**International Trade Law**

**Unit-2**

**WTO jurisprudence on TBT and SPS Agreements**

The first step is to understand what a SPS measure is and what a TB (technical barrier) is. Annex 1 of the TBT agreement tells us that TBs can be technical regulations, standards or conformity assessment procedures. A technical regulation is a “document which lays down product characteristics or their related processes and production methods, including the applicable administrative provisions, with which compliance is mandatory. It may also include or deal exclusively with terminology, symbols, packaging, marking or labeling requirements as they apply to a product, process or production method”. A standard is a “document approved by a recognized body that provides, for common and repeated use, rules, guidelines or characteristics for products or related processes and production methods, with which compliance is not mandatory. It may also include or deal exclusively with terminology, symbols, packaging, marking or labeling requirements as they apply to a product, process or production method”. Although international usage sometimes differs, a technical regulation is therefore mandatory, while a standard is voluntary. Finally, a conformity assessment procedure is “any procedure used, directly or indirectly, to determine that relevant requirements in technical regulations or standards are fulfilled”.

The point to note is that agricultural products can also be subject to the TBT agreement. So can some elements of human, animal or plant health, such as labeling or packaging. However, SPS measures defined in Annex A of the SPS agreement are outside the purview of TBT. This definition lists, “Any measure applied:

(a) To protect animal or plant life or health within the territory of the Member from risks arising from the entry, establishment or spread of pests, diseases, disease-carrying organisms or disease-causing organisms

(b) To protect human or animal life or health within the territory of the Member from risks arising from additives, contaminants, toxins or disease-causing organisms in foods, beverages or feedstuffs

(c) To protect human life or health within the territory of the Member from risks arising from diseases carried by animals, plants or products thereof, or from the entry, establishment or spread of pests

(d) To prevent or limit other damage within the territory of the Member from the entry, establishment or spread of pests.” Hence, there is a difference in focus across the SPS and TBT agreements. The intention behind the measure is the determinant of a SPS measure, whereas the type of measure is the determinant of a TB measure. Also, general measures for protecting the environment, consumer interests or animal welfare are outside the purview of the SPS agreement, except to the extent that they are covered in the quote above. Indeed, part of the problem with environmental issues and consequent unilateral measures is that there is no WTO agreement on environmental measures, apart from Article XX of GATT mentioned above. This is not very different from SPS issues before 1995 or TBT issues before 1979.

The TBT agreement is simpler. It has 15 Articles and 3 Annexes, apart from a Preamble. The more important Articles are now highlighted. Article 1 has general provisions and through Annex 1, defines technical regulations, standards and conformity assessment procedures.

**Agreement to Technical barriers to Trade**

The Agreement on Technical Barriers to Trade, commonly referred to as the TBT Agreement, is an international treaty administered by the World Trade Organization. It was last renegotiated during the Uruguay Round of the General Agreement on Tariffs and Trade, with its present form entering into force with the establishment of the WTO at the beginning of 1995, binding on all WTO members.

Purpose

The TBT exists to ensure that technical regulations, standards, testing, and certification procedures do not create unnecessary obstacles to trade. The agreement prohibits technical requirements created in order to limit trade, as opposed to technical requirements created for legitimate purposes such as consumer or environmental protection. In fact, its purpose is to avoid unnecessary obstacles to international trade and to give recognition to all WTO members to protect legitimate interests according to own regulatory autonomy, although promoting the use of international standards. The list of legitimate interests that can justify a restriction in trade is not exhaustive and it includes protection of environment, human and animal health and safety.

Structure of the agreement on technical barriers to trade

The TBT Agreement can be divided into five parts. The first part defines the scope of the Agreement which includes “[a]ll products, including industrial and agricultural” but not sanitary and phytosanitary measures. The second part sets out the obligations and principles concerning technical regulations. The third part addresses conformity and assessments of conformity. The fourth part deals with information and assistance, including the obligation of nations to provide assistance to each other in drafting technical regulations. Lastly the fifth part provides for the creation of the Committee on Technical Barriers to Trade and sets out the dispute settlement procedures.

