and other subsidy instruments, with the amount of aid dependent on different parameters, such as the type of *R & D* activity, the beneficiary, the eligible costs, the performance agreement, the territorial scope, the technological impact and similar qualifying conditions. Hence, a certain necessity for technical delimitation emerged to determine the quantity and quality of State aid delivered. In the European Union, the concepts started to evolve using analytical tools from an economical and legal perspective to coordinate the different mechanisms, techniques and normative elements by which fiscal provisions, in the form of indirect fiscal aid in relation to direct fiscal aid, were simultaneously applied by competing Member States. Further, in Europe the requirement for efficient use of scarce public resources led to initial ideas of optimization and targeting of *R & D* FIPs. This new phenomenon resulted in tension between State aid and fiscal competition, which raised concerns about the necessity of curtailing certain fiscal advantages envisioned as harmful or unfair among Member States. These initial considerations in the European Union illustrate the friction between an egoistic approach on a country basis and a more cooperative and harmonized approach to fiscal incentives on a community-of-interest basis. As a correlated reflection, the concerns among OECD countries also pointed to a gradual coordination of special tax fiscal regimes among economically developed nations.¹⁸

III. THIRD GENERATION: FISCAL INCENTIVE PROVISIONS FOR RESEARCH AND DEVELOPMENT, AND INNOVATION

In the early 21st century, the concepts of global market, international free trade and free competition, international flow of private investments and public subsidization measures, established the legal and economic architecture for the development of a global knowledge-based economy. In this environment, commercial exchanges comprise technologically manufactured consumer products of a tangible and intangible nature, as well as technological services, both resulting from worldwide scientific and technological applications.^{19 20}

Most goods and services are products of industries benefiting from FIPs originally created through the legislatures of the most advanced jurisdictions, with a focus on basic research, applied research and industrial development activities.²¹ The role of FIPs is central,

steuerliche Anrechnung von Forschungs- und Entwicklungstätigkeiten oder Steuerbefreiungen verschiedener Art, obgleich diese Anreize in den meisten Fällen nicht von der Zufuhr von Erzeugnissen oder Dienstleistungen abhängen.'

¹⁸ ECOFIN, OJ 98/C 2/01; Conclusions of the Ecofin Council meeting concerning taxation policy, *Report of the Committee of Independent Experts on Company Taxation*; Code of Conduct, Primarolo Report, Ecofin Council 29 November 1999; OECD, 'Harmful Tax Competition- An Emerging Global Issue' (1998).

¹⁹ Michael Rashkin, *Research and Development Tax Incentives, Federal, State, and Foreign*, CCH, 2003, Chapter 1, page 3; Michael Rashkin, *Practical Guide to Research and Development Tax Incentives*, (CCH, 2007) page 1.

²⁰ Anwar Shah, *Fiscal Incentives for Investment and Innovation* (Oxford University Press 1995), foreword, page xiii.

²¹ UNCTAD, *World Investment Report, United Nations, 2005, Transnational Corporations and the Internationalization of R & D*. <http://www.unctad.org>; OECD Science, Technology and Industry Scoreboard 2005, www.oecd.org/sti/scoreboard. EU Commission, *R & D Investment Scoreboard, 2006*, <http://iri.jrc.es>; EU Commission, Joint Research Centre (DG JRC) and Research (DG RTD) Directorates-General of the European Commission; *The Analysis of the 2006 EU R & D Investment Scoreboard*, page 12: 'The world's top 50 *R & D* investors are mainly in the following sectors: automobiles and parts,

since *R & D* efforts have become vital for the business performance of high technology industries such as electronics, computers and robotics, biotechnology, pharmaceuticals, the automobile industry, aerospace, energy, nanotechnology, the Internet and telecommunications, and other emerging technological economic niches.^{22 23 24}

Moreover, as a further development in economic and legal studies, the concepts of *R & D* are used alongside the newly established concept of innovation. Innovation is applied to technological products and processes in the industrial and manufacturing sectors, and particularly to the economic phenomenon generated by knowledge-intensive service areas such as resource-based industries, manufacture of goods and products, the Internet, software, healthcare, tourism, and similar scientific and technological services.²⁵

Consequently, from a legal viewpoint, the new paradigm being framed in Europe embodies the notions of *R & D & I* – FIPs in order to bring together broader and all-inclusive concepts.^{26 27}

Ultimately, in the global knowledge-based economy the use of information and telecommunication technologies (ICT) enhances businesses worldwide and functions as an additional competitive factor.²⁸ ICT includes technologies of communication and information that diminish the relative importance of geographical and locational factors in decisions about where to locate business activities.²⁹ From a strict fiscal viewpoint, the business goal of attaining a lower tax rate and maximization of profits is easier to achieve, since companies are

pharmaceuticals and biotechnology, technology hardware and equipment, electronics and electrical equipment, and aerospace and defense sectors ...'.

²² EU Commission, *Promoting Innovation by Tax Incentives, a Review of Strategies and their Importance to Biotech Growth, Sixth Framework Programme* (2006). This is an example of an *R & D* tax incentives report with a view to supporting the development of biotechnology companies and *R & D*-intensive companies in other industries.

²³ OECD, *Science, Technology and Industry Scoreboard 2007, Innovation and Performance in the Global Economy*, 2007: Biotechnology, page 142; Nanoscience, page 152; Environmental Science, page 156.

²⁴ EU Commission, Joint Research Centre (JRC) and Directorate General Research (DG RTD), *2007 EU Industrial R & D Investment Scoreboard*, page 13: '*R & D* investment by sectors continues to be highly concentrated, both, in terms of numbers of companies and magnitude of *R & D* investments. Three sectors –pharmaceuticals and biotechnology, technology hardware and equipment and automobiles and parts– account for more than half of the global *R & D* investments.'

²⁵ OECD, *Innovation and Knowledge Intensive Service Activities* (2006), page 7; OECD, Forum 2007, Innovation, Croissance et Équité, 'Synthèse de l'étude sur la mondialisation et l'innovation dans le secteur des services aux entreprises', page 4.

²⁶ V Kalløe, *Research and Development and Innovation (R & D & I) Tax Incentives from an EU Perspective, Fiscaal Ondernemingsrecht, Innovatie en Fiscaliteit* (2008) page 98; Prof. Dr. P Kavelaars, *Fiscale Kenniseconomie, Fiscaal Ondernemingsrecht, Innovatie en Fiscaliteit* (2008), page 89.

²⁷ IBFD, *Tax Treatment of Research and Development Expenses*, 2004.

http://ec.europa.eu/taxation_customs/resources/documents/eu_rd_final_rep_dec_2004.pdf.

²⁸ UNCTAD, *World Investment Report, United Nations, 2005*, Transnational Corporations and the Internationalization of *R & D*, page xxix: 'The internationalization of *R & D* is also facilitated by improvements in ICT and associated cost decreases, new research techniques that allow greater fragmentation of *R & D* and better information on research capabilities that are available worldwide.'
<http://www.unctad.org>.

²⁹ Peter Nugent, *Borderline Case, Impact of Tax Incentives on the Location of Investment: A Corporate Perspective* (National Academy Press 1997) page 71.

able to breach the location constraints and seek the best fiscal environment for their *R & D & I*. Also, by transferring investments, companies are able to make use of incentives in the form of direct and indirect subsidies granted in other host jurisdictions. Hence, ICT opens up radical possibilities for business relocation, fragmentation and decentralization and such restructuring possibilities lead to extensive transfers of science and technology and the emergence of global value chains, ultimately resulting in increased outsourcing and offshoring³⁰ of *R & D & I*.³¹

Thus, it follows that the introduction of a broader legal concept of *R & D & I* FIPs plays a fundamental role in fiscal policy considerations; particularly, for the achievement of public and private *R & D & I* investment targets at a national and supranational level.^{32 33} A modern fiscal policy approach is bound to incorporate various mechanisms, instruments and techniques into a fundamental strategy, implemented within the context of the National Innovation System (NIS).³⁴ This allows constant inducement for collaboration between the public and private sectors, as well as the enhancement of business-to-business agreements in order to produce new *R & D & I*, resulting in higher standards of science and technology, which is the foundation of the present economic system.³⁵

³⁰ EU Commission, Pro-Inno Europe, *The Implications of R & D Off-Shoring on the Innovation Capacity of EU Firms*, January 2007, <http://www.proinno-europe.eu>.

³¹ *R & D Magazine*, *Global R & D Report*, September 2007, page 3 <http://www.rdmag.com>.

³² EU Council of Europe, Lisbon 2000, Presidency Conclusions. http://ec.europa.eu/growthandjobs/councils_en.htm; EU Commission, Towards a European Research Area, COM(2000)6; EU Commission, COM(2002)499, More Research for Europe, Towards 3 per cent of GDP; EU Commission, Investing in Research: an Action Plan for Europe, EU COM(2003) 226 final/2; EU Parliament Report on Investing in Research: an Action Plan for Europe, A5-0389/2003, 5.11.2003; EU Commission press release: investment in research: Europe is making progress, but too slowly, 17 March 2004; EU Commission COM(2003)112, Innovation policy: updating the Union's approach in the context of the Lisbon strategy; COM(2002)714, Industrial Policy in an enlarged Europe; EU Commission, Ten priority actions to achieve a broad-based innovation strategy for the European Union, Memo/06/325; EU Commission, Working together for growth and jobs. A new start for the Lisbon strategy, COM(2005) 24 final; EU Decision 1982/2006/EC, European Parliament and EC Council, 18/12/2006 concerning the Seventh Framework Programme of the European Community for research, technological development and demonstration activities (2007-2013).

³³ WTO, *World Trade Report 2006*, page 83: 'The weight of *R & D* in economic activities appears to have increased over time and around the world. At the global level *R & D* expenditure represented 0.85 per cent of GDP in the 1990s compared with 0.42 per cent in the 1960s. High-income countries invest significantly more in *R & D* than developing countries. The median level of *R & D* expenditure in high-income countries reached 1.19 per cent of GDP in the 1960s and 1.73 per cent in the 1990s. The corresponding figures for developing countries are 0.21 per cent in the 1960s and 0.59 per cent in the 1990s.'

³⁴ OECD, *National Innovation Systems*, 1997, page 10, Box 1: 'A national system of innovation has been defined as follows: ... "the network of institutions in the public and private sectors whose activities and interactions initiate, import, modify and diffuse new technologies.' (Freeman, 1987)" " ... the elements and relationships which interact in the production, diffusion and use of new, and economically useful, knowledge ... and are either located within or rooted inside the borders of a nation state." (Lundvall, 1992)" " ... a set of institutions whose interactions determine the innovative performance ... of national firms." (Nelson, 1993)" " ... the national institutions, their incentive structures and their competencies, that determine the rate and direction of technological learning (or the volume and composition of change generating activities) in a country.' (Patel and Pavitt, 1994)" "... that set of distinct institutions which jointly and individually contribute to the development and diffusion of new technologies and which provides the framework within which governments form and implement policies to influence the innovation process. As such it is a system of interconnected institutions to create, store and transfer the knowledge, skills and artifacts which define new technologies." (Metcalf, 1995).

³⁵ OECD, *Innovation Policy and Performance, A Cross Country Comparison*, 2005, page 7.

An outcome of the many facets of globalization is that developed and developing economies have been forced to design urgent effective and efficient FIPs that encourage *R & D & I*.³⁶ As economic background to the convergence into a global fiscal policy approach, two main theoretical drivers can be highlighted: on the one hand, the recognition of the economic theory of market failure to explain the underperformance and underinvestment by firms in *R & D & I*, which lacked government support; on the other, a clear acknowledgement of positive externalities in the form of spillover effects of *R & D & I* that spread beyond the firms and sectors of the economy benefited by FIPs.³⁷

Furthermore, in recent years there has been a progressive accumulation of quantitative and statistical surveys on the cost effect of indirect tax incentive measures for stimulating *R & D & I* investment, as compared to the tax revenue cost of their implementation.³⁸

At this last stage of evolution, based on legal, accounting and econometric empirical studies, the implementation of indirect tax incentives for *R & D & I*, comprising tangible assets,

³⁶ Michael Sakbani, *A Re-Examination of the Architecture of the International Economic System in a Global Setting: Issues and Proposals*, UNCTAD/osg/dp/2006/1, 2005, 181, page 3: 'Globalization is manifested in four interrelated developments: (1) the increase in the international exchange of goods and services and the movements of human resources despite all the restrictions therein; (2) the internationalization of production and real investments; (3) the increased integration of financial markets; and (4) the relatively high degree of policy convergence among countries.'

³⁷ Christoph Spengel, *Steuerliche Förderung von Forschung und Entwicklung (FuE) in Deutschland*, Springer 2009, Executive Summary, page XI: 'Ordnungspolitisch ist eine Staatliche Förderung von Forschung und Entwicklung (FuE) aufgrund von Marktversagen gerechtfertigt. Im FuE-Bereich resultiert das Marktversagen aus Spillover-Effekten, Informationsasymmetrien und Unteilbarkeiten. Insbesondere kleine und mittlere Unternehmen Finanzierungsrestriktionen betroffen, weshalb gerade bei KMU gesamtwirtschaftlich wünschenswerte Projekte häufig unterlassen werden. Bei grossen Unternehmen steht die Gefahr von Verlagerungen von FuE-Aktivitäten ins Ausland im Vordergrund.'

³⁸ EU Commission, Commission Staff Working Document, Annex to the Communication From the Commission to the Council, The European Parliament and the European Economic and Social Committee, 'Towards a More Effective Use of Tax Incentives in Favor of R & D', COM 2006, page 728: '2. Use of *R & D* Tax Incentives. Both economic theory and empirical analysis emphasize that *R & D* plays a key role in achieving productivity gains and economic growth, and that it has the characteristics of a public good, meaning that the social return of the investment is higher than the private return to the investing firm. In presence of such market failure, which unchecked would lead to underinvestment in *R & D* by business, public intervention is justified. In effect, Member States have introduced a variety of instruments to support business *R & D*, such as direct grants or subsidies, tax incentives, guarantee mechanisms or support to risk capital. Their combination and intensity differs from one country to the other, depending mainly on policy objectives, the structure of the economy and the strengths and weaknesses of the national research and innovation system. Moreover, evidence suggests that instruments cannot easily be substituted and must be carefully designed to ensure consistency and synergy. 2.1. Recent trend In this context, a growing number of countries have recently implemented or further developed tax incentives for firms to conduct more research, and there is a growing tendency to consider that this form of public support is an important element of the policy mix to promote business *R & D*. Consequently, tax incentives are now being used more than previously: in 1996, 12 OECD countries offered tax incentives; this figure rose to 18 in 2004, with most of the increase coming from European countries in the context of the EU objective to raise the level of investment in *R & D*.' See also, documents EU COM(2003)226 Investing in Research: an Action Plan for Europe; EU COM(2005) 488 More Research and Innovation: a Common Approach.

intangible assets and human capital, plays a critical role in stimulating long-term economic investments with a comparatively low impact on public revenue.^{39 40}

In parallel to FIPs comprising indirect tax incentives, further refinements in the analysis and comparisons with direct fiscal incentives, including a variety of State aid delivered in the form of subsidy instruments, permit a continuous evolution in the differentiation, categorization, measurement and limitation of mechanisms and techniques. Hence, both fiscal approaches entailing direct and indirect fiscal incentives to foster *R & D & I* advance similarly from an economic and legal viewpoint.⁴¹

As a result of these advancements, the concept of *R & D & I* FIPs can be better depicted at present from a legal, economic and financial perspective. Nowadays, *R & D & I* FIPs are regarded as one of the most important fiscal policy mechanisms, which ought to align with the National Innovation System (NIS). The effects of these fiscal incentives originally stem from three distinct fiscal incentive policy principles⁴²:

- Programmed fiscal incentives (*programmförderung*);
- global fiscal incentives (*globalförderung*); and
- structured fiscal incentives (*strukturförderung*).

³⁹ OECD, TIP Workshop, 'R & D Tax Treatment in OECD Countries: Comparisons and Evaluations', 10 December 2007, page 2: 'Tax incentives have become one of the main instruments of innovation policy. Numerous countries use them as general instruments for improving the domestic environment for *R & D* expenditure without any sectoral or technological targeting, in contrast with subsidies. Beyond the goal of encouraging *R & D* in order to boost innovation and competitiveness, there is now the question of a country's attractiveness in terms of *R & D* activities. Some 20 OECD countries use tax instruments to encourage firms to increase their *R & D* expenditure, and such instruments are also being developed in non-member countries, including China.' See also OECD Science, Technology and Industry Scoreboard 2007.

⁴⁰ France, Ministère de l'enseignement supérieur et de la recherche, *Guide 2008, Crédit d'Impôt Recherche*, Janvier 2008, page 3: 'Le CIR en une page, Pourquoi un crédit d'impôt recherche (CIR)?' Les incitations fiscales sont devenues l'un des instruments importants des politiques publiques en faveur de la recherche et de l'innovation. De nombreux pays les ont adoptées, comme des instruments généraux, susceptibles d'améliorer l'environnement national pour les activités de recherche-développement (*R & D*) sans ciblage sectoriel ou technologique, contrairement aux aides directes ciblées telles que les subventions. A cette problématique classique d'incitation à la recherche pour accroître la capacité d'innovation nationale et renforcer la compétitivité des entreprises, s'ajoute désormais celle de l'attractivité du territoire pour les activités de *R & D*.'

⁴¹ OECD, Åsa Johansson, Christopher Heady, Jens Arnold, Bert Brys and Laura Vartia, 'Tax and Economic Growth', Economics Department Working Paper No. 620, ECO/WKP(2008)28, 11-Jul-2008, page 9: 'A widely-used policy avenue to improve productivity is to stimulate private-sector innovative activity by giving tax incentives to *R & D* expenditure. This study finds that the effect of these tax incentives on productivity appears to be relatively modest, although it is larger for industries that are structurally more *R & D*-intensive. Nonetheless, tax incentives have been found to have a stronger effect on *R & D* expenditure than direct funding.' See also in this same study page 38; UK Office of Fair Trading, Public Subsidies, A report by the Office of Fair Trading, November 2004, Annexe C – *The Effects of Public Subsidies on Competition*, A report prepared for the Office of Fair Trading by Frontier Economics.

⁴² Roland Helbing, *Die Steuerliche Behandlung von Forschung und Entwicklung in den Industrieunternehmen der EG-Staaten*, Band 3, Universität Hamburg (Nomos Verlagsgesellschaft 1982), page 41.

The aforementioned principles are concordant with the financial viewpoints that distinguish between a range of assistance systems comprising:

- Purely public budgeted incentives;
- mixed budgeted incentives; and
- purely private budgeted incentives.

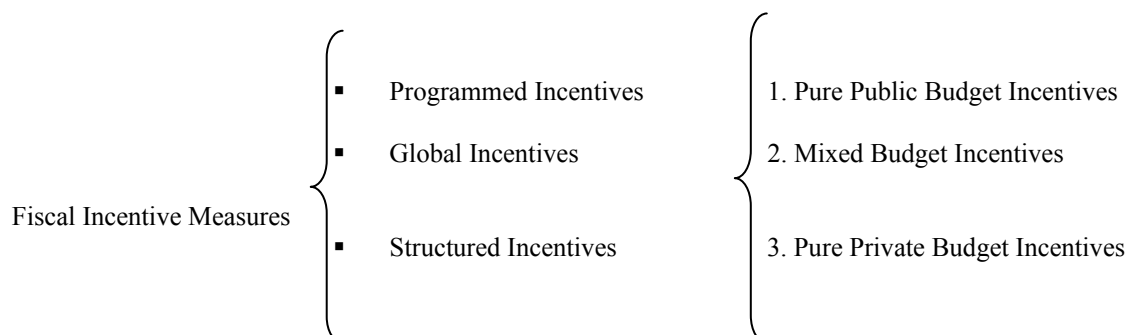
The particular mechanisms of *R & D & I* FIPs may be legally and economically characterized as horizontal advantages, if they consist of fiscal incentive provisions made available to all businesses, are not targeted to specific industries or sectors, and are available across the board. This entails businesses using their own private funds to invest in *R & D & I* and the application of fiscal advantages to the volume or increment of *R & D & I* investment, according to determined objective criteria prescribed in the relevant tax law and regulations. Conversely, incentive mechanisms may be described as vertical advantages if they involve fiscal funds, which are injected into targeted projects (winner projects) selected by a governmental authority or agency based upon certain criteria governed by the public administration.

The aforementioned fiscal incentive policy instruments, considering their implications at the level of the public and private budget, correspond to a modern fiscal approach. They are characterized in most legal frameworks as a combination of legal and economic viewpoints in which broad scope and limited scope FIPs for promoting *R & D & I* are amalgamated, forming a fiscal policy mix.⁴³ In essence, the present striving for higher intensity and quality of *R & D & I*, which leads to more sophisticated levels of science and technology, combines the endorsement of dissimilar principles which range between: (a) the application of strict State-programmed fiscal intervention; (b) the application of State global fiscally controlled measures; and (c) the application of State-structured tax incentives. All of these allow different instruments for the protection and encouragement of private autonomy, liberalization and business freedom.⁴⁴ The following diagram depicts the situation of *R & D & I* FIPs within the context of fiscal incentive measures:

⁴³ EU Commission, *Raising EU R & D Intensity, Improving the Effectiveness of Public Support, Mechanisms for Private Sector Research and Development: Fiscal Measures*, Report to the European Commission by an Independent Expert Group, 2003, page 36, Recommendation 9.

⁴⁴ EU Commission, 'Tax Policy in the European Union – Priorities for the Years Ahead', COM 2001; European Commission, *Report on Research and Development*, Working Group on Research Development, Economic Policy Committee, EPC/ECFIN/01/777-EN Final; EU Commission, Working Group on Research and Development, *Report on Research and Development*, 5402/1/02 REV 1, 2002; EU Commission, European Trend Chart on Innovation, 'Innovation Policy Candidate Countries Towards Good Practices' (2002); OECD 'Tax Incentives for Research and Development: Trends and Issues', (OECD, Paris 2003); *Raising EU R & D Intensity: Improving the Effectiveness of Public Support Mechanisms for Private Sector Research and Development: Final Measures*, Independent Expert Group, April 2003.

Diagram 1



IV. FOURTH GENERATION: FISCAL CONCESSIONS FOR INTELLECTUAL PROPERTY RIGHTS

A further state of advancement requires the recognition and coordination of *R & D & I* FIPs with IPR fiscal concessions. The relationship between *R & D & I* FIPs and fiscal concessions established in favour of IPRs is manifold. This has not been explained in comparative taxation nor in IP law. Nevertheless, an attempt at a theoretical separation between *R & D & I* FIPs and IPR fiscal concessions is possible from various points of view.

Firstly, from a temporal viewpoint, a primary interaction is given at a previous stage, whereby subsequent IPR fiscal concessions follow precedent forms of FIPs that encourage investment in *R & D & I* activities. Thus, business transactions dealing with intellectual property normally occur as a result of the encouragement given by fiscal policy tools to *R & D & I*, first in the form of FIPs and thereafter in the form of special IP fiscal concessions.

Secondly, a relationship between *R & D & I*, on the one hand, and inception, creation and protection of IPRs on the other, is not straightforward. Undisputedly, the successful creation of intangibles assets and the eventual protection of the same through IPRs have their origin in *R & D & I* activities. Nonetheless, not all basic applied research and development activities lead to the creation of any valuable intangible assets that may fall under the protection of IPRs. Further, legal procedures to establish IPRs may take years and not all applications are accepted by the relevant institutions granting particular protection for IPRs in the end.

From an economic viewpoint, the interaction between FIPs for *R & D & I* and fiscal concessions for IPRs has its contact point in the nature of the underlying economic activities encompassed by the business. Thus, *R & D & I* primarily entail economic activities comprising significant expenses targeted to basic research, applied research or experimental development for the creation of intangibles that may generate enough business profits to offset the costs of *R & D & I* investment.

Despite the above, the statistical analysis of patent applications, particularly in Europe and the United States, provides relevant information in order to measure the output of *R & D & I* to IPRs in the form of patents.⁴⁵ Moreover, there appears to be a statistical

⁴⁵ EUROSAT, 'Patents and R & D Expenditure', *Statistics in Focus*, 16/ 2006, page 1. Main Findings of the Study correspondent to data extracted on 30 June 2006 are: • Businesses applied for most EPO patents (82.4 per cent). Only 17.6 per cent of EPO patent applications are from other institutional sectors. • A high level of gross domestic expenditure on *R & D* (GERD) leads in most countries to a high

Fiscal Incentive Provisions - a Pathway from Research Development
and Innovation to Intellectual Property Rights

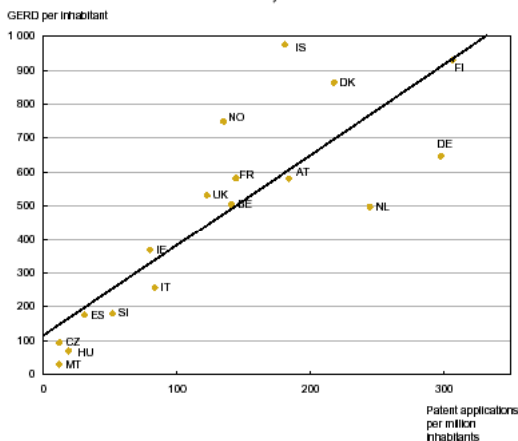
correlation which indicates that the higher the intensity of funds spent on *R & D & I*, the higher the number of patent applications produced in a given jurisdiction.⁴⁶

number of patent applications to the EPO or patents granted by the USPTO. • The United States, Germany and Japan are worldwide leaders in patenting at the European Patent Office (EPO) and at the United States Patent and Trademark Office (USPTO). • The ratio of business enterprise *R & D* to EPO patent applications in the business sector tells us that EU patent applications require fewer research funds than American or Japanese applications. • Analysis of the results of the Patent Scorecard 2006 reveals that, in spite of American leadership in US patenting activity, Europe plays a significant role in US patenting in industrial sectors such as pharmaceuticals (47 per cent), telecommunications (39 per cent), energy and environmental (38 per cent), chemicals (29 per cent), and automotive and transportation (27 per cent).'

⁴⁶ EUROSAT, 'Patents and R & D Expenditure', *Statistics in Focus*, 16/ 2006, page 2:

Figure 2 shows patent applications to the EPO per million inhabitants and *R & D* expenditure per inhabitant in 2002. The trend line indicates a positive correlation between the two indicators. The higher the *R & D* expenditure, the higher the number of patent applications produced by a country tends to be. EU Member States such as Malta, the Czech Republic and Hungary that spent less than EUR 100 per inhabitant on *R & D* produced less than 20 patent applications per million inhabitants in 2002. The *R & D* expenditure of Denmark, Finland and Iceland stood at more than EUR 800 per inhabitant and the number of patent applications per million inhabitants was 181 for Iceland, 217 for Denmark and 307 for Finland. As Figure 2 reveals, Iceland spent more on *R & D* per inhabitant than Finland, but produced fewer patent applications.

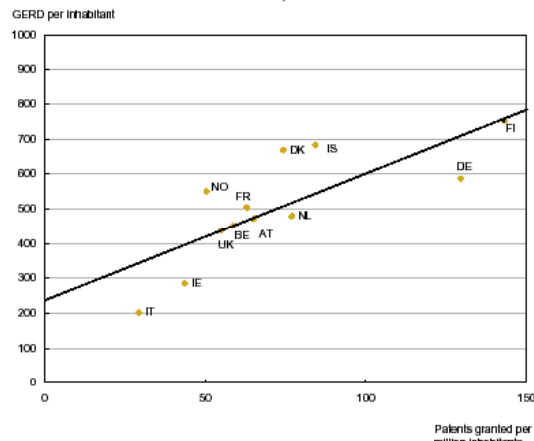
Figure 2: Patent applications to the EPO per million inhabitants and R&D expenditure per inhabitant, in 2002



Only countries with more than 10 patent applications per million inhabitants. Data for EL, LU and SE are not available.

Source: Eurostat, *R&D statistics and patent statistics*

Figure 3: Patents granted by the USPTO per million inhabitants and R&D expenditure per inhabitant, in 1999



Only countries with more than 10 patents granted per million inhabitants. Data for EL, LU and SE are not available.

Source: Eurostat, *R&D statistics and patent statistics*

Figure 3 shows patents granted by the United States Patent and Trademark Office (USPTO) per million inhabitants and *R & D* expenditure per inhabitant in 1999. As the trend line shows, the two indicators are also correlated. The United Kingdom, Belgium, Austria and Finland are on this trend line. Countries below the trend line, such as Italy, Ireland, the Netherlands, and Germany produced more patents in relation to GERD spent. Countries above the trend line, such as Norway, France, Denmark, and Iceland produced fewer patents than expected from their *R & D* expenditure.

R & D & I activities, as well as IPR business transactions, encompass considerable business risks which require the existence of direct and indirect fiscal incentive measures to encourage the business decision-making process. *R & D & I* FIPs are aimed at increasing business expenses for the investigation and discovery of new scientific or technical knowledge which later result in new products or services. Thus, IPR concessions complete the process by which the initial results of *R & D & I* may be later tax maximized by the business.

From a public finance viewpoint *R & D & I* FIPs and IPR fiscal concessions interact within the normative concepts established in the structure of the tax system. In practice, both concepts are parallel to the notion of tax expenditures. The implementation of *R & D & I* FIPs, as well as IPR concessions configure deviations from the systematic tax provisions contained in the tax structure of a given jurisdiction, in order to assist specific activities or transactions with a special tax treatment which generates impact at the level of private and public budgets.

At an international level, in comparison with targeted *R & D & I* FIPs, there appear to be relatively fewer targeted fiscal incentives for IPRs. Furthermore, some IP concessions are blended with *R & D & I* incentives. Thus, one of the main problems in determining a clear division stems from the definition of a point where research activities end in relation to the creation of intangibles assets or IPRs capable of being commercialized.

From the viewpoint of the core of scientific and technological enhancement, by definition, *R & D* activities must seek to achieve scientific or technological advancement and involve the resolution of scientific or technological uncertainty. Generally, *R & D* activities are considered to cease when the scientific or technological uncertainty, which the *R & D* activity sought to elucidate, has been resolved. Notwithstanding, this criterion may be futile in some cases when attempting to recognize if an intangible that has been created may be legally protected under an IPR. Another main issue concerning IPR tax concessions occurs in cases where the definition of intellectual property for tax purposes is confined to limited property rights.⁴⁷ To circumvent this issue some jurisdictions deal with the question of granting special tax treatments under the broader or holistic scope of innovation.⁴⁸

The fiscal treatment of transactions under the wider concept of technology and innovation focusses on definitions that use parallel concepts of IP law or on concepts stemming

⁴⁷ Australia includes a definition of depreciating assets as follows: an item of intellectual property consists of the rights (including equitable rights) that an entity has under a Commonwealth law as: (a) the patentee, or a licensee, of a patent; or (b) the owner, or a licensee, of a registered design; or (c) the owner, or a licensee, of a copyright, or of equivalent rights under a foreign law. This definition of intellectual property does not include trademarks or information.

⁴⁸ UNCTAD, *Technology Transfer and Taxation: Key Issues*, 2005, page 46. Reports few countries which provide tax incentives specifically directed at the export of technology: (a) India permits the deduction (from taxable income) of 50 per cent of royalty and service fee income earned abroad from the use of patents or inventions, and of 100 per cent of profits from the export of computer software or the provision of technical services related to software; (b) Japan allows a special deduction of the income derived from the export of certain technology or the provision of technical services outside Japan, in particular where a Japanese company exports technology-related rights to 'newly developed areas' for the purpose of its manufacture, or provides technical services in such areas; the eligible areas are mostly developing countries; (c) Korea grants an exemption for 50 per cent of the income derived from the transfer of licensing of technology; (d) Sri Lanka provides an exemption for income earned from the export of technology by means of the provision of professional services, provided a reasonable amount of that income is repatriated to Sri Lanka; various other tax holidays and exemptions are given to exporters.

from scientific and technological activities.⁴⁹ Some tax jurisdictions prefer to incorporate a broader concept of technological innovation or to address the concept of technological transfer or to relate to the accounting concept of intangible fixed asset, in order to establish tax treatments corresponding to a wider perspective of *R & D & I* and IPR fiscal concessions.⁵⁰ Consequently, some jurisdictions do not have specific tax incentives for IPRs and opt to reframe *R & D & I* FIPs to link them to intangible assets or to intellectual property once patents are obtained following the relevant national registration procedure.⁵¹

Lastly, with regard to tax, the relation between *R & D & I* activities and IPR transactions entails a turning point where pre-trade activities cease and commercial activities begin. *R & D & I* and fiscal concessions for IPRs target business decisions for the creation or acquisition of assets, which generate expenses and may create future revenue for the business. Although these activities may determine the recognition of valuable economic intangibles, they do not necessarily entail the recognition of intellectual property in the legal sense.

In fact, discrepancies in terms of legal treatment occur if the results of *R & D & I* activities eventually create an economic asset, which under general principles of civil or common law may constitute property for the company capable of being transferred, assigned or sold. These, however, may not be considered strictly as an IPR under patent, design, trademark law or copyright law. Further, this same asset may be considered an intangible, whose value is recognized for accounting or financial purposes. In parallel, it may be possible that the threshold established in tax law for the recognition of intangible property subject to taxation law is fulfilled. The outcome may be that a certain event may be qualified for tax purposes depending on the tax characterization of the IPR for tax law, yet it may not be considered an intellectual property right in the legal sense. The former illustrates in which form the tax treatment for cost recognition, amortization allowances, recognition of ordinary income, long or short-term capital gains and other taxable operations are substantially different and do not depend on the economic or legal characterization of an asset as an IPR.

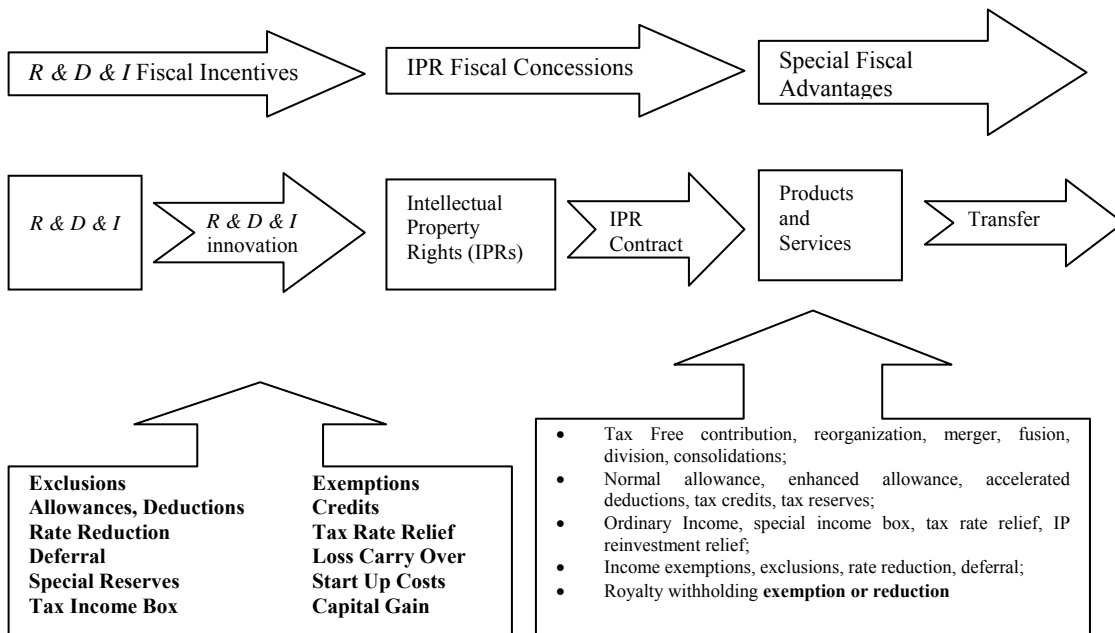
⁴⁹ IFA, *Cahiers 1997*, 'The Taxation of Income Derived from the Supply of Technology', General Report, page 27.

⁵⁰ EU Commission, 'Corporation Tax and Innovation: Issues at Stake and Review of European Union Experiences in the Nineties', Innovation Paper No. 19, page 73.

⁵¹ Spain defines technological innovation as the activity whose result is the obtaining of new products or production processes or substantial meaningful technological improvements above and beyond existing ones. New products and processes are considered to be those whose features or applications are, from the technological viewpoint, substantially different from those previously existing. Such activity includes the materialization of new products or processes in a plan, scheme or design, along with the creation of the first non-marketable prototype and initial demonstration or pilot projects, provided that they are not converted into or used for industrial application or commercial use. United Kingdom: FA 2002 defines an intangible fixed asset as an intangible asset acquired or created by the company for use on a continuing basis in the course of the company's activities. Sch. 29. paragraph 2(2) includes intellectual property denied as (a) any patent, trademark, registered design, copyright or design right, plant breeders' rights or rights under Section 7 of the Plant Varieties Act 1997; (b) any right under the law of a country or territory outside the United Kingdom corresponding to, or similar to, a right within paragraph (a); (c) any information or technique not protected by a right within paragraph (a) or (b) but having industrial, commercial or other economic value, or (d) any licence or other right in respect of anything within paragraphs (a), (b) or (c).

The following diagram is a very general approximation of the interaction between *R & D & I* FIPs and IP fiscal concessions:

Diagram 2



V. ANALYSIS OF IPR FISCAL CONCESSIONS

The analysis of particular fiscal concessions for IPRs is necessary in order to provide a brief overview of their object and characteristics in comparative legislation as a separate phenomenon of IPR law in relation to fiscal law.

In general, IP fiscal concession rules are designed to mitigate the tax impact of the transition between the creation of intangible assets through *R & D & I* activities and the recognition, maintenance, use or disposition of IPRs operating through different legal contractual forms, as recognized in different jurisdictions. Consequently, the application of provisions that contain IPR fiscal concessions follows the form in which the IPRs are created, acquired, maintained and later exploited in commercial transactions.

As mentioned above, in drafting a concept of IPR fiscal concessions it appears that these incentives are normally embedded or blended with *R & D & I* FIPs.⁵² In the first stage, it

⁵² OECD, STI Working Paper, Jacek Warda, 'Tax Treatment of Business Investments in Intellectual Assets, an International Comparison', 2006: 'Investments in patents do not benefit from any specific tax incentives, other than provisions that allow for accelerated depreciation of patent costs. But tax incentives for patents are channelled indirectly through broader schemes that encourage investments in *R & D* and other intangible assets. Patents can be an input to *R & D* processes, or an output thereof, which may help to explain the relative dearth of patent-specific tax incentives. Patents may already benefit from the *R & D* tax incentives existing in many OECD countries. Other channels also exist for the incentive tax treatment of patents, especially the growing role of patent donations and tax reductions on royalty payments.'

is not necessary to consider them as separate from the treatment given to *R & D & I* FIPs. This seems very clear in cases where the *R & D & I* activities lead to the creation of an intangible asset that is later protected under the legal configuration of an IPR. In practice, the additional costs comprised in IPR protection may be subsumed as *R & D & I* expenses and considered part of existent *R & D & I* FIPs.^{53 54}

After *R & D & I* FIPs aimed at the creation of business intangible assets, the next step is the recognition of an IPR in any of the forms established by IP law, namely, a patent, a design, a trademark, a copyright or a trade secret.⁵⁵ Thus, a logical consequence of the initiation of *R & D & I* activities fostered by FIPs in this field is the continuation of a similar level of encouragement in the form of fiscal concessions applied to IPRs.

