



Negotiating Group on the Multilateral Agreement on Investment (MAI)

REPORT TO THE NEGOTIATING GROUP ON INTELLECTUAL PROPERTY

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This report on Intellectual Property issues presents the results of the informal discussions among Intellectual Property experts held on 28 and 29 October 1997.

1. New Papers

Several delegations circulated new papers discussing a variety of the matters being considered by experts.

2. Transfers

The outstanding issue was to clarify apparent agreement that the MAI will apply to transfers of "net" not "gross" entitlements. IP experts recommend that an additional phrase be added to the second paragraph of the Commentary on Transfers (DAFFE/MAI(97)1/REV2, p. 125) after "purposes": ", or any authorised deduction by an entity charged with collective management of intellectual property rights". However, one delegation reserved its position on whether this should be included in the Commentary as opposed to the text.

3. Monopolies

Experts recommended that the square brackets be removed from the phrase in the third and fourth lines (" , but does not include a person or entity...solely by reason of such grant") of the definition of "monopoly" in DAFTE/MAI/ST(97)13, p. 19 - 20, paragraph 3. Furthermore, experts recommended that the words "or the exercise of such rights" be added at the end of the sentence. Some experts suggested that the definition of monopolies should also exclude royalty collection agencies (which usually have a legal monopoly). There was, however, objection to this proposal from a number of delegations. Therefore, the IP experts recommended adding to the end of the definition of "monopoly", after "grant": "or the exercise of such a right [, nor does it include an entity charged with the collective management of intellectual property rights]". The group will return to this issue at its next meeting.

4. Performance Requirements

On paragraph 1(f) of performance requirements (DAFFE/MAI/ST(97) 13, p. 6), experts recommended (a) that the square brackets be removed and (b) the words "the articles...of" be removed.

MAI coverage of future IPRs, and the relation of MAI obligations to obligations under international IP agreements such as the Rome and the Berne Conventions, require further consideration. As a marker for these issues, IP experts recommended adding to the footnote to 1(f) (footnote 8): "Several delegations suggested an alternative to the reference to the TRIPS Agreement, "the applicable articles of international

conventions on intellectual property rights and internationally accepted intellectual property rights practices", as a reminder of continuing consideration about whether future IPRs will be covered, and how."

Some delegations are also concerned about the implications for IPRs of paragraphs 1(b) and (c). This will be taken back to capitals for further reflection.

5. Expropriation

There is general agreement among IP experts that certain IP management and legal provisions do not constitute expropriation. In order to reflect this agreement, consideration is being given to a list, whether exhaustive or illustrative, of such IP provisions. The IP experts are therefore considering the following draft text:

"The creation, limitation, revocation, annulment, statutory licensing, compulsory licensing and compulsory collective management of IPRs, the withholding of authorised deductions by an entity charged with the collective management of IPRs, and the sharing of remuneration between different holders of IPRs are not expropriation within the terms of this agreement, to the extent that they are not inconsistent with specialised IPR conventions."

There is as yet no agreement whether the final version of this text should be inserted in the text itself, in an interpretative footnote or in the Commentary

6. National Treatment, MFN Treatment and General Treatment

Most IP experts have expressed concern about the MAI creating new IP obligations. Experts discussed without reaching a consensus the implications of recognition or duplication of NT and MFN obligations in existing international IP agreements.

The Commentary (DAFFE/MAI(97)1/REV2, p. 116) suggests three different approaches. Only one delegation supported unqualified application of NT, MFN and General Treatment to IP, subject to country-specific annex exceptions on NT and MFN. Some experts continued to believe that the MAI could provide for application of NT and MFN to intellectual property, but that a MAI Party could derogate from NT and MFN in a manner consistent with the TRIPS Agreement and, perhaps, other intellectual property agreements. Most experts supported a proposal to add to the provisions on NT and MFN (DAFFE/MAI(97)REV2/1, p. 14):

"[1.4. Notwithstanding any other provision of this Agreement, the treatment described in Articles 1.1, 1.2 and 1.3 of this Article [and Article IV.1.1 and 1.2 (General Treatment Article)] shall not apply to intellectual property rights.]"

The square brackets around the reference to the General Treatment articles reflect a wider lack of consensus on whether the same approach should be taken as with NT and MFN, since it was in particular unclear whether the General Treatment provisions include NT and MFN obligations. Guidance from DG3 on this question would be appreciated, subsequent to which this group will reconsider it.

7. Definitions

Experts have not reached any consensus on outstanding questions on the definition of “investment” or of “investor”. It was agreed that it is difficult to finalise the question of definition prior to resolving the actual obligations, particularly since several items on the list included in the definition of “investment” had implications for IPRs. A number of specific issues were raised and proposals made:

a) Intellectual Property Rights

A few experts suggested its total exclusion from the definition of “investment”. A more significant number suggested the exclusion of literary and artistic works from the final list of IPRs. Some suggested that the definition include only IPRs acquired in the expectation, or for use for the purpose, of economic benefit or other business purposes. Two experts also suggested that the definition of “investment” not include intellectual property rights except the rights provided in sections 2 through 7 of Part II of the TRIPS Agreement.

b) Future Rights

There were experts that did not wish to see future rights included in the definition, while others felt that an open definition of investment required the inclusion of future rights.

c) Investors

Concerns were raised regarding the possible conflicts that may arise between the concepts of “rightholder” in intellectual property conventions and laws and “investor” in the MAI.

8. Dispute Settlement

Experts discussed three issues: whether to make recommendations regarding the issues of applicability of investor-state provisions to IPRs; the possibility of conflicting panel decisions with the WTO; and, the problem of forum-shopping. While a number of experts are concerned about the possibility of conflicting decisions and about forum shopping, a large number feel no need for special dispute settlement provisions for IPRs. Final views will depend on the final form of IP obligations in the MAI. This will also likely influence experts’ views as to the applicability of investor-state dispute settlement provisions to IPRs.