Scope of application

According to Art.1, this agreement covers all industrial and agricultural products, with the exception of services, sanitary and phytosanitary measures (as defined by Agreement on the Application of Sanitary and Phytosanitary Measures) and “purchasing specifications prepared by governmental bodies for production or consumption requirements of governmental bodies” (Art. 1.4).

The scope of the TBT consists of substantive scope (what measures are included), personal scope (to whom the measures apply), and temporal scope.

Substantive scope

There are three categories of substantive measures found in Annex 1 of the TBT; technical regulations, standard, and conformity assessment. The Appellate Body in EC-Asbestos held these to be a limited class of measures.

Technical regulation: annex 1.1

A technical regulation is a document stipulating conditions that is mandatory. The measures may include terminology, symbols, packaging or labelling requirements, and may apply to a product, process or production method.

The Appellate Body in EC-Sardines found there to be a three-step test for determining whether a measure is a technical regulation:

1. a) The measure applies to an identifiable product or group of products;
2. b) It lays down one or more characteristics of the product; and
3. c) Compliance with the product characteristic is mandatory.

If a measure is found to be a technical regulation, it will be regulated by Article 2 TBT.

Standard: annex 1.2

A standard is a document approved by a recognized body that stipulates guidelines or characteristics that are not mandatory. It may include terminology, symbols, packaging or labelling requirements, and may apply to a product, process or production method. Standards are distinct from technical regulation in that they are not mandatory. Despite being voluntary, producers often have no choice but to comply with them for commercial practicality.

Standards are guided by Article 4 TBT and Codes of Good Practice.

Conformity assessment: annex 1.3

A conformity assessment is a direct or indirect procedure used to determine the fulfillment of requirements in a technical regulation or standard. Conformity assessments may include sampling, testing, and inspections.

The rules for conformity assessment are outlined in Articles 5, 6, 7, 8 and 9 TBT.

Issues of scope

Determining whether a measure is a technical regulation or a standard

Whether a measure is a technical regulation as opposed to a standard centers on whether it is “mandatory.”

The Panel and Appellate Body in Tuna-Dolphin GATT Case (I and II) held that the US labeling measures for dolphin-safe tuna was a technical regulation. The requirements were not compulsory for the sale of tuna in the US, however the requirements were compulsory for dolphin-safe certification. The Appellate Body stated that because the US provided no other methods of obtaining the dolphin-safe label, the requirement was binding, and therefore de jure mandatory. It appears from this decision that measures that attempt to obtain a monopoly over a specific label will be deemed technical regulations, but the test is ultimately on a case-by-case basis.

This decision has been criticised for construing the term “mandatory” too broadly, rendering the distinction between technical regulations and standards meaningless.

Application to non-product related processes

Labels such as “free-range,” “organic,” or “fair trade,” denote a quality in the product that has no tangible effects. Whether labels regarding non-product related process (“NPRP”) are technical regulations is the subject of controversy.

Annex 1.1 states that technical regulations apply to “product characteristics or their related process and production methods”, implying that this does not extend to NPRPs. However the second sentence of Annex 1.1 and 1.2 omits the word “related”, suggesting that technical regulations may apply to labelling. Some academics argue that sentence 2 is read in context of sentence 1, and should therefore be given narrower scope.

The Panel in Tuna-Dolphin GATT Case (I and II) did not clarify this issue, but held in that case that the dolphin-safe labeling was a technical regulation by reason of the second sentence. Accordingly, it may be assumed that labeling of NPRP-PPM products now fall under the scope of technical regulations.

Key principles & obligations

Non-discrimination

Members must ensure that technical regulations and standards do not accord treatments less favorable to imported products compared to the ones granted to like products of national origin or creating in any other country, as established respectively in Art. 2.1 and Annex 3.D. This principle applies also to conformity assessment procedures, that have to “grant access for suppliers of like products originating in the territories of other members under conditions no less favorable than those accorded to suppliers of like products of national origin or originating in any other country in a comparable situation” (Art. 5.1 and 5.1.1).