Regarding this further stage, the scope of *R & D & I* FIPs and those used in IP fiscal concessions may be overlapping. This is evident in that some *R & D & I* incentive provisions require the activities to be carried out directly or on behalf of the company targeted by the incentives. Therefore, when the company which benefited from the *R & D & I* FIPs obtains an effective IPR as result of the *R & D & I* activity, most *R & D & I* FIPs would gradually be replaced with IP concessions. Thus, following the establishment of an IPR, IP fiscal concessions will continue as a natural transition from previous *R & D & I* incentives contained in FIPs in this area.

Some specific considerations arise following an analysis of the question of ownership of IPRs for application of tax incentives. In some jurisdictions, the *R & D & I* incentive cannot be claimed if the resulting IPR is not or will not be in the control of, and commercially exploitable by, the same taxpayer.⁵⁶ This may play a crucial role in cases of private-to-private funding of

⁵³ *R & D & I* activities may lead to the creation of IP rights, the costs of which include legal, administrative and technical fees i.e. attorney's fees, registration fees at a patent office, documentation costs, technical report fees, certification fees and the like, expenses which in most jurisdictions are not included in the economic value of the intangible asset and are considered current expenses.

⁵⁴ United Kingdom, TA 1988, Section 83, also ITA 2005, Sections 89 and 90 contain a relief for full deduction of any professional fees or expenses in respect of patents, designs or trademarks incurred for purposes of a trade. The relief includes fees paid and expenses incurred in: (a) obtaining the grant of a patent, the registration of a design or trademark; (b) extending a patent, extending of the period for which the right in a registered design subsists or renewal of a registration of a trademark; and (c) a rejected or abandoned application for a patent. United States, Section 174 IRS allows deductibility of expenses incurred in developing intellectual property. The costs include expenses for obtaining a patent, such as attorneys' fees in the prosecution of patent applications. France, Article L 242-1 of the Social Security Code contains a total exemption of social security contributions in favor of New Innovative Companies, including those paid to lawyers in charge of the industrial protection and technological agreements related to the *R & D* project, executives in charge of the elaboration, the registration of copyright, the management of the industrial property rights, legal agreements related to the *R & D* projects, and amongst other transfers of technology.

⁵⁵ Tulio Rosembu, 'Intangibles, La Fiscalidad del Capital Intelectual', El Fisco, 2003, page 88. The author argues that *R & D* activities constitute immaterial goods although not protected by exclusive intellectual property rights.

⁵⁶ United Kingdom TA 1988 Section 839. Subcontracted *R & D* can qualify for *R & D* tax relief provided that the company claiming the relief owns the resulting intellectual property. The subcontractor is not entitled to the relief because does not generate any intellectual property. US Treasury Regulations, require that in order for Section 174 to apply the research expenditures must be undertaken directly by the taxpayer or carried on by another person on behalf of the taxpayer. Under IRC 41 (d)(1)(A) similar rules apply to Tax Credits. See also Australia, Canada, New Zealand, and Singapore, where tax incentives

R & D & I, for instance in contractual research agreements or in cost-sharing agreements, where initial *R & D & I* activities are negotiated and a necessary accommodation of the conditions of performance, control and exploitation could be determined by tax considerations contained in *R & D & I* FIPs. Furthermore, analogous problems may be triggered in cases of publicly funded *R & D & I* projects within the scope of collaborative agreements or contractual research arrangements. In the latter case, the public institution granting aid could require the total or partial retention of *R & D & I* results or of IPRs.⁵⁷

VI. FISCAL INCENTIVES AND TRANSFERS OF SCIENCE AND TECHNOLOGY

The relationship between *R & D & I* FIPs and IPR fiscal concessions can also be depicted from the broader perspective of transfers of science and technology. From another perspective, the flow or diffusion of science and technology requires an analysis of those fiscal concessions associated with the life cycle of IPRs from their inception until their exploitation.

First, a special tax treatment may be extended for the acquisition of IPRs in cases where the *R & D & I* activities require, for instance, patents to be purchased and incorporated into scientific or experimental processes. Hence, IPR fiscal concessions are complementary to *R & D & I* FIPs, since IPRs constitute *R & D & I* input costs in the form of special IP allowances.⁵⁸

require ownership of intellectual property. India does not require ownership of intellectual property developed from *R & D*.

⁵⁷ EU Commission, *Cross-Border Collaboration Between Publicly Funded Research Organizations and Industry and Technology Transfer Training Intellectual Property*, Report of the CREST OMC Expert Group on Intellectual Property (2nd Cycle), 2006, page 29: '6. In many of countries surveyed, contracts generally provided that the ownership of the IPR generated in collaborative projects will vest in the inventor, when an individual inventor can be identified. In some countries the issue is open to negotiation and will depend on a number of issues, including the input of the respective parties, including funding and background know-how. 7. If an individual cannot be identified as the inventor, contracts usually provide that the parties will jointly own the IPR. 11. By way of example, the UK scheme targeting SMEs requires the SME to be the owner of the intellectual property resulting from the research in order for them to be able to claim the tax credit. For this reason, UK SMEs are likely to seek ownership of any intellectual property resulting from research collaboration. 12. In most cases tax incentives for patents are introduced through broader incentives to encourage investment in intangible assets. For example, some countries (e.g. France, Hungary and Spain) explicitly allow purchased patents to qualify as *R & D* expenditure when calculating their *R & D* tax credits (either through depreciation allowances or acquisition costs). Evidently, such mechanisms may prove to be an incentive when deciding which partner owns the IPR resulting from the project, and should be taken into consideration during negotiations. In France, a new law enacted on April 18 2006 provides (Article 28) an income ("impôt sur les sociétés") exoneration for PROs' revenues coming from the valorization of their results.'

⁵⁸ IBFD, *Tax Treatment of Research and Development Expenses*, December 2004. France, page 70, *R & D* qualifying expenses include (a) depreciation allowance relating to intangible assets purchased in order to perform *R & D* activities; and (b) the acquisition cost of patents for the purpose of adaptation to a specific application or to succeed in creating a substantial new product. Greece, page 80, *R & D* expenditure includes licences paid for the exploitation of patents used in *R & D* activities. Hungary, page 98, The incentive base for qualifying *R & D* expenditures includes the cost of purchased inventions, patents, licences and know-how. Portugal, page 152, qualifying *R & D* expenditures for the purpose of a tax reserve for *R & D* investment include the acquisition of patents and know-how licences exclusively destined for *R & D* activities. Spain, page 168, qualifying *R & D* and technology expenditure for the tax incentive includes acquisition of advanced technology in the form of patents, licences, know-how and designs.

The tax treatment of the acquisition of IPRs entails different tax incentive rules which take the form of a general investment allowance. The total acquisition of IPRs may fall under tax rules that determine the amortization or depreciation of the cost of the intangible asset over its useful time according to specific measurement methods. The cost of acquisition is normally the acquisition price that may be assessed under rules regarding the fair market value, considering an arm's length transaction for tax purposes.⁵⁹ Under general IP allowances, the depreciable time of the intangible asset is determined by most jurisdictions in special schedules that determine the particular amortization period of the intangible.⁶⁰ The method of depreciation of intellectual property varies in most jurisdictions from the straight-line method to the declining balance method. Depreciation rules follow the mandatory standards set by accounting rules or the statutory provisions contained in tax law and regulations delivered by IRS, depending on the interaction between tax and accounting statutes. The aforementioned interaction determines total accounting and tax rules independence, a direct tax dependence on accounting rules or a reverse accounting dependence on tax rules.

Second, in the same way enhanced *R & D & I* FIPs investment allowances for IPRs may create an additional deduction from the taxable income of the business, based on the purchase cost of the IP asset.⁶¹ Further, in cases of partial acquisition of intellectual property, according to the various IPR contractual possibilities, the tax treatment for the payment of licences, royalties or special fees may also fall under the scope of special IP fiscal concessions.⁶²

⁵⁹ Anti-avoidance rules for determining the acquisition cost of intangibles determine: (a) Fair-Market Value or Actual Commercial Cost of Intangibles or a Reasonable Transaction Price; (b) Valuation of sale and buy-back transactions; (c) Valuation of sale and lease-back transactions; (d) Transfer pricing between related parties according to arm's length principles; (e) Valuation for reorganizations, mergers – de-mergers, fusions, capital contributions.

⁶⁰ IBFD, *Taxation and Investment in the People's Republic of China*, page 171: Expenditures incurred for acquiring intangible assets, such as patents, proprietary technology, trademarks, copyrights and site use rights, may be amortized on a straight-line basis in accordance with Article 45 of the Foreign Income Tax Regulations. Amortization is based on the useful life of the asset and determined in Foreign Income Tax Regulations with ten years for intangible assets.

⁶¹ OECD, STI, Jacek Warda, 'Tax Treatment of Business Investments in Intellectual Assets: An International Comparison' (2006) page 22: Belgium 13.5 per cent deduction of the cost of purchased patents. This deduction is applicable to *R & D*. The Netherlands deduction ranges from 3 per cent to 25 per cent of the cost of an asset depending on the size of the company. Turkey grants an investment allowance equal to 40 per cent of the patent's original cost.

⁶² IBFD, *International Guide to Taxation of Transfers of Technology*. Accelerated Amortization of Intellectual Property Rights: (1) Finland, page 39, ten-year period or shorter if taxpayer demonstrates economic life; (2) India, page 44, at a rate of 25 per cent on written value basis; (3) Israel, page 39, at a rate of 12.5 per cent on value basis; (4) Korea, five years for trademark, design or utility model and ten years for patent right. Norway, page 28, depreciated over useful life after straight line method; (5) South Africa, page 34, 5 per cent to 10 per cent of the amount of the cost is to be amortized annually in case of invention, patent, copyright or other property; (6) Switzerland, page 47, amortization follows the same rules as those applicable to the amortization of *R & D* expenses which have been capitalized, 40 per cent or 20 per cent straight line method. Royalty payments deductible as expense; (7) Finland, page 41 royalty payments deductible expense; (8) India, page 45 royalty payments for a licence are deductible expense; (9) Israel, page 40 royalties deductible as expense; (10) Japan, page 26 royalties deductible as expense; (11) Korea, page 28 royalties deductible as expense; (12) New Zealand 28, royalty deductible; (13) South Africa, page 35, royalties deductible as expense; (13) Switzerland, page 48, royalties deductible as expense.

Third, some IPR fiscal concessions which relate to the legal maintenance of IPRs consistently follow the initial tax conditions established for *R & D & I* FIPs, in order to recognize capitalized expenses, whose costs are subject to extraordinary amortization rules. Hence, IPR fiscal concessions require the pre-existence of an asset subject to valuation and cost recognition in accordance with accounting and tax rules. This, in some jurisdictions, translates into special tax incentives in the form of enhanced or extraordinary amortizations.^{63 64} Together, in case business activities require the payment of licences, copyrights or royalties, special IPR fiscal concessions may apply to the recognition of income and expenses for both parties. In most jurisdictions, the payment of royalties, technical fees or services related to *R & D & I* implies the recognition of expenses.

Other substantial IPR fiscal concessions may be granted in the area of customs, VAT, stamp taxes and similar indirect taxes for the acquisition and maintenance of IPRs. These types of IP fiscal concessions may also be related to human capital tax incentives for the hiring of scientific personnel able to handle IPRs, as explained in the case of *R & D & I* FIPs, through a reduction in social contributions, wages or social security payments.

⁶³ Brazil, Law 11.196, 2005, Article 17 contains a *R & D* fiscal incentive provision with an accelerated depreciation for expenses related to the acquisition of intangible assets exclusively connected to *R & D* activities. 'IV - amortização acelerada, mediante dedução como custo ou despesa operacional, no período de apuração em que forem efetuados, dos dispêndios relativos à aquisição de bens intangíveis, vinculados exclusivamente às atividades de pesquisa tecnológica e desenvolvimento de inovação tecnológica, classificáveis no ativo diferido do beneficiário, para efeito de apuração do IRPJ'; (2) South Africa, Revenue Laws Amendment Act, Article 11B contains an allowance for expenditure actually incurred by a taxpayer in the year of assessment for the purposes of registration of any invention, patent, design, copyright or other property of a similar nature; and obtaining the extension of the period of legal protection or registration, or the renewal of the registration of any such invention, patent, design copyright or other property of similar nature.

⁶⁴ IBFD, *Asia Pacific Bulletin*, Volume 12, Number 3, 2006. Tax Treatment of Capital Expenditure: (1) Australia, page 239: Development costs in respect of a copyright, patent or registered design may be deductible under the capital allowance provisions to the extent they are not otherwise deductible. Development costs in respect of these assets may be deductible also under specific *R & D* incentive provisions; (2) Hong Kong, page 241: Section 16F of the IRO contains a specific deduction for expenditure to purchase patent rights and rights to know-how. (3) India, page 243: Depreciation at rate of 25 per cent is allowed as deduction in respect of know-how, patents, trademarks, licences, franchises or any other business or commercial rights of similar nature acquired after 31 March 1998. Japan, page 249: Amortization of acquired patents, utility model rights, trademark rights varies and is specified in tax regulations; (4) Philippines, page 257: Intangible property, such as patents, copyrights and franchises, may be subject to a depreciation allowance; (5) Singapore, page 259: An allowance for writing down capital expenditure in acquiring any intellectual property right may be applicable under approval basis by a governmental agency; (6) South Korea, page 262: Cost of intangible assets are generally amortized using a straight line method with statutory useful life of five years for designs, models, trademarks and ten years for patents; (7) Taiwan, page 265: According to Section 60 of ITL, development costs that are accounted as intangible assets on the books may be amortizable over a useful life of the taxpayer's choice not exceeding 20 years. Trademarks, copyrights, patents and other franchises are assets only if they are acquired by purchase, the cost of which is amortized according to statutory useful life consistent of 15 years for copyrights, and for trademarks, patents and all other franchises may be based on the number of years of enjoyment of such rights after acquisition. (8) Thailand, page 269: Costs of acquisition of the right in a process, formula, trademark, business licence, patent, copyright, or any other right is 10 per cent if the period of use is not limited; and 100 per cent divided by the number of years of use, if the period of use is limited.

Fourth, the treatment of the disposition or exploitation of IPRs is a complex subject that may also benefit from IPR fiscal concessions, whose application depends on the contractual forms by which IP commercial transactions are conducted.

As discussed in international tax literature, income from the disposition or exploitation of IPRs may take different forms, such as business revenue, gains, royalties from licences, franchises, services fees and technical fees. Therefore, IPR fiscal concessions comprise special treatment in the form of deviations in the recognition of ordinary business income, royalties income, capital gains, income tax relieves and other tax incentives. The clearest IPR fiscal concessions found in most jurisdictions refer to recognition of ordinary income, capital gain income and royalty income resulting from the total or partial disposition of patents, trademarks and know-how.

In particular, IPR fiscal concessions encourage the commercial exploitation of IPRs by implementing tax exclusions, exemptions, rate reduction or income deferral for the IP provider.^{65 66} In addition, IPR concessions, to alleviate the imposition of withholding taxes for royalty payments related to the provision of technology, may be in the form of tax exemptions, withholding tax rate reductions and other types of royalty tax holidays.⁶⁷ Recent examples of

⁶⁵ OECD, STI, 'Tax Treatment of Business Investments in Intellectual Assets: An International Comparison, 2006'. In the countries surveyed, royalties paid for the right to use a licence are generally considered a deductible expense. Royalty revenues are generally treated as ordinary business income and taxed at the statutory corporate income tax rate. Nevertheless, selective tax incentives are offered in a small number of countries to encourage exploiting the patent. Royalty tax incentives are given in the form of tax reductions – full or partial exemptions from corporate income tax on royalties, which is a sort of a tax holiday. Royalty tax incentives differ among countries. Three types can be distinguished: • A full exemption from income tax: Ireland offers this incentive for companies based in the country and conducting R & D there which results in a patent that is then licensed out. • A partial exemption or reduction in income tax – typically 50 per cent – is offered in Switzerland, Hungary and Korea. A reduction in capital gains tax – offered in France.

⁶⁶ IBFD, *International Guide to Taxation of Transfers of Technology*. Korea, page 31. Gains derived from the transfer, licensing or renting of patents, utility models or business secrets qualify for 50 per cent tax exemption. Switzerland, page 59, Partial or even full exemption from cantonal and communal income and capital taxed for a maximum of 10 years can be obtained. France, New innovative company's tax exemption on profits and capital gains in the initial three profitable years of the innovative activity, reduced to 50 per cent in the succeeding two profitable years. The Netherlands, a Patent Box establishes a special rate of taxation of 10 per cent with respect to intangible assets for which a patent has been granted. The income arising from intangible assets must be at least 30 per cent as consequence of the patent.

⁶⁷ IBFD, *Taxation and Investment in the People's Republic of China*, page 264a. Royalties are exempt from withholding tax if obtained from: (1) The provision of proprietary technology in the production of farming, forestry, animal husbandry and fishing; (2) Royalties obtained from China for the provision of proprietary technology to academies of science, colleges and universities and other institutions of higher learning and for cooperation in or the conduct of scientific research or scientific experiments; (3) Royalties obtained from China for the provision of proprietary technology in energy conservation and the prevention and control of environmental pollution; (4) royalties from the provision of technology for the exploitation of energy resources and the development of communications and transportation; (5) royalties obtained from the provision of proprietary technology in the development of important fields of technology and important advanced technology in the production of mechanical and electronic equipment in several areas.

concessions in order to foster IPRs have been established in Europe by Spain⁶⁸, Belgium⁶⁹ and the Netherlands.⁷⁰

Finally, particular withholding tax rates for IPRs are negotiated within the scope of Double Taxation Agreements following the analysis of Article 12 of the OECD Model Convention.⁷¹ Pursuant to this Article, transactions may entail the payment of sums for the use or the right to use intellectual property.

However, international payment for IPR transactions may entail the full or partial alienation of rights attached to intellectual property, in which case they may fall outside the scope of Article 12 and would generally be treated as business income pursuant to Article 5 and 7 or as capital gain pursuant to Article 13. Some countries expressly include in their Double Taxation Treaties a definition of royalty payments for the use of, or the right to use, industrial, commercial, or scientific equipment, giving rise to taxation on the property that is intended to be an accessory to the intangible.⁷²

Moreover, present tax controversies concerning the interpretation of IPR concepts such as know-how, show-how and technical services also comprise the treatment given pursuant to the royalty article. In principle, know-how falls within the definition of information concerning industrial, commercial or scientific experience contained in Article 12(2) of the OECD Model. These payments must be distinguished from those for technical services, in which one party undertakes to use his skills in order to execute or perform the work of another party.⁷³

Most of these discussions are now being conducted by OECD experts, who have undertaken the task to clarify these matters for international taxation, transfer pricing and IP purposes. Nevertheless, discrepancies and asymmetries of treatment exist within OECD jurisdictions which complicate the discussion for multinational companies.⁷⁴

VII. CONCLUSION

The present work is conceived as a theoretical examination focussing on the evolution pathway of FIPs from *R & D & I* to IPRs. In order to depict the whole evolutionary cycle, this paper analyses the four historical stages involved in this process.

⁶⁸ Spanish Corporation Tax Law, Article 23, approved by Royal Legislative Decree 4/2004 of 5 March. See also European Commission, State Aid N 480/2007, Spain, 'The Reduction of Tax from Intangible Assets', Brussels, 13.2.2008, C(2008)467 final.

⁶⁹ Law 27 April 2007, *Belgian State Gazette* 8 May 2007.

⁷⁰ E Sporken and E Gommers, 'The Patents Box: Approved and Implemented in the Netherlands', 14 *International Transfer Pricing Journal* 3 (2007), page 198; Eduard Sporken and Edwin Gommers, 'Recent Developments Transfer Pricing Implication of the Proposed Patents Box', *International Transfer Pricing Journal* 3 (2007), page 266, September/October 2006.

⁷¹ IBFD, *The Taxation of Patent Royalties, Dividends, Interest in Europe Vol I and Vol II*. Contains information concerning withholding tax treatment for 29 countries.

⁷² OECD, *Technical Advisory Group on Treaty Characterization of Electronic Commerce Payments*, (2000) Tax Treaty Characterization Issues Arising from E-Commerce: Report to Working Party No. 1 of the OECD Committee on Fiscal Affairs, OECD, Paris, February.

⁷³ OECD, Committee on Fiscal Affairs, (2003) *Model Tax Convention on Income and on Capital – Condensed Version*, OECD, Paris, April, Commentary on Article 12 11.2.

⁷⁴ OECD, Scoping Document on Transfer Pricing of Intangibles, 27 January 2011.
http://www.oecd.org/document/44/0,3746,en_2649_33753_46988012_1_1_1_1.00.html

The analysis of particular *R & D & I* and IPR fiscal concessions continues to be widely discussed in the literature. Some of these discussions serve to clarify the concept and application of FIPs in the area of *R & D & I* as the most comprehensive system of incentives for the creation of science and technology. In any case, IPR concessions enacted for the exploitation of intangibles or intellectual property are always linked to prior *R & D & I* activities.

Importantly, in order to establish a sound public policy in this matter, policymakers must correctly assess and target the type of fiscal incentive measures corresponding to the national economic stage of development. Thus, politicians must always bear in mind that national decisions in this area must be tailored, since they necessarily affect: (a) the labor market, requiring the use of specialized human resource factors; (b) the firm's productivity by requiring the acquisition of physical technological assets; and (c) national competitiveness in global markets by fostering the creation of valuable intangibles. Thus, *R & D & I* and IPR fiscal advantages must be treated 'organically', following similar underlying legal and economic principles, and targeted to similar objectives for the creation of science and technology.

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3 COPYRIGHT FLEXIBILITIES IN THE ARAB REGION

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ABSTRACT

Copyright laws aim to ensure the existence of a balanced system between the rights of creators and the need of users to have access to their creations. This balancing exercise has recently become more difficult for Arab countries, due to the critical economic crisis and the wave of bilateral trade agreements being signed with economically more powerful developed country partners. The focus of this paper is the unbalanced state of the copyright legal environment in Arab countries. It argues that the unnecessarily wide scope of copyright protection might interfere with the level of access and in doing so, presents a number of copyright flexibilities that have been excluded or ignored by national legislators in the Arab region. Legislative amendments and appropriate policies must be implemented in order to provide sufficient incentive for creators, while ensuring that the rights of users are not unduly limited. An extremely strong copyright regime does not necessarily promote sustainable development.

Keywords: *copyright flexibilities, Arab countries, access to knowledge*

I. COPYRIGHT AND ECONOMIC GROWTH IN THE ARAB REGION

There is no doubt that the Arab region is currently at a turning point in terms of economic reforms. The revolutions that have recently taken place in several Arab countries (the so-called ‘Arab Spring’) have resulted in governments revising their national economic and social policies and strategies. The role of the state, the relationship between stakeholders and public interest, as well as the social dimension of development are questions that are beginning to take centre stage once again.

Intellectual property rights have a significant role to play in economic growth and competitiveness. In economic terms, creative and artistic activities are also economic activities that generate income, create jobs and contribute to the foreign trade of a country. They are usually used as a tool not only to stimulate innovation, but also to protect knowledge goods that enhance human capabilities, which in turn build national capacities for innovation.¹

During the 20th century, intellectual property (IP) policymaking, including copyright, was dominated by the belief that because some protection is good, more protection is always better. This belief manifested itself in a century’s worth of international treaties, national laws and local practices that continuously raised levels of copyright protection. Harmonization was the ostensible justification, but harmonization only occurred in one direction - upwards. The

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¹ Denis B Barbosa, M Chon and Andres M Von Hase, ‘Slouching towards Development in International Intellectual Property’ (2007) 71 *Michigan State Law Review*, 78.

result has been criticised as a one size (extra-large) fits all mode of protection.² The beginning of the 21st century foreshadowed a new phase in global IP governance, characterized neither by universal expansion nor by reduction of standards, but rather by contextual calibration of the positive and negative implications of intellectual property rights.³

The success of an economic system rests on the right economic actors receiving adequate rights. It is generally accepted that granting exclusive rights to knowledge creators aims to promote innovation and the development of culture and education. Nonetheless, the interests of the public remain a vital element in the analysis of intellectual property rights. IP systems around the globe therefore aim to maintain a just and balanced system between the rights of creators to be rewarded and the needs of a society to have access to, and be able to build upon, existing creative works. To promote progress, IP law in general must strike a balance, providing sufficient incentives for innovation without unduly stifling the liberties of end-users.⁴

One of the most controversial challenges facing the Arab world today is how to maintain a balance between the interests of copyright holders and users. The success of copyright regimes must be measured not only by how far creative works are protected, but also to what extent these works are available for the public. This balancing test is assumed to generate optimal social welfare.⁵

Within the Arab region, nine countries are members of the World Trade Organization (WTO)⁶ and five others have the status of observer.⁷ However, most Arab States have joined the WTO without adequate preparation and thus face a significant lack of expertise in dealing with the resulting obligations. The majority of these countries have recently been involved in negotiations with economically and politically more powerful developed countries.⁸ Moreover, some of them have signed bilateral free trade agreements with the United States and the European Union.⁹ This phenomenon raises several concerns regarding the protection of intellectual property rights in general and copyright provisions in particular. Trade agreements cannot be tackled in isolation; they are interlinked and have a significant impact on national legislation.

² James Boyle, 'A Manifesto on WIPO and the Future of Intellectual Property' (2004) *Duke Law and Technology Review* 9. Available at: www.law.duke.edu/journals/dltr/articles/2004dltr0009.html accessed 21 September 2011.

³ Daniel J Gervais 'TRIPS and Development' in Daniel Gervais (ed) *Intellectual Property, Trade and Development* (Oxford University Press 2007).

⁴ Michael W Carroll, 'One Size Does Not Fit All: A Framework for Tailoring Intellectual Property Rights' (2009) 70 No. 6 *Ohio State Law Journal*, 1368.

⁵ Margaret Chon, 'Intellectual Property and the Development Divide' (2006) *Cardozo Law Review* Vol. 27: 6, 2813.

⁶ Djibouti (1995), Jordan (2000), Kuwait (1995), Mauritania (1995), Oman (2000), Qatar (1996), Saudi Arabia (2005), Tunisia (1995) and United Arab Emirates (1996).

⁷ Algeria, Iraq, Lebanon, Sudan and Syria.

⁸ Mohammed El-Said, 'Surpassing Checks, Overriding Balances and Diminishing Flexibilities, FTA-IPRs Plus Bilateral Trade Agreements: from Jordan to Oman' (2007) *the Journal of World Investment and Trade* Vol. 8, 243.

⁹ Such as the European Union-Tunisia Association Agreement (1998); United States-Jordan Free Trade Agreement (2000); European Union-Egypt Association Agreement (2004); United States-Bahrain Agreement (2004); United States-Morocco Free Trade Agreement (2004); European Union-Algeria Association Agreement (2005); European Union-Lebanon Association Agreement (2006); and the United States-Oman Free Trade Agreement (2006).

Within this context, it is important to analyse the status of the legal environment for copyright protection in the Arab region. What extent of protection do national copyright regimes in the region provide pursuant to copyright provisions? What practices are the best to follow and which ones are to be avoided? What are the implications of bilateral treaties on copyright legislation in the Arab world?

This paper will not provide a detailed and comparative analysis of copyright flexibilities in the Arab region. The focus is rather to discuss a number of copyright provisions that could have both a positive and a negative impact on national regimes¹⁰, and to formulate recommendations that might assist Arab countries in the effective (and balanced) modernization of their copyright legislations.

II. STATUS OF COPYRIGHT IN THE ARAB WORLD

Arab states have historically enacted copyright laws and adhered to international conventions related to copyright. Most of these countries have recently modified or codified their national copyright laws.¹¹ Creative works, whatever their type or mode of expression, are strongly protected by domestic IP regimes. These national laws adopt all the necessary conditions for protection required by international treaty obligations.

As a result, copyright laws in the region set rules for protection that integrate standard provisions found in developed countries. However, a profound analysis of copyright regimes in the Arab region can lead to two observations: first, the scope of copyright protection in some cases exceeds the international legal norms to the point where it may interfere with the level of access in these countries. Second, a number of the copyright flexibilities provided in international treaties and agreements have been either ignored or excluded in recent reforms of national copyright laws.

The first part of this paper will evaluate the scope of copyright protection in the Arab region, before turning to the question of copyright flexibilities, in order to identify some important provisions that may help national authorities to shape an appropriate copyright regime reflecting their domestic needs.

A. NATURE AND SCOPE OF PROTECTION

Despite their diversity, most Arab countries are civil law countries.¹² Both moral and economic rights of copyright holders occupy a large place in the nature and scope of protection. Moral rights, such as the right to claim authorship and to object to any distortion or other modification that might be prejudicial to the honour or reputation, appear clearly in copyright provisions. Economic rights are treated separately and cover any form of exploitation of a work, such as reproduction, adaptation, broadcasting, public performances and distribution rights.

¹⁰ For a comparative study of copyright limitations and exceptions in the Arab region see Victor Nabhan, 'Study on Limitations and Exceptions for Copyright for Educational Purposes in the Arab countries' (2009). Available online at <http://www.wipo.int/copyright/en/limitations/studies.html> accessed 21 September 2011.

¹¹ Thirteen countries out of 21 Arab countries have modified their national copyright law within the last ten years.

¹² The civil law system is generally rooted in authors' natural rights, while the common law tradition reflects a utilitarian view of copyright.

It has been noted, however, that the scope of copyright provisions in several national copyright laws goes beyond minimum international standards. National legislators have adopted the very highest norms - including those that do not even exist in developed copyright systems. Three key indicators showcase this issue: (i) economic rights conferred to the author; (ii) anti-circumvention technological measures; and (iii) terms of copyright protection.

1. Breadth of economic rights

Copyright law gives the owner of a copyright a monopoly to do and to authorize others to do the following: reproducing the work in various forms; performing the work publicly; and recording and broadcasting by radio, cable or satellite. These exclusive rights are usually explicitly enumerated in national copyright laws.

The analysis of copyright systems in Arab countries shows that economic rights conferred on the author are far too expansive and sometimes go above and beyond the scope of the rights that are traditionally embodied in international treaties.

(1) *Lending right*: Some national copyright regimes confer on the author a new right which does not exist in the Berne Convention or the Agreement on Trade-Related Intellectual Property Rights (TRIPS). This so-called 'lending right' gives the copyright owner the right to prevent a legitimate possessor from lending protected work without previous authorization from the rights holder. For example, Article 147 of Egypt's Intellectual Property Law (No. 82 of 2002) states that '[t]he author shall have the exclusive right to authorize or prevent any form of exploitation of his work, particularly through ... rental, lending ...'.

The existence of such a right could affect a society's right to have access. Thus, students, for instance, who legitimately buy a copyright-protected textbook, technically cannot lend this book to their colleagues because they would then be in violation of the terms of copyright protection. Moreover, providing right holders with such a right could have negative consequences on access to knowledge by inhibiting the work of libraries.¹³ Theoretically, libraries have the obligation to obtain the approval of the author or the rights holder each time a user wants to borrow the work or, at the very least, to negotiate with them before conducting normal lending activities. It is important to note here that copyright regimes in Arab countries have not adopted the public lending rights systems or any other equivalent clauses to compensate authors for the potential loss of sales caused by the fact that their works are available in public libraries.¹⁴

(2) *Rental right*: The scope of the rental right conferred to the author in several domestic legislations is too broad; it covers all kinds of works and all types of rental. Article 11 of the TRIPS Agreement restricts the rental rights on computer programs and

¹³ Bassem Awad, Moatasem El-Gheriani and Perihan Abou Zeid, 'ACA2K Country Report: Egypt' (2009) ACA2K project, IDRC, Shuttleworth Foundation and Wits University LINK Centre. Available online at: http://www.aca2k.org/attachments/154_ACA2K%20EGYPT%20CR.pdf accessed 21 September 2011.

¹⁴ The Public Lending Rights [PLRs] allow authors of protected works to be financially compensated for the presence of their works in public libraries. The first public lending remuneration system was implemented in Denmark in 1946. Twenty-eight countries currently have such a system, through which libraries pay fees to rights-holder representatives. Jim Parker, 'PLR – an Update on the International Situation' (2002) 68 the IFLA Council and general conference. Available at <http://archive.ifla.org/IV/ifla68/papers/105e-Parker.pdf> accessed 21 September 2011.

cinematographic works for commercial use.¹⁵ However, a number of copyright laws in the Arab region have extended the rights to prevent renting of all kinds of works and for all types of commercial as well as non-commercial uses.

An example can be found in the federal Copyright Law (No. 7 of 2002) of the United Arab Emirates, which gives the author the right to authorize any form of exploitation of his work particularly by rental in any manner, including through computers, the Internet, communication networks and other means (Article 7).¹⁶ This rental right is conferred beyond international treaty requirements. Such provisions are considered Berne plus or TRIPS plus, and serve to limit the possibility of access to knowledge in these developing countries.

(3) *Droit de suite*: Another finding concerning the economic rights is related to the right of controlling any disposal of the original copy of works. These resale rights, known also as ‘droit de suite’, provide authors with the inalienable right to receive a royalty based on the resale price of an original work. Article 14^{ter}(1) of the Berne Convention for the Protection of Literary and Artistic Works leaves its member States the discretion to provide authors with the right to control any disposal of the original copy only for works of arts and original manuscripts.¹⁷

In practice, however, resale rights are rarely applied to literary works; they are more often implemented for the visual arts, paintings, sculptures, textiles, canvas, etc. Nevertheless, a number of national copyright regimes in the Arab region extend these resale rights to all kinds of works. Article 147(3) of the Egyptian Intellectual Property Law states that ‘[t]he author and his successor shall also have the right to control any disposal of the original copy of the work, and shall consequently be entitled to a certain percentage of not more than 10 per cent of the proceedings resulting from every disposal of that copy’.

The extension of the resale right to all kind of works will impose an additional financial charge on purchasing and selling all types of original works and may prevent people from buying literary and artistic works.

¹⁵ Article 11 of TRIPS provides that:

In respect of at least computer programs and cinematographic works, a Member shall provide authors and their successors in title the right to authorize or to prohibit the commercial rental to the public of originals or copies of their copyright works. A Member shall be exempted from this obligation in respect of cinematographic works unless such rental has led to widespread copying of such works which is materially impairing the exclusive right of reproduction conferred in that Member on authors and their successors in title. In respect of computer programs, this obligation does not apply to rentals where the program itself is not the essential object of the rental.

¹⁶ Similar provisions exist in the Egyptian IP Law No. 82 of 2002 (Article 147).

¹⁷ Article 14^{ter} of the Berne Convention states:

(1) The author, or after his death the persons or institutions authorized by national legislation, shall, with respect to original works of art and original manuscripts of writers and composers, enjoy the inalienable right to an interest in any sale of the work subsequent to the first transfer by the author of the work. (2) The protection provided by the preceding paragraph may be claimed in a country of the Union only if legislation in the country to which the author belongs so permits, and to the extent permitted by the country where this protection is claimed. (3) The procedure for collection and the amounts shall be matters for determination by national legislation.

2. Anti-circumvention measures

The digital revolution has witnessed the deployment of technological measures to protect digital works against certain unauthorized uses. According to the WIPO Copyright Treaty, 1996 Contracting Parties must provide '[a]dequate legal protection and effective legal remedies against the circumvention of effective technological measures that are used by authors in connection with the exercise of their rights ... and that restrict acts, in respect of their works, which are not authorized by the authors concerned or permitted by law'.¹⁸

Despite a large number of Arab countries not having signed the WIPO Copyright Treaty¹⁹, most of the copyright laws in the region have adopted the highest level of protection for technological protection measures (TPMs)²⁰ by prohibiting the act of circumvention and so-called preparatory activities such as the manufacture, assembly or importation of any device or technology that aims to circumvent any TPMs. These provisions are also applied without distinction, both for works still under copyright and for those that have fallen into the public domain.

Article 181 of the Egyptian Intellectual Property Law, 2002 stipulates that, among other things, the following acts are forbidden:

(5) Manufacturing, assembling or importing for the purpose of sale or rent any device, tool or implement especially designed or made to circumvent a technical protection means, such as encryption or the like, used by the author or the owner of the related right;

(6) Removing, neutralizing or disabling, in bad faith, any technical protection device used by the author or the owner of the related rights.²¹

Generally, copyright laws in developed countries set limits on TPMs to allow users to benefit from copyright exceptions. An analysis of Arab copyright regimes shows that only Bahrain and Morocco have adopted exceptions on TPM circumvention acts for non-profit entities (libraries, archive services, and education institutions²²). A non-profit educational institution in Bahrain or Morocco circumventing an effective technical protection measure, or importing or renting a device or system to nullify the effective protection measure can neither be prosecuted nor ordered to pay damages if it is acting in good faith.

¹⁸ Article 11 of the WIPO Copyright Treaty.

¹⁹ Six Arab countries are members of the WCT: Bahrain, Jordan, Morocco, Oman, Qatar and United Arab Emirates.

²⁰ Technological Protection Measures (TPMs) are defined as any technology, system or component which, within the normal framework of its operation, is aimed at preventing or limiting, regarding works and other protected objects, actions not authorized by the copyright owner, or actions protected by neighbouring rights.

²¹ Similar provisions exist in Qatar Copyright Law No. 7 of 2002 (Article 51) and Saudi Arabia Copyright Law Royal Decree No. M/41 of 2003 (Article 21).

²² Article 64.3 of the Bahrain Copyright Law of 2006 indicates that '[a]non-profit library, archive, educational institution, or public non-commercial broadcasting entity, are not subjected to penalties for the performing the TPM circumvention acts described in Article 45 subsections 1, 2 and 3 if it provides the proof that it was not aware or had no reason to believe that its acts constituted a prohibited activity'. Article 65.1 of the Moroccan Copyright Law as amended in 2006, has the same limitation.

In practice, adopting high standards of anti-circumvention provisions in Arab countries might have an effect on the free availability and use of works belonging to the public domain. Rights holders in these countries can protect their works through the use of TPMs, even after the end of the copyright term for an unlimited period of time. In addition, copyright exceptions and limitations, especially those for educational uses, can be bypassed by rights holders employing TPM provisions.²³

3. Term of protection

For most creative works, the Berne Convention and the TRIPS Agreement require the duration of copyright to be, at minimum, 50 years after the death of the author. In many Arab countries, there is a recent trend towards expanding the standard term of protection. In Bahrain²⁴ and Morocco²⁵, the duration of copyright protection has been extended to cover the author's life plus 70 years. Other countries, such as Oman, have increased the term of protection to 95 years for orphan works or works published under a pseudonym; and in some circumstances, this term goes up to 125 years from the year following the creation of the work.²⁶

Recent studies indicate that most developing countries, including the Arab States, are net importers of copyrighted material, just as they are net importers of technologies.²⁷ National legislators should take into consideration that the extension of the term of copyright protection will not always have sustainable social and economic benefits for society.

B. COPYRIGHT FLEXIBILITIES

International copyright treaties and agreements, such as the Berne Convention and the TRIPS Agreement, provide for several types of exceptions and limitations of copyrighted works to achieve balanced copyright systems. These provisions include, but are not limited to, the right of performing the work in meetings with students within an educational institution; reproducing an article, a short work or extracts for teaching purposes in educational institutes; and photocopying exclusively for personal use a single copy of protected work.

In the Arab region, copyright laws follow a detailed approach and provide an exclusive list of instances where users may legally ignore the owner's rights. These copyright exceptions and limitations are determined by the national legislature of each country.