Avoidance of unnecessary barriers to trade

Article 2.2 obliges Members not to create unnecessary obstacles to international trade and, on this basis, to ensure that “technical restrictions are not more trade restrictive than necessary to fulfil a legitimate objective”. The Article provides an inclusive list of legitimate objectives including national security requirements and the protection of animal or plant life or health.

However Article 2.5 provides that where technical standards are for the purpose of one of the legitimate objectives listed in Article 2.2 and in accordance with relevant international standards they are presumed not to violate Article 2.2.

Harmonization around international standards

When international standards exist, members shall use them as a basis for their technical regulations, standards and conformity assessment procedures, unless their use seems inappropriate or ineffective in certain circumstances (for example, for climatic or technological reasons) for achieving the pursued objective (Art. 2.4, 5.4 and Annex 3.D).

Notification requirements

The TBT Agreement also obliges States to notify each other of proposed technical barriers to trade. To give States the opportunity to raise their concerns before the measures come into force, members must allow reasonable time for Members to make comments, discuss their comments and to have their comments considered. Members must notify each other in relation to proposed TBT provisions when the following three conditions are satisfied:

The measure must be a technical regulation or an evaluation of a conformity assessment procedure.

There must either be no relevant international standard or, if there is, the measure must not conform to it.

The technical regulation must have a considerable effect on international trade.

These criteria are broader than any of the obligations regarding the content of technical regulations which ensures that any issues which will subsequently be litigated can be identified at the earliest stage possible. However, in the case of “urgent problems of safety, health, environmental protection or national security” Article 2.10 provides an alternate procedure to expedite the process.

Other informations

Adjudication of disputes

Under Article 14.1 disputes regarding the TBT Agreement are to be resolved by the Dispute Settlement Body in accordance with Articles XXII and XXIII of GATT. This requires parties to undergo the same consultation process as they would for issues arising under GATT and allows disputes involving issues arising under both the TBT Agreement and GATT to be resolved simultaneously. In spite of this very few cases concerning the TBT Agreement have been brought to the Panel.

The following list is an overview of the mechanisms that promote the TBT’s mission:

1. All TBT members are required to establish “enquiry points” also known as “TBT Window” offices that provide information about the country’s technical regulations, test procedures, and adherence to various international standards.
2. A technical assistance program helps developing countries meet international standards and helps them get involved in the establishment of such standards.

**General Agreements on Trade in Services (GATS)**

GATS envisage the objective of establishing a sound multilateral framework or principles and rules for trade in services. Many countries directly have laws, which restrict entry of foreign services enterprises in areas like finance, media, communications, transport etc.

The GATT looks upon these regulations relating to investment in the service sector as distorting factors affecting free trade. Hence these distortions have to be eliminated or minimized. The GATS Agreement covers all services (there are 161 tradable services under GATS) financial services (banking insurance etc), education, telecommunications, maritime transport etc.

1. Service trade expansion has big prospects though countries are in general reluctant to liberalise it. According to the WTO, “while services currently account for over 60 percent of global production and employment, they represent no more than 20 per cent of total trade (BOP basis).”
2. **The Four Modes of Services Supply**
3. The GATS define services in four ‘modes*’* of supply: cross-border trade, consumption abroad, commercial presence, and presence of natural persons.
4. **Mode 1: Cross Border**
5. Services which themselves ***cross-frontiers*** from one country to another e.g. Distance learning, consultancy, BPO services.
6. **Mode 2: Consumption abroad**
7. Services, which are made ***available within a country*** for foreign consumers’, e.g.: tourism, educational students for students, medical treatment etc.
8. **Mode 3: Commercial Presence**
9. Services ***supplied by an entity of one country***, which is commercially pressed in another e.g.: banking, hotel etc.
10. **Mode 4: *Movements of natural persons***
11. This is a foreign national providing services like that of doctor, nurse, IT engineer etc. functioning as a consultant, employee, from one country to another.
12. Services given by governments are exempted from GATS. These are services provided on a non-market basis (e.g. Social security schemes, health Education etc). Besides, Air Transport Services are also exempts from coverage that affects traffic rights. GATS divides services liberalization commitments into two – general obligations and specific obligations.
13. The GATS is basically a primary step towards service trade that was reached at the Uruguay Round. Service trade liberalization under it is at the entry level stage. As a Multilateral rule making and trade liberalization regime, the GATS has to be expanded by making further discussions.

# Meaning of Trade in Services

The advanced economies are primarily service economies in the sense that the services sector generates the major share of employment as well as income in these economies. In the industrial market economies, services produce, on an average, over 60 per cent of GDP and provide about 60 per cent of the total employment. It has been the experience that the share of the service in the GDP and total employment increases as the economy progresses.

Thus, in the developing countries, the share of the services sector in the GDP increased from 40 per cent in 1965 to 47 per cent in 1990. In the low income countries, this ratio increased from 32 per cent to 35 per cent during this period.

During the same period, the share of services in India’s GDP increased from 34 per cent to 40 per cent. Economic development is, thus, characterised by an increase of the share of the services in the GDP and total employment. This trend tends to increase the international trade in services.

The size of the international market for service is difficult to measure. However, it has been estimated that services, termed as invisibles, account for about one-quarter of the world trade. That the world trade in service is dominated by the developed countries is reflected by the fact that the developed nations run large surpluses and the developing countries show huge deficits on the invis­ible account.

### ****Characteristics:****

An important characteristic of services that has far reaching implications for marketing of ser­vices is their inseparability, i.e. services cannot be separated from their providers, whether they are persons or machines. This does not, however mean that all service require the physical proximity of the provider and user.

**There are two broad categories of services, viz.:**

(i) Those that necessarily require the physical proximity of the provider and the user; and

(ii) Those that do not, though such physical proximity may be useful.

**The services where physical proximity is essential fall into three categories:**

**The first category is characterised** by the mobile provider and immobile user. This involves cases where the mobility of the beneficiary to the place of the provider is not physically feasible. For example, an Indian firm which has a construction contract abroad will have to send the manpower required to the construction site for carrying out the work. Similarly, a technician may have to go to a plant abroad to rectify a problem with the plant.

**The second category is characterised** by mobile user and immobile provider. This category consists of services which involves some key elements which are not normally transferable to the user’s location. For example, certain experiments can be done only in those laboratories equipped for them. A patient who wants an open-hearted surgery will have to go to a hospital where the required facilities are available.

**The third category** consists of mobile user and mobile provider; proximity may be achieved by either the provider going to the user or the user going to the provider. Services for which physical proximity is not essential are known as long distance services. Examples of this category include transmission ‘over the wire’ of live music concerts or data. In advanced countries, traditional banking and insurance services fall into this category since loans or insurance policies can be secured by mail or phone.

The scope for long distance transactions will increase with the advance of technology. This has important implications for broader issues such as the trend effect immigration restrictions on the relative wages of skilled and unskilled labour since skilled services may increasingly be transacted “long distance” whereas the latter cannot.

Even in respect of many long distance services, physical proximity between the provider and user will help increase the efficiency of the service. A large number of service firms will therefore like to have places of business in countries with sufficient market. The ‘right to establish’ is an essential aspect of free trade in services. The right to establish also involves the right to employ people without restric­tions on the nationality.

International trade in many services involves international factor mobility. There are a number of international transactions involving temporary-factor-relocation services such as those requiring temporary residence by foreign labour to execute service transactions. International trade in service, thus, involves intricate issues like right to establish factor mobil­ity. These are special problems in liberalising trade in services compared to trade in goods.