In the following section, this paper discusses a number of copyright flexibilities that could be significant to the Arab region and developing countries in general: (i) parallel imports

²³Awad *supra*, note 13.

²⁴ Article 37 of Bahrain Copyright Law No. 22 of 2006 related to copyright and neighbouring rights as amended by Law No. 12 of 2008.

²⁵ Article 25.1 of the Moroccan Copyright Law No. 2-00 of 2000 as amended by Law No. 34-05 of 2006.

²⁶ Article 29 of the Royal Decree 65 of 2008 promulgating the law on copyright and neighbouring rights.

²⁷ Integrating intellectual property rights and development policy, Report of the Commission on intellectual property rights (2002). Available at:

http://www.ipcommission.org/graphic/documents/final_report.htm accessed 21 September 2011. *Arab Knowledge Report 2009: Towards Productive Intercommunication for Knowledge*, MBRF and UNDP/RBAS. Available at:

<http://www.mbrfoundation.ae/English/Documents/AKR-2009-En/AKR-English.pdf> accessed 21 September 2011.

of protected works, especially of books and educational materials; (ii) the translation provision for work published in a foreign language; and (iii) the possibility of obtaining a compulsory licence for educational purposes.

1. Parallel importation

Parallel importation is a copyright flexibility that allows the importation and resale, usually at a lower price and without permission from the copyright holder in the country of import, of a copyright-protected work having been legitimately put on the market of the exporting country.²⁸ These imported or 'grey goods' are not counterfeit products or illegal copies. The most famous example in the region is the importation at a cheaper price of medical textbooks from India and Malaysia. With the international exhaustion of rights, there is no need for the consent of right holders.

International conventions and multilateral agreements on intellectual property rights have not mandated a particular regime for parallel imports. The TRIPS Agreement has addressed the exhaustion issue in Article 6 by giving WTO members the freedom to opt for national, regional, or international exhaustion. In other words, each country has the right to adopt the international exhaustion of rights, and even if a country allows parallel imports in a way that another country might think violates the TRIPS Agreement, this cannot be raised as a dispute in the WTO, unless fundamental principles of non-discrimination (national treatment and most-favoured-nation principles) are involved.²⁹

While Arab countries are often in need of foreign books, especially in the field of science, technology, education and research, parallel importation provisions are not part of most IP laws in the region. Few copyright regimes have adopted specific provisions for parallel importation. Parallel imports of copyright-protected materials are expressly permitted under Egyptian law without any restrictions. Article 147 states that: '[t]he right to prevent a third party from importing, using, selling or distributing his protected work, shall lapse where the copyright owner undertakes to exploit or market his work in any state or authorize a third party to do so'. In other Arab countries such as Morocco, parallel imports are expressly prohibited. Article 10(g) of the Copyright Law provides the rights holder with the exclusive right to forbid or authorize the importation of copies of his or her work from another market.³⁰

The parallel importation provision is a viable tool for developing countries to resolve the dearth of affordable works, especially in the field of education. Allowing parallel imports could effectively increase access to educational materials or at least could be sufficient to provide governments with leverage while negotiating with right holders.

²⁸ Chris Armstrong, et al. (eds), 'Access to Knowledge in Africa: the Role of Copyright' (UCT Press 2010).

²⁹ Carsten Fink, 'Entering the Jungle of Intellectual Property Rights Exhaustion and Parallel Importation'. In Carsten Fink and Keith E Maskus, (2005) *Intellectual Property and Development: Lessons from Recent Economic Research*. Washington, DC: The World Bank. (Oxford University Press) 171.

³⁰ Only one exception to this general rule is provided, in Article 24 of the Copyright Law No. 2 00 of 2000, as amended by Law No. 34-05 of 2006, which authorizes the importation of one copy of a work by a person for private purposes. See Said Aghrib, Noufissa El Moujaddidi and Abdelmalek El Ouazzani, *ACA2K Country Report: Morocco* (2009) ACA2K project, IDRC, Shuttleworth Foundation and Wits University LINK Centre. Available at: <http://www.aca2k.org/attachments/ACA2K%20Morocco%20CR.pdf> accessed 21 September 2011.

2. Translation

An important provision for developing countries is found in the Appendix of the Berne Convention (Paris Act) and deals with the right of developing countries to translate, without the owner's permission, copyright-protected works for the purpose of teaching, scholarship or research. The Berne Appendix, in Article II(1), enables lawmakers in developing countries to substitute the exclusive right of translation granted to rights holders for a compulsory licensing system.

The Berne Appendix contains, however, a number of strict requirements and limitations for such compulsory licensing. For instance, Article II(2) requires that the translation of a protected work should be published in a language in general use in the country in question by the copyright holder, or another authorized person, for a minimum period of three years after the first publication of the work. In case of translations into a language which is not in general use in a developed country, the minimum period is one year.³¹ In addition, the translation may only be carried out in printed or analogous form. Moreover, Article IV of the Berne Appendix provides that such licences can be granted only if:

[T]he applicant ... establishes either that he has requested, and has been denied, authorization by the owner of the right to make and publish the translation or to reproduce and publish the edition, as the case may be, or that, after due diligence on his part, he was unable to find the owner of the right.

Several Arab countries, such as Yemen, Syria, the United Arab Emirates, Oman and Jordan have availed themselves of Article II of the Berne Appendix (limitations on the right of translation).³² Article 11 of the Jordanian Copyright Law (No. 22 of 1992 as amended by Law No. 29 of 1999) states that:

Any Jordanian Citizen shall have the right to obtain from the Minister a compulsory licence to translate into the Arabic language any foreign work published in a printed form or any other form and to publish such translation if three years have elapsed since the first publication of the work and that the owner of the right of translation did not publish in Jordan or with his authorization any translation of the work in Arabic or if all the editions of the Arabic translation are out of print.³³

The Tunisian legislature has recently reduced the minimum period to one year after the first publication of the work.³⁴

³¹ Article II(3)(a) of the Berne Appendix.

³² Algeria, Bahrain and Egypt have not renewed their initial declaration.

³³ Same provisions exist in Qatar Copyright Law No. 7 of 2002, Article 27(a). In Egypt, the translation provision is much easier and does not need previous negotiation or compulsory licence. Article 148 of the Egyptian Intellectual Property Law No. 82 of 2002 deals with translations as follows: '[t]he protection of an author's copyright and the translation rights of his work into another language shall lapse with regards to the translation of that work into the Arabic language, unless the author or the translator himself exercises this right directly or through a third party within three years of the date of first publication of the original or translated work'.

³⁴ Article 13 of the Tunisian Copyright Law No. 94-36 of 1994, as amended by Law No. 2009-33 of 2009 states that:

Although several Arab countries have translated foreign books into the Arabic languages, and renewed their declaration to do so, some of them have not adopted these provisions in their national copyright legislation – for example, the Syrian Copyright Law, 2001 and Oman Royal Decree No. 65/2008 promulgating the Law on Copyright and Related Rights. As for those who have adopted the translation exception into the Arabic language, the exception still has little or no effect on the local market in practice. Some stakeholders are largely unfamiliar with this exception, while others prefer to ignore it to preserve international relations.

3. Compulsory licences

Compulsory licences entail the possibility for national authorities to authorize a person or company, without consent or against the wishes of the right holder, to exploit a subject matter protected by an intellectual property right. This can be used to correct market failures or anomalies when a copyright-protected work is not available in a country or is available but not at an affordable price. The aim of such a provision is to encourage beneficial access and use of protected works as long as that use does not unfairly undermine the legitimate interests of rights holders.

International treaties confer upon parties the possibility of obtaining compulsory licences for reproducing protected works for the purposes of education under certain conditions. This 'three-step test' entails that protected works should be: (a) used for fulfilling the requirements of education; (b) against payment of fair compensation to the author; and (c) such licence should not contradict the normal exploitation of the work and unreasonably prejudice the legitimate interests of the author or the copyright holders.

The provision for non-voluntary reproduction licences for educational purposes does not appear in some national laws, such as the Moroccan Copyright Law. The absence of such provisions favours the interests of copyright holders at the expense of society. In practice, the compulsory reproduction licence has yet to be used in any of the Arab countries.

III. CONCLUSION

Intellectual property rights have always been represented as a mechanism fundamental to ensuring the needs of both creators (to receive benefit for their work) and the society (to make use of and build upon existing knowledge). This balancing exercise has become more difficult for Arab countries due to globalization and recent economic challenges.

The analysis of the legal environment for copyright protection in Arab countries demonstrates the need for legislative amendments to ensure that the laws reflect the public interest of the citizens of these countries. Economic rights should be properly defined to avoid an unnecessarily wide scope of protection. The term of copyright protection must be revised to fulfil the need of national economies. Copyright flexibilities, such as international exhaustion and translation into Arabic language provisions, should be incorporated within national copyright regimes. Strong copyright protection does not necessarily translate into increased innovation and development. Each country should, in respect of international obligations, adopt

The Ministry in charge of culture may deliver non-exclusive licence for: (b) the translation of a protected work for purposes of publication in Tunisia, in form of graphic edition or by sound broadcasting or television broadcasting, if it were not previously translated into Arabic language or put in circulation or communicated to the public in Tunisia, one year after its first publication.

a copyright regime tailored to local realities and their particular level of progress and development.

Moreover, Arab States must also adopt appropriate copyright policies to foster creativity without neglecting the end users for access to knowledge. It is always interesting to calibrate where value is added or diminished on both sides. The failure of developing countries, such as those in the Arab world, to take advantage of available flexibilities allowed by international copyright treaties will only hinder current attempts at sustainable social and economic reform.

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http://www.wto.org/english/tratop_e/trips_e/t_agm0_e.htm

4 PROTECTING AND REVITALIZING TRADITIONAL KNOWLEDGE AND EXPRESSIONS OF CULTURE: FOR AN EQUITABLE FUTURE IN FIJI

*Dr Salvin S. Nand

ABSTRACT

The protection of traditional knowledge and expressions of culture (TKEC) has only recently become an important policy debate in the Pacific Region. It is widely agreed that mainstream intellectual property (IP) tools such as patents, copyright, trademark, geographical indications, and trade secrets may be tactically useful. However, traditional and indigenous property holders will experience numerous problems in trying to protect their property rights under existing IP law systems. In 2002, the Pacific Island Countries, recognizing the importance of intellectual property rights, introduced a *sui generis* Model Law for the Protection of Traditional Knowledge and Expressions of Culture as a model policy for protection. This paper argues that, while the Model Law offers excellent opportunities for countries such as Fiji to protect their traditional and cultural properties, total reliance on the Model Law will not be sufficient to achieve an ideal level of TKEC protection. The findings of this paper are not isolated, and may offer important insights into other small island developing States in the region.

Keywords: *intellectual property rights, traditional knowledge and expression of culture, Pacific Island Countries*

I. INTRODUCTION

The South Pacific Region, and specifically Fiji, is rich with vast cultural, natural and biological resources that are extremely valuable for socioeconomic development. The growing need for economic prosperity and the intensifying commercialization of these resources has posed a serious threat to traditional and cultural properties and their holders. Until recently very little had been done towards the protection and promotion of traditional cultural properties in the South Pacific.

In 2002, South Pacific Forum Economic Ministers recognized protecting intellectual property rights as a matter of priority, and accepted the importance of protecting traditional ecological knowledge, innovations and practices, and traditional knowledge and expression of culture.¹ Subsequently, the Pacific Forum Secretariat implemented the *sui generis* Model Law for the Protection of Traditional Knowledge and Expressions of Culture, 2002 (Model Law).²

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¹ Secretariat of the Pacific Community, 'Background for the Regional Framework for the Protection of Traditional Knowledge and Expression of Culture', PC/UNESCO/PIFS/RMOC/Information Paper 5 (26 August 2002), page 6.

² Secretariat of the Pacific Community, Model Law for the Protection of Traditional Knowledge and Expressions of Culture (2002) (hereinafter 'The Model Law'). See further Miranda Forsyth, 'Intellectual Property Laws in the South Pacific: Friend or Foe?' (2003) 7(1) *J South Pacific L*, and Don Marahare, 'Towards an Equitable Future in Vanuatu: The Legal Protection of Cultural Property' (2004) 8(2) *J South Pacific L*.

This paper argues that, while the Pacific Model Law offers excellent opportunities for countries such as Fiji to protect its traditional and cultural properties, a total reliance on the Model Law is insufficient to achieve maximum protection of TKEC, since the Model Law is wrought with major challenges in terms of its universality and practicability. The purpose of this article is therefore fourfold. It first examines the current laws and regulations on TKEC in Fiji. Part II discusses the importance of the Model Law as an alternative law for Pacific Island States. It then considers the variety of challenges and shortcomings of the current draft Model Law in place in Fiji. Part IV provides much needed recommendations for the future. This research is premised on the assertion that currently enforceable protections are insufficient to protect the rights of traditional owners and their properties.

II. PROTECTION UNDER THE CONVENTIONAL INTELLECTUAL PROPERTY FRAMEWORK

IP laws purport to provide protection to creators and their creations, including literary and artistic works, symbols, names, images, designs and inventive processes used in commerce. The exact origins of the laws that protect right holders in Fiji, such as the Copyright Act 1999, Trademarks Act 1933, Patents Act 1879, Merchandise Marks Act 1933, Industry Emblem Act 1973 and the United Kingdom Designs Protection Act 1936, are difficult to ascertain. What is clear is that these 'conventional legal frameworks' are based on Western IP laws and promote traditional western justifications for IP protection.

With the exception of the Copyright Act, these legislations were enacted late in the 19th century and early in the 20th century. Since these conventional legal frameworks were enacted before TKEC was considered a valuable commodity,³ they were formulated and enacted without any policy consideration given to TKEC regulation. The lack of relevant and significant law reform in recent years is evidence of the failure of the conventional legal framework to provide adequate protection for Fijian TKEC.

A. THE COPYRIGHT ACT 1999

Concerns have been raised both within Fiji and abroad with respect to the inability of the current copyright framework to fully accommodate and protect TKEC. The deficiencies of the current copyright regime stem from the failure of varied requirements – originality, duration, material form, ownership and authorship, and rights in derivative works – to account for the unique nature of TKEC. The conventional intellectual framework system vests copyright in the owner, who is generally presumed to be the author of the work.⁴ As Githaiga explains, 'Euro-centric discourse perceives the aim of copyright to be the encouragement and reward of individual creativity.'⁵ Contrastingly, the ownership of TKEC is vested in the whole community rather than with individuals. For example, the ownership of the traditional indigenous dance '*Meke*' is vested in the whole community. However, the Copyright Act fails to protect these community creations.

³ Fiji ratified the WIPO Convention in March 1972, became a member of the World Trade Organization in 1996, and recently ratified the 2003 UNESCO Convention for the Safeguarding of the Intangible Cultural Heritage in January 2010.

⁴ Copyright Act, 1999, Section 21(1); see also *Crystal Clear Ltd v. COP & AG* [1988] SPLR 130 (HC).

⁵ Joseph Githaiga, 'Intellectual Property Law and the Protection of Indigenous Folklore and Knowledge', (1998) 5(2) *Murdoch Univ Electronic J L* 28, paragraph 10.

The Copyright Act requires a work to be the original work of the author.⁶ This means that an expression of culture will have to be an original work before it can be protected. A condition of originality conceptualized in this manner cannot be satisfied in most instances, since the majority of TKEC is inspired by pre-existing traditions and successive patterns of imitation over time. As the World Intellectual Property Organization (WIPO) has observed, the very nature of TKEC is that it is repetitive and relies on tradition, and the scope for interpretation and individual expression is limited.⁷ In Fiji, the issue of originality in relation to TKEC work is yet to be seriously addressed.

Moreover, to obtain copyright protection, a work must be written down or recorded in some permanent, tangible form.⁸ For example, a song's notes or words must be written down or recorded before copyright protection can be provided. The Copyright Act neither recognizes nor protects derivative works. However, even if it did, it is important to note that the protection of a derivative work is usually dependent on the consent of the first creator. As discussed above, the traditional owners of TKEC works are not necessarily its legal owners (under the current system) and therefore cannot claim legal control over its reproduction or use.

It is interesting to note that even if indigenous artistic or cultural works do satisfy the elements of copyright, it will be difficult to apply copyright law because of the nature of indigenous cultural expression and the traditional Western justification for copyright protection.⁹ Copyright law protects the form of expression of ideas, rather than the ideas themselves. Additionally, copyright only exists for literary works and not for languages, unless they are expressed in material form.

B. THE PATENT ACT 1879

The Patents Act 1879 confers upon an inventor the exclusive rights to his or her invention. An invention is defined in the Act as any manner of new manufacture, any new method of application of known processes, or the improvement or control of known processes.¹⁰ A letter of patent provides an inventor with a temporary legal monopoly over the using, selling or making and authorizing others to do so, for the term of fourteen years (14) from the date of the letters patent.¹¹ An invention is patentable only if it is new and has specific utility.¹² Patent protection will only be given to traditional knowledge that satisfies the requirements pursuant to the Act. This means that traditional knowledge must first qualify as an invention, although an idea is not patentable and a mere discovery cannot result in a patent, because the substance in question must be invented using a new method or must serve a new purpose.¹³

⁶ Copyright Act, *supra*, note 4, Section 14(1).

⁷ Attorney-General's Department, *WIPO-Australia Copyright Programme for Asia and Pacific* (Canberra: AGPS, 1987) 222, cited in Githaiga, *supra*, note 1.

⁸ Copyright Act, *supra*, note 4, Section 15(1).

⁹ Dean Ellinson, 'Unauthorized Reproduction of Traditional Aboriginal Art' (1994) 17 *UNSW LJ* 327, page 333. See also Terri Janke, *Our Culture, Our Future: Report on Australian Indigenous Cultural and Intellectual Property Rights* (prepared for the Australian Institute of Aboriginal and Torres Strait Islander Studies and the Aboriginal and Torres Strait Islander Commission, 1998).

¹⁰ Patent Act, 1879, Section 2.

¹¹ *ibid.*, Section 4.

¹² *ibid.*, Section 5.

¹³ *ibid.*, Section 2.

Moreover, traditional knowledge or cultural expression cannot by its very nature be 'new'. According to the Act, an invention must be novel and involve an inventive step.¹⁴ Most TKEC is thus excluded from patentability; since TKEC usually falls within the public domain and is held in perpetuity from generation to generation, it forms part of prior art. The Act defines 'inventor' widely enough to embrace traditional property holders, but is silent on whether an inventor can expressly be a group of people.¹⁵ Yet another difficulty is that under the Patent Act, any traditional knowledge linked to a patented invention will be in the public domain after 14 years. This default state is not warranted with respect to TKEC, since traditional owners usually prefer TKEC not to be freely accessible by those who are not members of the indigenous group.

C. TRADEMARK ACT 1933

There is growing concern that TKEC is being appropriated for use in business names and trademarks by non-indigenous individuals and businesses. The Trademark Act, 1933 confers on the owner of a trademark (which can be words, phrases, symbols, designs, or a combination of these) exclusive rights to the use of such trademark in connection with the goods in respect of which it was registered.¹⁶

Cultural property holders must satisfy statutory requirements before a trademark can be registered. Firstly, the property must qualify as a registered mark.¹⁷ This means that the TKEC in question needs to be transformed into a word, phrase, symbol, design (or a combination of these) before it can become a registrable mark. Therefore, a TKEC will be excluded if it is incapable of being transformed into an expression. The Act also requires that the TKEC be registered in respect of goods or classes of goods.¹⁸ Once the trademark is registered, the Act requires it to be used in connection with the goods for which it was registered.¹⁹

It is thus clear that the current regime of IP protection in Fiji is not being utilized to protect TKEC. In the absence of any clear empirical data regarding the scope of these conventional IP laws, it is difficult to suggest the extent to which TKEC will be covered under the current regime. Sadly, the concept of intellectual property itself, let alone TKEC, is still a new phenomenon in Fiji. The prosecution of IP law offences remains extremely rare.

D. NEED FOR NEW SOLUTIONS

However, there is an urgent need for vigorous legislative proscription to combat the growing concerns in IP breaches. As Justice Gerard Winter explains: 'Fiji possesses a rich and diverse artistic and cultural heritage. The music and oral traditions of the country are an integral part of our society. Accordingly, some thoughtful guidance on the application of such novel legislation will, in my view, enhance the administration of justice and not detract from it.'²⁰

¹⁴ *ibid.*, Section 5.

¹⁵ *ibid.*, Section 2. The Act defines an 'inventor' and includes within this scope the heirs, executors, administrators or assigns of an inventor.

¹⁶ Trade Marks Act 1978, Section 38.

¹⁷ *ibid.*, Section 2.

¹⁸ *ibid.*, Section 7.

¹⁹ *ibid.*

²⁰ *State v. Ali* [2007] FJHC 23 (HC).

III. PROPOSED SOLUTION FOR THE SOUTH PACIFIC REGION

A. REGIONAL INITIATIVE

The idea of setting up an alternative mechanism for the protection of TKEC that operates outside the current IP regime was discussed by the Pacific Islands Forum Secretariat at the Forum trade ministers' meeting in 1999. The Forum recognized that the region's traditional and cultural properties were being improperly exploited and due compensation was not being provided to rightful property holders. In 2002, the Model Law on TKEC was produced, and in 2003 the Secretariat of the Pacific Community (SPC) endorsed the Model Law for adoption by member countries. The Model Law became the first concrete effort by Pacific Countries to effectively protect their TKEC. In 2007, the Forum trade ministers agreed to implement an Action Plan to assist Forum Island Countries (FICs) members. The Action Plan seeks to assist FICs to develop policy and draft legislation based on the Model Law and the Traditional Biological Resources framework.²¹ It also proposes to establish a regional system of TKEC protection to maximize the benefits to Pacific countries in ways national systems are unable.

The Model Law aims to protect the rights of traditional owners in their cultural properties and promotes tradition-based creativity and innovation, including commercialization thereof, subject to prior and informed consent and benefit sharing.²² The unique feature of this Model is that it complements and does not undermine the IP regime.²³ The Model Law defines traditional knowledge to include properties of both traditional and indigenous peoples.²⁴ This is an extensive definition that covers rights in works that are generally outside the scope of the conventional IP regime.

Like the conventional IP regime, the Model Law allows property holders to produce, publish, perform, broadcast, translate and publish their materials on an electronic database for either commercial or non-commercial purposes.²⁵ Under the Model Law these rights are referred to as Traditional Cultural Rights (TCRs) and provide exclusive rights over their cultural properties. Moral rights developed from TCRs are given independent recognition as far as they are used for non-commercial purposes and due consent has been obtained. However, if they are used for commercial purposes, then the user must acknowledge the source of the TKEC and share benefits with the traditional owners.

The Model Law creates both civil and criminal sanctions against the improper use of TKEC. A person will be committing an offence if he or she uses TKEC in a non-customary way without the prior informed consent of the traditional owners.²⁶ A person can also be guilty of an offence if that person either acts or makes an omission that is inconsistent with the moral rights of the traditional owners in relation to TKEC.²⁷ The Model Law further regulates

²¹ Pacific Island Forum Secretariat, 'The Pacific Plan for Strengthening Regional Cooperation and Integration' Port Moresby, 2005.

²² Secretariat of the Pacific Community, Explanatory Memorandum - 'Model Law for the Protection of Traditional Knowledge and Expression of Culture' (Oceania, 2002), pp. 3 to 5.

²³ *ibid.*, page 11.

²⁴ The discussion on the definition of traditional and indigenous people for the purpose of defining traditional knowledge and indigenous knowledge can be found further on in this paper.

²⁵ The Model Law, *supra* note 2, Article 6-8.

²⁶ *ibid.*, Article 26.

²⁷ *ibid.*, Article 27.

improper use of sacred-secret materials.²⁸ A person commits an offence under clause 29(1) if the person imports or exports with knowledge an article or other thing that relates to the TKEC of a country.²⁹ The Model Law also provides a mechanism for traditional owners to institute court proceedings against a person who makes non-customary use of their TKEC in a situation where traditional owners have not given prior and informed consent. However, it will be interesting to see how traditional property holders are able to prove that they are the true owners of a particular TKEC.

B. THE FIJI SITUATION

Fiji is now at the integral stage of introducing comprehensive IP laws. The impetus for this comes from its various international law obligations, particularly when it became a signatory to WIPO in 1972 and subsequently acceded to the WTO and signed the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) in 1996. In 1993 Fiji also ratified the 1992 Convention on Biological Diversity (CBD). The Convention amongst other things recognizes and calls for preservation of the role of indigenous communities in the creation of their biodiversity, indigenous knowledge and technologies for their survival and sustainability.³⁰

Fiji has also ratified the UNESCO 2003 Convention for the Safeguarding of the Intangible Cultural Heritage. The protection of intangible Cultural Heritage (ICH) has long been neglected in Fiji, thus its implementation is by far the first and only instrument that addresses specifically the intangible cultural heritage. Another important convention which Fiji is party to is the International Labour Organization (ILO) Convention Concerning Indigenous and Tribal Peoples in Independent Countries (C169). The ILO Convention 169 recognizes the political and legal systems, land and resource rights, and cultural, linguistic and spiritual identities of indigenous peoples.³¹ The recognition of these conventions introduces TKEC dimensions into the debate and allows factors to be considered in the eventual promulgation of comprehensive IPR laws.

In 2003, the Government of Fiji recognized that TKEC, although in existence for thousands of years, remained bereft of legal protection and was 'at risk from physical threats, social and economic threats and psychological threats.'³² Fiji proposes to use the Pacific Forum Model Law and implement *sui generis* legislation to protect the intellectual property and communally owned traditional knowledge of the indigenous people of Fiji.

This proposed legislation is expected to serve dual functions. Firstly, it will provide protection to indigenous knowledge from misappropriation and non-customary use such as commercialization. Secondly, the proposed legislation aims to safeguard indigenous cultural intangible heritage for stability. The main objective of the new law is to safeguard and ensure that 'indigenous people' are recognized and are not exploited for commercial gain, and if so, some form of compensation is provided for the use of their properties. It is important to note

²⁸ *ibid.*, Article 28.

²⁹ *ibid.*, Cl, 29(1)(2)

³⁰ Strathern *Property, Substance and Effect* (The Athlone Press, London, 1999) at 183.

³¹ ILO Convention Concerning Indigenous and Tribal Peoples in Independent Countries (5 September 1991).

³² 32nd Session of the General Conference of UNESCO for the Convention of the Safeguarding of Intangible Cultural Heritage (17th October 2003). It is important to note that the proposed legislation is in the early stages of policy formulation leading up to drafting.

that the proposed legislation is still being drafted and is in the early stages of policy formulation leading up to the draft bill.

IV. PERCEIVED WEAKNESS IN THE PROPOSED MODEL LAW

To harmonize the widening gap created by the conventional IP regime, Fiji decided to create a *sui generis* regime for the protection of its indigenous knowledge and expressions of culture (IKEC). Arguably, the Model Law may continue to suffer from practical difficulties even if it is implemented. Perhaps the 'most important constraint to the design and implementation of an effective "*sui generis*" system is that of skill and expertise in legal drafting and full knowledge of its implication in national development and international cooperation.'³³

A. OBJECTIVE AND PURPOSE OF THE MODEL LAW

Generally, the objective of adopting a *sui generis* system is to remedy the failures created by the IP regime and accommodate the interests of indigenous or local communities in protecting their TKEC. Clause 3(3) of the Forum Model Law states:³⁴

This Act does not affect or apply to contracts, licences or other agreements entered into by traditional owners before the commencement of this Act in relation to the use of traditional knowledge or expressions of culture.

Although the Model Law protects TKEC, it fails to provide protection to cultural property holders who have previously lost their TKEC to non-customary owners or third parties as a result of unscrupulous deals or through unfair contracts. The Act fails to provide any mechanism for custom owners to recoup their cultural rights. For example, the Kava plant, used by Fijian indigenous people for traditional and medicinal herbs for centuries, has been patented by international pharmaceutical corporations (such as L'Oreal) without acknowledgment or due compensation being provided to Fijian people.³⁵ It will be interesting to see how Fiji will protect its interest in this plant against such international companies. The Model Law has therefore turned a blind eye on what could have been an infringement of TKEC.

³³ JA Ekpere, 'Sui Generis Systems: The Case of the OAU Model Law on the Protection of Rights of local Communities, Farmers and Breeders and For the Regulation of Access to Biological Resources', International Seminar on Systems for the Protection of Traditional Knowledge (New Delhi 3-5 April 2002).

³⁴ The Model Law, *supra*, note 2, Article 3(3).

³⁵ There are a number of international companies seeking to patent kava as a means of treating hair loss in the United States, Canada, Japan, China, Germany, France, Italy, the United Kingdom, Spain, Hungary, and Poland (ETC Group 1997). There is a long list of examples of other multinational companies, including Willmar Schwabe GmbH, American Home Products, Merck, Pfizer, Rhone Poulenc, SmithKline Beecham, Boehringer Ingelheim, and Monsanto, endeavouring to identify unique aspects and uses of kava to which they can claim exclusive ownership; these qualities range from how the powder is prepared from the root to a whole variety of specific applications. See further Elisa Tuiloma, 'Kava (Piper Methysticum) and Benefit Sharing', *The Legal Lali* (2004).

B. THE NATURE OF TRADITIONAL KNOWLEDGE

The Fijian Model law only proposes to protect Fijian (indigenous) properties and interests.³⁶ This leaves other ethnicities' (mainly Indian societies) cultural properties either unprotected or protected under the current IPR system inherently unsuitable for TKEC. This means that a person is required to be a descendant of a Native Fijian to receive protection under the proposed Act. The Act uses the phrase 'traditional knowledge' but limits the definition of traditional knowledge only to indigenous people. There is an ongoing debate as to the exact meaning of the concept 'traditional peoples and indigenous peoples', but this paper eschews the use of these two words as synonymous. ILO Convention 169 defines 'indigenous peoples' as:³⁷

[P]eoples in independent countries who are regarded as indigenous on account of their descent from populations which inhabited the country, or geographical region to which the country belongs, at the time of conquest or colonization or the establishment of present state boundaries and who irrespective of their legal status, retain some or all of their own social, economic, cultural and political institutions.

According to Mugabe tradition peoples are³⁸:

[T]hose who hold an unwritten corps of long-standing customs, beliefs, rituals and practices that have been handed down from previous generations. They do not necessarily have claim of prior territorial occupancy to the current habitat; that is, they could be recent immigrants ...

Indians arguably are not territorial occupants of Fiji, but have lived in Fiji for more than 132 years since their arrival in 1879. Since then, the Indians have developed their own traditional agricultural and medical knowledge, biodiversity-related knowledge, and expressions of folklores that have been transmitted from generation to generation. In accepting this definition, it can be argued that Fiji-born Indians and other minority citizens of Fiji are not necessarily indigenous peoples, whereas native Fijians (now known as *iTaukei*)³⁹ are traditional peoples. The question that needs to be asked is why the proposed Act fails to protect Fiji-Indians' interest in their TKEC.

³⁶ 'Going Back to Our Roots', 2(5) New Dawn (13 March 2010), available online at: http://www.google.co.in/url?sa=t&rct=j&q=new%20dawn%20going%20back%20to%20our%20roots&source=web&cd=1&ved=0CCAQFjAA&url=http%3A%2F%2Fwww.fiji.gov.fj%2Findex.php%3Foption%3Dcom_docman%26task%3Ddoc_download%26gid%3D133%26Itemid%3D158&ei=bypVT8WUHOXd4QSRh_nTDO&usq=AFQjCNHKak4neyDG6B8Jpy2RF4vsB4thzg&sig2=GcxichysFiB_gdZ9b94khw accessed 12 February 2012.

³⁷ ILO Convention Concerning Indigenous and Tribal Peoples in Independent Countries (June 1989), Article 1.

³⁸ John Mugabe, 'Intellectual Property and Traditional Knowledge: An Exploration in International Policy Discourse' (WIPO 2000), available online at: <http://www.wipo.int/tk/en/hr/paneldiscussion/papers/pdf/mugabe.pdf> accessed 12 February 2012.

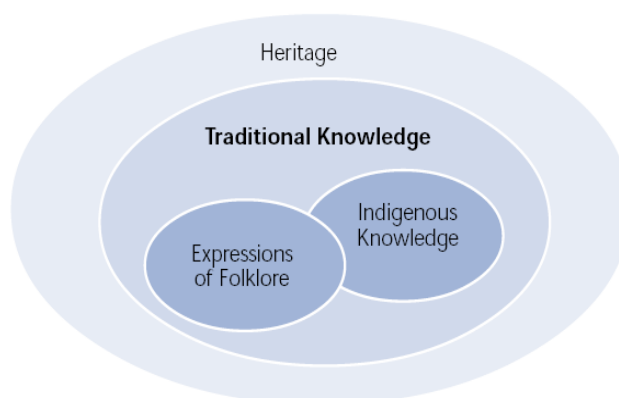
³⁹ The current Government has ordered that all written laws (including the titles of any written law) and all State documents of any nature delete the word 'native' wherever it appears and replace it with the word 'iTaukei'. For example, The Native Lands (Amendment) Decree, 2011 and Native Land Trust (Amendment) Decree, 2011 made consequential changes to the Native Lands Act and Native Lands Trust Act respectively by renaming the Native Lands Act as iTaukei Lands Act and amending the Native Lands Act and all subsidiary legislation made under that Act, by deleting the word 'native' wherever it appears and replacing it with the word 'iTaukei.'

As far as traditional knowledge and indigenous knowledge are concerned, the World Intellectual Property Organization (WIPO) uses the term traditional knowledge to⁴⁰:

[R]efer to tradition-based literary, artistic or scientific works; performances; inventions; scientific discoveries; designs; marks, names and symbols; undisclosed information; and all other tradition-based innovations and creations resulting from intellectual activity in the industrial, scientific, literary or artistic fields. 'Tradition-based' refers to knowledge systems, creations, innovations and cultural expressions which: have generally been transmitted from generation to generation; are *generally regarded as pertaining to a particular people or its territory; and are constantly evolving in response to a changing environment*. [emphasis added].

The UNEP defines indigenous knowledge as knowledge that is held and used by people who identify themselves as indigenous of a place based on a 'combination of cultural distinctiveness and *prior territorial occupancy* relative to a more recently-arrived population with its own distinct and subsequently dominant culture.'⁴¹ This means that indigenous Fijian and Indian knowledge is traditional knowledge but Fiji-Indians' traditional knowledge is not indigenous knowledge. As Mugabe argues, traditional knowledge is all knowledge and practices 'whether explicit or implicit, used in management of socio-economic and ecological facets of life.' Thus although the proposed Act is in line with the policy intended behind the Model Law to protect TKEC, it fails to recognize and protect all traditional knowledge existing in Fiji.

Figure 1. The Traditional Knowledge and Cultural Heritage System



Source: WIPO Fact Finding Mission on Intellectual Property and Traditional Knowledge (1998-1999)

⁴⁰ WIPO Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore, *Glossary of Key Terms Related to Intellectual Property and Traditional Knowledge*, WIPO/GRTKF/IC/18/INF/8, (Geneva 2011).

⁴¹ Traditional Forest-related Knowledge: Contribution by the Executive Secretary to the Preparation of the Report of the Secretary General for Programme Element I.3 of the Intergovernmental Panel on Forests, UNEP/CBD/COP/3/Inf.33, Annex 2.

C. DIFFICULTY IN IDENTIFYING OWNERSHIP

TKEC does not belong to any one particular individual. Normally the whole community or group has propriety rights over TKEC. The nature of TKEC makes it difficult to identify and categorize in a systematic manner. The Model Law defines traditional owners of TKEC as the groups, clan or community of people, or individuals in whom the custody or protection of TKEC is entrusted in accordance with the customary law and practices of that group, clan or community.⁴² While the Act attempts to define traditional ownership based on customary law, it will be difficult to prove with precision who is the true owner of a particular TKEC.

As Misiwaini explains, the 'dispute between members of local community regarding ownership is quite a challenge since it can affect the integrity of information provided by original custodians of information's'.⁴³ For example, indigenous Fijians are divided into 14 provinces, which are then divided into 76 subdivisions known as *tikina* or districts.⁴⁴ At each level, there are broad characteristics peculiar to specific groups. It means that some dialects are largely unintelligible in other regions. Although these dialects could be categorized according to provinces, it would be difficult to identify with precision which specific group is the true owner of these dialects.

D. DOCUMENTATION AND ARCHIVING OF INTANGIBLE CULTURAL HERITAGE

The Ministry of Fijian Affairs is in the process of conducting cultural mapping of diverse intangible cultural heritage (ICH) and indigenous knowledge that exist within the indigenous culture. The main objective of cultural mapping is to create a national registry of existing TKEC and its holders. Secondly, it aims to create and build links between custodians and the younger generation in order to encourage the transmission of knowledge and know-how-related cultural expressions, which are in danger of disappearing.⁴⁵ While this is a remarkable step towards identifying TKEC and its owners, the challenge will be ascertaining the reliability and credibility of these findings. There are many sacred forms of TKEC that the owners do not want non-customary persons to view or access. The use of sacred sites, repatriation and reburial of human remains, for instance, constitutes sacred cultural property. This view, however, is extremely difficult to incorporate into the legal parameters of 'culture'.

The advancement of technology can also threaten the security of TKEC available in a database. Establishment of a traditional knowledge database does not solve the problem of actually determining IP ownership. Cultural mapping aims to limit the difficulty of ownership, yet the problems of ownership (especially in recognizing community or collective ownership and whether this is desirable or appropriate) will persist. Questions can be raised as to how to protect all the information available on the database, since operation of the database within current IP paradigms would mean that the information contained within would fall into the public domain.

⁴² The Model Law, *supra* note 2, Articles 4.

⁴³ Misiwaini Qereqeretabua, 'Cultural Mapping: An Approach to Safeguarding Indigenous Fijian Intangible Cultural Heritage' (International Partnership Programme for Safeguarding of Intangible Cultural Heritage, Tokyo, 21-26 January 2008).

⁴⁴ RR Nayacakalou, *Leadership in Fiji* (Institute of Pacific Studies in the University of the South Pacific/OUP, Melbourne 1985), page 10.

⁴⁵ Sipiriano Nemani, Training Workshop on Field Research Methodology Designed for Cultural Mapping Field Officers, Ministry of Fijian Affairs, Culture and Heritage, Provincial Development, Institute of Fijian Language and Culture (Suva 2005).

There also remains the further problem of decontextualizing knowledge and knowledge practices from the locals that actually make it meaningful. Therefore, policymakers must consider questions such as: Where will the databases be located? Will indigenous peoples be able to access them easily? Who does the recording? What kind of literacy support (digital or other) is to be provided to participating communities?⁴⁶

E. PROTECTION BEYOND NATIONAL LAWS

The proposed legislation in question will also face difficulties in protecting TKEC beyond national jurisdiction. This is because the proposed Model Law primarily aims to provide protection at the national level. Simultaneously, traditional and commercial uses of TKEC are intensifying and falling prey to phenomena such as bioprospecting and biopiracy on an international level. As Griffith explains⁴⁷:

Frequently exploitation of traditional knowledge and culture occurs outside of enacting counties, so it is important that Pacific Island countries find a solution to protect traditional knowledge and expressions of culture between the different countries of the region.

Moreover, Pacific Countries cannot adequately address such infringements, unless there is a system to address them under a *sui generis* international treaty on traditional knowledge. As Olson explains⁴⁸:

While a regional system of protection would go some way to addressing infringements that take place between countries that are a part of that system, it can't address infringements beyond that. Hence, the need for an international treaty to address the problem on a global level is vital.

It is important to note that the protection of such treaty will only be accorded to countries that are signatories to this treaty. Therefore, in order to provide complete and effective protection of its TKEC, Fiji must work hand in hand with other Pacific Island Countries in the region to defend its interests. Perhaps the plan agreed by the Pacific Islands Forum Secretariat could be beneficial as it aims to integrate all Pacific countries in the effort to protect TKEC.

V. FRAMEWORK FOR SUPPLEMENTARY SOLUTIONS

The proposed Model Law adopted by Fiji to protect its IKEC from exploitation unfortunately still poses practical difficulties. Perhaps the most important challenges the policy implementers will encounter with such a *sui generis* system is the ability to produce proof that a *sui generis* regime is able to provide an 'effective' system of protection. Therefore, in order to fully and effectively protect the IKEC of local communities, Fiji needs to utilize other available legal mechanisms. The Convention on Biological Diversity, 1992, the Environment

⁴⁶ Jane Anderson, *Indigenous Traditional Knowledge and Intellectual Property*, Centre for the Study of The Public Domain, Duke University School of Law (2010), available online at: <http://www.law.duke.edu/cspd/itkpaper> accessed 12 February 2012.

⁴⁷ Press release, Secretariat of the Pacific Community, Cultural Affairs Programme, available online at: <http://lyris.spc.int/read/message?id=26873> accessed 27 May 2011.

⁴⁸ Tione Chinula, 'Culture: Guarding the Pacific's Cultural Heritage: Alternatives to Protecting Traditional Knowledge', (*Island Business* 2007).

Management Act, 2005, the establishment of an Inventory Database, greater recognition of customary laws, and vigorous public empowerment, could all provide alternative and equally beneficial avenues for protecting IKEC.

A. CUSTOMARY LAW

Customary law plays a vital role in the protection of traditional knowledge and could probably be the most appropriate source of protection. A number of jurisdictions, including the Pacific Countries, have already implemented *sui generis* protection for TKEC based on customary law.⁴⁹ Customary law can be useful in resolving the dispute over traditional ownership of TKEC. Terri Janke explains that:⁵⁰

Despite regional differences, each particular group has ownership of rights over its particular inherited cultural heritage. One common factor between all Indigenous groups is that there are generally customary laws governing rights to use and deal with Indigenous cultural and intellectual property.

Courts in Fiji have also recognized that customary law might be best in resolving the dispute over ownership of cultural properties.⁵¹

However, customary law or a *sui generis* system based on customary laws is dependent on the extent to which these laws are already recognized by a relevant legal system. In Fiji, both the legislature and the courts have used principles of customary law to resolve the disputes over the ownership of land rights. For example, Section 17(1) of the Native Lands Act gives power to the Native Lands Commission to resolve disputes concerning headship according to Fijian customary law.⁵² While courts have generally accepted the application of customary law

⁴⁹ Model Law for the Protection of Traditional Knowledge and Expression of Culture, 2002; Professor Mick Dodson recommended to the UN Permanent Forum on Indigenous Issues that the United Nations should:

[C]ommission a study, under its mandate to prepare and disseminate information, to determine whether there ought to be a shift in the focus on the protection of indigenous traditional knowledge away from intellectual property law to protection via customary law, and if so how this should occur. The study should consider how indigenous traditional knowledge could be protected at an international level by utilizing customary law, including the extent to which customary law should be reflected, thereby providing guidance to States and subsequently protection at national and regional levels.

Permanent Forum on Indigenous Issues, *Report of the Secretariat on Indigenous Traditional Knowledge*, UN ESCOR UN Doc [24] E/C.19/2007/10 (2007).

⁵⁰ Terri Janke, 'Pacific Indigenous People Unite to Protect Cultures: Report on the Symposium on the Protection of Traditional Knowledge and Expressions of Indigenous Cultures in the Pacific Islands' (1999) 4(3) *AU Indig LR* 26.

⁵¹ *Vosailagi v. Native Lands Commission* [1989] 35 FLR 116.

⁵² The Native Lands Act, 1905.

in settling disputes over indigenous leadership⁵³, they have also expressed the opinion that Fijian customary law often results in constant debate.⁵⁴

The actual recognition of customary law falls within the realm of the legislators. As then Chief Justice Tuivaga stated: 'only when those provisions are made part of the municipal law i.e. ordinary law of the land, will the Court be competent to adjudicate on matters pertaining to Fijian customary law'.⁵⁵ It is therefore strongly recommended that customary law should be recognized (especially for sensitive issues like TKEC) and be included in tangible form within the legal system of Fiji.

B. THE CONVENTION ON BIOLOGICAL DIVERSITY

The Convention on Biological Diversity is the first international covenant that acknowledges the role and contribution of indigenous and local communities in the conservation and sustainable use of biodiversity.⁵⁶ The convention gives new life to the protection of traditional knowledge, because it recognizes the need to 'respect, preserve and maintain knowledge' innovations and practices of indigenous and local communities and ensures equitable sharing of benefits derived from biodiversity.⁵⁷

Fiji is a party to the Convention on Biological Diversity, which came into force in 1993. The Convention offers opportunities for Fiji to realize the benefits of its traditional resources. For example, 'mutually agreed access contracts' will likely be the primary means to reflect an agreement for access and subsequent benefit sharing'.⁵⁸ Secondly, Article 15(5) of the Convention ensures that 'prior informed consent' of the indigenous people must be received before resources are shared.⁵⁹ As Rosell argues, prior informed consent 'is, therefore, an administrative process requiring full disclosure of all information that enables the government, as well as interested parties, to assess costs and benefits and thus to decide whether to grant access to bioresources'.⁶⁰ To maximize the benefits of Article 8(j) and 15(5) of the Convention, a number of contracting parties have developed suitable regimes for the protection of traditional natural resources and associated traditional knowledge.⁶¹

⁵³ In *State v. Native Lands Appeals Tribunal* [2009] FJHC 164, the High Court declared that '[i]n the context of the Native Lands Act, the Parliament has clearly indicated that it is Fijian customary law that should apply.' See further *Bulou Eta Kacalaini Vosailagi v. Native Lands Commission* [1989] FJHC 53.

⁵⁴ *Vosailagi v. Native Lands Commission*, *supra* note 53.

⁵⁵ *ibid.*

⁵⁶ Secretariat of the Convention on Biological Diversity Access to Genetic Resources, UNEP/CBD/COP/3/24 (Montreal, 1996), page 14, paragraph 52; see also Henrietta Fourmile, 'Using Prior Informed Consent Procedures under the Convention on Biological Diversity to Protect Indigenous Traditional Ecological Knowledge and Natural Resource Rights' (1998) Indig L B 84 and L Glowka, et al. with JA McNeely et al. (eds), *A Guide to the Convention on Biological Diversity*, IUCN Environmental Law Centre (Bonn 1994), pp. 80 to 82.

⁵⁷ Convention on Biological Diversity, Article 8(j).

⁵⁸ Glowka, et al., *supra* note 56.

⁵⁹ CBD, *supra* note 57, Article 15(5).

⁶⁰ M Rosell, 'Access to Genetic Resources: A Critical Approach to Decision 391 'Common Regime on Access to Genetic Resources' of the Commission of the Cartagena Agreement' (3) *Reciel* (1997) 274, page 278.

⁶¹ Countries such as the Philippines, Costa Rica, Thailand and the Andean Pact countries (Bolivia, Colombia, Ecuador, Peru and Venezuela) have done just that. The Organization for African

C. THE ENVIRONMENT MANAGEMENT ACT 2004

The Environment Management Act (EMA) was implemented as a direct result of Fiji recognizing and ratifying the Convention on Biological Diversity. The Act adopts some of the main policies of the Convention. Its underlying objective is to protect natural resources, control and manage developments and provide for waste management and pollution control. The EMA has three important features for sustainable development: firstly, the Act introduces a process for assessing the environmental impact of development projects;⁶² secondly, the Act creates an inventory for natural resources;⁶³ and thirdly, the Act also aims to prevent the introduction of genetically modified organisms into Fiji. However, concerns may be raised about the natural resource inventory project under the EMA, since the proposed Model Law also proposes the introduction of a TK database. There is concern that resources will be duplicated and this might cause significant difficulties for TK owners.

According to Sutton, 'Fiji's new EMA implements a process of integrating indigenous knowledge of environmental management, incorporating a context of indigenous worldviews of place and land.'⁶⁴ The EMA also prescribes both civil (a fine of no more than F\$250,000) and criminal (no more than three years imprisonment) sanctions for a list of offences.⁶⁵ The use of the EMA to supplement the TK provisions under the current IP regime ensures that non-customary users do not challenge or contravene established customary controls over the use of natural resources.

D. EDUCATION AND PUBLIC AWARENESS

There are a number of options available today to protect TKEC and its holders. The most significant mechanism is the use of public awareness and education campaigns, which promote greater public understanding of the value of cultural properties. Awareness campaigns could possibly reduce the incidence of appropriation of heritage, violation of customary laws and exploitations of TKEC. Awareness of IP issues, and the benefits accruing from safeguarding the centuries' old traditional cultural properties, remains extremely low. Greater public awareness can be achieved, *inter alia*, through public workshops, school curricula and textbooks, films on traditional issues, and museum exhibitions of indigenous art.⁶⁶ As the WIPO Fact Finding Mission acknowledged, owing to economic and other reasons, communities are unable to restrict access to their TKEC and to benefit from possible commercial exploitation.⁶⁷

The property holders in question (indigenous and traditional people) should be the primary targets of these education and awareness campaigns, to acquaint them more fully with the rights and remedies available in relation to their heritage. This paper therefore recommends

Unity (OAU) has authorized its 53 member States to adopt the Draft Legislation on Community Rights and Access to Biological Diversity prepared by its Scientific, Technology and Research Commission.

⁶² Environment Management Act, 2004, Section 28.

⁶³ *ibid.*, Section 25.

⁶⁴ Victoria Sutton, 'Custom, Tradition and Science in the South Pacific - Fiji's New Environmental Management Act and Vanua' (2005) 9(2) *J South Pacific L* 9.

⁶⁵ Environment Management Act, *supra* note 62, Part 6.

⁶⁶ Githaiga, *supra* note 1, paragraph 109; see also Erica-Irene Daes, UN Special Rapporteur, *Protection of the Heritage of Indigenous People: Final Report*, E/CN.4/Sub.2/1994/26 (21 June 1995).

⁶⁷ *Intellectual Property Needs and Expectations of Traditional Knowledge Holders*, WIPO Report on Fact-Finding Missions on Intellectual Property and Traditional Knowledge (1998-1999) (April 2001 Geneva), Part II, page 78.

that Fiji implement curricula on IP-related issues, at the very least in tertiary institutions, and introduce awareness programmes for cultural property holders.

VI. CONCLUSION

The issues discussed in this article highlight one crucial point: an attempt to protect traditional knowledge and cultural properties within the conventional IP regime is ill-advised on both policy and practical levels. Interestingly, although TKEC is economically and environmentally valuable, and faces significant threats and challenges in terms of exploitation, it is currently under very little protection.

The South Pacific Countries, including Fiji, recognizing the importance of TKEC, have sought to develop alternative polices (outside mainstream IP tools) to protect it. This includes ratification of key international treaties, as well as regional and national initiatives. This paper, however, takes a cautionary approach, arguing that even if a *sui generis* system is implemented to bridge the knowledge gap between holders of traditional knowledge, there are still numerous factors to consider in ensuring complete and effective protection of TKEC. Finally, in addition to the basic *sui generis* system itself, countries should develop a holistic policy regime to ensure sustainable protection that includes other initiatives such as increasing public education and awareness of the value of TKEC.

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5 CHALLENGES TO COMBATTING PIRACY AND COUNTERFEITING IN JAMAICA

* Dr Natalie G.S. Corthésy

ABSTRACT

The creative industries in Jamaica can exponentially increase their already significant contribution to the local economy if effective protective mechanisms are put in place to ensure proper administration and sustained enforcement of intellectual property rights. This paper will review the landscape of the Jamaican intellectual property (IP) regime and assess the challenges to combatting piracy and counterfeiting. The paper makes the following assumptions:

- Modern legislation which is compliant with international standards in conjunction with an efficient administration will provide adequate safeguards and enhances creativity and sustainable development.
- Public education will help change the perception that piracy and counterfeiting is a victimless crime.
- Piracy and counterfeiting will decline and profit margins will increase if sufficient human and financial resources are employed in the enforcement of rights.

This paper will explore the extent to which Jamaica's IP regime can be considered to be modern, effective and consistent with international standards. It will also examine the administrative infrastructure for intellectual property rights and the strategies that have been adopted to heighten public education and bolster enforcement efforts. In addition, traditional approaches to combatting piracy and counterfeiting and their imperfect results will be discussed, in conjunction with reflections on how other emerging countries have suggested these issues should be approached in the future.

In conclusion, it is postulated that a collaborative effort on the part of stakeholders is necessary in order to fashion a tailor-made solution for Jamaica, having regard to the experiences of other like and different countries. To this end, Jamaica's national IP strategy should include three 'Es': (i) education of stakeholders and the public; (ii) enforcement of intellectual property rights;

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Prior to joining the Mona Law Faculty, Mrs Corthésy was a civil servant for ten years. She assumed duties as Legal Officer for the Ministry of Labour, Social Security and Sports in 1999. In 2001, she was seconded to the Jamaica Intellectual Property Office, where she held the position of Manager of Copyright and Related Rights for four years. During her tenure, she led the legislative reform process necessary to implement the World Intellectual Property Organization Internet Treaties and assisted the Organized Crime Investigation Branch of the Police in prosecuting copyright criminal cases and conducting the first public destruction of pirated copyright works. Her last substantive government post was Director of Entertainment Policy in the Ministry of Culture, which she held for six years. In this capacity, she played an important role in facilitating the formation of the Jamaica Anti-Piracy Alliance.

Before joining the Civil Service, she worked as an entertainment lawyer, representing such artists as Clement Coxone Dodd of Studio One Records and Bernard 'Satta Massagana' Collins, formerly of the Abyssinians.

and (iii) empowerment of the creative industries through the provision of a modern IP framework conducive to vibrant competition in the global market.

Keywords: *piracy, counterfeiting, IPRs in Jamaica, IPR enforcement*

I. BACKGROUND

The creative industries in Jamaica are driven by the symbiotic relationship between persons, such as the late Hon. Robert Nesta Marley¹ and his creative talent, and the economic demand from the public for their creative output. Jamaica's dynamic culture fuels its growth, diversification and continuity. The role of key stakeholders such as right holders, collective management societies, government policy makers and legislators and law enforcement officials cannot be underscored. Notably, the core copyright industries² that have made a significant economic contribution are the press and literature, music, theatrical productions, motion picture, video, radio and television, photography, the graphic arts, advertising services, software, databases and collective management societies.³ The final report of the World Intellectual Property Organization (WIPO) study on 'The Economic Contribution of Copyright-Based Industries in Jamaica' revealed that in 2005 Jamaica's copyright sector contributed approximately US\$464.7 million or 4.8 per cent of gross domestic product (GDP).⁴ It was also stated in the report that 'the data shows that each dollar of foreign exchange invested in the leading elements of the core copyright sector contributes about J\$6.18 of value added to Jamaica, mainly in the form of wages and indirect taxes.'⁵ Regrettably, this study did not take into account the debilitating impact of piracy⁶ and counterfeiting⁷ and it may be inferred that the figures stated do not represent an accurate picture of the true economic value of copyright-based industries in Jamaica. The suggestion that the findings of the study provide a compelling argument for the policy direction to be reprioritized in support of the copyright sectors⁸ must be counterbalanced with parallel support for the implementation of mechanisms to counteract piracy and counterfeiting, which represent a serious threat to the intellectual property system and Jamaica's economy. These mechanisms must include:

- (a) Modern legislation compliant with international standards;
- (b) efficient administration;

¹ The late Hon. Robert Nesta Marley, otherwise known as Bob Marley, remains to date Jamaica's most outstanding and accomplished song writer, musician and brand.

² WIPO, 'Guide on Surveying the Economic Contribution of the Copyright-Based Industries', 18,22.

³ V James, *The Economic Contribution of Copyright-Based Industries in Jamaica*, WIPO Publication, No.1009 E/Jamaica, 3 January 2007, page 28.

⁴ *ibid.*, 1.5, page 10.

⁵ *ibid.*, 1.6, page 10.

⁶ P Groves, *A Dictionary of Intellectual Property Law*, (Edward Elger Cheltenham UK 2011), page 244: Piracy defined as 'The unauthorized duplication of goods protected by intellectual property laws – usually, material protected by copyright, such as sound recordings, films and computer software. Exact copying on a commercial scale is the hallmark of piracy'.

⁷ *ibid.*, page 79: Counterfeiting defined as 'An imitation of a product made to look identical (or as nearly identical as possible, or necessary) with the original. This might involve copying designs, copyright material, and possibly patents, but it is the use of trademarks or get-up that usually completes the deception'. Contrast this with 'contraband' products which are original products not intended for sale in the local market, thus a customs offence, not an intellectual property infringement.

⁸ V James, note 3, page 11.

(c) public education; and

(d) enforcement of rights.

II. MODERN LEGISLATION

A. NATIONAL REGIME

Jamaica has a modern IP regime characterized by national laws, regional agreements, bilateral and multilateral agreements.⁹ National laws include:

- The Copyright Act of 1993;¹⁰
- The Designs Act of 1937;¹¹
- The Geographical Indications Act, 2004;¹²
- The Layout-Designs (Topographies) Act, 1999;¹³
- The Merchandise Marks Act No. 1888;¹⁴
- The Patent Act of 1857; and¹⁵
- The Trade Marks Act of 2001¹⁶

In June 2001 Jamaica was subject to legislative review by the TRIPS Council¹⁷, and it was found that the Trade Marks, Copyright and Layout-Designs Acts were compliant with the TRIPS Agreement; however, Jamaica remains non-compliant in respect of patents.

B. REGIONAL AGREEMENTS

Pursuant to Article 66 of the Caribbean Common Market (CARICOM)¹⁸ Agreement, the Council for Trade and Economic Development (COTED) was established to promote *inter alia* the protection of IP rights, public education and the participation of member States in international regimes for the protection of intellectual property rights. This provision was bolstered in 1997 by the creation of a Caribbean Regional Negotiating Machinery (RNM) and

⁹ Details of primary legislation, regulations and orders are compiled and reviewed in D Daley, *International Encyclopaedia of Laws*, Kluwer Law International, Jamaica, 2008.

¹⁰ *ibid.*, page 51.

¹¹ *ibid.*, page 275.

¹² *ibid.*, page 251.

¹³ *ibid.*, page 295.

¹⁴ *ibid.*, page 170.

¹⁵ *ibid.*, page 152.

¹⁶ *Ibid.*, page 170.

¹⁷ The 1994 Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) was outlined pursuant to the General Agreement on Tariffs and Trade (GATT) Uruguay Round, where GATT was renamed the World Trade Organization. The Council was established, *inter alia*, to oversee the implementation of agreed minimum standards on intellectual property protection by member States.

¹⁸ CARICOM is a trade coalition consisting of member States of the Caribbean Community including Jamaica. It was created by the Treaty of Chaguaramas in 1973.

the creation of a CARICOM Single Market and Economy (CSME), which was implemented in Jamaica on 1 January 2006. The removal of trade barriers in this manner provided a platform for dissimilar creative industries in the Caribbean, of unequal economic value, to compete as a block internationally and presumably benefit as a region. It seems obvious that this shift in status quo would require a revision of national, regional and international border measures. What is less obvious is whether the impetus for doing so should come from independent sovereign design or as a result of international trade-related pressure of considerable proportions.

Bilateral and multilateral agreements

Several bilateral and multilateral agreements have been ratified by Jamaica in the area of intellectual property:

- Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), 1994;¹⁹
- Berne Convention for the Protection of Literary and Artistic Works, 1886;
- Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of their Phonograms, 1971;
- International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (the Rome Convention), 1961;
- Paris Convention for the Protection of Industrial Property, 1883;
- United States-Jamaica Bilateral Agreement, 1994;
- WIPO Copyright Treaty, 1996;
- WIPO Performances and Phonograms Treaty, 1996.

A significant milestone was reached on 15 October 2008 when Jamaica, along with States in the Caribbean Forum (CARIFORUM), and with their homologues from the African, Caribbean and the Pacific Group of States entered into a European Partnership Agreement with Member States of the European Community.

Arguably, one of the primary objectives of this Agreement is to strike a balance between heightened protection of intellectual property in ACP States, the promotion of economic growth through access to the European Union market and programmes on innovation. The Agreement is scheduled to come into effect on 1 January 2014. It is left to be seen whether more stringent TRIPS-plus customs obligations²⁰ will facilitate access to EU markets and sustainable trade.

¹⁹ Please note that Article 51 of TRIPS empowers a right holder, who has valid grounds for suspecting that the importation of counterfeit trademark or pirated copyright goods may take place, to lodge an application with customs authorities to prevent entry into the market place of such goods.

²⁰ For example, Article 163 of the European Partnership Agreement expands border measures, requiring customs authorities to take cognizance of imports and exports, and therefore goes beyond obligations imposed on WTO Members pursuant to Article 15 of TRIPS.

III. EFFICIENT ADMINISTRATION

The Jamaica Intellectual Property Office (JIPO)²¹ was established under the JIPO Act in 2001 with a mandate to administer IP laws, advise the Minister on matters relating to the administration of these laws and promote the progressive development of IP rights in Jamaica. In particular, JIPO operates registries for trademarks, patents, and designs and is currently exploring the implementation of a voluntary copyright registration system.²²

In its ten years of existence, JIPO has valiantly and consistently endeavored to administer IP rights efficiently. In particular, persistent efforts were made to implement legislative reform in all areas of intellectual property. However, the reliance on cooperation from other government entities²³ that were late in responding and the input from key stakeholders who were unable to arrive at a consensus, fettered aspirations of an expeditious execution of the process. For instance, the first draft of the proposed Bill to repeal the Patent Act of 1857 was prepared in 1999, revised in 2001, and has still not been tabled before Parliament. Similarly, the WIPO Internet Treaties, which were ratified in 2002, have not as yet been incorporated into local legislation.

IV. PUBLIC EDUCATION

Since its inception²⁴, JIPO has pursued a national strategy targeting educational environment and law enforcement officials, and collaborated with its stakeholders to host public education activities and training workshops.²⁵

In commemoration of National Intellectual Property Week in April 2011, JIPO collaborated with the Jamaica Anti-Piracy Alliance (JAPA)²⁶ and the University of the West Indies, Mona to host a public lecture on challenges to IP enforcement; a training workshop for IP enforcement officials;²⁷ and a comic strip competition in a national newspaper. It also assisted the Organized Crime Investigation Division of the Police (OCID) with a public destruction exercise of pirated and counterfeit goods.

²¹ <http://www.jipo.gov.jm/>

²² There already exists a private organization called the Intellectual Property Service Centre (IPC) that offers voluntary IP registration services. In addition, the Legal Deposit Act 2002 mandates a 'national publisher' to deposit a copy of their IP works with the National Library for archival purposes (see Section 2(1)).

²³ These include the Ministries of Commerce, Science and Technology; Trade and Foreign Investment; and Foreign Affairs and Culture.

²⁴ JIPO opened to the public on 1 January 2001 as an agency of the Ministry of Commerce, Science and Technology.

²⁵ On 9-20 April 2011, JIPO, under the auspices of WIPO, hosted a workshop on sports and intellectual property' - a first for Jamaica and a first for WIPO.

²⁶ The Jamaica Anti-Piracy Alliance (JAPA) was founded in 2005 and officially launched during National Intellectual Property Week in April 2007. It is a partnership of 25 organizations that represent and or manage IP rights, entities whose IP rights are not presently represented or managed by an existing organization, state agencies and departments, and special interest groups. Among their partners are JAMCOPY, JACAP, JAMMS, JIPO, the OCID and the Ministry of Culture.

²⁷ Participants included customs officials, members of the Jamaica Constabulary Force and personnel from the Office of the Director of Public Prosecutions. A similar workshop was held for Resident Magistrates in September 2011, and one is planned for Clerks of the Resident Magistrates Court in April 2012.

It may be asserted that the individual and collaborative efforts of stakeholders to promote public education of their consumer constituency have been adequate and sustained. Arguably, the objective of creating awareness has been achieved; however, the assumption that public education would alter the perception that piracy and counterfeiting is a victimless crime and therefore infringements would decline has proved to be a fallacy.

In 2007, when JAPA was in production mode of four audio-visual public service announcements²⁸ for music, film, software and publishers, one prominent music professional pointed out that in his opinion, piracy was the driving force behind the rise to stardom of local artists in Jamaica - in local parlance 'Is piracy buss artists in Jamaica'. This opinion is based on the popular belief that piracy of local music is an exceptional promotional tool and a necessary delict to pave the way for new artists to emerge who would otherwise have limited means of garnering publicity and a fan base.

In another incident relating to the film industry, a contrary opinion was expressed. Storm Saulter, a Jamaican film-maker and presenter at the JAPA/UWI, Mona, Faculty of Law, Mona National Anti-Piracy Training Workshop for Law Enforcement Officials in April 2011, stated that he often conversed with pirates to inquire whether his latest film 'Better Must Come' was available for sale. He added that invariably the response was 'we are going to leave that film alone. We are not going to fight against one of our own people'. This sentiment evinces some knowledge of the harm that piracy engenders to local creators, as distinct from international industry giants who are perceived as overwhelmingly successful and relatively unscathed by the negative effects of piracy.

Thus, it can be deduced that the attitude and behavioural disposition of local consumers towards piracy and counterfeiting of non-Jamaican products remains largely influenced by low-cost or free alternatives to legitimate products.²⁹

V. ENFORCEMENT OF RIGHTS

A. ENFORCEMENT AND BANDEROLE

A case for the implementation of an anti-piracy device called banderole³⁰ was unsuccessfully submitted in 2001, despite indications that world sales for Jamaican music had fallen in retail value from US\$5.4 million in 1999 to US\$2.2 million dollars in 2000.³¹ The absence of piracy statistics did not fare well for its adoption either.³² Stakeholder concerns that the system was not infallible, together with the possibility that the banderole itself could become the subject of counterfeiting, posed an insurmountable block to this innovative proposal. Furthermore, there was scepticism that the banderole would elucidate the actual size of the

²⁸ These public service announcements were produced and directed by Natalie Thompson for JAPA.

²⁹ This reflects the findings outlined in the March 2011 study conducted by the Social Science Research Council in Brazil, India, Russia, South Africa, Mexico and Bolivia entitled 'Media Piracy in Emerging Economies' (MPEE).

³⁰ Banderole is a security device which is attached to a product like a seal. It is usually made of special paper similar to a monetary note and bears a serial number. The inclusion of a hologram is the characteristic of a high quality banderole device.

³¹ International Federation of the Phonographic Industry (IFPI) world sales figures, April 2001.

³² Similar experiences in Africa at that time did not deter the adoption in 2000 of the banderole in Ghana, Nigeria and Malawi.

music industry, resulting in negative repercussions in respect of fiscal obligations on the part of stakeholders.

B. ENFORCEMENT AND PUBLIC DESTRUCTION

On 23 June 2004, JIPO, in collaboration with the OCID, conducted the first public destruction of pirate CDs and DVDs. Admittedly, the booty was meagre, but the symbolic gesture resonated with the government officials, stakeholders and the public.

On 15 April 2011, JIPO, in collaboration with the OCID and JAPA, conducted the second public destruction of pirated and bootleg optical discs and counterfeit goods. On this occasion 1,200,312 CDs and 211,620 DVDs were destroyed. A large number of counterfeit goods were also destroyed, including shoe polish, socks, toilet paper, batteries, t-shirts, alcohol, cigarettes and a variety of skin bleaching agents.³³ It can be deduced from the marked increase of the volume of goods destroyed and the diversification of the goods confiscated by the OCID, that enforcement efforts have escalated, and that the operations of the pirates and the counterfeiters have become more sophisticated.³⁴

**Table 5.1 Public Destruction Statistics (1)
15 April 2011**

Type of Product	Volume	Pirate Sale Value	Market Sale Value
CDs	1,200,312	J\$120,000,312 (1,200,312 @ J\$100 per CD)	J\$1,560,405,600 (1,200,312 @ J\$1,300 per CD)
DVDs	211,620	J\$21,162,000 (211,620 @ J\$100 per DVD)	J\$529,050,000 (211,620 @ J\$2,500 per DVD)

³³ Eighteen different brands of skin bleaching agents were involved.

³⁴ This observation is mirrored in Europe. In 2009, the European Commission reported that piracy and counterfeiting is a growing phenomenon, with 43,500 cases of confiscated goods suspected of infringing IP rights at the European Union's external border. Of the top categories of goods detained, cigarettes accounted for 19 per cent, other tobacco products 16 per cent, labels 13 per cent and medicines 10 per cent.

**Table 5.2 Public Destruction Statistics (2)
Real Market Value v. Pirate Value
15 April 2011**

Music	Market Sale Value	Pirate Sale Value
Average 12 track CD	US\$15.00	US\$1.20
Average 12 track download	US\$8.00	Free
Average per track download	US\$1.30	Free
Film	Market Sale Value	Pirate Sale Value
Average movie theatre admission	US\$12.00	US\$1.20
Average DVD	US\$30.00	FREE
Average DVD download	US\$15.00	
Apparel	Market Sale Value	Counterfeit Sale Value
Sun Island MVP T-Shirts	J\$1,700.00	J\$500.00

C. ENFORCEMENT AND ARRESTS

Over 256 arrests were carried out by the police between 2003 and April 2011 for breaches of the Copyright and Trade Mark Acts. In an outstanding raid conducted in an upscale neighbourhood of the capital, Kingston, a haul of counterfeit cigarettes and cash was undertaken to the value of over J\$46 million. The OCID reports³⁵ that the lack of vehicles to transport confiscated goods and the absence of space to store them pending trial is problematic.

In an effort to improve the effectiveness of search and seizure processes, the OCID has entered into 'task force' agreements with customs and certain rights owners to identify counterfeit goods. For example, a 'task force' effort successfully raided a factory that was distilling spirits and unlawfully bottling the liquid into recycled bottles originally distributed by the legitimate trademark owners, Wray and Nephew Distillers Company Ltd.

D. ENFORCEMENT AND PROSECUTION

The OCID reports difficulties in identifying pirated and counterfeit goods, especially in a market flooded with the same or similar products. Accordingly, there is a reluctance on the part of the OCID to adopt a 'big sweep' approach to search, seizure, arrests and prosecution. There is also a concern that a particular community may feel they are being targeted, resulting in negative social implications.

Furthermore, according to the OCID, often right holders are impossible to locate or otherwise unwilling to come forward and give evidence. In such cases, if the accused pleads 'not guilty', he is unlikely to be charged with an IP offence; instead, he may be charged with breach of the Town and Communities Act for exposing goods for sale without a licence. Consequently, the accused could face a fine as low as J\$5,000 as opposed to J\$100,000 for a single infringing copy under Section 46 of the Copyright Act.

³⁵ Interview conducted with the Head of OCID, Senior Superintendent Fitz Bailey/Natalie Corthésy, Lecturer in Law, Faculty of Law, University of the West Indies, Mona, Jamaica, 21 April 2011.

Punishment meted out in IP criminal prosecutions has ranged from fines of J\$500 up to J\$200,000, 140 hours community service, destruction of goods and equipment seized, and deportation. However, no identifiable trend can be detected in the manner in which magistrates have handed down sentences. The OCID reports that in one instance, a judge ordered that the pirated goods be returned to the accused who was admonished and discharged.

Arguably, the inability of the police to effectively enforce IP rights and the inconsistent manner in which these matters are dealt with by the judiciary could likely result in an increase in the manufacture and supply of pirated and counterfeit goods in Jamaica; and ultimately, the spread of organized crime related to these goods on a large scale in Jamaica. This is not currently a feature of the Jamaican landscape.

E. PARALLEL CRIMES

A review of a sample of the DVDs seized by the OCID revealed that several discs contained explicit pornography. Further, there were over 18 different skin-bleaching products potentially very harmful to the user, some of which specifically warn against dispensing or use without a medical prescription. These findings raise concerns not typically associated with piracy and counterfeiting in Jamaica. However, there is evidence that public health and safety is becoming a growing appendage to counterfeiting in other countries in particular.³⁶

VI. DEBATE ON THE TRADITIONAL APPROACH

Data on levels of piracy and counterfeiting have been used to propagate the myth that pirate and counterfeit sales represent displaced legitimate sales.³⁷ It is likely that the comparatively high cost of legitimate goods is in itself an effective deterrent for consumers, particularly in developing countries. The dilemma posed by the extensive availability of cheap quality 'knock-offs' and free infringing identical copies on an industrial scale is significant. Imposing stronger enforcement mechanisms in international agreements, such as the European Partnership Agreement, on developing countries like Jamaica, a country not associated with the production of pirate and counterfeit goods on a large scale, is unlikely to affect the supply and demand for such goods at the global level. A more pragmatic step would be to approach known suppliers of pirate and counterfeit goods³⁸ at the governmental level through bilateral agreements.³⁹

³⁶ See C Wadlow, 'The Great Kenyan Coffee Crop Disaster: A Cautionary Tale of Coffee and Counterfeiting', *Journal of Intellectual Property Law & Practice*, Vol. 4, No. 12, 2009, page 867; the United Nations Office on Drugs and Crime found that counterfeit drugs have proliferated across Africa and Asia; as much as 50-60 per cent of the malaria and HIV drugs tested were found to be weak and or useless: 'The Transnational Trafficking and the Rule of Law in West Africa: A Threat Assessment' 2009, accessible at: www.unodc.org/documents/data-and-analysis/Studies/West_Africa_Report_2009.

³⁷ The Organization for Economic Cooperation and Development (OECD) estimates that international trade in counterfeit and pirated goods amounted to over US\$250 billion in 2007.

³⁸ In 2009, The European Commission reported that China continued to be the main source of IPR-infringing products, totalling 64 per cent of all articles seized.

³⁹ In December 2011, The Anti-Counterfeiting Trade Agreement (ACTA), an executive trade agreement on IP enforcement was concluded between Australia, Canada, the European Union, and its member States, Japan, Korea, Mexico, New Zealand, Singapore, Switzerland and the United States. ACTA has yet to come into force and remains open to others who wish to join. China's absence is cause for consternation.

The impact of confiscation and destruction, while an indication of aggressive enforcement tactics, remains a symptomatic approach, as there is no direct correlation between this method of enforcement and the perennial supply of pirated and counterfeit goods from foreign markets.⁴⁰ Admittedly, savvy pirates and counterfeiters would gravitate towards countries with a low threshold of IP protection, relaxed border measures and a demand for goods easily wedded to frugal purse strings.

VII. MEDIA PIRACY IN EMERGING ECONOMIES – AN ALTERNATIVE APPROACH

In March 2011, the Social Science Research Council released 'Media Piracy in Emerging Economies' (MPEE) - the first independent, large-scale study of music, film and software piracy in emerging economies, with a focus on Brazil, India, Russia, South Africa, Mexico and Bolivia.⁴¹

The study was conducted over three years by some 35 researchers. It explores the journey through which industry players have grappled with the exponential growth of piracy as digital technologies became more affordable and accessible around the world. In addition, it considers the rise of industry lobbies and their efforts to coerce lawmakers and law enforcement officials to heighten copyright protection and enforcement. The report argues that these efforts have largely failed and the problem of piracy is better conceived as a failure of affordable access to media in legal markets.

Articulating the choice

'The choice,' said Joe Karaganis, director of the project, 'isn't between high piracy and low piracy in most media markets. The choice, rather, is between high-piracy, high-price markets and high-piracy, low-price markets. Our work shows that media businesses can survive in both environments, and that developing countries have a strong interest in promoting the latter. This problem has little to do with enforcement and a lot to do with fostering competition.'⁴² Further, in a March 8, 2011 posting on Techdirt, Mike Masnick states that the study 'highlights how almost all of the policy discussions in the West concerning infringement focus on "enforcement," but that may be the wrong way to go about it. The research instead, points out that a better focus may be on setting up the structures for successful business models to emerge - which include local firms who can compete on price.'

*Major findings of the MPEE study*⁴³

- 'Prices are too high. High prices for media goods, low incomes, and cheap digital technologies are the main ingredients of global media piracy. Relative to local incomes in Brazil, Russia, or South Africa, the retail price of a CD, DVD, or copy of MS Office

⁴⁰ Although the European Union has implemented stringent enforcement measures and has obligated its trade partners to do the same through trade agreements, the 2009 EC report on piracy and counterfeiting identifies piracy and counterfeiting as a growing phenomenon and thus supports this view. See *supra* 32.

⁴¹ Social Science Research Council, 'Media Piracy in Emerging Economies (MPEE)', United States, March 2011, accessible at: <http://piracy.ssrc.org/the-report>

⁴² SSRC Releases 'Media Piracy in Emerging Economies' (<http://infojustice.org/archives/1661> accessed 19 January 2012)

⁴³ Accessible at: <http://piracy.ssrc.org/about-the-report>

is five to ten times higher than in the United States or Europe. Legal media markets are correspondingly tiny and under-developed';

The public destruction statistics of Table 5.1 above would tend to suggest that this finding would also hold true for Jamaica.

- 'Competition is good. The chief predictor of low prices in legal media markets is the presence of strong domestic companies that compete for local audiences and consumers. In the developing world, where global film, music, and software companies dominate the market, such conditions are largely absent';

This status quo is mirrored in Jamaica.

- 'Antipiracy education has failed. The authors find no significant stigma attached to piracy in any of the countries examined. Rather, piracy is part of the daily media practices of large and growing portions of the population'.

There is no evidence to negate or support a claim that the robust anti-piracy public education campaign of JIPO and JAPA has failed. Nevertheless, the findings reported by the OCID clearly reflect a general sense of indifference to piracy and, in certain instances, compassion for pirates.

- 'Changing the law is easy. Changing the practice is hard. Industry lobbies have been very successful at changing laws to criminalize these practices, but largely unsuccessful at getting governments to apply them. There is, the authors argue, no realistic way to reconcile mass enforcement and due process, especially in countries with severely overburdened legal systems'.

While changing the laws remains a challenge for Jamaica, the existing copyright and trademark laws meet with international standards. The critical issue plaguing effective enforcement in Jamaica is lack of resources, as pointed out by the OCID above.

- 'Criminals can't compete with free. The study finds no systematic links between media piracy and organized crime or terrorism in any of the countries examined. Today, commercial pirates and transnational smugglers face the same dilemma as the legal industry: how to compete with free'.

As noted by James in 'The Economic Contribution of Copyright-Based Industries in Jamaica':

[M]odern information technology makes the measure of trade in copyrighted products sketchy and inadequate ... copyright-based industries involve significant levels of piracy and other negatives that are addressed by diverting resources to policing and offsetting their impact. These have not been netted out in our calculations.⁴⁴

It is significant that media piracy, as opposed to large-scale traffic of pirated and counterfeit goods, has been singled out in the MPEE study. Is it to be deduced that because media piracy is not a natural corollary of organized crime or terrorism, it should be endorsed, ignored or decriminalized? Perhaps the better view is that stealing is wrong in any environment and that

⁴⁴ V James, note 3, page 9.

economic expediency should not be used as a veil to mask behavior which is *contra bonos mores et decorum*. The inability to compete with free argument is a travesty of the real dilemma - the dilution of creativity and disinclination to innovate that media piracy is likely to engender. There is no 'free' pass.⁴⁵

- 'Enforcement hasn't worked. After a decade of vamped up enforcement, the authors can find no impact on the overall supply of pirated goods'.