### ****Restrictions:****

Because of these characteristics and the socio-economic and political implications of certain ser­vices, they are, generally, subject to various types of national restrictions. Protective measures include visa requirements and investment regulations. Services in different countries include banking and insurance; transportation; television, radio, film and other forms of communication, and so on.

Several economists have tried to allay the fears of the developing countries in respect of liberalisation of trade in services. It has been pointed out that several developing countries have acquired enough strength in different services to successfully compete with developed countries.

**General obligations, Specific obligations in GATs**

Obligations of members

1. **General Obligations:** These includes to all services and to all members.

MFN Treatment: Most Favoured Nation treatment means treating one’s trading partners equally. Under GATS, if a country allows foreign competition in a sector, equal opportunities in that sector should be given to service providers from all other WTO members. It is based on Favour one, favour all principle.

Transparency: Members are required to publish promptly “all relevant measures of general application” that affect operation of the agreement. Members must also notify the Council for Trade in Services of new or changed laws, regulations that affect trade in services covered by their specific commitments under the agreement. Each member is required to establish an enquiry point, to respond to requests from other members for information.

**Specific obligations:** Obligations which apply on the basis of commitments, laid down in individual country schedules concerning market access and national treatment in specifically designated sectors.

Market Access: The granting of market access is a commitment undertaken by individual Members in specified sectors after negotiations. It may be made subject to one or more limitations. For example, limitations may be imposed on the number of services suppliers, service operations or employees in a sector, the value of transactions.

National Treatment: National Treatment requires equal treatment for foreign providers and domestic providers. Once a foreign supplier has been allowed to supply a service in one’s country there should be no discrimination in treatment between the foreign and domestic providers. This is not the same as MFN.

Exemptions: Members are allowed to introduce or maintain measures in contravention of their obligations under the Agreement, including the MFN requirement or specific commitments in specific circumstances. These circumstance cover measures necessary to protect public morals or maintain public order, protect human, animal or plant life or health.

# Financial Services in GATs

(a) This Annex applies to measures affecting the supply of financial services. Reference to the supply of a financial service in this Annex shall mean the supply of a service as defined in paragraph 2 of Article I of the Agreement.

(b) For the purposes of subparagraph 3(b) of Article I of the Agreement, “services supplied in the exercise of governmental authority” means the following:

(i) Activities conducted by a central bank or monetary authority or by any other public entity in pursuit of monetary or exchange rate policies;

(ii) Activities forming part of a statutory system of social security or public retirement plans; and

(iii) Other activities conducted by a public entity for the account or with the guarantee or using the financial resources of the Government.

(c) For the purposes of subparagraph 3(b) of Article I of the Agreement, if a Member allows any of the activities referred to in subparagraphs (b)(ii) or (b)(iii) of this paragraph to be conducted by its financial service suppliers in competition with a public entity or a financial service supplier, “services” shall include such activities.

(d) Subparagraph 3(c) of Article I of the Agreement shall not apply to services covered by this Annex.

### ****Domestic Regulation****

(a) Notwithstanding any other provisions of the Agreement, a Member shall not be prevented from taking measures for prudential reasons, including for the protection of investors, depositors, policy holders or persons to whom a fiduciary duty is owed by a financial service supplier, or to ensure the integrity and stability of the financial system. Where such measures do not conform with the provisions of the Agreement, they shall not be used as a means of avoiding the Member’s commitments or obligations under the Agreement.

(b) Nothing in the Agreement shall be construed to require a Member to disclose information relating to the affairs and accounts of individual customers or any confidential or proprietary information in the possession of public entities.

### ****Recognition****

(a) A Member may recognize prudential measures of any other country in determining how the Member’s measures relating to financial services shall be applied. Such recognition, which may be achieved through harmonization or otherwise, may be based upon an agreement or arrangement with the country concerned or may be accorded autonomously.