Perhaps the focus should be on the demand for intellectual property rather than on the supply of the goods which are distributed or otherwise communicated to the public. The debacle requires a profound assessment of the perennial need for creativity beyond technological advancements in communication and the apparent ineptitude of the law to keep abreast of them.

VIII. CONCLUSION

A collaborative effort on the part of stakeholders to think outside of the box is necessary in order to fashion a tailor-made solution for Jamaica, while having regard to the experiences of other like and different countries. This national IP strategy should include three 'Es':

(i) Education of stakeholders and the public

Triggering a change in behavior and attitude by raising awareness of the cultural cost as well as the economic loss caused by piracy and counterfeiting, can make a difference on the demand side, even if the supply of pirated and counterfeit goods cannot be eliminated altogether.

(ii) Enforcement of intellectual property rights

Taking enforcement seriously is not only a national concern, but an international requirement.

(iii) Empowerment of the creative industries through the provision of a modern IP protection framework conducive to vibrant competition in the global market.

Jamaica's distinctive culture and the brand it represents has secured for many Jamaican copyright-based industries one of the most coveted reputations in the world. This is priceless, not free.

⁴⁵ United States Government Accountability Office, 'Report to Congressional Committees: Observations on Efforts to Quantify the Economic Effects of Counterfeit and Pirated Goods', GAO-10-43, 12 April 2010, pp. 9 to 10 gives credence to this view. The GAO found that the negative effects of piracy did not only include lost sales, lost brand value, and reduced incentives to innovate; it also resulted in lost tax revenue, expenses incurred to carry out enforcement as well as risks of national security and civilian safety where counterfeits entered supply chains.

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List of abbreviations

ACTA – Anti-Counterfeiting Trade Agreement
CARICOM – Caribbean Common Market
CRNM – Caribbean Regional Negotiating Machinery
CSME – Caricom Single Market Economy
GATT – General Agreement on Tariffs and Trade
IPC – Intellectual Property Service Centre
JACAP – Jamaica Association of Composers, Authors and Publishers
JAMCOPY – Jamaica Copyright Licensing Agency
JAMMS – Jamaica Music Society
JAPA – Jamaica Anti-Piracy Alliance
JIPO – Jamaica Intellectual Property Office
OECD – Organization for Economic Cooperation and Development
OCID – Organized Crime Investigation Division
TRIPS – Trade-Related Aspects of Intellectual Property Rights
WIPO – World Intellectual Property Organization
WTO – World Trade Organization

6 THE IMPACT OF INTELLECTUAL PROPERTY RIGHTS PROTECTION BY PUBLICLY-FINANCED RESEARCH INSTITUTIONS ON CLINICAL RESEARCH: LESSONS FROM SOUTH AFRICA

* Dr Pamela Andanda

ABSTRACT

South Africa's newly enacted Intellectual Property Rights from Publicly Financed Research and Development Act (hereinafter IPR Act)¹ came into force on 2 August 2010. It aims to ensure that the intellectual property right outcomes of publicly-financed research and development (*R & D*) are protected and commercialized for the benefit of the people of South Africa. Benefits envisaged in the Act include social, economic, and military or some other benefit. The Act, which has used Bayh-Dole-style legislation², has far-reaching effects on health research, particularly on data sharing, which is considered essential for expedited translation of clinical research results into knowledge, products, and procedures to improve human health. This notwithstanding, researchers often face difficulties in obtaining their colleagues' permission in sharing data. This paper highlights concerns about intellectual property (IP) protection by Publicly-Financed Research Institutions (PFRIs) and how South Africa's IPR Act has dealt with these concerns.

Keywords: *clinical research, data sharing, health research, intellectual property, publicly-financed research institutions*

I. INTRODUCTION

Stakeholders in the clinical research industry, particularly in developing African countries, must contend with complex issues relating to data sharing. These complexities may arise from diverse institutional policies. Furthermore, dealing with multiple patent holders can result in difficult, protracted and costly negotiations.³ A recent report established that there is a general lack of awareness and sufficiently deep understanding of intellectual property rights on the part of investigators, which can stifle the vital dissemination of science.⁴ According to the report, 'IPR is often cited as a reason why results cannot be disseminated, resulting in a potential conflict between the principle of sharing data and a system that supports wealth-creation by protecting intellectual property.'⁵ The usual expectation that the initial investigators may benefit from first and continuing use, but not from prolonged exclusive use, may not

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¹ Act No. 51, 2008.

² The Policy Framework document, on which the legislation is based, specifically mentions the need to base the legislation on best global practice and refers to the Bayh-Dole Act. See Department of Science and Technology, *Intellectual Property Rights (IPR) from Publicly Financed Research Policy Document*, (July 2006), page 9.

³ The European Science Foundation, *Forward Look – Investigator-Driven Clinical Trials*, (2009). Available online at http://www.esf.org/fileadmin/links/EMRC/FL_IDCT.pdf accessed on 23 September 2011.

⁴ *ibid.*

⁵ *ibid.*, page 10

always be met, particularly at the breakthrough stage, when any outcomes must be kept confidential at least until patent applications are filed.⁶

The pharmaceutical sector is widely noted to be knowledge intensive and sensitive to intellectual property rights. Equally, it has unusual prominence in the debate over IP policy, especially the relationship between intellectual property rights, *R & D* incentives, pricing and access to medicines.⁷ All these issues are directly affected by access to clinical research data, which eventually impacts product development.

The South African IPR Act provides a legal framework that aims to foster IP management. It has been correctly argued that legal frameworks governing technology transfer between publicly-funded biomedical research institutions and commercial entities play a significant role in shaping competition.⁸ It is against this background that this paper critically reviews the impact of the South African IPR Act. Since the Act is relatively new, this paper will aim to consider the extent to which it has dealt with relevant ongoing debates and, further, to isolate lessons that policymakers and researchers from other jurisdictions can learn from the South African experience.

II. CONCERNS ABOUT INTELLECTUAL PROPERTY PROTECTION BY PUBLICLY-FINANCED RESEARCH INSTITUTIONS

Publicly-financed research institutions (PFRIs) in South Africa consist largely of higher-education institutions and statutory science councils or research institutes. These PFRIs also form the largest concentration of skills and personnel in the area of science and technology in South Africa.⁹

It is important to note that South Africa is a severely skill-constrained society.¹⁰ Perhaps this explains the reason for the government's legislative intervention in this area. Another reason driving the intervention is that the South African National Research and Development Strategy identified the lack of a policy framework in relation to intellectual property arising from public funds allocated to research as a concern.¹¹ Kaplan observes that the strategy focussed more on publicly-financed research without focussing on the totality of the wider IP system or its economic and social impacts.¹² This limited focus is a real concern in view of the fact that research has established that most PFRIs lack the infrastructure to manage

⁶ Georges S Shemdoe, 'Introduction to Intellectual Property Rights for Investigators in Health Research and Institutional Intellectual Property Policy' (2009) 112S *ActaTropica* S80.

⁷ 'The Economics of Intellectual Property: Suggestions for Further Research in Developing Countries and Countries with Economies in Transition' (WIPO January 2009), page 169.

⁸ *ibid.*, page 150.

⁹ M Sibanda, 'Intellectual Property, Commercialization and Institutional Arrangements at South African Publicly Financed Research Institutions', in D. Kaplan (ed), *The Economics of Intellectual Property in South Africa* (WIPO 2009), pp. 113 to 114.

¹⁰ BS Javorcik, 'The Composition of Foreign Direct Investment and Protection of Intellectual Property Rights: Evidence from Transition Economies' (2002) 48 *European Economic Review* 39, cited in D Kaplan, *Intellectual Property Rights and Innovation in South Africa: A Framework* in D Kaplan (ed) (WIPO 2009), pp. 3 to 4.

¹¹ D Kaplan, 'Intellectual Property Rights and Innovation in South Africa: A Framework' in D Kaplan (ed) *The Economics of Intellectual Property in South Africa* (WIPO, 2009), page 13.

¹² *ibid.*

the process of invention disclosures, filing of patent applications, technology transfer and relevant policies for IP issues.¹³

The PFRIs are notably characterized by low patenting activity coupled with low conversions to licences and or products.¹⁴ As will be demonstrated in this paper, the IPR Act can be a catalyst for product development as it provides some policy guidelines for harnessing knowledge and fostering product development. This is because the IPR Act aims at ‘improved quality of patenting and higher conversion of patents to licences and/or products and services’¹⁵ The Act is a vast improvement compared to the Bill that was initially published for public comments. Visser, for instance, graphically described the Bill as paving the path to research hell with the best intentions!¹⁶ Visser’s well-founded arguments in support of his description of the Bill centred on the fact that its exclusive focus on patents and the inclusion of other types of intellectual property rights, only if they form an integral part of the invention, were rather obscure.¹⁷ Other critics also noted that the initial draft of the legislation was ‘extremely stringent and restrictive as it limited the right to publish any research results until the patent potential of the research had been established’.¹⁸

The relevant intellectual property rights that impact product development are copyright in supporting publications and material, trademark protection of brands and administrative mechanisms or *sui generis* provisions giving proprietary rights in clinical and manufacturing data used to support regulatory approval.¹⁹ These intellectual property rights show a clear link between clinical research data sharing and product development. For instance, conducting independent clinical trials while a patent is still in force may or may not be covered by research exemption and this certainly has an effect on the speed with which generics enter the market and the intensity of generic competition.²⁰ It has equally been noted that data exclusivity limits the ability of local generic manufacturers to enter the market as they are required to undertake their own clinical tests which can be time-consuming and costly.²¹ Current literature, however, shows that ‘many pharmaceutical and biotechnology companies acknowledge sublicensing to generic producers as a socially responsible and financially viable method to supply medicines to low-margin developing world markets.’²²

The two normative facets for the economic justification of patenting by universities are commercialization and public interest justification.²³ These raise a number of concerns:

¹³ Sibanda (note 9), page 129.

¹⁴ *ibid.*, page 140.

¹⁵ *ibid.*, page 141.

¹⁶ Coenraad Visser, ‘Intellectual Property Rights from Publicly Financed Research: the Way to Research Hell is Paved with Good Intentions’ (2007) 19(3) *SA Mercantile Law Journal* 363, page 371

¹⁷ *ibid.*, page 365.

¹⁸ Eve Gray, Position Paper 2: National Environmental Scan of South African Scholarly Publishing, The Centre of Educational Technology, University of Cape Town (April, 2009), page 21.

¹⁹ WIPO (note 7), page 152.

²⁰ *ibid.*, page 153.

²¹ *ibid.*, page 177.

²² CE Chen, et al., ‘The Silent Epidemic of Exclusive University Licensing Policies on Compounds for Neglected Diseases and Beyond’ (2010) 4(3) *PLoS Negl Trop Dis.*

²³ WIPO (note 7), page 182.

Researchers consider their data proprietary

Data is thus deemed to provide researchers ‘with a competitive advantage over other groups in terms of discovery and further acquisition of funds that would expand their research operations’ and failure to share may lead to duplication of efforts and high costs of research.²⁴ This concern is directly related to the item below.

Protection of upstream research makes follow-on research costly

This point is debatable since studies have shown no strong evidence of anti-commons trends or significant foreclosure of public science in research fields where university patenting is significant.²⁵

The available evidence is currently more focussed on developed countries’ experience. The issue is relevant, however, in the context of countries such as South Africa where, as noted earlier, the *R & D* strategy has not focussed on the totality of the wider IP system or its economic and social impacts. There are unique concerns in Africa, which were highlighted during the first African Data Curation Conference.²⁶ Three concerns most relevant to this paper are worth mentioning here²⁷:

- Lack of information sharing and guarding of publicly-funded data from the general public;
- over-restrictive intellectual property regulations and laws that disregarded the potential benefits of data use and reuse among the public; and
- poor management practices and infrastructure and/or the deliberate attempt to conceal or destroy data for various reasons.

Experience from the University of Cape Town’s computational biology group, for instance, shows that researchers tend to share data only with collaborators since patient data is private.²⁸ The International Council for Science, Regional Office for Africa also noted that the key problems facing scientific data in Africa are restricted funding for research, which leads to a limited scale of data collection, protected knowledge and information, as well as data ownership and protection – all intellectual property right issues.²⁹ South Africa is not immune to these problems, insofar as it faces ‘challenges of accessibility to research data, and ... lack of funding

²⁴ EC Ad Carvalho, et al., 'Application Description and Policy Model in Collaborative Environment for Sharing of Information on Epidemiological and Clinical Research Data Sets' (2010) 5(2) *PLoS ONE*.

²⁵ WIPO (note 7), page 194.

²⁶ First African Digital Management and Curation Conference and Workshop, Pretoria, 12-13 February 2008, available online at: <http://stardata.nrf.ac.za/nadicc/programme.html> accessed 26 September 2011.

²⁷ Academy of Science of South Africa, 'First African Digital Curation Conference: A Resounding Success', (2008) 1(1) *Science for Society* 13 (Pretoria), page 14.

²⁸ Nicky Mulder, 'Data curation and management activities within the UCT [University of Cape Town] Computational Biology Group', First African Digital Management and Curation Conference and Workshop, Pretoria, 12-13 February 2008.

²⁹ Achuo Enow, 'State of Scientific Data in Africa', First African Digital Management and Curation Conference and Workshop, Pretoria, 12-13 February 2008.

criteria and agreements.³⁰ The strategy South Africa chooses to manage intellectual property rights from PFRIs must thus address these problems.

The *R & D* expenditure trends in South Africa could equally make the experience with Bayh-Dole-style legislation (based on the US Bayh-Dole Act, 1980) different. For instance, in 2001/2002, *R & D* expenditure by business enterprise amounted to approximately R 4 billion, while the government's approximate expenditure amounted to R 1.5 billion. The relevant figures for 2008/2009 were R 12 billion by business enterprises and R 4 billion by the government.³¹ This is in stark contrast to the situation in the United States, where in 2002 federal research funding was 61 per cent, while industry contribution was 9 per cent.³² The trend in the United States in 2009 was 62 per cent federal contribution and 7 per cent industry contribution.³³ In comparing the funding trends between the two countries based on 2002 surveys, Heher correctly argues that such a 'funding pattern has implications for IP generation and ownership, as well, and is an example of the differences that need to be considered when making projections based on international benchmarks.'³⁴ South Africa's *R & D* strategy should have considered the proportion between government and industry expenditure on *R & D* for the purpose of ensuring that the new legislation leads to more commercialization of research from PFRIs.

*Countries that have used Bayh-Dole-style legislation have weak provisions for safeguarding public access to publicly supported medicines*³⁵

Reviewers of the Bayh-Dole Act have noted that it 'has been much less successful at producing public goods for health.'³⁶ So, et al. have, for instance, pointed out that 'claims favouring Bayh-Dole-type initiatives overstate the Act's contributions to growth in US innovation.'³⁷

³⁰ Mosibudi Mangena, Minister of Science and Technology, South Africa, 'The Implications of the OECD Declaration on Open Access to Scientific Data for African and Specifically South African Policy on Research Data and Information Management and Curation', First African Digital Management and Curation Conference and Workshop, Pretoria, 12-13 February 2008.

³¹ South African Science and Technology Indicators 2010, produced by the National Advisory Council on Innovation Indicators Reference Group, page 26, available online at: <http://www.nacinnovation.biz/wp-content/uploads/South-African-Science-and-Technology-Indicators-2010.pdf> accessed 29 September 2011.

³² Association of University Technology Managers (AUTUM), US Licensing Activity Survey Highlights: FY 2002, cited in AD. Heher, 'Benchmarking of Technology Transfer Offices and What It Means for Developing Countries' in A. Krattiger, et al. (eds) *Intellectual Property Management in Health and Agricultural Innovation: A Handbook of Best Practices* (MIHR: Oxford, United Kingdom, and PIPRA: Davis, United States, 2007).

³³ AUTUM, US Licensing Activity Survey Highlights: FY 2009, available online at: <http://www.autm.net/AM/Template.cfm?Section=Documents&Template=/CM/ContentDisplay.cfm&ContentID=5880> accessed 27 September 2011.

³⁴ Heher (note 32), page 215.

³⁵ Chen CE, et al., note 22.

³⁶ RA Nugent and GT Keusch, 'Global Health: Lessons from Bayh-Dole', in A. Krattiger, et al. (eds.), *Intellectual Property Management in Health and Agricultural Innovation: A Handbook of Best Practices* (MIHR: Oxford UK and PIPRA: Davis, US, 2007), page 153.

³⁷ AD So, et al., 'Is Bayh-Dole Good for Developing Countries? Lessons From the US Experience' (2008) *PLoS Bio* 16 (10).

It can be argued that the South African Act has attempted to incorporate provisions that can be used to safeguard public interests in health research specifically through the inclusion of government walk-in rights, which are discussed in this paper. This style of safeguarding public interests is a lesson that other jurisdictions can learn from South Africa.

Patenting could penalize institutions with weaker bargaining power

Patenting is becoming important for its bargaining power in facilitating the exchange and sharing of protected tools and materials.³⁸ This is true insofar as the IPR regime is viewed as 'increasingly high-protectionist' such that legislative remedies 'cannot resolve the major obstacles to the open availability and exchange of scientific data heretofore in the public domain'.³⁹ In this regard, Reichman and Uhlir have contended that the scientific community 'can and should assert greater control over the management of its own data supplies'.⁴⁰ Consequently, the appropriate strategies for asserting control over the data supplies need to be explored and scientists need guidance on best practices for IP management.

Patenting has potential harmful effects

Patenting can lead to prohibitive costs of access to databases, materials and research tools. Other technology transfer mechanisms, such as publications, conferences, informal interaction with researchers and consulting may also suffer. The underlying argument here is that university patenting may become an important currency in the global scientific college but the currency may be expensive for individuals and institutions that traditionally hold a weak bargaining position.⁴¹

Possibility of low-quality patents being granted

There is a need to ensure that low-quality patents are not granted, since this could assist in alleviating the possible negative impacts of patenting public research.⁴² This concern is particularly relevant to the South African situation because its patent registration system has drawbacks that can discourage innovators and, most importantly, the former Companies and Intellectual Property Registration Office (CIPRO) and even the newly established CIPC⁴³ do not function as examining offices.⁴⁴ The mandate of the CIPC seems to emphasize delivering against the new Companies Act, which came into effect in April 2011. The IPR Act was not mentioned in the media release announcing the establishment of the CIPC.⁴⁵

³⁸ WIPO (note 7), page 194.

³⁹ JH Reichman and Paul F Uhlir, 'A Contractually Reconstructed Research Commons for Scientific Data in a Highly Protectionist Intellectual Property Environment' (2003) 66 *L Contemp Prob* 315, page 324.

⁴⁰ *ibid.*

⁴¹ WIPO (note 7), page 200.

⁴² *ibid.*, page 201.

⁴³ CIPRO merged with Office of Companies and Intellectual Property Enforcement (OCIPE) to form the newly established Companies and Intellectual Property Commission (CIPC), with effect from 1 May 2011.

⁴⁴ D Kaplan (ed.) *The Economics of Intellectual Property in South Africa* (WIPO 2009), page 3.

⁴⁵ CIPRO and OCIPE to transform into the Companies and Intellectual Property Commission (February 2011), available online at: http://www.cipc.co.za/Publications_files/MediaReleases/Commission.pdf accessed 23 September 2011.

Sectors such as food and health are delicate and consequently require special attention in developing countries

Governments in developing countries should ensure that research results are widely used and correctly exploited in these crucial sectors.⁴⁶ The argument that it is irrational to invest so much in collecting data and yet so little in ensuring that we make the best use of it should serve as a wake-up call to such countries.⁴⁷ This concern is extremely relevant for South Africa, insofar as patenting in its institutions is concentrated in the areas of technology linked to life sciences/biotechnology and ICT research.⁴⁸

III. OPTIONS CURRENTLY UNDER DEBATE FOR IP PROTECTION AND PROTECTION OF SOCIAL AND ECONOMIC WELFARE

The options that are discussed below have been put forth by funding agencies as well as research institutions and researchers and are based mostly on their experiences in attempting to deal with the concerns mentioned in the preceding part of this paper. What is common in all the options is the attempt to be in conformity with the global strategy, giving effect to Article 7 of the TRIPS agreement. Article 7 states 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.⁴⁹

Since the South African IPR Act is intended to manage intellectual property rights, the options that are selected for discussion are relevant for this purpose. Taubman's article, which explores policy dilemmas and apparent conflicts in IP management mechanisms, provides a useful insight for the purposes of this discussion. A fundamental question that the article raises is, for instance, 'how the *exclusive* rights established under IP law are, can be, or should be, deployed to achieve the *inclusive* goal of universal access to necessary health care.'⁵⁰ An equally relevant consideration explored in the article, from a South African perspective, is the fact that 'programmes of public sector knowledge management that entail obtaining and asserting IP rights can be construed as a form of privatization of public knowledge, or idealized as a means to maintain collective public-interest control over how public knowledge is developed and applied.'⁵¹

A commendable approach in the South African legislation, which is discussed in the next part of this paper, is that preference should be given to non-exclusive licensing. This approach incorporates the recommended public sector-management model, which, to be

⁴⁶ WIPO (note 7), page 203.

⁴⁷ E Pisani, et al., 'Time for Fair Trade in Research Data' (2010) 375 *Lancet* 703-5.

⁴⁸ Sibanda (note 9), page 121.

⁴⁹ For a more detailed discussion, see Sixty-First World Health Assembly, 'Global Strategy on Public Health, Innovation and Intellectual Property', available online at: http://apps.who.int/gb/ebwha/pdf_files/A61/A61_R21-en.pdf accessed on 23 September 2011.

⁵⁰ A Taubman, 'A Typology of Intellectual Property Management for Public Health Innovation and Access: Design Considerations for Policymakers' (2010) 4 *Open AIDS Journal*, 4-24, page 7.

⁵¹ *ibid.*, page 10.

workable should not 'entail an exclusive reliance on release into the public domain nor on wholly exclusive licensing.'⁵²

Emphasis on teamwork, value of data management and not just publications and citations

This option is used in the Wellcome Trust/National Institutes of Health (NIH) model. Both research-funding agencies have invested in the infrastructure needed for sharing data.⁵³ With effect from 1 October 2003, investigators submitting an NIH application seeking US\$500,000 or more in direct costs in any single year are expected to include a plan for data sharing or state why data sharing is not possible.⁵⁴ NIH defines 'the timely release and sharing' to be no later than the acceptance for publication of the main findings from the final data set. In this regard, NIH expects that the initial investigators may benefit from first and continuing use but not from prolonged exclusive use.

The Wellcome Trust on the other hand, states that 'should any Trust-funded IP arise from the Grant, then the Trust requires the Institution to consider whether the protection, management and exploitation of such Trust-funded IP is an appropriate means of achieving the public benefit.'⁵⁵

A useful proposal that researchers have put forward in order to foster team work in data management is the need to involve all collaborators, particularly developing country colleagues in drafting consortium or data sharing agreements.⁵⁶ South Africa's IPR Act certainly provides collaborating researchers with a reference point if public funding is involved.

Metadata sharing

Metadata sharing has been proposed as a solution to the concern that researchers consider their data proprietary. Metadata 'allows a precise and standardized way of describing content [of the data] in discrete packages called metadata records'.⁵⁷ This requires the establishment of an institutional process that is conducive to both patenting and publishing.⁵⁸

The above approach may not, however, suffice for the bureaucratic requirements that regulatory approvals usually entail. For instance, the South African Medicines Control Council

⁵² A Taubman and R Ghafele, 'Public Sector IP Management in the Life Sciences: Reconciling Practice and Policy - Perspectives from WIPO' in A Krattiger, et al. (eds.) *Intellectual Property Management in Health and Agricultural Innovation: A Handbook of Best Practices* (MIHR: Oxford, United Kingdom and PIPRA: Davis, United States, 2007), page 230.

⁵³ E Pisani and C Abou Zahr, 'Sharing Health Data: Good Intentions Are Not Enough' (2010) 88 *Bulletin of the World Health Organization* pp. 462 to 466.

⁵⁴ National Institutes of Health (NIH), Notice: Final NIH Statement on Sharing Research Data, NOT-OD-03-032 (26 February 2003).

⁵⁵ 'The Approach of the Wellcome Trust in Managing Intellectual Property to Maximize Public Health Benefit', available online at: <http://www.wellcome.ac.uk/About-us/Policy/Policy-and-position-statements/WTX037150.htm> accessed 23 September 2011.

⁵⁶ JA Singh and AS Daar, Intra-Consortium Data Sharing in Multi-National, Multi-Institutional Genomic Studies: Gaps and Guidance (2009) 3 *Hugo Journal* 11, page 12.

⁵⁷ M Moffat, S Chumbe, R MacLeod, "'Marketing with Metadata": Increasing Exposure and Visibility of Online Content with "Best Practice" Metadata' (2006) available online at: <http://www.icbl.hw.ac.uk/perx/advocacy/exposingmetadata.htm> accessed 6 June 2011.

⁵⁸ WIPO (note 7), page 194.

requires the submission for approval of clinical trials by investigators to include a report on clinical findings.⁵⁹ The use of metadata records may be problematic in such circumstances.

IPR management strategy that permits continued research

A recommendation that has been put forward in this regard is that licensing should be carried out in a manner that permits continued research and avoids logjams, undue royalty stacking and anti-commons problems.⁶⁰ One way of incorporating this strategy is to use the patent pools approach, which can address some issues of access to patented upstream technology and its possible applications to biomedical research.⁶¹

A more systematic approach, one that can ensure collaborative research and open dissemination of upstream research findings, has also been suggested. This approach entails promoting 'strategic partnerships with other public institutions, public-private partnerships, and open collaborative mechanisms.'⁶² The possibility of South Africa's legislation being capable of promoting such a systematic approach is not easy to assess at this embryonic stage of the Act's existence. It is simply a question of time, since the relevant provisions need to be tested in their ability to create/support such collaborative initiatives.

IV. THE APPROACH TO THE ISSUES IN THE SOUTH AFRICAN IPR ACT AND LESSONS FOR POLICYMAKERS AND RESEARCHERS

Although South Africa's IPR Act uses Bayh-Dole-style legislation, an attempt has been made to include a number of safeguards to avert the possible undesired consequences that have been experienced in the United States.⁶³ These safeguards and the strategic approach in the South African Act offer a number of lessons for other jurisdictions.

Inclusion of government walk-in rights

These rights are enshrined in Sections 2(g) and 11(1) of the Act. Section 2(g) provides that 'where necessary, the State may use the results of publicly financed research and development and the attendant intellectual property in the interest of the people of the Republic.' Section 11(1) contains a number of safeguards and provides very broad powers to the state. It provides that:

The recipient [of public funds] determines the nature and conditions of intellectual property transactions relating to any intellectual property held by it, but must take into account the following:

- (a) Preference must be given to non-exclusive licensing;

⁵⁹ The South African Medicines Control Council, Guidelines and Forms, available online at: http://www.mccza.com/dynamism/default_dynamic.asp?grpID=30&doc=dynamic_generated_page.asp&categID=177&groupID=30 accessed 19 September 2011.

⁶⁰ SA Merrill and A Mazza (eds.) *Reaping the Benefits of Genomic and Proteomic Research: Intellectual Property Rights, Innovation, and Public Health* (National Academies Press 2006) page 8.

⁶¹ *ibid.*, page 15.

⁶² Taubman and Ghafele (note 52), page 237.

⁶³ For a discussion of these consequences, see BN Sampat, 'Lessons from Bayh-Dole' (December 2010) 468 *Nature* 755.

...

(c) Preference must be given to parties that seek to use the intellectual property in ways that provide optimal benefits to the economy and quality of life of the people of the Republic;

...

(e) Each intellectual property transaction must provide the State with an irrevocable and royalty free licence authorising the State to use or have the intellectual property used throughout the world for the health, security and emergency needs of the Republic;

...

The focus on health research in the above paragraphs of Section 11(1) is commendable. These provisions can be used to address the current concerns about clinical research data sharing and product development. They also represent a good way of linking IP protection with other sectors of the economy such as public health needs, fair trading and competition. As aforementioned, preference for non-exclusive licensing is notably helpful for complying with Article 7 of the TRIPS agreement.

A serious concern that has been raised is that the legislation appears ‘backward looking’ insofar as it does not take into consideration the current approach in a 21st century networked society that focusses more on open and collaborative innovation models.⁶⁴

Inclusion of benefit-sharing provisions

Section 10(1) and (2) specifies how benefits from intellectual property rights should be shared with the inventors and their heirs:

(1) Intellectual property creators at an institution and their heirs are granted a specific right to a portion of the revenues that accrue to the institution from their intellectual property in terms of this Act until such right expires.

(2) Intellectual property creators at an institution and their heirs are entitled to the following benefit-sharing:

(a) at least 20 per cent of the revenues accruing to the institution from such intellectual property for the first one million rand of revenues, or such higher amount as the Minister may prescribe; and

(b) thereafter, at least 30 per cent of the net revenues accruing to the institution from such intellectual property.

The benefit-sharing provision is in line with a policy that requires that ‘inventors working in public research institutions are, in all circumstances (public or private financing),

⁶⁴ Eve Gray, note 18, pp. 22 to 23.

entitled to benefit-sharing arrangements if their IP secured in patents provides economic benefits to their institution or to a client of the institution.⁶⁵

A glaring omission in the above provision is benefit sharing with the community where research leading to the invention was conducted. This essentially raises the issue of how social dividends can be delivered to poor South African communities in general and, more particularly, to those who may have participated in the research in question.

Section 10(5) does leave institutions free to distribute the balance of revenues generated by intellectual property as they deem fit, though it seems to oblige the institutions to apportion part of their funding to more *R & D*, the operations of the office of technology transfer, and statutory protection of intellectual property. It would have been more commendable if benefit sharing with the participating communities was expressly provided for under this section. Another alternative, proposed by Nugent and Keusch, which could work well in South Africa, is formulating provisions on social dividends into licensing agreements.⁶⁶ This alternative can only work if institutional technology transfer offices are conscientious in ensuring that it is used.

Indirect incorporation of foreign IP standards

The definition of intellectual property in Section 1 of the Act is so broad that it indirectly incorporates foreign IP standards into South African IP law. It provides that 'intellectual property' means any:

[C]reation of the mind that is capable of being protected by law from use by any other person, whether in terms of South African law or *foreign intellectual property law*, and includes any rights in such creation, but excludes copyrighted works such as a thesis, dissertation, article, handbook or any other publication which, in the ordinary course of business, is associated with conventional academic work; (emphasis added)

This approach is in stark contrast to the resistance that most countries, including South Africa, have displayed towards the harmonization of IP legislations.

Unintended introduction of a two-edged sword in regulating research

The IPR Act generally gives inventors some freedom to decide whether or not to protect their inventions. This is clear from the wording of Section 4 of the Act. Two subsections are, however, a cause for concern. Subsection 2 provides that:

A recipient that prefers not to retain ownership in its intellectual property or not to obtain statutory protection for the intellectual property must:

- (a) make the choice in accordance with the regulations and any guidelines published by [the National Intellectual Property Management Office] NIPMO by notice in the Gazette; and

⁶⁵ Department of Science and Technology, note 2, paragraph 8.13.

⁶⁶ Nugent and Keusch, note 33, page 161.

(b) within the period set out in section 5(1) (e), notify NIPMO of the decision and the reasons therefore.

This provision could conceivably be invoked in order to interfere with a properly negotiated consortium agreement on data sharing and protection of intellectual property rights that accrue from a project. This becomes evident when the subsection is read together with subsection 3, which provides that:

NIPMO may, within the prescribed period, after considering the reasons provided by the recipient in terms of subsection (2)(b), and any prejudice that may be suffered by the State if no statutory protection for the intellectual property is obtained, acquire ownership in the intellectual property and, where applicable, obtain statutory protection for the intellectual property.

The two subsections can be viewed to be a two-edged sword, facilitating research while at the same time contradicting and negating the current exception for experimental/non-commercial use protected under South African law. This essentially means that PFRIs will require licences for follow-on research.

V. CONCLUSIONS

The analysis of South Africa's legislative intervention on the management of intellectual property rights from PFRIs provides positive lessons to be learnt, while at the same time showcasing definite weaknesses that would benefit from improvement.

On a positive note, the preference for non-exclusive licensing and emphasis on licensing preference being given to parties who can provide optimal benefits to the economy and quality of life to the people is highly commendable. The manner in which South Africa has included government walk-in rights to safeguard public interest in health research can also be replicated in countries that are considering a similar framework.

The main weakness in the legislative intervention is the failure to provide an appropriate strategy for addressing some concerns, such as the position of institutions with weaker bargaining power in accessing data from PFRIs. In this regard, South Africa should have heeded the call by critics of the Bayh-Dole Act and avoided repeating the mistake of creating barriers to the development of products for the poor. This weakness is equally evident in the manner in which the Act has failed to provide for benefit sharing with the participating communities or groups. South Africa equally needs to reconsider its approach to its legislation with regard to the indirect incorporation of foreign IP standards and the unintended introduction of the need of PFRIs requiring licences for follow-on research, particularly if they choose to commercialize their research output.

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7 REGULATION OF INTERNET SERVICE PROVIDER LIABILITY: DOES IT REALLY WORK? LITHUANIAN LEGISLATION AND COURT PRACTICE

* Dr Kristina Janušauskaitė

ABSTRACT

In January 2011 the EU Commission presented its report, which assessed for the first time the implementation of the EU Enforcement Directive. One of the major issues signalled by the Commission was the specific challenges of the digital environment, including the liability of Internet Service Providers in cases of infringement of intellectual property rights on the Internet. In the European Union, the concept of such a liability has been embodied in the Directive on Electronic Commerce, the Enforcement Directive and other EU legislative tools. However, the implementation of the rules – to effectively tackle infringements of IP rights on the Internet – was left to the discretion of national legislators of the Member States. This article focusses on the regulation of ISP liability under the legislation of one of the new EU Member States – Lithuania. This will highlight the provisions established in the EU Directives regarding ISP liability and the implementation of such provisions by Lithuania: whether these provisions (namely, injunctions against intermediaries) work in practice and what changes can be expected in view of the Commission's assessment. In addition, the 'gold standard' of enforcement of IP rights, as provided for in the Anti-Counterfeiting Trade Agreement (ACTA), namely in its section on enforcement of IP rights in the digital environment, will be considered.

Keywords: *IP enforcement, EU Directives, intermediaries, Internet Service Providers, injunctions, commercial scale.*

I. INTRODUCTION

On 11 January 2011 the EU Commission ('the Commission') presented its report ('the Report' or 'the Commission's Report')¹ to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the application of Directive 2004/48/EC of the European Parliament and the Council of 29 April 2004 on the enforcement of intellectual property rights ('the Directive' or 'the Enforcement Directive').² The Report was the first assessment of the implementation of the Directive and its impact on the

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¹ European Commission, 'Commission Staff Working Document: Analysis of the Application of Directive 2004/48/EC of the European Parliament and the Council of 29 April 2004 on the enforcement of intellectual property rights in the Member States Accompanying document to the Report from the Commission to the Council, the European Parliament and the European Social Committee on the application of Directive 2004/48/EC of the European Parliament and the Council of 29 April 2004 on the enforcement of intellectual property rights', [2010] COM(2010) 779 final, 2010.

² Directive 2004/48/EC of the European Parliament and of the Council of 29 April, 2004, on the enforcement of intellectual property rights [2004] OJ L 195, 2.6.2004, pp. 16 to 25 (note: to be implemented by 29 April 2006 (Article 20 of the Directive)).

enforcement of intellectual property in Europe, and was prepared on the basis of the answers and observations provided by EU Member States.³

The Enforcement Directive largely incorporated civil law measures under the Agreement on Trade-Related Intellectual Property Rights (TRIPS) into the EU legal framework. However, the Directive's provisions in many cases go beyond the minimum provisions laid down in the TRIPS Agreement; for instance alternative measures, asset-freezing injunction, market recall, lump-sum as a form of damages, and publication of judicial decisions are covered.⁴ Furthermore, the Directive was based on the practices enshrined in the legislation of Member States that proved to be most effective before its adoption (the so-called 'best practices approach'). Moreover, Member States could likewise add sanctions and remedies that were more favourable to IP right holders.⁵ The Directive provided a minimum but relatively flexible legal framework for enforcing IP rights.

One of the major issues mentioned by the Commission in the Report is the specific challenge of the digital environment. These challenges refer mainly to challenges relating to Internet Service Providers (ISPs) and their liability in cases of infringement of IP rights on the Internet. In other words, the Commission noted that more efforts should be conducted in order to establish a system of application of ISP liability to function more effectively in practice. The Commission specifically pointed out that many websites were still either hosting or facilitating the online distribution of protected works without the consent of right holders, and called for a clearer assessment of the limitations of the existing legal framework.⁶

Although the Directive has enhanced the effectiveness of IP enforcement, the Commission noted that it was not designed to address the challenges posed by the Internet. The Commission additionally pointed out that clarification was needed concerning the use of provisional and precautionary measures, such as injunctions, procedures of gathering and preservation of evidence (including the relationship between the right of information and protection of privacy), the meaning of various corrective measures, etc.⁷

It was justly observed that Member States have rarely taken up the optional provisions of the Directive, which could potentially lead to different outcomes in terms of enforcement tools at the national level. It was noted in the Report that cases of Member States adopting rules more favourable to right holders than those provided by the Directive were rare.⁸ Such observations can be found in the context of the proposed Anti-Counterfeiting Trade Agreement (ACTA) regarding ISP liability in the digital environment, namely Chapter 2, Section 5 of ACTA, which, among others, embodies the provision regarding disclosure of information of a subscriber, whose account was allegedly used for an infringement.

From a policy point of view, the Report encourages the examination of national legislation and court practice where ISP liability is concerned. It is important to assess what else is to be done in order to enhance the effective enforcement of intellectual property when infringements are increasingly committed in the digital environment.

³ *supra* 1.

⁴ The Enforcement Directive, Article 12, Article 11, Article 10(1)(a), Article 13(1)(b), Article 15, respectively.

⁵ *ibid.*, Article 2(1).

⁶ *supra* 1, pp. 4 to 5, paragraphs 1 and 3.1.

⁷ *ibid.*, page 6, paragraphs 3.2, 3.3.

⁸ *ibid.*, pp. 8 to 9, paragraph 3.7.

In reality, the implementation of the provision on injunctions against intermediaries is becoming crucial due to the widespread use of Internet services, the growth of information technology services and the increasing number of IP rights-infringing content on the Internet (which is not an exception for the Baltic States, including Lithuania). Considering the preventive role of the injunctions, local and foreign intermediaries need to be aware of this provision and take all possible technical and administrative precautionary measures to control the content of services which are provided by them and used by third parties for infringements. This is of particular importance, as mentioned by the Commission, since the current legislative and non-legislative instruments are not powerful enough to combat online IP infringements effectively. It was additionally observed that the favourable position of intermediaries to contribute to the prevention and termination of online infringements should be explored more closely.⁹

This article thus analyses the manner in which the liability of intermediaries, especially ISPs, is regulated in one of the new EU Member States¹⁰ – Lithuania. Further, the EU directives (addressing ISP liability) which were implemented in Lithuania by amending its IP legislation will be examined. Moreover, the aspects of practical applicability of such liability will be discussed: firstly, the workability of injunctions against intermediaries on a national level; and, secondly, the interpretation of the term 'commercial activity' in the digital environment in view of civil, administrative and criminal liability of ISPs under Lithuanian legislation and court practice.

II. LIABILITY OF INTERNET SERVICE PROVIDERS UNDER EU LEGISLATION

Injunctions against intermediaries are generally considered within the sphere of their liability in cases of infringing content online downloaded by third parties. Following the practice of the European Court of Justice, the term 'intermediaries' can be described as operators of electronic communications networks and services, providers of access to telecommunications networks and providers of data storage services, etc.¹¹ Under Lithuanian Copyright Law, an intermediary is a natural or legal person, including a branch or an affiliate of a foreign legal person, registered in Lithuania that provides network services consisting of the transmission of information submitted by third parties in a network or providing the possibility to use a network and/or store the submitted information.¹²

By virtue of Articles 12-15 of the Directive on Electronic Commerce¹³, intermediaries are not generally liable for IP infringements online, except in the cases where they:

⁹ *supra*, page 7, paragraph 3.3. Note: generally, the Commission seems to call for more mutual cooperation among state institutions, private stakeholders and intermediaries.

¹⁰ Lithuania enjoys the status of EU Member State since 1 May 2004, together with Latvia, Estonia, Slovenia, the Slovak Republic, the Czech Republic, Poland, Malta, Cyprus, and Hungary. Notably, the accession into the EU process started in 1998 in the Baltic countries. Since then, IP laws have been approximated with the EU legislation in Lithuania, Latvia and Estonia.

¹¹ Case No. C-275/06, *Productores de Música de España (Promusicae) v. Telefónica de España S.A.U.* [2008] ECR I-271.

¹² Article 78 paragraph 2, Lithuanian Copyright Law.

¹³ Directive 2000/31/EC of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (Directive on electronic commerce) [2000] OJ L 178, 17 July 2000, 1.

- (a) Initiate the transmission;
- (b) select the receiver of the transmission;
- (c) select or modify the information contained in the transmission; or
- (d) are aware of the infringing content on their websites, networks or servers, including infringing copies or references.

Thus, the burden of proof for liability of intermediaries is based on their culpability (intent or gross negligence) in order for damages to be awarded. Notably, the Commission mentioned in its Report that it would be useful to clarify that injunctions do not depend on the liability of intermediaries in order to enhance the efficiency of injunctions.¹⁴

Although the general obligation to monitor content online is not established in the Directive on Electronic Commerce¹⁵, intermediaries can be requested to control the content of interested parties (IP right holders) and inform them accordingly.¹⁶ While there are no specific provisions which establish such a duty in Member States' national legislation, requests from IP right holders may be considered, in view of the requirements to observe personal data protection and confidentiality of information, while assessing the evidence regarding IP rights infringements and ordering injunctions against intermediaries by the courts.

On the other hand, the Enforcement Directive does not directly regulate the liability of ISPs. As will be further discussed in the paper, the Enforcement Directive addresses the liability of intermediaries in a few provisions relating to injunctions. Notably, both Directives were fully or partially implemented by EU Member States.

As mentioned above, Article 91(a) and Article 11 of the Enforcement Directive embody the possibility for national courts to order interlocutory injunctions as well as permanent injunctions against intermediaries. The aspects of the practical application of such provisions are established in European Court of Justice practice.¹⁷ Importantly, permanent injunctions against intermediaries are to be applied without prejudice to Article 8 paragraph 3 of the Copyright Directive¹⁸, which establishes that Member States are required to ensure that right holders are in a position to apply for an injunction against intermediaries, whose services are used by a third party to infringe copyright or related rights. As discussed above, ISP liability is limited, and Member States have to observe this requirement while amending their legislation.

¹⁴ *supra* 1, page 8, paragraph 3.3.

¹⁵ Case No. C-275/06, *Productores de Música de España (Promusicae) v. Telefónica de España S.A.U.* [2008] ECR I-271, paragraphs 50 to 71.

¹⁶ For instance, mutual cooperation was established in the Memorandum of Understanding signed by the IT companies and IPR holder associations in Lithuania in 2003. It can be also agreed with the opinion that notice and take-down procedures should be taken as a ground to release host providers from liability, except the cases of intent or gross negligence. See: W Osthau 'Fighting Piracy and Counterfeiting in the Light of the European Principles of eCommerce – The eBay Strategy and Experience' *GRUR Int.*, 2007, pp. 644 to 648.

¹⁷ Case No. C-275/06, *Productores de Música de España (Promusicae) v. Telefónica de España S.A.U.* [2008] ECR I-271, paragraph 34.

¹⁸ Directive 2001/29/EC of the European Parliament and of the Council of 22 May, 2001 on the harmonization of certain aspects of copyright and related rights in the information society [2000] OJ 2001, L 167/10.

It should be noted that court practice relating to the liability of ISPs, particularly with regard to the granting of injunctions, varies in each country. The European Court of Justice also plays an important role in forming court practice in this regard. In a recent case, it decided the liability of online market-place operators, such as eBay, for trademark infringements committed by users; the injunctions which may be granted against such operators¹⁹, and touched on the necessity of increasing ISP liability in this regard.

In the *L'Oréal v. eBay* case, the Court held that the operator had played such an active role as to give it knowledge of the data or control thereof relating to the offers for sale, when it provided assistance which entailed, in particular, optimizing the presentation of the online offers for sale or promoting those offers. When the operator plays an 'active role' of this kind, it cannot rely on the exemption from liability which EU law confers on online service providers such as operators of Internet marketplaces, pursuant to Article 14 of the Directive on Electronic Commerce. Moreover, the European Court of Justice stated that EU law requires Member States to ensure that national courts are able to order operators to take effective, proportionate, and dissuasive measures against such breaches.²⁰

III. THE LIABILITY OF INTERNET SERVICE PROVIDERS UNDER LITHUANIAN LEGISLATION AND PRACTICE

A. INJUNCTIONS AGAINST INTERMEDIARIES: DO THEY REALLY WORK?

Pursuant to Article 9 paragraph 1(a) and Article 11 of the Enforcement Directive, national courts are entitled to order interlocutory injunctions as well as permanent injunctions against intermediaries. According to the Directive, interlocutory injunctions can be ordered against intermediaries, whose services are being used by a third party to infringe IP rights, particularly in cases where a third party's act infringes copyright or related rights covered by the Copyright Directive. As regards permanent injunctions and in view of the previous discussion herein, national legislators should ensure that right holders are in a position to apply for an injunction against intermediaries, whose services are used by a third party to infringe intellectual property, without prejudice to Article 8(3) of the Copyright Directive.

The provisions on injunctions against intermediaries had been already embodied in Lithuanian Copyright Law prior to the implementation of the Enforcement Directive, having been transposed from the Copyright Directive of 2003. The national provisions on injunctions were, however, omitted in Lithuanian laws on industrial property which were amended in 2006. Article 78(1) of the current Lithuanian Copyright Law states that owners of copyright, related rights and *sui generis* rights (i.e. the rights of database owners) shall have the right to apply for an injunction against an intermediary with the aim of prohibiting him from rendering services in a network to third parties, who make use of these services infringing their established rights. The same provisions are embodied in the Lithuanian laws on industrial property.²¹ Similarly,

¹⁹ Case C-324/09, *L'Oréal v. eBay* [2011] ECJ, paragraph 131.

²⁰ *ibid*, paragraph 144.

²¹ Article 41(4) of the Patent Law, Article 50(4) of the Trademark Law, and Article 47(4) of the Design Law of Lithuania.

the implementing Latvian and Estonian (other two Baltic countries') legislation also constitutes a right to request an injunction against intermediaries.²²

In Lithuania, the courts can order three types of permanent injunctions against intermediaries that provide services to third parties infringing IP rights:

- (1) The suspension of transmission of information related to the infringement of the rights;
- (2) the elimination of such information if an intermediary has technical means to carry this out; and
- (3) the removal of the access to information infringing the rights, as stipulated in the national laws on intellectual property.²³

In addition, courts can apply an interlocutory injunction to this effect. Injunctions can be ordered at the request of an interested party who is required to provide any known information concerning the intermediary's networks, websites, and servers containing infringing content. Moreover, for interlocutory injunctions, the court can request an IP right holder to provide 'any reasonably available evidence in order to satisfy itself with a sufficient degree of certainty' that he or a person, for whose interests application for provisional measures is requested, is the owner or user of the rights protected and that the applicant's right is being infringed, or that such infringement is imminent.²⁴

By analysing national legislation on injunctions against intermediaries, it can be discerned that the practical application of such injunctions can be complicated for two reasons. Firstly, the difficulties that can arise in collecting 'reasonably available evidence' concerning the allegedly infringing content online. As the information in intermediaries' networks, websites or servers can be temporary, the right holders need to maintain certain systems to regularly control and collect evidence which can be a time-consuming exercise not directly related to their primary activities. It is presumed that applications to order injunctions to intermediaries can mainly follow the fact. When IP right holders detect a substantial amount of evidence of infringing content online, they should collect (print in hard copies, maintain those hard copies, etc.) evidence regarding such content, and promptly submit a request for an injunction to the court, be it interlocutory or permanent.

Similarly, right holders may also need to preserve collected evidence. Measures for preserving evidence were harmonized by the Enforcement Directive²⁵ and implemented in Lithuania. Article 81(5) of the Lithuanian Copyright Law provides that the court may apply measures to preserve relevant evidence in respect of the alleged infringement on application by

²² Article 250(10)(3)(3) of the Latvian Civil Procedural Code (provisional injunction) and Article 250(17)(3)(3) of the Civil Procedural Code (permanent injunction); also Article 69(1)(7) of the Latvian Copyright Law provides for the right to request intermediaries to cease providing services to third parties who infringe the relevant IP rights. If such request is not complied with, the claimant may bring an action against the intermediary. In Estonia, however, the law does not *expressis verbis* contain such provision, but the court may take any measure considered necessary by the court to secure an action, as provided in the Estonian Civil Procedural Code.

²³ Article 78(1) of the Lithuanian Copyright Law,

²⁴ *ibid.*, Article 81(4).

²⁵ Article 7 of the Enforcement Directive.

a party who has presented reasonably available evidence to support his claims that his protected rights have been infringed or are about to be infringed.

Secondly, owing to the practical difficulties in collecting 'evidence which would satisfy in itself the court with a sufficient degree of certainty about the infringement', it is practically impossible to form national court practice on the issue which is the least adjudicated on in Lithuania (there has been no case heard on the matter regarding ISP liability). In the absence of such court practice, it is difficult to anticipate how local courts would examine the information concerning the alleged infringements, which is provided in the form of, for instance, printed emails or lists regarding peer-to-peer files, or any other infringing content downloaded on File Transfer Protocol (FTP) servers. This is pertinent in ascertaining what their view would be as to the reliability of such evidence. Besides, the collection and preservation of evidence can become complex when this occurs in foreign jurisdictions and when the court may be pursued of granting a cross-border. This issue has not been addressed in the national legislation.²⁶

B. 'COMMERCIAL ACTIVITY' ONLINE: ANTICIPATED ISSUES IN VIEW OF LITHUANIAN LEGISLATION AND COURT PRACTICE

In the *L'Oreal v. eBay* case, the European Court of Justice stated that the proprietor of a trademark may rely on his or her exclusive right against an individual who sells trademarked goods online, when those sales take place 'in the context of a commercial activity'. Whether the activity goes beyond the realm of private sale and becomes commercial, is to be decided on the grounds of 'the volume and frequency of sales'. However, following the Enforcement Directive and the European Court of Justice's position, it is left to the discretion of national courts to clarify whether an online activity forms a 'commercial activity' or not on a case-by-case basis. It should likewise be noted that, as stated by the Commission in its Report, the term 'commercial scale' (defined in Recital 14 of the Enforcement Directive) was vague when it came to the practical application in the Member States.²⁷ The practical application of the term 'commercial activity' can certainly become more complex when it reaches the digital environment.

As far as IP legislative provisions in Lithuania are concerned, the implementing amendments to the Lithuanian Copyright Law in 2006, namely, the introduction of Article 2(17), literally embodied the term 'acts carried out on a commercial scale', as defined in Recital 14 of the Enforcement Directive²⁸ (the term 'commercial purposes' is used instead). The new amendment solves the question of the interpretation of the very term at the legislative level. Importantly, Article 73 of the amended Copyright Law does not link an infringement of copyright, related rights and *sui generis* rights to commercial purposes, by leaving the broad reference 'the acts which infringe any copyright, related rights and *sui generis* rights, protected by this Law and other laws, shall be deemed to be the infringement of copyright, related rights and *sui generis* rights'. Nor is this done in the industrial property legislation of Lithuania. Practically, it means that for an infringer to be liable under IP laws in Lithuania, commercial purposes in his or her activities do not count. In turn, whether an infringer infringes IP rights with commercial aims or just for private motives is irrelevant while applying liability to ISPs as

²⁶ This issue has been indirectly mentioned by the Commission in its Report - *supra* 1, page 5, paragraph 3.1.

²⁷ *supra* 1, page 9, paragraph 3.7.

²⁸ Recital 14 of the Enforcement Directive: '... Acts carried out on a commercial scale are those carried out for direct or indirect economic or commercial advantage; this would normally exclude acts carried out by end-consumers acting in good faith'.

established in Article 76(1) of the Lithuanian Copyright Law, although commercial purposes in an infringer's activities can be held as constituting aggravating circumstances when deciding on damages.

However, the issue of committing infringements on IP rights for 'commercial purposes' on the Internet can arise when it comes to administrative and criminal liability. Administrative and criminal liabilities for violations of IP rights in Lithuania are defined respectively by the Code of Administrative Offences and the Criminal Code. In Lithuania, administrative liability for infringements of copyright and related rights is defined in Article 214¹⁰ of the Code of Administrative Offences²⁹, whereas criminal liability is established for both criminal offences regarding moral (applicable to authors only) and economic rights defined in the legislation on IP rights in the current Lithuanian Criminal Code.³⁰ Infringers can be held criminally liable for:

- (1) Appropriation of authorship (Article 191);
- (2) illegal reproduction of literature, scientific, art work or the subject of the related rights and distribution, carriage and storage of illegal copies (Article 192);
- (3) destruction or damage of copyright and related rights management information (Article 193);
- (4) illegal removal of copyright and related rights technical protection measures (Article 194); and
- (5) infringement of industrial property rights (Article 195).

Article 191 establishes criminal liability regarding infringements of moral rights, and the rest of the listed articles of the Criminal Code for economic rights (as they are embodied in the national IP laws). In what concerns criminal court practice in relation to the infringement of IP rights, criminal liability for infringements of economic rights of the copyright and related rights holders, Article 192 of the Lithuanian Criminal Code is mostly relevant. It stipulates that criminal liability is established:

... for the illegal reproduction of literary, scientific, artistic works (including computer programs and databases), as well as for the subject matter of the related rights, or a part thereof, for commercial purposes, or distribution, carriage or storage of illegal copies thereof for commercial purposes, provided that the amount of such copies calculated on the basis of the retail price of legal copies (and, in cases when there are no such legal copies, on the basis of the original work which was reproduced) is more than 100 minimum living standards (MLS).³¹

Article 192(2) states that in cases where the number of illegal copies is worth more than 250 MLS, the more severe sanction should be imposed on the infringer.

²⁹ Administrative liability was enshrined in the 1985 Lithuanian Soviet Code of Administrative Offences. Due to adoption of the new IP legislation in Lithuania, the article was amended several times in 1996, 1998 and 2002.

³⁰ Lithuanian Criminal Code (in force from 25 October 2000). Before 2000, the 1961 Soviet Criminal Code, which also established criminal liability for copyright infringements, was in force.

³¹ Minimum living standard is 130 Litas (ca 38 Euro) in Lithuania (2011 data).

Conversely, similar illegal acts can be punished as an administrative infringement. Article 214¹⁰ of the Code of Administrative Offences of Lithuania constitutes administrative liability:

[F]or the illegal reproduction, distribution, public performance, any other use in any way and with any means of literary, scientific or artistic works (including computer programs and databases), as well as the subject-matter of the related rights, or a part thereof, for non-commercial purposes, as well as the distribution, carriage or storage of them for commercial purposes.

It can be observed that the provisions on administrative liability cover use of the protected objects in both material (reproduction, public distribution, including rent) and immaterial form (public performance, communication to the public, including the making available right³²), whereas criminal liability protects against material use only (thus ISPs are beyond the scope of criminal liability). However, under the administrative procedure communication to the public, including making available of the infringing content, is punishable when acts are committed for non-commercial purposes. In turn, that implies that ISPs (which are, in fact, companies making a profit from providing certain online services) will not be held liable for making available copyrightable copies on the Internet without the permission of copyright owners.

Such legislative inaccuracy stipulates that infringements committed by digital means, e.g. infringing peer-to-peer file sharing or keeping illegal content on FTP servers, are not punishable in Lithuania pursuant to the current administrative and criminal liability provisions in force. It can be agreed that the criminal provisions are to be interpreted narrowly and for this reason the courts cannot find criminal liability for infringing acts that are not clearly listed in the Criminal Code. It is evident that, without making further amendments to the existing criminal legislation on IP crimes, legal uncertainty remains.

When referring to the objective elements of IP crimes pursuant to Article 192 of the Lithuanian Criminal Code in view of ISP liability, an additional feature to examine is criminal liability for the distribution, carriage or storage of illegal copies. This can be applied only when the amount is worth more than 100 MLS and when 'commercial purposes' are established with regard to the infringer's acts. Despite previous legislative amendments, no such requirement of a 'certain amount of illegal copies' is applied to illegal reproduction. Notably, the distinction between administrative and criminal liability on this point (regarding illegal reproduction) concerns the subjective criteria – the 'commercial purposes' involved in the infringing activities.

The use of the terms 'commercial scale' or 'commercial purposes' in national legislation is not common practice in other European countries. No such terms are used in German or French IP criminal legislation for instance. On the other hand, in the United Kingdom it is

³² According to Article 2(30) of the Lithuanian Copyright Law: "'Communication to the public" means the transmission to the public of a work, by wire or wireless means, including the making available to the public of the work in such a way that members of the public may access it from a place and at a time individually chosen by them. ...'.

stipulated that the defendant must have benefited from his general criminal conduct; it is also established that the relevant benefit must be worth at least UK£5,000.³³

The interpretation and practical application of the term was and still is especially relevant for the initiation of administrative and criminal cases. Specifically, in order to find administrative liability for infringements of copyright and related rights pursuant to Article 214¹⁰ of the Lithuanian Code of Administrative Offences, non-commercial acts are sufficient for the illegal reproduction of the protectable subject matter. However, for illegal distribution, carriage or storage, commercial purposes are required. In contrast, Article 192 of the Criminal Code requires commercial purposes to be established 'for any of the listed illegal activities, except the reproduction of illegal copies'. Considering the complexity of both articles, the imposition of the requirement of commercial purposes for some illegal activities, but not for others, brings confusion into actual practice. Moreover, regarding infringements on the Internet, the confusion can become more prominent, since the national legislator did not include cases of making available of illegal copies by digital means – relevant to current IP enforcement.³⁴

The requirement of 'commercial purposes' with regard to infringements of IP rights has been repeatedly pointed out in the Lithuanian Supreme Court's decisions. In one of its recent decisions on the illegal reproduction and use of copyrightable software, the Court stressed that the mere fact of reproduction of software by a company did not automatically constitute commercial advantage or gained profits. According to the same decision, national courts should consider all relevant factors such as the type of software products in use, in order to establish commercial activities on the part of the accused person. For example, if the company's main activities focus on the reproduction of foodstuff and illegal graphical software application is found to be installed on the company's computers, it should be considered that such software was not used for commercial purposes.³⁵

As opposed to previous judgements relating to the interpretation of 'commercial purposes' (as 'direct or indirect economic or commercial advantage, excluding acts by end consumers acting in good faith'), and to the local legal doctrine³⁶, the Supreme Court narrowed the interpretation of the term by limiting it to those cases of use of copyrightable objects where 'direct economic profit' is gained from mere use. Thus, as concluded by the Supreme Court, the fact of using illegal copyrightable software in a company does not automatically lead to a finding of 'commercial purposes'. It should be considered whether or not profit was gained by the company by using each copy of infringing software. The judgement is very much relevant for the future enforcement of IP rights, namely for criminal IP cases, and could change the criminal enforcement of the IP rights 'landscape'. In order to initiate a criminal IP case under Article 192 of the Lithuanian Criminal Code, police and prosecutors will need to clearly examine and list in procedural documents only those works which are used in direct commercial

³³ L and M Blakeney, 'Counterfeiting and Piracy – Removing the Incentives through Confiscation': E.I.P.R. 30(9) (Sweet & Maxwell Ltd London 2008), page 351.

³⁴ *supra* 1, page 5, paragraph 3.1.

³⁵ Criminal Case No. 2K-7-201/2008, *T.K., UAB Tadetas*, Expanded Board of Seven Judges of the Supreme Court of Lithuania.

³⁶ 'Commercial purposes' are to be interpreted in their wider context, i.e. not exclusively in relation to the acts from which a direct economic benefit is gained, but also as regards the acts from which economic benefit is gained indirectly, as interpreted in G Ivoška, 'Crimes Against Intellectual and Industrial Property' *Commentary of the Criminal Code of the Republic of Lithuania, Special Part*. (1st edn, Vilnius: Valstybės įmonė Registrų centras 2009) pp. 395 to 415.

activities by the company, something not always easy to prove. It will be even more difficult to prove this fact, in particular to collect evidence, when an infringement takes place online. For this reason, ISP liability remains ineffective.

IV. CONCLUSION

In its Report, the EU Commission noted that more efforts should be made to tackle infringements of IP rights in the digital environment. It is down to Member States to decide the extent to which the provisions of the Directive on Electronic Commerce and the Enforcement Directive (considering the aims and objectives of these directives) will be taken into account. It should be noted that one of the new EU Member States – Lithuania – has attempted to establish the liability of intermediaries (including that of ISPs) in its legislation insofar as the limited liability concept and other requirements provided in the aforesaid directives are concerned. However, as regards the practical application of such a liability, the modest court practice of ordering injunctions against ISPs has been noted. It is due, first of all, to the novelty of such provisions. The application of the ISP liability-related provisions becomes especially complicated in practice when it comes to the collection and maintenance of evidence which appears in a digital format and is not stable nor easily fixed. Secondly, even though the main legislative provisions are in place, there are still some legislative drawbacks in Lithuania's IP legislation (relating to the administrative and criminal liability of ISPs), which fail to counter Internet piracy effectively and need to be improved, especially in the light of the Commission's Report and ACTA provisions.

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8 NEW RULES ON COLLECTIVE MANAGEMENT OF COPYRIGHT AND RELATED RIGHTS IN SERBIA: WORK IN PROGRESS

*Dr Dusan Popovic

ABSTRACT

Serbian IP law has undergone significant reforms over the last two years. Numerous Acts have been amended or replaced in order to further harmonize Serbian rules on the protection of intellectual property in line with those of the European Union, the World Intellectual Property Organization (WIPO) and the World Trade Organization (WTO). Among these recent reforms the new rules on collective management of copyright and related rights laid down by the Copyright Act 2009 are the most discussed by academics and the general public. The previous 2004 Act presented significant difficulties concerning the collective management of copyright and related rights resulting in some 5000 court proceedings relating to the tariff determined under the Copyright Act. One of the main objectives of the Copyright Act 2009 is to resolve these problems by laying down more detailed rules on the functioning of collective management organizations and the negotiations procedure, in line with the provisions already in force in most European countries. The negotiations between collective management organizations and representative associations of users have become obligatory and the Commission on Copyright and Related Rights is empowered to intervene in the event that an agreement between the negotiating parties is not reached. However, as will be demonstrated in this paper, owing to the ambiguous legal status of the Commission under the 2009 Act, the collective management of copyright and related rights in Serbia could easily result in an impasse again.

Keywords: copyright, related rights, collective management organizations, Serbia, tariff, negotiations

I. INTRODUCTION

Serbian intellectual property law has undergone significant reform over the last two years. Numerous acts have been amended or replaced in order to further harmonize Serbian rules on the protection of intellectual property in line with those of the European Union, WIPO and the WTO. The new acts include the Copyright Act¹, the Trademarks Act², the Act on the Legal Protection of Registered Designs³ and the Integrated Circuit Topography Act⁴, which

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¹ *Official Journal of the Republic of Serbia* No. 104/2009.

² *ibid.*

³ *ibid.*

were adopted in 2009; the Act on Geographical Indications and Designations of Origin⁵, adopted in 2010; and the new Patents Act⁶, which entered into force on 4 January 2012. Furthermore, in October 2010 Serbia became party to the European Patent Convention and in November 2010 to the Singapore Treaty on the Law of Trademarks. The Government has set up specialized units, including a high-tech crime prosecutor, specialized customs, as well as tax, tax police, and police cyber units, aimed at enforcing the legislation in this area and the Intellectual Property Office (IPO) has set up an in-house Education and Information Centre. The newly adopted Strategy for Scientific and Technological Development provides an indirect stimulus to innovative activities, while the national Intellectual Property Strategy is currently under public debate. In its 2010 Progress Report the European Commission concluded that Serbia's preparations in the area of intellectual property remain moderately advanced; further efforts are needed in terms of alignment with the *acquis communautaire*. As regards the enforcement of intellectual property, the European Commission observed that, although progress had been made, better coordination among relevant agencies was required.⁷

Among these recent reforms, the new rules on collective management of copyright and related rights are the most discussed both by academics and the general public. Under the Serbian Copyright Act, owners of copyright or related rights may exercise their rights individually or collectively. In general, private rights are exercised individually and directly or, exceptionally, through a representative. There are, however, certain subjective rights that are more efficiently managed collectively rather than individually, by associating different right owners in order to collectively manage their rights. Such associations/organizations act in the interest and on behalf of the right holders, and represent an important link between the creators and users of copyrighted works (for instance television stations). Individual management of rights is virtually impossible with regard to certain types of use for practical reasons, for instance the authors are unable to monitor all uses of their works, and they cannot contact every single user of their works and negotiate licences and remuneration. In the same way, it would be highly impractical for users of the works to seek permission from every author for the use of every copyrighted work. Therefore the system of collective management of copyright and related rights appeared to be a necessity and has been widely accepted in national legal systems. This is true in Serbia also, although the functioning of the system has shown certain deficiencies in practice. The Copyright Act 2009 aims to eliminate these deficiencies, in particular by establishing a specialized independent body – the Commission on Copyright and Related Rights, within the IPO to act on behalf of the representatives of right holders and users of works, if they fail to reach an agreement on the tariff.

II. COLLECTIVE MANAGEMENT ORGANIZATIONS

In Serbia, only one organization may be entrusted with the collective administration for the same category of right holders. The Collective Management Organization (CMO) selected will be the one whose founders represent the majority of right holders in respect of a certain

⁴ *ibid.*

⁵ *Official Journal of the Republic of Serbia* No. 18/2010.

⁶ The draft text is available at the website of the Serbian Intellectual Property Office: <http://www.zis.gov.rs>

⁷ See European Commission, 'Serbia 2010 Progress Report', *SEC, 1330*, 2010, pp. 35 to 36. Please note that in December 2009 Serbia officially applied for membership in the European Union. In April 2008, Serbia signed the Stabilization and Association Agreement and the Interim (Trade) Agreement with the European Union. The European Commission publishes its Progress Reports annually, thus evaluating the reforms undertaken by Serbia.

category of rights and that fulfils certain organizational, technical and financial conditions to efficiently administer the rights of national and foreign right holders in Serbia and national right holders abroad (e.g. the one with the most contracts on mutual representations with foreign collecting societies).⁸ There are currently three⁹ CMOs in Serbia: the music authors' organization (SOKOJ),¹⁰ the phonograms producers' organization (OFPS),¹¹ and the organization for the collective management of performers' rights (PI).¹²

Any holder of copyright and/or related rights not having concluded a contract with the CMO may notify the organization in writing of his or her intention to exercise the rights individually, except in cases where the Copyright Act prescribes mandatory collective management of rights. With respect to the distribution of remuneration, the CMO shall treat equally the holders of copyright and/or related rights, who have not notified the organization of their intention to exercise their rights individually, and the holders of copyright and/or related rights, who have concluded the contract on representation. Under the Serbian Copyright Act, the collective management of copyright and related rights is mandatory in respect of the following rights:

- The author's right to remuneration for cable rebroadcasting of a copyright protected work (Article 29);¹³
- the author's right to levy (Article 39);¹⁴

⁸ The organization which fulfils the criteria set by the Copyright Act shall obtain the operating licence. Through the operating licence, the organization shall acquire the right to engage in the collective management of copyright and/or related rights for the five-year period.

⁹ In anticipation of the new Copyright Act, a fourth collective management organization was founded. It was Pragus – the organization founded for the collective management of actors' right to remuneration for cable rebroadcasting. Following the adoption of the 2009 Copyright Act, the operating licence delivered to Pragus was withdrawn, since neither the 2004 nor the 2009 Copyright Act prescribed any remuneration paid to performers for communication to the public or broadcasting of their performances fixed in a videogram.

¹⁰ The operating licence had been issued to SOKOJ in 1998, although the organization is active in Serbia (and previously in ex-Yugoslavia) for more than 60 years. For more information on SOKOJ, visit: <http://www.sokoj.rs>

¹¹ OFPS received its operating licence in 2002. For more information on OFPS, visit: www.ofps.org.rs

¹² The operating licence had been issued to PI in 2007. For more information on PI, visit: www.pravainterpretatora.org

¹³ Collective exercise was mandatory under the 2004 Copyright Act as well (see Article 28(6)). The 2009 Copyright Act introduced an exception to the mandatory collective exercise of this right in case of cable rebroadcasting of own broadcasts of broadcasting organizations (see Article 29(3)). The implementation of Article 29(2) of the 2009 Copyright Act prescribing an author's right to remuneration for cable rebroadcasting of a copyright-protected work is postponed until the corresponding collective management organization is founded, and at the latest until the date of the accession of Serbia to the European Union (see Article 220).

¹⁴ The authors of works, which in view of their nature, can be expected to be reproduced for personal non-commercial purposes on sound, picture and text carriers have the right to remuneration paid in case of import and/or sale of technical devices and sound, picture and text carriers, for which it can be assumed that they shall be used for such reproduction. In addition, in case copyright-protected works have been reproduced by means of photocopying or using a similar technique, the author has the right to remuneration from legal or natural persons that provide commercial services of photocopying. Collective

- the author's right to remuneration from the person who lends copies of his/her work, except computer programs, when such lending is a registered activity of that person (Article 40);¹⁵
- the performer's right to remuneration: (i) for broadcasting and rebroadcasting of his/her performance from a published phonogram; (ii) for communication to the public of his/her performance broadcasted from a published phonogram; and (iii) for communication to the public of his/her performance from a published phonogram (Article 117);¹⁶
- the right of the producer of a published phonogram to remuneration: (i) for broadcasting and rebroadcasting of the phonogram; (ii) for communication to the public of the phonogram; (iii) for communication to the public of the phonogram which is being broadcasted (Article 127);¹⁷
- the right of publishers of printed editions to levy (Article 142);¹⁸
- the right of phonogram producers, performers and videogram producers to levy (Article 146).¹⁹

While the Act was under public debate, the provision on 'exclusivity in respect of particular type of works and particular type of exploitation' was criticized by certain influential local competition law specialists, who argued against such legal monopoly. However, the introduction of competition among CMOs would jeopardize the entire system of collective management of copyright and related rights and annul all the advantages arising from the collective management of rights. In a country that is rapidly transforming from a socialist economic model into a liberal capitalistic economy, it is not surprising that there is a strong pro-competition tendency in all areas of economy. Luckily, the arguments in favour of a single CMO in respect of a particular category of works and specific type of exploitation furthered by IP specialists have been accepted by the Government. Such a system is rewarding the creators

exercise of the author's right to levy was mandatory under the 2004 Copyright Act as well (see Article 38). The right to levy has further been regulated by the 2009 Copyright Act, which precisely defined all persons entering the category of levy debtors. Furthermore, under the 2009 Act, levy debtors are under an obligation to respond to each request for information on the type and quantity of devices/carriers imported or sold, as well as to each request for information on the number of photocopies made, presented by the collective management organizations. The Copyright Act prescribes that a levy needs to be 'fair', since levy debtors are not users of copyright protected works and/or subject matter of related rights. The rules on the author's right to levy were modelled upon paragraph 35 of the preamble and Article 5.2(b) of the Directive 2001/29/EC of the European Parliament and of the Council on the harmonization of certain aspects of copyright and related rights in the information society.

¹⁵ Collective exercise was mandatory under the 2004 Copyright Act as well (see Article 39).

¹⁶ Collective exercise was not mandatory under the 2004 Copyright Act (see Articles 114, 115 and 141).

¹⁷ Collective exercise was not mandatory under the 2004 Copyright Act (see Article 125).

¹⁸ The right of publishers of printed editions to levy is introduced by the 2009 Copyright Act, which prescribes identical conditions for the authors' and the publishers' right to levy. The remuneration collected through collective management organization has to be distributed equally to authors and publishers (50 per cent : 50 per cent). The organization for collective management of reprographic rights has not yet been founded.

¹⁹ Collective exercise was mandatory under the 2004 Copyright Act as well (see Articles 143 and 38).

that are more inclined to develop their talents in an environment that provides an efficient system for management of rights.

A CMO is a legal entity that has the status of an association, operating on the whole territory of the country.²⁰ As prescribed in Article 154 of the Copyright Act, a CMO may be founded by the authors and/or owners of copyright or related rights and/or their associations. A Memorandum of Association represents the founding document of the CMO. The organization can perform only the activities related to the collective management of copyright and related rights, enumerated in Article 153 of the Copyright Act:

- (a) [T]he holders of copyright and/or related rights shall license their rights exclusively to the organization, instructing it to conclude contracts on the non-exclusive licensing of such rights, in its own name and on their behalf, with the users of works;
- (b) the holders of copyright and/or related rights shall instruct the organization to collect the remuneration from the users, in its own name and on their behalf;
- (c) the organization will exercise control over the exploitation of the subject matters of protection on its repertoire;
- (d) the organization will protect the rights entrusted to it by the holders of copyright and/or related rights before courts and other authorities;
- (e) upon the request of the organization, any authority responsible for maintaining the record of data that are relevant for determining the amount of remuneration, shall make such data available to the organization.

Aside from these activities, the CMO may perform activities realizing the artistic, professional or social interests of the right holders, and perform specific administrative and technical services in the name and for the account of another organization, on the basis of an agreement concluded in a written form.

The organization is bound to conclude a contract on non-exclusive licensing of the right to exploit the subject matter of protection from its repertoire with each interested user and/or association of users, under equal and appropriate terms. There were situations in the past where a CMO did not offer equal terms to different users of copyright protected works and/or subject matter of related rights; for instance, in 2009 the Serbian Competition Authority (*Komisija za zastitu konkurencije*) initiated ex officio proceedings against the organization of phonogram producers, OFPS, aimed at determining whether the tariff it had applied was an anti-competitive agreement. The tariff prescribed unequal conditions that OFPS would apply when concluding three-year contracts with different cable RTV operators. According to the tariff, more favourable conditions would be offered to operators covering more than 40 per cent of the market. Immediately following the initiation of proceedings before the Competition Authority, OFPS modified its tariff. The Competition Authority suspended the proceedings, provided that the CMO did not repeat the infringement of competition rules within six months following the adoption of the decision on suspension.²¹

²⁰ Under the 2004 Copyright Act, collective management organizations had to be founded in the form of a company and registered within the Serbian Business Registers Agency.

²¹ See the 2009 Report of the Serbian Competition Authority, page 27, available at <http://www.kzk.gov.rs>. The Competition Authority is obliged to publish only the wording of its decisions in the Official Journal of the Republic of Serbia, which makes the website of the Authority the main source of information on competition enforcement. Unfortunately, only rare decisions of the Competition

Each CMO is required to adopt certain acts prescribed by the Copyright Act: the Statute, the Fee Schedule and the Distribution Plan. The Distribution Plan lays down criteria on the basis of which the organization distributes to the right holders the income collected from the users in the form of remuneration for the use of the subject matter of protection. The Copyright Act sets out the main principles of such distribution: proportionality, appropriateness and fairness. The distribution is based on accurate data concerning the use of the subject matter of protection. If accurate data is not available and/or if the collection of accurate data would represent an unacceptable organizational and financial burden for the organization, the distribution plan may be based on estimates stemming from relevant and verifiable facts.

III. THE TARIFF: GENERAL RULES AND NEGOTIATIONS PROCEDURE

A. GENERAL RULES

Article 170 of the Copyright Act lays down certain rules regarding the determination of tariff. Tariff is an act of the CMO which determines the amount and criteria for establishing the remuneration paid by users of copyright-protected works and the subject matter of related rights, as well as the remuneration paid by the levy debtor. If the use of the subject matter of protection is indispensable for performing the user's activities (e.g. in case of broadcasting or concert use), the tariff is determined as a rule as a percentage of the income the user receives by performing the activity under which the subject matter of protection is being used. The amount has to be proportional to the importance that the use of the protected subject matter from the repertoire of the organization has for the income of the user. If, by using the subject matter of protection, the user did not receive any income, the tariff shall be determined by a percentage of the amount of the expenses necessary for performing the activity under which the subject matter of protection is being used, taking into account the importance of the use of the subject matter of protection for the activities of the user. The tariff also determines the lowest amount of remuneration for the use of the subject matter of protection from the repertoire of the organization. The Serbian Copyright Act further emphasizes the proportionality principle by stating that, when determining a tariff, the tariffs of the CMOs of the countries that have a similar GDP to that of the Republic of Serbia need to be taken into consideration.

The tariff can exceptionally be determined as a lump sum, if the use of the subject matter of protection is not necessary for the performance of the activities of the user, but is only useful or pleasant (e.g. in the transport, hotel and catering industry, merchant and manufacture shops, shopping malls, exhibition spaces). This is only possible if the determination of the tariff as a percentage would be impossible or unreasonably difficult. When determining the lump sum, the following criteria shall be taken into consideration: (a) the specific type of use of the subject matter of protection; (b) the geographical location of the seat of the user; (c) the type and size of the space where the subject matter of protection is being used; (d) the duration and scope of use and prices of services offered by the user. The Serbian copyright legislation was in force prior to the adoption of the 2009 Copyright Act, but did not lay down criteria that should be followed when setting the tariff in form of a lump sum.²² The absence of such criteria

Authority are published online in integral version. In case a decision is not published at the website, the yearly report on the activities of the Competition Authority remains the only source of information on its activities.

²² Under the Copyright Act 2004, when setting a tariff as a lump sum, the collective management organizations had to take into account the remuneration payable by another user of a comparable economic power, as well as other relevant criteria (see Article 163.4). However, the Copyright Act did not enumerate any such criteria.

resulted in the same tariff class being applied, for instance, to exclusive restaurants in the capital city and those in the countryside, regardless of their geographic location, frequency of usage of the subject matter of protection etc.

The Copyright Act introduces an obligation for the users of copyrighted works and subject matter of related rights to inform the CMO of all circumstances relevant for the calculation of the remuneration payable in accordance with the tariff. The breach of this rule is sanctioned by a pecuniary fine, payable by both the moral person (association of users) and the responsible person of a moral person.²³

The tariff shall be determined proportionally if the use of copyright-protected works is performed together with the use of the subject matter of related rights – that is if there are multiple right owners involved in a single use of work. When determining the proportionality between the remuneration payable for the use of copyright protected work and the use of subject matter of related rights, the usual international practice is to be pursued.