(b) A Member that is a party to such an agreement or arrangement referred to in subparagraph, whether future or existing, shall afford adequate opportunity for other interested

Members to negotiate their accession to such agreements or arrangements, or to negotiate comparable ones with it, under circumstances in which there would be equivalent regulation, oversight, implementation of such regulation, and, if appropriate, procedures concerning the sharing of information between the parties to the agreement or arrangement. Where a Member accords recognition autonomously, it shall afford adequate opportunity for any other Member to demonstrate that such circumstances exist.

(c) Where a Member is contemplating according recognition to prudential measures of any other country, paragraph 4(b) of Article VII shall not apply.

### ****Dispute Settlement****

Panels for disputes on prudential issues and other financial matters shall have the necessary expertise relevant to the specific financial service under dispute.

### ****Definitions****

For the purposes of this Annex:

(a) A financial service is any service of a financial nature offered by a financial service supplier of a Member. Financial services include all insurance and insurance-related services, and all banking and other financial services (excluding insurance). Financial services include the following activities:

Insurance and insurance-related services

(i) Direct insurance (including co-insurance):

(A) Life

(B) Non-life

(ii) Reinsurance and retrocession;

(iii) Insurance intermediation, such as brokerage and agency;

(iv) Services auxiliary to insurance, such as consultancy, actuarial, risk assessment and claim settlement services.

Banking and other financial services (excluding insurance)

(v) Acceptance of deposits and other repayable funds from the public;

(vi) Lending of all types, including consumer credit, mortgage credit, factoring and financing of commercial transaction;

(vii) Financial leasing;

(viii) All payment and money transmission services, including credit, charge and debit cards, travellers cheques and bankers drafts;

(ix) Guarantees and commitments;

(x) Trading for own account or for account of customers, whether on an exchange, in an over-the-counter market or otherwise, the following:

(A) Money market instruments (including cheques, bills, certificates of deposits);

(B) Foreign exchange;

(C) Derivative products including, but not limited to, futures and options;

(D) Exchange rate and interest rate instruments, including products such as swaps, forward rate agreements;

(E) Transferable securities;

(F) Other negotiable instruments and financial assets, including bullion.

(xi) Participation in issues of all kinds of securities, including underwriting and placement as agent (whether publicly or privately) and provision of services related to such issues;

(xii) Money broking;

(xiii) Asset management, such as cash or portfolio management, all forms of collective investment

# India and the GATs

In the past five years, India has witnessed significant debate, brainstorming sessions and political drama over the issue of liberalizing retail services for foreign investors, particularly in the multi-brand sector. For the most part, the arguments have concerned the fate of local retailers, “kirana shops,” pursuant to permitting foreign direct investment (FDI) in this sector. While one school of experts has expressed apprehension about local retailers being eliminated from the market if such FDI is permitted, the other school has advocated that such FDI will, aside from boosting the economy and foreign exchange reserves, generate employment on a large scale. Balancing both of the foregoing concerns, the Indian government recently liberalized FDI in this sector up to 100 percent in single-brand retail and up to 51 percent in multibrand retail services. Although this move has been appreciated by the industry and the investor class, such investments are subject to a significant number of restrictions in terms of minimum capitalization, local sourcing of materials, prior approval and other such requirements.

### The Four Modes of Services Supply

The GATS define services in four ‘modes’ of supply: cross-border trade, consumption abroad, commercial presence, and presence of natural persons.

**Mode 1: Cross Border**

Services which themselves cross-frontiers from one country to another e.g. Distance learning, consultancy, BPO services.

**Mode 2: Consumption abroad**

Services, which are made available within a country for foreign consumers’, e.g.: tourism, educational students for students, medical treatment etc.

**Mode 3: Commercial Presence**

Services supplied by an entity of one country, which is commercially pressed in another e.g.: banking, hotel etc.

**Mode 4: Movements of natural persons**

This is a foreign national providing services like that of doctor, nurse, IT engineer etc. functioning as a consultant, employee, from one country to another.

Services given by governments are exempted from GATS. These are services provided on a non-market basis (e.g. Social security schemes, health Education etc). Besides, Air Transport Services are also exempts from coverage that affects traffic rights. GATS divides services liberalization commitments into two – general obligations and specific obligations.