By laying down new rules for tariffs in terms of the remuneration to be paid to right holders, the Copyright Act 2009 introduces a balance between public and private interest in situations in which copyright and related rights are being exercised collectively. Under the previous Copyright Act, CMOs were allowed to set the tariff independently, without having to consult the organizations of users of copyright protected work and subject matter of related rights. Pursuant to Article 163 of the Copyright Act 2004, the Management Board of the CMO could set the tariff unilaterally and the tariff would become obligatory following its publication in the Official Journal. This led to constant tension between right owners and users, and there were cases of organized boycott.²⁴ Such unilateral determination of the tariff is no longer possible; under the Copyright Act 2009, CMOs must engage in negotiations on the tariff with the representative organizations of users of copyright protected works and subject matter of related rights. The introduction of mandatory negotiations is a fair solution since it allows for the economic strength of the users to be taken into account. By introducing mandatory negotiations, the legislator wished to achieve a more efficient exercise of copyright and related rights, since the users would *a priori* pay the remuneration without opposition in case they participated in the process of its determination. The new rules are expected to lead to a decrease in the number of court proceedings related to the application of the tariff as well.

The collection of remuneration for the use of copyright-protected works and subject matter of related rights is an issue in Serbia. According to the data referring to the period when the Copyright Act 2004 was in force, an extremely large number of court proceedings are initiated by the CMOs against natural and legal persons that have failed to pay the remuneration for the use of copyright-protected works and subject matter of related rights. Currently pending before the courts are some 2000 proceedings to which SOKOJ is a party, and some 3000 to which OFPS is a party.²⁵ Under the 2009 Copyright Act, in case of a dispute between the CMO

²³ Articles 215 and 216 of the Copyright Act 2009.

²⁴ The organized protests of associations of users of copyright protected works and subject matter of related rights continued even following the entry into force of the Copyright Act 2009. The latest actions were performed on 22 December 2010, 22 January 2011 and 22 February 2011 throughout Serbia, when bars and restaurants stopped playing music for one hour.

²⁵ Information taken from the document explaining the reasons for passing the new Copyright Act (*Obrazloženje Predloga zakona* in Serbian), published by the Government/Serbian Intellectual Property Office in 2009.

and the user of a copyright-protected work or a subject matter of related rights regarding the amount of remuneration, the user has to pay the amount determined under the previously valid tariff, until the dispute is resolved.²⁶ Therefore, the tariff determined under the 2004 Act is to be applied while the dispute is pending. However, owing to the significant number of court proceedings initiated precisely because of the amount of remuneration payable under the tariff determined in accordance with the Copyright Act 2004, it is evident that the collection of remuneration will remain an issue until the new tariffs are set in accordance with the 2009 Copyright Act.

B. NEGOTIATIONS PROCEDURE

Under the Copyright Act 2009, the negotiations on the tariff are to be initiated by the CMO by way of public invitation to associations of users and individual users, published cumulatively in the Official Journal of the Republic of Serbia, the website of the CMO and one of the daily newspapers with high circulation. In addition, the CMO will negotiate the tariff with the representative association of users. According to the Act, in order to be considered representative, the association of users shall represent the majority of users on the territory of the Republic of Serbia within a certain profession. Exceptionally, the association of users shall be considered as representative, if such status is recognized by another national legislation. If a representative association of users cannot be identified by reference to any of the two criteria indicated above, the representation authority shall be determined following the assessment of the number of users represented by the association, the activity of the association, the way in which the association is being organized and other criteria.

If the parties to negotiations reach an agreement on the tariff, it must be in written form and must specify: (a) the amount of remuneration paid for the use of copyright protected works or subject matter of related rights from the repertoire of the organization; (b) the conditions for the use of copyright protected works or subject matter of related rights from the repertoire of the organization; (c) the deadline and form of payment of the remuneration; (d) the specific circumstances of use, based on which the amount of a given remuneration determined by the tariff shall be increased or decreased. Exceptionally, the tariff can be determined as a result of negotiations between the CMO and the individual user, if the individual user is the only one performing a specific activity in the Republic of Serbia, due to specific characteristics of the activity. Public broadcasting organizations are considered individual users *ex lege*. The tariff set through negotiations between the CMO and the representative association of users/the individual user enters into force on the eighth day following its publication in the Official Journal. However, if agreement is not reached within 60 days following the initiation of negotiations, the Administrative Board of the CMO shall adopt a proposal of the tariff and communicate it to the Commission on Copyright and Related Rights established within the IPO. The procedure shall continue before the Commission.

The Copyright Act 2009 provides for certain specific rules relating to situations in which a single tariff applies; firstly, it prescribes a single tariff for the exercise of the performer's right to remuneration pursuant to Article 117 and the right of the producer of a published phonogram to remuneration pursuant to Article 127.²⁷ The collection of remuneration

²⁶ If the amount refers to the tariff number which did not exist in the previously valid tariff, the user has to pay the amount envisaged in the new tariff into the special fund which is not distributed to the holders of rights until the dispute is resolved.

²⁷ See the list of provisions of the Copyright Act prescribing mandatory collective management of copyright and related rights in the section 'Collective Management Organizations' of this paper.

shall be administered by one collective organization, following a written agreement between the collective organization of performers and the collective organization of phonogram producers. The two organizations agreed that the single tariff shall be collected by the organization of phonogram producers.²⁸ The negotiations on the single tariff are initiated and pursued jointly by the two CMOs. If the agreement is not reached through negotiations within 60 days following their initiation, the Administrative Board will follow the procedure outlined above. If neither CMO communicates the proposal of the tariff to the Commission on Copyright and Related Rights within 90 days following the initiation of negotiations (i.e. publication of the invitation in the Official Journal), the tariff shall be determined by the Commission.

Secondly, the Copyright Act prescribes a single tariff for the exercise of the author's right to levy pursuant to Article 39; and the right of phonogram producers, performers and videogram producers to levy pursuant to Article 146.²⁹ The negotiations on the single tariff are initiated and pursued jointly by the organizations empowered to collectively administer these rights. If agreement with the representative association of producers or importers of technical devices for sound and visual recording, and producers or importers of blank sound, video or text fixation media is not reached through negotiations within 60 days following their initiation, the Administrative Board of the CMOs shall adopt a proposal of the tariff and communicate it to the Commission. The procedure shall continue before the Commission.

If the CMOs do not communicate the proposal of the tariff to the Commission within 90 days following the initiation of negotiations, the tariff shall be determined by the Commission. The collection of the single tariff for the exercise of the author's right to levy pursuant to Article 39 and the right of phonogram producers, performers and videogram producers to levy pursuant to Article 146 is performed by the CMO. The remuneration collected through a levy system shall be distributed in the following way: 40 per cent to authors, 30 per cent to performers, 30 per cent to producers of phonograms and producers of videograms.

IV. COMMISSION ON COPYRIGHT AND RELATED RIGHTS

Under the Copyright Act 2009, the Commission on Copyright and Related Rights, a new and independent expert body, was established. The Commission is formed of five experts on copyright and related rights, appointed by the Government.³⁰ The Commission acts in the event that representatives of right holders and users fail to reach an agreement on the tariff. In such a situation, the Commission will issue a motivated opinion on the proposal of tariffs. The Commission was constituted in December 2010, six months after the expiry of the deadline

²⁸ The 2004 Copyright Act empowered phonogram producers to collect the remuneration for communication to the public and broadcasting of phonograms and performances fixed therein. Pursuant to Article 125(2) of the 2004 Copyright Act, a phonogram producer had to transfer one half of the amount collected to a performer, unless otherwise agreed. The Act attributed the collection of a single tariff to the organization of phonogram producers, since the performers' collective management organization had not yet been founded in 2004 (this happened only in 2007).

²⁹ See the list of provisions of the Copyright Act prescribing mandatory collective management of copyright and related rights in the section 'Collective Management Organizations' of this paper.

³⁰ On a proposal from the Intellectual Property Office, the Government appoints a president of the Commission and four 'ordinary' members. The Government appoints one of the members as a vice-president. Two deputy members are also appointed. The appointments are made following a public invitation to collective management organizations and associations of users of copyright protected works and subject matter of related rights to propose the candidates who meet the criteria set by the Copyright Act.

prescribed by the Act. Although it acts independently, the Commission operates within the auspices of the IPO, which provides administrative assistance to it. The Act explicitly prescribes that the Commission is not a permanent body³¹, which further complicates the determination of its legal nature and its positioning within the Serbian administrative law system. Under Serbian administrative law, special administrative organizations are enumerated in the Act on the Ministries.³² Only the IPO is mentioned as such an organization, leaving the issue of the Commission's legal nature unclear.

The procedure before the Commission is initiated by a written request submitted by the collective organization within three months following the publication by the CMO of an invitation for negotiations on the tariff. If a proposal of a single tariff has been agreed upon by two or more CMOs, these organizations jointly initiate the procedure before the Commission. A copy of the request for opinion on the tariff, submitted by the CMO(s) is forwarded by the Commission to the association of users or an individual user. The latter has the right to respond within 30 days following receipt of the copy of request.

In the absence of a response by the association of users or an individual user, the Commission shall assess the request submitted by the CMO(s) only. If it considers it necessary, it may organize consultations with the representatives of CMO(s) and representative association of users. By majority vote, the Commission adopts an opinion on the tariff, thus evaluating whether the proposal refers to the rights, whose collective management has been lawfully attributed to the CMO, and whether the remuneration has been set in accordance with the criteria prescribed by the Copyright Act. It must publish its opinion within 60 days following receipt of the request. Copies of the opinion are sent to the CMO(s) and the association of users/individual user.

If the Commission considers that the proposal of tariff refers to the rights whose collective management has been lawfully attributed to the CMO and that the remuneration has been set in accordance with the criteria prescribed by the Copyright Act, the CMO(s) shall publish the opinion in the Official Journal within 15 days following its receipt. If the Commission considers that the proposal does not refer to the rights whose collective management has been lawfully attributed, the CMO(s) must within 30 days, following the receipt of the opinion, repeat the negotiations with the association of users or forward a new proposal on tariff to the Commission. If, following the assessment of the second proposal of tariff, the Commission still considers that the tariff has not been set in accordance with the criteria prescribed by the Copyright Act, it shall set the tariff itself. The Commission's decision on tariff is binding on both parties.

The rules regulating the work of the Commission appear to be clear and logical at first. However, following its late establishment, the Commission has encountered problems relating to the significant deficiencies arising from the Copyright Act. For instance, the Commission has not been defined as an administrative body by the legislator. Being defined as an independent body of experts, the Commission is neither an organ of the Government nor of the IPO. The ambiguous legal nature of the Commission further raises the question of whether there is a right to appeal its decisions. Under Serbian administrative law, an appeal is considered an ordinary administrative remedy that can only be denied in exceptional circumstances, and has to be explicitly prescribed by the law. The Copyright Act does not contain any provision explicitly denying the right to appeal the decisions adopted by the

³¹ Article 192.2 of the Copyright Act 2009.

³² *Official Journal of the Republic of Serbia* No. 16/2011.

Commission. Therefore, it would appear that the decisions can be appealed, provided that the Commission is considered an administrative body within the meaning of the Act on General Administrative Procedure.³³ Furthermore, it is unclear which court or administrative body would be competent to hear an appeal. In general, decisions adopted by the IPO may be appealed before the Administrative Commission of the Government. However, the competence of the Administrative Commission is explicitly provided for only in case of appellate proceedings conducted against the decisions of the IPO, and the Commission on copyright and related rights is not formally a part of this Office. Consequently, the Commission would not be able to determine with certainty whether its decisions can be appealed or not. For this reason it did not instruct the parties as to the available legal remedy at all. If the right to appeal the decision itself is denied, it would mean that an administrative dispute proceeding could still be brought against any decision of the Commission – even procedural ones adopted in the form of a resolution.³⁴

More importantly, if the Commission is to be considered an administrative organ, it would be possible to initiate an administrative dispute before the Administrative Court against the opinion on the tariff issued by the Commission. Although qualified as an opinion, the act adopted by the Commission could substantially be seen as a decision of an administrative organ³⁵, where the latter, directly applying the legal provisions, decides on the rights, obligations or legal interests of natural persons, moral persons or other parties to proceedings.³⁶ Allowing the somewhat excessive access to the Administrative Court could be most burdensome for the Commission. Furthermore, owing to the significant number of administrative disputes pending before it, the Administrative Court would find it extremely difficult to respect the time limits for the adoption of its decisions under the Act regarding administrative disputes.³⁷

In addition, certain accessory issues could jeopardize the efficiency of the proceedings before the Commission, for instance, the Copyright Act prescribes that the compensation for the work of the president and the members of the Commission shall be paid by the parties to the proceedings (CMOs and associations of users). It further advocates that the compensation for work shall be covered equally by the parties. However, the legislator ignored the fact that the parties to the proceedings before the Commission did not have the same interests; the associations of users generally tend to prolong the proceedings, thus postponing the adoption of the opinion on the tariff. In practice, the associations of users could be abusive of this provision by simply not paying their half of the amount, thus leaving the president and the members of the Commission without full compensation for their work. Under the Copyright Act, there are no procedural rules allowing the Commission to order any of the parties to pay compensation. In

³³ *Official Journal of the Federal Republic of Yugoslavia* No. 33/97 and 31/2001; *Official Journal of the Republic of Serbia* No. 30/2010.

³⁴ *Zaključak* in Serbian.

³⁵ *Resenje* in Serbian. Pursuant to Article 196.1 of the Act on General Administrative Procedure, any decision (*resenje*) has to be designated as such. However, specific regulations may stipulate a different designation.

³⁶ Article 1 of the Act on general administrative procedure.

³⁷ *Official Journal of the Republic of Serbia* No. 111/2009. The Administrative Court of the Republic of Serbia was established following the reform of the judiciary, undertaken in 2009. It became operational on 1 January 2010. All cases pending before the former Administrative Chamber of the Supreme Court of Serbia have been transferred to the Administrative Court.

such a situation it could eventually decide to dismiss the administrative proceedings.³⁸ However, in such a scenario the Commission would be unable to fulfil its mission.

V. CONCLUSION

As demonstrated in this paper, the collection of remuneration that should be paid for the use of copyrighted works and subject matter of related rights is indeed a problem in Serbia. While the Copyright Act 2004 was in force, the collective management of copyright and related rights showed significant deficiencies, leading to some 5000 court proceedings relating to the tariff. One of the main objectives of the Copyright Act 2009 was to resolve the problems encountered with the collection of remuneration payable under the tariff. The 2009 Act laid down more detailed rules on the functioning of CMOs and the negotiations procedure, in line with the provisions already in force in most European countries. The negotiations between CMOs and representative associations of users became obligatory, and the Commission on Copyright and Related rights became empowered to intervene in case agreement between the negotiating parties was not reached. However, due to the ambiguous legal status of the Commission on Copyright and Related Rights under the 2009 Copyright Act, the collective management of copyright and related rights in Serbia could easily result in an impasse again.

It remains unclear whether the decisions adopted by the Commission could be appealed before the Administrative Commission of the Government or the parties could directly initiate an administrative dispute before the Administrative Court. Moreover, the 2009 Copyright Act provides that, in case of a dispute between the collective organization and the user of a copyright-protected work or a subject matter of related rights regarding the amount of remuneration, the user is required to pay the amount determined under the previously valid tariff, until the dispute is resolved. However, since there are already some 5000 court proceedings related to the tariff determined under the 2004 Copyright Act, it is evident that this provision cannot be effectively applied. It seems that the problem can only be resolved by amending the Copyright Act 2009, thus clarifying the legal status of the Commission, and allowing it to act efficiently in the best interest of the holders of copyright and related rights.

³⁸ Article 20.3 of the rules of procedure of the Commission on copyright and related rights.

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9 COPYRIGHT INFRINGEMENT AND EDUCATIONAL EXCEPTIONS IN THAILAND: WHAT SHOULD BE THE SOLUTION TO THE PROBLEM OF COPYRIGHT INFRINGEMENT IN THE THAI EDUCATION SECTOR?

* Dr Noppanun Supasiripongchai

ABSTRACT

Copyright infringement in Thailand is closely related to inappropriate and vague exceptions for educational purposes provided for in the Thai Copyright Act (CA) 1994, which makes the law ineffective and fails to adequately protect copyright owners' exclusive rights. This paper recommends that the following steps be taken to address these issues: firstly, the educational exception provisions in the Thai CA 1994 should be amended to be more restrictive and limited; and secondly, the establishment of a Copyright Collecting Society (CCS) and licensing scheme system in the Thai education sector should be completed together with the introduction of a regulation and a governmental body to prevent the CCS from abusing its powers in an anti-competitive way. Several lessons drawn from the Thai experience will be outlined as they may be useful for policymakers and researchers in other countries.

Keywords: *copyright, educational exceptions, copyright infringement, copyright collecting society, Thailand*

I. THE ROLE OF COPYRIGHT EXCEPTIONS AND THE PUBLIC INTEREST

Although copyright law grants exclusive rights for copyright owners, it also provides exceptions to exclusive rights allowing users to access and use copyright works in certain circumstances. In this regard, Walker identifies the role of copyright exceptions in balancing private and public interests as a means to promote innovative societies.¹ He observes that the primary justification for granting limited property rights in the form of copyright is that such privilege will benefit society as a whole by promoting innovation and creation.² The copyright system, at both international and domestic levels, has therefore sought to strike a balance between maintaining the incentive for creativity by protecting the economic interest of copyright owners and protecting public interest with regard to access to materials and information.³ In this respect, such exceptions to the exclusive rights play an important role in protecting public interest by allowing the public to access or use copyright works in certain circumstances without paying remuneration fees or infringing the exclusive rights of the

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¹ S Walker, 'The TRIPS Agreement, Sustainable Development and the Public Interest', *The International Union for Conservation of Nature (IUCN) Environmental Policy and Law*, Paper No. 41, 2001, <http://data.iucn.org/dbtw-wpd/edocs/EPLP-041.pdf> pp. 9 to 10.

² *ibid.*

³ *ibid.*

owners.⁴ Without the copyright exceptions, it would be inconvenient for users to obtain copyright materials as they would be required to request permission and pay for using materials in every case, whether the extent of use is considered to be small or large. In this context, the copyright exceptions help the public to eliminate transaction costs, such as licensing fees or remuneration fees, since when the purpose of such uses falls within the scope of the exceptions, the reproductions can be done without the payment of royalty fees. Thus, the notion of balancing the interests cannot operate in practice without the use of copyright exceptions as a tool for safeguarding public interests.

This notion has long been recognized at both international and domestic levels. Most international copyright treaties contain provisions which aim at balancing these interests, for instance Article 9(1) and (2) of the Berne Convention. Article 9(1) strengthens the exclusive right of authors by providing that authors of literary and artistic works shall have the exclusive right of authorizing the reproduction of these works in any manner, while Article 9(2) protects the public interest by allowing countries to create the exceptions to the reproduction right in their domestic law. It is believed that a common concern over the public interest in the widest dissemination of information served as the rationale behind the exceptions contained in Article 9, such exceptions having been formulated with the aim of maintaining this balance between private interest and public interest.⁵

Nevertheless, it is important to note that, although Article 9(2) of the Berne Convention allows countries to create the exceptions in their domestic law as a tool to maintain this balance, it also contains the 'three-step test' which provides the conditions to be met for copyright exceptions under national copyright laws and imposes constraints on the provision of these exceptions.⁶ In this vein, Article 9(2) requires that the exceptions to the right of reproduction in the countries of the Union must: (1) be limited to certain special cases; (2) not conflict with a normal exploitation of the work; and (3) not unreasonably prejudice the legitimate interests of the author.⁷ National legislators must ensure that the exceptions under national copyright laws comply with this test.

If the national legislators fail to ensure compliance with the test, then such an exception may be subject to a challenge from other countries in a WTO dispute settlement proceeding. This was the case in WTO Panel decision WT/DS106, where an Irish collecting society filed an objection to the European Commission directed against the exceptions in Section 110(5) of the US Copyright Act.⁸ After commencing a comprehensive investigation of the legal situation in the United States, the Commission filed WTO dispute settlement proceedings against the United States for breach of the Berne Convention and the TRIPS Agreement on behalf of their Member States. The Commission contended that two exceptions under Section 110(5) of the US Copyright Act, which permit the playing of radio and television music in public places without

⁴ R Okediji, 'Towards an International Fair Use standards', 39 *Columbia Journal of Transnational Law* 75, 2000, page 84.

⁵ *ibid.*

⁶ M Senftleben, *Copyright, Limitations and the The Three-step Test: An Analysis of the Three-Step Test in International and EC Copyright Law* (Kluwer Law International Netherlands, 2004) page 82.

⁷ Article 9(2) of the Berne Convention.

⁸ WTO Panel Decision No. WT/DS160 (2000); see also WTO Panel, 'The Report of the Panel on United States - Section 110(5) of the US Copyright Act', WT/DS160/R (15 June 2000) - Part I and Part II, accessible at: http://www.wto.org/english/tratop_e/dispu_e/distab_e.htm or http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds160_e.htm

the payment of a royalty fee under certain conditions, were inconsistent with US obligations under the Berne Convention and TRIPS. In the WTO dispute settlement proceedings, the Panel examined whether the ‘home-style’ exception in subparagraph (a) and the ‘business’ exception in subparagraph (b) of Section 110(5) of the US Copyright Act satisfied the three-step test.⁹ It found that the ‘home-style’ exception met the requirements of the test, but the ‘business’ exception, which allows the amplification of music broadcasts without an authorization and a payment of a royalty fee by food service and drinking establishments and by retail establishments, did not. Therefore, the Panel recommended that the United States bring its law into conformity with the three-step test.

The three-step test and the WTO Panel decision are relevant to Thai copyright law because the second and third criteria of the test were incorporated into Section 32(1) of the Thai CA 1994 as preconditions for specific exceptions and the exceptions in the list of permitted acts. Furthermore, the WTO Panel decision contains an interpretation of the three-step test, which is viewed by many countries as a guideline on how to apply the test; therefore, if the exceptions under the Thai CA 1994 fail to comply with the test, then they may be subject to a challenge from other countries in the WTO dispute settlement proceeding, as in the WTO Panel decision WT/DS106.

The objective of maintaining the balance between these groups of interest in Article 9 of the Berne Convention and the three-step test was later incorporated in Article 9(1) of the TRIPS Agreement, which requires its Members to comply with Articles 1 through 21 of the Berne Convention (1971). In other words, the notion in Article 9 of the Berne Convention has been incorporated into the TRIPS Agreement by reference and as a result WTO Members must also comply with Article 9 of the Berne Convention. This notion was also embodied in Article 13 of TRIPS which reiterates the wording of Article 9(2) of the Berne Convention. It permits WTO Members to create exceptions to the exclusive rights provided under TRIPS but is also subject to the three-step test in Article 13.¹⁰ In addition, the WTO Secretariat has stated that the TRIPS Agreement aims to strike an appropriate balance by recognizing in Article 7 thereof that the protection of intellectual property rights should contribute to the promotion of technological innovation, the transfer and dissemination of technology, to the mutual advantage of users and producers of technological knowledge and in a manner conducive to social and economic welfare and to a balance of rights and obligations.¹¹ It emphasizes that finding a balance in the protection of copyright between the short-term interests in maximizing access and the long-term interests in promoting creativity and innovation is the goal of the TRIPS Agreement.¹²

⁹ *ibid.*

¹⁰ Article 13 of the TRIPS Agreement stipulates: ‘Members shall confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder’.

¹¹ World Trade Organization (WTO), ‘Pharmaceutical Patents and the TRIPS Agreement’, (2006), accessible at: http://www.wto.org/english/tratop_e/trips_e/pharma_ato186_e.htm; see also World Health Organization (WHO), ‘TRIPS Agreement and Pharmaceuticals: Report of an ASEAN Workshop on the TRIPS Agreement and its Impact on Pharmaceuticals’, (2000), accessible at: <http://apps.who.int/medicinedocs/pdf/h1459e/h1459e.pdf>, page 27.

¹² *ibid.*

Similarly, the objective in Article 9 of the Berne Convention and the three-step test were incorporated into the WIPO Copyright Treaty (WCT) by reference. Pursuant to Article 1 of the WCT, the contracting parties shall comply with Articles 1 to 21 of the Berne Convention. Like the TRIPS Agreement, the WCT not only requires its contracting parties to comply with Article 9 of the Berne Convention by reference, but also reiterates the words of Article 9(2) in its Article 10, so that contracting parties may provide for national exceptions to the rights granted to authors of the works under the WCT, but that such exceptions shall nevertheless be subject to the control of the three-step test embodied in Article 10.¹³ Moreover, the preamble to the WCT clarifies that the contracting parties shall recognize: ‘The need to maintain a balance between the rights of authors and the larger public interest, particularly education, research and access to information, as reflected in the Berne Convention’.¹⁴

Most international copyright treaties allow their contracting countries to have different copyright exceptions in their national copyright laws in order to maintain their own unique equilibrium. The problem is that this balance of protecting the economic interest of copyright owners in order to encourage incentives for creativity and serving public interest in the dissemination of knowledge through the copyright exceptions cannot be easily achieved.¹⁵ This is because the point of the balance can be different in each country, depending on a state's underlying philosophy and objectives for copyright protection.¹⁶ Guibault explains that the copyright exceptions should reflect the need of society to use a work, balanced against the protection on the economic interest of copyright owners. However, this weighing process usually leads to different results in each country, since the potential conflict between the interests of copyright owners and the public interest can take place at different levels and grounds in each country.¹⁷ This difference stems from the legislator's assessment of the importance of a particular exception for society in relation to the need to provide for the payment of an equitable remuneration to the copyright owners in order to maintain incentives for creativity.¹⁸ The outcome of this evaluation will most often determine the form of the exception.

Nevertheless, many scholars believe that copyright exceptions should be based on a public policy objective and the needs of the public. For example, Reinbothe suggests that the exceptions should be based on a public policy objective such as public education, public security, etc.¹⁹ Ricketson emphasizes that it is necessary to have a public policy basis to

¹³ Article 10 of the WIPO Copyright Treaty stipulates: ‘Contracting Parties may, in their national legislation, provide for limitations of or exceptions to the rights granted to authors of literary and artistic works under this Treaty in certain special cases that do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author’.

¹⁴ The preamble to the WIPO Copyright Treaty.

¹⁵ M Senftleben, *Copyright, Limitations and the Three-Step Test: An Analysis of the Three-Step Test in International and EC Copyright Law* (Kluwer Law International Netherlands 2004) page 145.

¹⁶ R Okediji, ‘Towards an International Fair Use Standard’ 39 *Columbia Journal of Transnational Law* 75, (2000), page 79.

¹⁷ L Guibault, *Copyright Limitations and Contracts: An Analysis of the Contractual Overridability of Limitations on Copyright* (Kluwer Law International London February 2002), page 27.

¹⁸ *ibid.*

¹⁹ J Reinbothe, *The WIPO Treaties 1996 - The WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty – Commentary and Legal Analysis* (Butterworths, London, 2002), page 124.

consider an exception a special case.²⁰ Likewise, Senftleben states that exceptions should be based on a specific policy objective such as public education.²¹ Burrell and Coleman give an example of the need for the public to have the exception for educational institutions and libraries. They justify this reasoning on the basis that libraries have an essential role in the dissemination and preservation of knowledge and culture for the public, while educational institutions have an important role in providing the public with opportunities for learning and developing their knowledge actively.²²

In summary, it can thus be assumed that the copyright exceptions are designed either to resolve a potential conflict of interests between copyright owners and users from within the copyright system or to implement a particular aspect of public policy.²³ It therefore follows that the decision to set limits to the exclusive right of copyright owners through the exceptions must be based on clear policy reasons or the needs of the public, such as promoting education and the dissemination of knowledge and information among members of society at large.²⁴

Similarly, in its report on ‘Proposed Changes to Copyright Exceptions’, the UK Intellectual Property Office (UKIPO) observed that in determining the appropriate balance between exclusive rights and exceptions, it is a basic principle of copyright policy that the result should be in the public interest.²⁵ In determining what constitutes the public interest, the government must consider a number of policy goals, including educational, economic, social and legal objectives in correspondence with the incentives for creativity and the economic interest for copyright owners.²⁶ These are important factors because the economic rationale for copyright protection is to generate a sufficient level of creative works and the provision of exclusive rights for copyright owners is necessary in order to incentivize the production or investment in creative works valuable to society.²⁷ Without appropriate protection for copyright owners, competitors would be able to offer the same goods at a lower price since the initial cost of creation would not be incurred, which in turn would discourage investment in creative activity.²⁸ Since the protection of the exclusive rights can potentially impose undue costs on the

²⁰ S Ricketson, *The Berne Convention for the Protection of Literary and Artistic Works* (Kluwer, London 1987), page 482.

²¹ M Senftleben, *Copyright, Limitations and the Three Step Test: An Analysis of the Three-Step Test in International and EC Copyright Law* (Kluwer Law International Netherlands 2004), page 145.

²² R Burrell, and A Coleman, *Copyright Exceptions: The Digital Impact*, (Cambridge University Press London 2005) pp. 137 to 139.

²³ L Guibault, *Copyright Limitations and Contracts: An Analysis of the Contractual Overridability of Limitations on Copyright*, (1st edn, Kluwer Law International London, February 2002.), page 27.

²⁴ *ibid.*, page 73; see also M Senftleben, *Copyright, Limitations and the Three-Step Test: An Analysis of The Three-step Test in International and EC Copyright Law* (Kluwer Law International Netherlands 2004) pp. 139, 152 and 267.

²⁵ UK Intellectual Property Office (UKIPO), ‘Taking Forward the Gowers Review of Intellectual Property: Proposed Changes to Copyright Exceptions’ (2007), accessible at: <http://www.ipo.gov.uk/consult-copyrightexceptions.pdf>. See also UK Intellectual Property Office (UKIPO), ‘Taking forward the Gowers Review of Intellectual Property: Second Stage Consultation on Copyright Exceptions’ (2009), accessible at <http://www.ipo.gov.uk/consult-gowers2.pdf>

²⁶ *ibid.*

²⁷ *ibid.*

²⁸ *ibid.*

public or users, the exceptions in copyright law exist in order to safeguard public interests by preventing such undue costs on the users.²⁹ This means that the copyright exception must effectively safeguard the public interest while ensuring a socially desirable level of creative output.

The above reasons demonstrate the equal importance of maintaining incentives for creativity by protecting the economic interests of copyright owners and protecting other social values or policy goals, including education. The proposed changes or law reforms recommended in this paper will therefore be based on the idea that the economic interests of copyright owners must be protected effectively, in order to maintain the necessary incentives for creativity and, at the same time, the public interest in education. Currently, neither can be achieved under the Thai CA 1994, because the educational exceptions and the approach of the Thai Court do not seem to provide appropriate protection for the economic interests of copyright owners, and as a result cannot ensure a socially desirable level of creative output in Thailand. This is due to legislation that allows the reproduction of entire textbooks and multiple reproductions by students under the exceptions, regardless of whether or not such textbooks can be obtained in the market place. In addition, the scope of the exceptions under the Thai CA 1994 is unclear, so that the copyright law cannot effectively protect the economic interests of copyright owners in the Thai education sector. (The details about the problems of copyright exceptions in Thailand will be discussed in the next section). If this continues, the effectiveness of the Thai copyright law will be reduced. In order to maintain a socially desirable level of creative output and increase the effectiveness of the Thai copyright law, this paper sets out as a policy objective the improvement of the copyright exceptions under the Thai CA 1994, in order to ensure that copyright owners can obtain an effective economic return from their investment. Once the economic interests of copyright owners are secured under the copyright law, this will encourage greater creativity and innovation in the Thai education sector, which will ultimately benefit the educational market and the public.

II. THE NATURE OF THE PROBLEMS

Copyright exceptions are one of the problematic areas in the Thai CA 1994 as many provisions are unclear, making it difficult to protect copyright works in the Thai education sector. If copyrighted works and educational materials are to be made readily available in the mass education market, there is a need to ensure that the copyright owners can obtain an economic return on their investment. Thus, it is important to ensure that the scope of infringement and copyright exceptions are clear and certain in order to facilitate the enforcement of copyright law. Presently, the exceptions of the Thai CA 1994 are still far from achieving this goal.

The current copyright law and its exceptions cannot effectively protect the exclusive rights and economic interests of copyright owners because of three factors: (1) the obscurity and ambiguity of the educational exceptions under the Thai CA 1994; (2) the current approach of the Thai Court to the exceptions has weakened the copyright protection regime in the education sector; and (3) the absence of a Copyright Collecting Society (CCS) in the education sector makes it more difficult for users to obtain a licence for the use of copyrighted works. These three factors not only make copyright protection and its exceptions ineffective in safeguarding the economic interests of copyright owners, but also undermine the goal of copyright law, which is to encourage greater creativity.

²⁹ *ibid.*

Concerning the first factor, one of the key issues arises from the two conditions set out in Section 32(1) – the mainspring of the whole body of exceptions under the Thai CA 1994, which states that an act against a copyrighted work of the copyright owner should not be regarded as an infringement of copyright if two conditions are met. The first condition is that the action or reproduction must not conflict with a normal exploitation of the copyrighted work by the copyright owner; and the second condition is that the action or reproduction must not unreasonably prejudice the legitimate right of the copyright owner. These two conditions are most important because all educational exceptions in the list of permitted acts in Section 32(2) (such as the exceptions for research and study in paragraph 2(1); for teaching in paragraph 2(6); for educational institutions in paragraph 2(7); and for use in examinations in paragraph 2(8); as well as the specific exception for use as reference in Section 33 and for library use in Section 34) require that the two conditions be satisfied together with other additional conditions, in order to be exempted from copyright infringement under the umbrella of these sections.

For instance, Section 32(2) stipulates: ‘subject to paragraph one, any act against the copyright work in paragraph one is not deemed an infringement of copyright; provided that the act is one of the following: (1) research or study of the work which is not for profit ...’.³⁰ The wording ‘subject to paragraph one’ requires that the two preconditions in paragraph 1 are to be satisfied together with the additional condition that such uses must be for the purpose of research or study which is not for profit in order to be exempted. It also applies to the rest of the educational exceptions contained in the list of permitted acts under Section 32(2). Similarly, most specific exceptions in the CA 1994 require the two conditions in Section 32(1) to be satisfied, together with other additional conditions in order for the acts to be exempted under these specific exceptions. For instance, Section 34 provides that ‘a reproduction of a copyright work by a librarian ... is not deemed an infringement of copyright; provided that the purpose of such reproduction is not for profit and Section 32(1) is complied with ...’.³¹ In addition, comparable language can be found in the exception to copyright infringement for use as reference articulated in Section 33 as well. Therefore, if the two conditions of Section 32(1) are unclear, this will normally affect the operation of the specific exceptions which rely on them.

Before 1999, there had been a debate on the issue of whether Section 32(1) should be regarded as a mere preamble or as enforceable preconditions. This issue was resolved by several decisions of the Supreme Court and the IP Court, which held that the two conditions were indeed enforceable preconditions. It is also important to mention the following IP Court Decisions No. 784/2542³² and No. 785/2542³³, where the Court outlined several issues in relation to the two conditions contained in Section 32(1). In Decision No. 784/2542, three American publishers, McGraw-Hill, Prentice-Hall and International Thomson Publishing, were joint plaintiffs with the public prosecutor. The plaintiffs claimed that the defendant, who ran a shop offering a photocopy service, infringed their copyrights on the textbooks and requested a heavy penalty to be imposed on him for copyright infringement. The defendant admitted unauthorized reproduction, but relied on the exception for research and study in

³⁰ Section 32(2) of the Thai CA 1994.

³¹ Section 34 of the Thai CA 1994.

³² The IP&IT Court Decision No. 784/2542 (1999) (the parties appealed to the Supreme Court and the decision was overturned by the Supreme Court in the Supreme Court Decision No. 5843/2543).

³³ The IP&IT Court Decision No. 785/2542 (1999) (the parties appealed to the Supreme Court and the decision was affirmed by the Supreme Court in the Supreme Court Decision No. 1772/2543).

Section 32(2)(1) as an agent of the students who were using the materials purely for private research and study without making profit from them.

The Court held that in order to benefit from the exception for research and study, the defendant must prove several conditions. First, the act must not conflict with the normal exploitation of the work; second, it must not unreasonably prejudice the legitimate right of the copyright owners in an excessive manner; third, his act must be for the purpose of carrying out research or study of the work; and finally, it must not be for the purpose of profit-seeking. In other words, the IP Court confirmed that the two conditions of Section 32(1) are not a mere preamble but enforceable preconditions.

The Court indicated that, in order to determine whether the reproduction of a copyrighted work conflicts with the normal exploitation thereof and is unreasonably prejudicial to the legitimate right of the copyright owner, it is necessary to consider the circumstances on a case-by-case basis, involving an examination of the factors of quality and quantity. In determining the issue of whether the quantity of duplication is a reasonable amount, the Court acknowledged the difficulty in interpreting the two conditions. The exception allows for the reproduction of copyright works for research or study which is not for profit, provided that the two conditions are satisfied; but it does not set a clear limitation as to the amount of reproduction, nor does it prohibit multiple reproductions of copyrighted materials.

Pursuant to this provision, students are allowed to photocopy or reproduce the whole or part of copyrighted materials for the purposes of research and study which is not for profit, as long as such reproduction does not conflict with a normal exploitation of the copyright work and is not unreasonably prejudicial to the legitimate right of the copyright owner. The difficulty lies in determining the permitted amount of reproduction. Similarly, the exception concerning teaching and educational institutions does not have a clear limitation as to the quantity allowed to be reproduced and does not prohibit multiple reproductions of copyrighted materials. No judicial decision exists by the Thai Court on this matter. The Court implied that there is an issue relating to the duplicate quantity in Thailand due to the difficulty in determining the justifiable quantity of reproduction under the exception for research and study. In practice, the interpretation of these phrases seems to be difficult for both users and the Thai court to determine on a case-by-case basis. With such an unclear provision, it is extremely hard for users or even government officers to know how much of a copyrighted work can be legally reproduced for research and study.

Although these decisions acknowledged the challenges of interpreting the two conditions, they did not clarify their meaning or consider whether they could be applied as a general exception, such as the US fair use exception – for this reason it is unusual for a defendant to rely purely on the two conditions. With such doubts, most defendants would normally prefer to rely on the exceptions in the list of permitted acts in Section 32(2) or specific exceptions in Sections 33 to 43, which require such use to comply with the two conditions together with other additional conditions. Currently, there is no judicial decision where the court has opined on this issue. This ambiguity and the imprecise scope of the exceptions make it more difficult to enforce the copyright law and protect copyright works in the Thai education sector, especially where copyrighted materials are made available on the mass education market. Furthermore, users thus rely on this ambiguity and the imprecise scope of the exceptions and assume that they can reproduce the entire books or materials under the exceptions. This leads to an increased number of copyright infringements in the Thai education sector. As a result, the

economic interests of copyright owners cannot be secured and the goal of the copyright law, which is to encourage greater creativity in Thai society, cannot be achieved. Thus, these unclear exceptions need to be clarified to ensure that the scope of copyright exceptions and infringement is clear and certain, in order for copyright owners to receive an economic return on their investment.

This rationale seems to be consistent with the recommendation of the International Intellectual Property Alliance (IIPA), which states that the ambiguous educational exceptions in Section 32 of the Thai CA 1994 are the chief problem hindering the enforcement of copyright protection in Thailand.³⁴ The report observes that the educational exceptions in Section 32 of the Thai CA 1994 are poorly drafted and contain gaps which can be interpreted to allow the photocopying of entire textbooks or substantial portions freely.³⁵ They thus lack a clear limitation as to the amount of reproduction or clear prohibition of multiple reproductions and fail to specify that photocopy shops making photocopies of published materials for students can be held liable for copyright infringement.³⁶ Hence, it requested that this loophole be closed.³⁷

The second factor which makes it more problematic to safeguard the economic interests of copyright owners was created by the IP Court in Decision No. 784/2542. In this vein the Thai Court has never made clear whether multiple reproductions of copyrighted materials are lawful, pursuant to the educational exceptions. It creates two problematic approaches that weaken copyright protection in the Thai education sector. The Court's first approach allows the reproduction of entire textbooks under the exceptions for research and study, when the numbers of the textbooks in the library were not available to match the numbers and the needs of students or the price of books was unreasonably expensive. In its report, the IIPA states that Section 32 of the Thai CA 1994 creates an unclear and overly broad exception, which has been broadly interpreted by the Thai courts to allow unauthorized photocopying of entire textbooks or

³⁴ International Intellectual Property Alliance (IIPA), 'International Intellectual Property Alliance 2009 Special 301 Report on Copyright Protection and Enforcement in Thailand', 2009, accessible at: <http://www.iipa.com/rbc/2009/2009SPEC301THAILAND.pdf>

³⁵ International Intellectual Property Alliance (IIPA), 'International Intellectual Property Alliance 2007 Special 301 Report on Copyright Protection and Enforcement in Thailand', 2007, accessible at <http://www.iipa.com/rbc/2007/2007SPEC301THAILAND.pdf>; see also International Intellectual Property Alliance (IIPA), 'International Intellectual Property Alliance 2006 Special 301 Report on Copyright Protection and Enforcement in Thailand', 2006, accessible at: <http://www.iipa.com/rbc/2006/2006SPEC301THAILAND.pdf>

³⁶ International Intellectual Property Alliance (IIPA), 'Notice of Intent to Testify at a Public Hearing Concerning the Proposed United States -Thailand Free Trade Agreement', 2004, accessible at: http://www.iipa.com/pdf/2004_Mar_19_THAILANDFTA_TPSC_testimony-rev.pdf

³⁷ International Intellectual Property Alliance (IIPA), 'International Intellectual Property Alliance 2004 Special 301 Report on Copyright Protection and Enforcement in Thailand', 2004, accessible at: <http://www.iipa.com/rbc/2004/2004SPEC301THAILAND.pdf>; see also International Intellectual Property Alliance (IIPA), 'International Intellectual Property Alliance 2005 Special 301 Report on Copyright Protection and Enforcement in Thailand', 2005, accessible at: <http://www.iipa.com/rbc/2005/2005SPEC301THAILAND.pdf>

substantial portions of published materials, as long as the copy is made for educational purposes.³⁸

The second problematic approach taken by the Court has been in interpreting the term ‘not for profit’ as indicating that such reproduction by the photocopy shops will not be considered as profit from infringing copyright works of others, if it is undertaken under order forms or employment contracts between the student and photocopy shops. In Decision No. 784/2542, the photocopy shops that were copying entire textbooks for the students were successful in arguing that they could not be held liable for copyright infringement, because they were not engaged in illegal copying, but rather simply providing a photocopy service for students. This decision illustrates that if the photocopy shop was acting on behalf of the students or by order of the student, then the exceptions to copyright infringement provided for students can also be extended to the photocopy shop as well. Nevertheless, it must be demonstrated that such action was done by the orders of the students or on behalf of the student. If the photocopy shop can prove that there is an order from the students, then the profit granted from photocopying the work will not be considered as profit from infringing another’s copyright but will be the profits in exchange for the use of human labour instead.

These two approaches adopted by the Thai Court severely impair the economic interests of copyright owners. The first approach allows students to reproduce entire textbooks freely under the exceptions, since most universities in Thailand normally do not have enough textbooks to match the number of their students. The second approach allows photocopy shops to avoid copyright infringement by relying on a ‘made to order’ basis through the order form. In this respect, photocopy shops attempt to use the IP Court's approach to their benefit by requesting all students and their customers who want to photocopy the books to fill in the order forms or the employment contracts provided by the photocopy shops. As a result, they can use these order forms as evidence to prove that the work is being reproduced by order of the students or on behalf of the student, so that the profit granted from photocopying the work will not be considered as profit from infringing copyright but as profits in exchange for the use of human labour instead. This means that entire textbooks can be reproduced or multiple reproductions can be made under the exceptions, as long as the defendant has receipts showing that copies were made by order of the students. If such an approach to the exception continues, it will hinder publishers’ efforts to protect their copyrights and increase the level of copyright infringement in the Thai education sector.³⁹ In order to ensure that the economic interests of copyright owners are secured and that a sufficient level of incentives for creativity in the Thai education sector can be maintained properly, the approach of the Thai court must be clarified and changes must be made to the educational exceptions.

The third factor contributing to the difficulties in protecting the economic interests of copyright owners is the absence of a Copyright Collecting Society (CCS) in the Thai education

³⁸ International Intellectual Property Alliance (IIPA), ‘International Intellectual Property Alliance 2005 Special 301 Report on Copyright Protection and Enforcement in Thailand’, 2005, accessible at <http://www.iipa.com/rbc/2005/2005SPEC301THAILAND.pdf>

³⁹ International Intellectual Property Alliance (IIPA), ‘International Intellectual Property Alliance 2008 Special 301 Report on Copyright Protection and Enforcement in Thailand’, 2008, accessible at: <http://www.iipa.com/rbc/2008/2008SPEC301THAILANDREV.pdf>

sector. The IP Court in Decision No. 784/2542⁴⁰ outlined this problem and suggested the establishment of a CCS as follows:

‘... it does not appear that the printing house who is the copyright owner in this case has appointed a representative for granting of permission to use right in Thailand. If students, teachers or photocopy shops which are representatives of such persons in Thailand must request permission from the copyright owner for a justified duplication, it does not appear how such persons or organizations must proceed.’⁴¹

Similarly, the IP Court in Decision No. 785/2542⁴² acknowledged this absence holding that, although the plaintiff had requested the court to impose severe penalties (imprisonment and heavy fine) on the defendant by claiming that the defendant’s act adversely affected the economy and international trade relations, it would not impose these penalties for the following reason:

‘... the publisher who is the copyright owner in this case has never appointed a representative for the purpose of licensing persons in Thailand to utilize the copyright work. If students, teachers or photocopy shops who are representatives of those persons in Thailand want to apply for a licence from the copyright owner so that they can make copies of the work legally, such persons or organization would not know how to apply for such licence.’⁴³

The Court was of the view that the injured party should take partial responsibility for the copyright infringement in this case. The Court suggested that the users (defendant) and the publishers (the injured party) should set up ‘a Royal Collecting Organization for various kinds of literary work which are used in teaching and studying’.⁴⁴

These two cases clearly illustrate the problem caused by the absence of a CCS to collect royalty fees for the reproduction of copyrighted works in the Thai education sector. Without the CCS in the Thai education sector, the damage to the economic interest of copyright owners seems to be more severe. As it is difficult for the users to obtain permission from the copyright owner, they may have no choice but to reproduce the copyright materials without prior permission from the copyright owner. It is also undeniable that the increased numbers of copyright infringements in the Thai education sector result from the difficulty in obtaining permission, and the lack of a CCS and licensing scheme system. The introduction of such a system into the Thai education sector is necessary in order to solve this problem.

⁴⁰ The IP&IT Court Decision No. 784/2542 (1999).

⁴¹ *ibid.*

⁴² The IP&IT Court Decision No. 785/2542 (1999).

⁴³ The IP&IT Court Decision No. 785/2542 (1999).

⁴⁴ *ibid.*

III. WHAT SHOULD BE THE SOLUTION TO THE PROBLEMS IN THE THAI EDUCATION SECTOR?

Currently, the educational exceptions and the approach of the Thai Court fail to provide adequate protection for the economic interests of copyright owners and ensure a socially desirable level of creative output in Thailand. As outlined above, this is due to the provisions allowing reproduction of entire textbooks and multiple reproductions by the students, regardless of whether such textbooks are obtainable in the marketplace. Furthermore, the scope of the exceptions under the Thai CA 1994 is unclear, and therefore the copyright law cannot effectively protect the economic interests of copyright owners in the Thai education sector. If this approach continues to be adopted, it will reduce the effectiveness of the Thai copyright law. In order to ensure that the economic interest of copyright owners and the incentive for creativity will be effectively protected under the Thai CA 1994, the following changes and reforms must be carried out.

A. THE REMOVAL OF THE TWO CONDITIONS IN SECTION 32(1)

The author recommends that the two conditions in Section 32(1) should not be applied alone as general exceptions even in limited circumstances, but should be removed from the Thai CA 1994 altogether. This position is based on four arguments. Firstly, although the language of Section 32(1) (which is the primary source of interpretation) provides clear conditions to be satisfied and clear results from satisfying those conditions, the legislators of the Thai CA 1994 had no intention to allow the two conditions of Section 32(1) to apply as a general exception.⁴⁵ Further, the context of the exceptions in the list of permitted acts in Section 32(2) and the specific exceptions in Sections 33, 34, 35, 36 and 43, considered as a whole, support this argument because these exceptions have incorporated the two conditions in Section 32(1) as preconditions that need to be satisfied, together with other additional conditions in order to be exempted from copyright infringement.

Secondly, since the two conditions in Section 32(1) are the same as the second and third conditions of the three-step test in Article 13 of the TRIPS Agreement and Article 9(2) of the Berne Convention, the recognition of Section 32(1) as a general exception seems to be inconsistent with the object of the three-step test. This is because the main objective of the three-step test is to impose constraints on the exceptions to exclusive rights in national copyright laws, but it is not in itself a copyright exception. Thus, the recognition of the two conditions as a general exception under the Thai CA 1994 is seemingly contrary to the objective of the three-step test.

Thirdly, the recognition of Section 32(1) as a general exception would lead to additional problems when the Thai courts attempt to interpret the two conditions, given that they are the same as the three-step test in the Berne Convention and the TRIPS Agreement, hence an interpretation already exists by the relevant international body, the WTO Panel. If the Thai court were to interpret these two conditions contrary to the findings of the WTO Panel, such decisions would be subject to challenge from other countries. Even if the Thai court attempted to interpret these conditions consistent with the findings of the WTO Panel, the problem of the clarity and the uncertainty of the provision still remain, because the WTO Panel interpreted the three-step test broadly, so there remain doubts about the meaning of the test.

⁴⁵ D Subhapholsiri, *Copyright Law: the Copyright Act B.E. 2537 (1994)*, (3rd edn, Nititham Publishing House, Bangkok Thailand 2001) page 234.

Finally, the recognition of Section 32(1) as a general exception even in limited circumstances for the purpose of filling gaps in the copyright exceptions is in breach of the Berne requirement of ‘certain special cases’, which is intended to make the exceptions under national copyright law more explicit and certain by confining them. The recognition of Section 32(1) as a general exception, even in a limited sense, for the purpose of filling the gap where the specific exceptions cannot cover the issues is still problematic when it comes to predicting when the exception will apply since the Thai CA 1994 has many gaps and unclear provisions. If the two conditions are permitted to be applied as general exceptions, such as the US fair use approach, it would only cause additional problems and make the copyright exception even more uncertain.

By removing the two conditions from the copyright exceptions, in relation to the scope of the educational exceptions under the Thai CA 1994, the Court would then be able to determine the question of whether the use is fair in accordance with the conditions in the exceptions in the list of permitted acts in Section 32(2) of the Thai CA 1994 and the specific exceptions in Sections 33 to 35, without the need to rely on the two conditions in Section 32(1). At the same time, these exceptions would satisfy the requirement of ‘certain special cases’ in the three-step test, since the educational exceptions would only apply if the work is used for one of the approved purposes specified in the exception in the list of permitted acts or specific exceptions. This means that any other types of use, which do not explicitly come under the protection of these provisions, will not be exempted pursuant to these provisions, regardless of how ‘fair’ they are. Since the uncertainty of the exceptions as a whole stems from the two conditions, their removal from the educational exceptions will automatically eliminate the problems of ambiguity, including the issue of whether the two conditions in Section 32(1) can be applied as a general exception.

B. THE INSERTION OF A CLEAR LIMITATION

The author suggests that the removal of the two conditions must be undertaken in conjunction with the insertion of a clear limitation as to the amount of reproduction. In addition, a clear prohibition on multiple reproductions and the reproduction of entire textbooks must be inserted into the educational exceptions in the list of permitted acts in Section 32(2) and the exception for the reproduction by libraries in Section 34 of the Thai CA 1994. A study of UK copyright law provides an example of how to set such a limitation. For example, the UK Copyright Design and Patents Act 1988 (henceforth CDPA 1988) allows an individual to photocopy an excerpt from a book of not more than one chapter or 5 per cent without infringing copyright.⁴⁶ Also, it clearly indicates that an individual making a copy for himself, or others who may make a copy for him, is subject to certain requirements that such person making the copy must not know or have reason to believe that copies of the same material may be provided to more than one person at the same time for the same purpose.⁴⁷ These requirements are quite effective because they can prevent users from making multiple reproductions of copyright

⁴⁶ UK Intellectual Property Office (UKIPO), ‘Gowers Review of Intellectual Property’, 2006, accessible at: http://www.hm-treasury.gov.uk/media/6/E/pbr06_gowers_report_755.pdf or http://www.hm-treasury.gov.uk/gowers_review_index.htm

⁴⁷ UK Intellectual Property Office (IPO), ‘Taking Forward the Gowers Review of Intellectual Property: Purposed Changes to Copyright Exceptions’, 2007, accessible at: <http://www.ipso.gov.uk/consult-copyrightexceptions.pdf>

materials and in most circumstances, users will only be able to make a single copy for their own research or study.

Importantly, the UK approach in the *Sillitoe*⁴⁸ and the *University of London Press* cases⁴⁹ specifies that the fair dealing exception for private study will only cover the private study of a person dealing with the copyright works for his own personal purpose and does not extend to the third parties who produce copyright materials for the public for the purpose of others' private study or for sale to students.⁵⁰ This approach can be adapted to solve the issue with respect to the photocopy shops in Thailand. This issue can be resolved if the Thai Government follows the UK approach by limiting the capability of third parties or photocopy shops to make multiple reproductions or copy entire textbooks for sale to the students, and by inserting a clear limitation as to the amount of reproduction, and a clear prohibition on multiple reproductions, into the educational exceptions.

C. THE ESTABLISHMENT OF A COPYRIGHT COLLECTING SOCIETY

It is further proposed that the establishment of a Copyright Collecting Society (CCS) in the Thai education sector is necessary for ensuring that copyright owners will receive a better economic return from their investment through an effective system of royalty collection. This should be undertaken, while at the same time making it more convenient for the users to obtain licences for the use of educational materials, and thus reduce the number of copyright infringements which occur as a result of the difficulties in obtaining these licences. Such an establishment must be carried out alongside the introduction of the appropriate legal controls to protect the users from any abuse of power by the CCS. The Thai IP Courts, in many decisions on copyright exceptions, have recognized that the establishment of a CCS and its licensing scheme systems in the Thai education sector is necessary. Importantly, they have followed the UK and US approaches by holding that the educational exceptions should not apply where there is a licensing scheme provided by the CCS in place for users. This means that the use of educational materials will be governed by the copyright exceptions and the licensing scheme provided by the CCS. This idea is inspired by the practice in the UK education sector, where the use of educational material is governed by the fair dealing exceptions and the blanket licensing scheme from the CCS.⁵¹

Nevertheless, the establishment of the CCS in the Thai education sector without any legal control may result in additional problems, since the CCS could potentially abuse its power in an anti-competitive way, as well as setting unfair royalty rates for the users. For this reason, it is necessary to have a dedicated governmental body and regulations to control the operation of the CCS in the Thai education sector. In addition, in order to allow the CCS to function effectively, its establishment must be undertaken hand in hand with the improvement of the educational exceptions to support the operation of the CCS. These educational exceptions must function as an instrument to encourage the copyright owner to participate in the prospective CCS and its licensing scheme system, similar to the United Kingdom. For example, the exception for reprographic copying by educational establishments in Section 36 of the UK

⁴⁸ *Sillitoe and Others v. McGraw-Hill Book Company (U.K.) Ltd.* [1983] FSR 545.

⁴⁹ *University of London Press v. University Tutorial Press* [1916] 2 Ch. 601.

⁵⁰ H MacQueen et al, *Contemporary Intellectual Property: Law and Policy*, (Oxford University Press 2008) page 137.

⁵¹ U Suthersanen, 'Copyright and Educational Policies: a Stakeholder Analysis', 2003, 23 *Oxford Journal of Legal Studies* 585, page 592.

CDPA 1988 clearly stipulates that the exception will not apply if licences are available and the person making the copies knew or should have been aware of that fact.⁵² Similarly, the exception for recording by educational establishments in Section 35 also indicates that if there is a certificated licensing scheme, the exception will not apply and the educational establishment has to obtain such licences.⁵³ These exceptions are consistent with the approach of the UK Copyright Tribunal in the *Universities UK* case⁵⁴, which stated that the exceptions for educational establishments will not apply if a licensing scheme is available. Without the appropriate copyright exceptions, the CCS and its licensing scheme systems cannot function effectively. Thus the educational exceptions in the Thai CA 1994 need to be developed in order to support the operation of the prospective CCS in the Thai education sector.

IV. LESSONS FOR POLICYMAKERS AND RESEARCHERS IN OTHER COUNTRIES

There are several lessons resulting from this study which could benefit or contribute to the development of copyright protection in other countries as well as copyright law in general. Most importantly, it must be borne in mind that a legislative change to copyright law alone may not be enough to solve the problem or improve the effectiveness of a copyright protection regime in one country. The Government may need to employ more than legislative change in order to solve such a problem, for instance, the establishment of a CCS.

Secondly, the uncertainty and ambiguity relating to what copyright law allows under the exception is likely to damage the economic interests of copyright owners and hinder incentives for creativity in society. It also makes the copyright protection regime ineffective as infringers and users might rely on such uncertain and imprecise provisions to reproduce copyright works but escape any copyright infringement liability.

Thirdly, inserting the conditions of the three-step test into the national copyright legislation, as a means to comply with Article 9 of the Berne Convention and Article 13 of the TRIPS Agreement and then regarding them as copyright exceptions in their own right, is not the best mode of implementation. In this instance, the Thai legislators clearly chose a convenient way to ensure that the CA 1994 fully complied with the obligation under the TRIPS Agreement by simply inserting the second and third conditions of the three-step test into the Act and then regarding them as preconditions to all copyright exceptions. This leads to additional problems since the meaning of the two conditions is unclear, thus affecting the operation of other exceptions in the Act, which normally require the two preconditions to be satisfied together without other additional conditions.

Besides, regarding the conditions of the three-step test as a copyright exception is clearly inconsistent with the objective of the test which is to impose constraints on the exceptions to exclusive rights in national copyright laws rather than acting as copyright exceptions themselves. This makes it more difficult for the national courts to interpret the two conditions, because the criteria of the three-step test in the Berne Convention and the TRIPS Agreement have been interpreted by the relevant international bodies, such as the WTO Panel.

⁵² Section 36(3) of the CDPA 1988.

⁵³ Section 35(2) of the CDPA 1988.

⁵⁴ *The Universities U.K. v. Copyright Licensing Agency Ltd* [2002] RPC 639, paragraph 34.

Thus if the national court diverged from the WTO panel in the interpretation of the two conditions, the country might face a challenge from other Members of the WTO, as occurred in WTO Panel Decision No. WT/DS160/R with the United States. Therefore, the insertion of the conditions of the three-step test into the educational exceptions is not the best way or a good example of implementation of Article 13 of the TRIPS Agreement for other countries.

The fourth lesson to be learnt from Thailand is that when the court does not play its role in clarifying the law and ensuring that the exceptions in the national copyright law comply with the three-step test, then it may become necessary for the government to consider making legislative changes in order to ensure that the economic interests of copyright owners and the incentive for creativity under the copyright protection regime are protected. In Thailand, it is clear that the court is not only silent on the issues relating to multiple reproductions and the reproduction of entire books, but it goes further to create two problematic approaches which weaken copyright protection in the Thai education sector and are clearly inconsistent with the three-step test.

Policymakers in other countries can also learn from Thailand's lack of prohibition on multiple reproductions and clear limitation as to the permissible amount of reproduction, which may result in the court creating some unique approaches inconsistent with the three-step test, in order to allow photocopy shops and users to reproduce copyright materials under the exceptions, regardless of whether such reproduction impairs the economic interest of copyright owners. This view is supported by several IIPA reports on copyright protection in Thailand, which illustrate that the increased quantity of copyright infringement in the Thai education sector results from the lack of a clear prohibition on the reproduction of entire textbooks and multiple reproductions.⁵⁵

In addition, the study relating to the CCS in Thailand provides a useful lesson for global copyright protection that the lack of a CCS makes it more difficult to protect the economic interests of copyright owners, because without the CCS it is very difficult and inconvenient for users to apply for licences. As a result, users have no choice but to reproduce copyright materials without prior permission from the copyright owner, which in turn can result in enhanced copyright infringement.

⁵⁵ See the International Intellectual Property Alliance (IIPA) special 301 reports on copyright protection and enforcement in Thailand for the years 2005, 2006, 2007, 2008 and 2009.

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ANNEXES

**ANNEX I 2011 WIPO-WTO COLLOQUIUM FOR TEACHERS OF INTELLECTUAL
PROPERTY: PROGRAMME SCHEDULE**

**ANNEX II 2011 WIPO-WTO COLLOQUIUM FOR TEACHERS OF INTELLECTUAL
PROPERTY: LIST OF PARTICIPANTS**

ANNEX I



**WIPO-WTO/ACAD/10/INF.1
ORIGINAL: ENGLISH
DATE: JUNE 2011**

**WIPO-WTO COLLOQUIUM FOR TEACHERS OF INTELLECTUAL
PROPERTY: PROGRAMME SCHEDULE**

Organized by

The World Intellectual Property Organization (WIPO) and
The World Trade Organization (WTO)

Geneva, June 20 to July 1, 2011

PROGRAMME SCHEDULE

Venue: June 20 - June 24, 2011, U. Uchtenhagen Room, WIPO Main Building, Geneva

Monday, June 20, 2011

9.00 – 9.30	Administrative Formalities	
9.30 – 10.00	Opening Remarks	
		Mr. Francis Gurry, Director General, World Intellectual Property Organization (WIPO)
		Mr. Antony Taubman, Director, Intellectual Property Division, World Trade Organization (WTO)
10.00 – 10.30	Introduction of Participants	
10.30 – 10.45	Coffee Break	
10.45 – 12.30	Theme 1	Overview of International Law and Policy in Intellectual Property in 2011
10.45 – 11.15	Speakers:	Mr. Marcelo Di Pietro Peralta, Director, WIPO Academy, Development Sector, WIPO
11.15 – 11.45		Mr. Antony Taubman, Director, Intellectual Property Division, WTO
11.45 – 12.30	Discussion	
12.30 – 14.00	Lunch Break	
14.00 – 15.30	Theme 2A	Intellectual Property and Economic Development
14.00 – 14.45	Speaker:	Mrs. Jayashree Watal, Counsellor, Intellectual Property Division, WTO
14.45 – 15.00		Fiscal Incentives for Intellectual Property Protection Mr. Cristian Garate, Participant from Chile
15.00 – 15.30	Discussion	
15.30 – 15.45	Coffee Break	
15.45 - 17.15	Theme 2 B	WIPO Development Agenda: International Policy Processes on Intellectual Property and Development
15.45 – 16.30	Speaker:	Mr. Irfan Baloch, Director, Development Agenda and Coordination Division, Development Sector, WIPO

16.30 – 16.45		RSAIP Role in the Implementation of Innovation Policy in Russia Ms. Olga Bykova, Participant from Russia
16.45 – 17.15	Discussion	
17.15 – 17.30		WIPO-WTO Collection of Research Papers (WIPO - WTO Colloquium for Teachers of IP (2011))
19.00 – 21.00		Official Dinner to be hosted by WIPO and WTO Venue: Hotel Eden, 135 rue de Lausanne, 1202 Geneva

Tuesday, June 21, 2011

9.00 – 12.00	Theme 3	Geographical Indications: The Current International Landscape: Legal, Policy and Development Dimensions
9.00 – 9.45		Speakers: Mrs. Thu-Lang Tran Wasescha, Counsellor, Intellectual Property Division, WTO
9.45 – 10.05		Mr. Tomas Baert, Second Secretary, Permanent Mission of the European Union to the WTO
10.05 – 10.15		Ms Katherine Willcox, Second Secretary, Permanent Mission of Australia to the WTO
10.15 – 10.30	Coffee Break	
10.30 – 10.45		Protection of Geographical Indications in Korea: Law and Practice Ms. Lori Yi, Participant from Korea
10.45 – 12.00	Discussion	
12.00 – 14.00	Lunch Break	
14.00 – 17.30	Theme 4	Patents – Evolving International Landscape: Law, Policy and Development and PCT
14.00 – 14.45		Speakers: Mrs. Jayashree Watal, WTO
14.45 – 15.30		Mr. Philippe Baechtold, Director, Patents and Innovation Division, Innovation and Technology Sector, WIPO
15.30 – 15.45	Coffee Break	
15.45 – 16.30		Mr. Matthew Bryan, Director, PCT Legal Division, Innovation and Technology Sector, WIPO

- 16.30 – 16.45 Limitations and Exceptions in Intellectual Property Rights and Enforcement Environment
Mr. Fabricio Polido, Participant from Brazil
- 16.45 - 17.00 Pharmaceutical Patents: Compulsory Licensing and TRIPS Flexibilities
Mr. Shamnad Basheer, Participant from India

17.00 – 17.30 Discussion

Wednesday, June 22, 2011

- 9.00 – 11.00 **Theme 5** **Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore: The Current International Landscape and Future Directions**
- 9.00 – 9.45 Speaker: Mr. Wend Wendland, Director, Traditional Knowledge Division, Department for Traditional Knowledge and Global Challenges, WIPO
- 9.45 – 10.00 Intellectual Property and Protection of Traditional Knowledge and Traditional Culture Expression
Mr. Salvin Saneel Nand, Participant from Fiji
- 10.00 – 10.15 The Scope of Protection of African Traditional Art and Designs: Is It Realistic or Just a Fallacy?
Mr. George Mandewo, Participant from Zimbabwe
- 10.15 – 10.30 Traditional Knowledge as Intellectual Property within the OAPI Sub-Region: From the Libreville Initiative 2002 to Annex XII (Draft) of the Bangui Agreement
Mr. John Dashaco, Participant from Cameroon
- 10.30 – 11.00 Discussion
- 11.00 – 11.15 Coffee Break
- 11.15 – 12.30 **Theme 6** **Visit to WIPO Library and Meeting with WIPO Officials**
- 12.30 - 14.00 Lunch Break
- 14.00 – 15.45 **Theme 7** **Relationship between the TRIPS Agreement and the Convention on Biological Diversity. The Protection of Traditional Knowledge and Folklore: Recent Developments in the WTO**
- 14.00 – 14.30 Speakers: Mrs. Jayashree Watal, WTO
- 14.30 – 14.50 Mr. José Estanislau do Amaral, Counsellor, Permanent Mission of Brazil to the WTO and Other Economic Organizations in Geneva
- 14.50 – 15.10 Ms. Karin Ferriter, Intellectual Property Attaché, Permanent Mission of the United States to the WTO

15.10 – 15.45	Discussion	
15.45 – 16.00	Coffee Break	
16.00 – 17.15	Theme 8	Protection of Plant Varieties in International Union for the Protection of New Varieties of Plants
16.00 – 16.45	Speaker:	Ms. Yolanda Huerta-Casado, Legal Counsel, General, International Union for the Protection of New Varieties of Plants (UPOV)
16.45 – 17.15	Discussion	

Thursday, June 23, 2011

9.00 – 12.15	Theme 9	Intellectual Property and Public Health: The Current International Policy Landscape
9.00 – 9.45	Speakers:	Mr. Hans Georg Bartels, Senior Programme Officer, Global Challenges Division, Department for Traditional Knowledge and Global Challenges, Global Issues Sector, WIPO
9.45 – 10.30		Mr. Roger Kampf, Counsellor, Intellectual Property Division, WTO
10.30 – 10.45	Coffee Break	
10.45 – 11.30		Dr. Peter Beyer, Department of Public Health, Innovation and Intellectual Property, World Health Organization
11.30 - 12.15	Discussion	
12.15 – 12.30	Group Photo in WIPO	
12.30 – 14.00	Lunch Break	
14.00 – 16.45	Theme 10	Options and Strategies under the Trade-Related Aspects of Intellectual Property Rights Agreement (TRIPS) for Access to Medicines: The Current State of Play of Implementation
14.00 – 14.45	Speakers:	Mr. Antony Taubman, WTO
14.45 – 15.05		Mr. Andrew Jenner, Director of Intellectual Property, International Federation of Pharmaceutical Manufactures' Association
15.05 – 15.25		Mr. James Love, Director, Knowledge Ecology International
15.25 – 15.40	Coffee Break	

15.40 – 15.55 The Impact of South Africa's Intellectual Property Rights Legislative Intervention on Clinical Research Data Sharing and Product Development for Public Health Benefits
Ms. Pamela Andanda, Participant from Kenya

15.55 - 16.30 Discussion

16.30 – 17.30 **Theme 9 (cont'd)** **Exercises on Public Health Case Study**
Speakers: Mr. Roger Kampf, WTO

Friday, June 24, 2011

9.00 – 9.45 **Theme 9 (cont'd)** **Public Health Case Study: Group Reports and Discussion**

Speaker: Mr. Roger Kampf, WTO

9.45 – 10.00 Coffee Break

10.00 – 13.00 **Theme 11 A** **Trademarks and Industrial Designs: The Current International Landscape: Legal, Policy and Development Dimensions**

10.00 – 10.30 Speaker: Mrs. Thu-Lang Tran Wasescha, WTO

10.30 - 11.00 **Theme 11 B** **Trademarks: The Evolving International Landscape**

Speaker: Mrs. Martha Friedli, Head, Trademark Law Section, Trademark and Design Law Division, Brands and Designs Sector, WIPO

11.00 – 11.30 **Theme 11 C** **International Registration and Promotion of Madrid System**

Speaker: Mr. William O'Reilly, Senior Legal Officer, Legal Sector, Legal and Promotion Division, International Registries of Madrid and Lisbon, Brands and Designs Sector, WIPO

11.30 – 12.00 **Theme 11 D** **International Registration and Promotion of Hague System**

Speaker: Mr. Yves Closet, Head, Information and Promotion Section, International Designs Registry, Brands and Designs Sector, WIPO

12.00 – 12.15 Protection of Well-Known Trademark in China
Ms. Ying Du, Participant from China

12.15 – 12.30 Trademark Infringement and Counterfeiting
Ms. Jamila Nasir, Participant from Nigeria

12.30 – 13.00 Discussion

13.00 – 14.00	Lunch Break	
14.00 – 16.00	Theme 12	Intellectual Property and Competition Policy
14.00 – 14.45		Speakers: Mr. Nuno Pires De Carvalho, Acting Director, Intellectual Property and Competition Policy Division, Global Issues, Sector, WIPO
14.45 – 15.30		Mr. Pierre Arhel, Counsellor, Intellectual Property Division, WTO
15.30 – 16.00	Discussion	
16.00 – 16.15	Coffee Break	
16.15 – 17.30	Theme 13	Primary Sources, Information Resources and Research Themes in the Field of Intellectual Property
16.15 – 16.45		Speakers: Mr. Antony Taubman, WTO
16.45 – 17.15		Mrs. Martha Chikowore, Training Officer, WIPO Academy, Development Sector, WIPO
17.15 – 17.30	Discussion	

Venue: June 27 - July 1, 2011, Room A at the Centre William Rappard, WTO

Monday, June 27, 2011

9.00 – 12.00	Theme 14	Copyright : The Current International Landscape: Legal, Policy and Development Dimensions
9.00 – 9.45		Speakers: Mr. Victor Vasquez, Senior Legal Counsellor (Digital Future Project), Office of the Assistant Director General, Culture and Creative Industries, Director General's Office, WIPO
9.45 – 10.30		Mr. Hannu Wager, Counsellor, Intellectual Property Division, WTO
10.30 – 10.45		Copyright Exceptions and Limitations in Africa Mr Bassem Awad, Participant from Egypt
10.45 – 11.00		Reform of the Serbian Copyright Collecting Societies System Mr. Dusan Popovic, Participant from Serbia
11.00 – 11.15		Authors' Rights in Internet Environment Mr. Marcis Krumins, Participant from Latvia
11.15 – 11.30	Coffee Break	
11.30 – 12.00	Discussion	

12.00 – 12.30	Theme 14 (cont'd)	Exercises on Copyright Speaker: Mr. Hannu Wager, WTO
12.30 – 14.00	Lunch Break	
14.00 – 15.30	Theme 15	Copyright Flexibilities
14.00 – 14.45		Speaker: Mr. Paolo Lanteri, Assistant Legal Officer, Copyright Law Division, Culture and Creative Industries, Director General's Office, WIPO
14.45 – 15.00		Copyright Infringement and Education Exceptions in Thailand Mr. Noppanun Supasiripongchai, Participant from Thailand
15.00 – 15.30	Discussion	
15.30 – 15.45	Coffee Break	
15.45 – 17.15	Theme 16	WIPO ARBITRATION AND MEDIATION CENTER – INTERNET DOMAIN NAME, AND OTHER ONLINE IP DISPUTES
15.45 – 16.30		Speaker: Ms. Eun Joo Min, Head, Legal Development Section, WIPO Arbitration and Mediation Center, Global Issues Sector, WIPO
16.30 – 17.15	Discussion	

Tuesday, June 28, 2011

9.00 – 9.45	Theme 14 (cont'd)	Copyright: Group Reports and Discussions Speaker: Mr. Hannu Wager, WTO
9.45 – 12.15	Theme 17	WTO Dispute Settlement and the TRIPS Agreement
9.45 – 10.30		Speaker: Mr. Hannu Wager, WTO
10.30 – 11.15	Discussion	
11.15 – 11.30	Coffee Break	
11.30 – 12.15	Theme 17 (cont'd)	Exercises on WTO Dispute Settlement Speakers: Mr. Hannu Wager, WTO Mrs. Xiaoping Wu, WTO
12.15 – 14.00	Lunch Break	

14.00 – 17.15	Theme 18	Intellectual Property and Transfer of Technology and Licensing
14.00 – 14.45		Speakers: Mr. Ali Jazairy, Head, Innovation and Technology Transfer Section, Patents and Innovation Division. Innovation and Technology Sector, WIPO
14.45 – 15.30		Mrs. Jayashree Watal, WTO
15.30 – 15.45	Coffee Break	
15.45 – 16.00		Intellectual Property, Technology Transfer and Effective University-Industry Partnership Ms. Liudmila Moran Martinez, Participant from Cuba
16.00 – 16.15		How to Increase University – Industry Technology Transfer in Developing Countries Mr. Maximiliano Marzetti, Participant from Argentina
16.15 – 16.45	Discussion	
16.45 – 17.15	Theme 18 (cont'd)	Exercises on Intellectual Property and Transfer of Technology
		Speaker: Mr. Ali Jazairy, WIPO

Wednesday, June 29, 2011

9.00 – 12.00	Theme 19	Enforcement of Intellectual Property. Legal, Policy and Development Dimensions
9.00 – 9.45		Speakers: Ms. Judith Soentgen, Associate Officer, Building Respect for IP Division, Global Issues Sector, WIPO
9.45 – 10.30		Mr. Roger Kampf, WTO
10.30 – 10.45	Coffee Break	
10.45 – 11.00		Challenges to Combating Piracy and Counterfeiting in Jamaica Ms. Natalie Corthesy, Participant from Jamaica
11.00 – 11.15		Escaping the Enforcement Sinkhole: the Philippines' Experiences in Intellectual Property Enforcement Mr. Teodoro Kalaw, Participant from the Philippines
11.15 – 11.30		Setting the Threshold for Higher Intellectual Property Enforcement Standards Ms. Kristina Janusauskaite, Participant from Lithuania
11.30 – 12.00	Discussion	

12.00 – 12.30	Theme 19 (cont'd)	Exercises on Enforcement of Intellectual Property Speaker: Mr. Roger Kampf, WTO
12.30 – 14.00	Lunch Break	
14.00 – 17.30	Theme 20	Intellectual Property and Climate Change
14.00 – 14.45		Speakers: Mr. Anatole Krattiger, Director, Global Challenges Division, Department for Traditional Knowledge and Global Challenges, Global Issues Sector, WIPO
14.45 – 15.30		Mr. Antony Taubman, WTO
15.30 – 15.45		Conflict or Complement – What Role for Patent Laws in the Post-Kyoto Framework Mr. Mohammad Monirul Azam, Participant from Bangladesh
15.45 - 16.00	Coffee Break	
16.00 - 17.00		Panel Discussion Moderator: Mrs. Jayashree Watal, WTO Panellists: Mr. Ahmed Abdel Latif, Intellectual Property and Technology Programme Manager, ICTSD Mr. Anatole Krattiger, WIPO Mr. Antony Taubman, WTO
17.00 – 17.30	Discussion	

Thursday, June 30, 2011

9.00 – 10.30	Theme 19 (cont'd)	Enforcement of Intellectual Property: Group Reports and Discussion Speaker: Mr. Roger Kampf, WTO
10.30 – 10.45	Coffee Break	
10.45 – 12.15	Theme 18 (cont'd)	Intellectual Property and Transfer of Technology: Group Reports and Discussion Speaker: Mr. Ali Jazairy, WIPO
12.15 – 14.00	Lunch Break	
14.00 – 16.00	Theme 17 (cont'd)	WTO Dispute Settlement: Group Reports and Discussion Speakers: Mr. Hannu Wager, WTO Mrs. Xiaoping Wu, WTO
16.00 – 16.15	Group Photo at WTO	

16.15 – 17.30 **Theme 21** **Visit to WTO Library and Meeting with WTO Officials**

Friday, July 1, 2011

9.00 – 10.30 **Theme 22** **Round Table on Intellectual Property Teaching**

9.30 - 10.00 Speakers: Mr. Marcelo Di Pietro, WIPO

10.00 – 10.30 Mr. Gerardo Thielen-Graterol, Academic Programme Unit, Institute for Training and Technical Co-operation, WTO

10.30 – 10.45 Coffee Break

10.45 – 12.00 **Evaluation of the Colloquium**

12.00 – 12.30 **Closing Remarks**

Mr. Rufus Yerxa, Deputy Director-General of the WTO

Mr. Marcelo Di Pietro, WIPO

ANNEX II



WIPO-WTO/ACAD/10/INF.2
ORIGINAL: ENGLISH
DATE: JUNE 2011

WIPO-WTO COLLOQUIUM FOR TEACHERS OF INTELLECTUAL PROPERTY: LIST OF PARTICIPANTS

Organized by

the World Intellectual Property Organization (WIPO)

and

the World Trade Organization (WTO)

Geneva, June 20 to July 1, 2011

2011 LIST OF PARTICIPANTS

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