The GATS is basically a primary step towards service trade that was reached at the Uruguay Round. Service trade liberalization under it is at the entry level stage. As a Multilateral rule making and trade liberalization regime, the GATS has to be expanded by making further discussions.

**Trade Related Aspects of Intellectual Property Rights (TRIPs)**

Intellectual Property Rights are the rights given to persons/agencies for their creativity/innovations. These rights usually give the creator, an exclusive right over the use of his/her creation for a certain period of time. The importance of intellectual property in India is well established at all levels- statutory, administrative and judicial.

This Agreement, inter-alia, contains an Agreement on Trade Related Aspects of Intellectual Property Rights **(TRIPS) which came into force from 1st January 1995.** It lays down minimum standards for protection and enforcement of intellectual property rights in member countries which are required to promote effective and adequate protection of intellectual property rights with a view to reducing distortions and impediments to international trade. The obligations under the TRIPS Agreement relate to provision of minimum standard of protection within the member countries legal systems and practices.

**The Agreement provides for norms and standards in respect of following areas of intellectual property:**

* Patents
* Trade Marks
* Copyrights
* Geographical Indications
* Industrial Designs

The basic obligation in the area of patents is that, invention in all branches of technology whether products or processes shall be patentable if they meet the three tests of being new involving an inventive step and being capable of industrial application. In addition to the general security exemption which applied to the entire TRIPS Agreement, specific exclusions are permissible from the scope of patentability of inventions, the prevention of whose commercial exploitation is necessary to protect public order or morality, human, animal, plant life or health or to avoid serious prejudice to the environment.

**Key Features of Companies Act, 2013**

The TRIPS Agreement provides for a minimum term of **protection of 20 years counted from the date of filing.**

India had already implemented its obligations under Articles 70.8 and 70.9 of TRIP Agreement.

**Acts related to Patents**

* The Patents Act, 1970
* The Patents (amendment) Act, 1999
* The Patents (amendment) Act, 2002
* The Patents (amendment) Act, 2005

**Rules pertaining to Patents**

* The Patents Rules 2003
* The Patents (Amendment) Rules 2005
* The Patents (Amendment) Rules 2006

**Trade Marks**

**Trade Marks have been defined as any sign, or any combination of signs capable of distinguishing the goods or services** of one undertaking from those of other undertakings. Such distinguishing marks constitute protectable subject matter under the provisions of the TRIPS Agreement. The Agreement provides that initial registration and each renewal of **registration shall be for a term of not less than 7 years** and the registration shall be renewable indefinitely. Compulsory licensing of trade Marks is not permitted.

**Act related to Trade Marks**

* Trade Marks Acts
* Trade Marks Act, 1999
* New Elements in the Trade Marks Act, 1999

**Copyrights**

India’s copyright law, laid down in the **Indian Copyright Act, 1957** as amended by Copyright (Amendment) Act, 1999, fully reflects the Berne Convention on Copyrights, to which India is a party. Additionally, India is party to the Geneva Convention for the Protection of rights of Producers of Phonograms and to the Universal Copyright Convention. **India is also an active member of the World Intellectual Property Organisation (WIPO), Geneva and UNESCO.**

The copyright law has been amended periodically to keep pace with changing requirements. The recent amendment to the copyright law, which came**into force in May 1995,** has ushered in comprehensive changes and brought the copyright law in line with the developments in satellite broadcasting, computer software and digital technology. The amended law has made provisions for the first time, to protect performer’s rights as envisaged in the Rome Convention

**Acts related to Copyrights**

* The Copyright (Amendment) Act, 2012
* Copyright, Act 1957
* Copyright Rules, 1958
* Copyright Handbook
* International Copyright Order, 1999
* Copyright Piracy in India
* Amendments in the Act

**Geographical Indications**

The agreement contains a **general obligation that parties shall provide the legal means for interested parties to prevent the use of any means** in the designation or presentation of a good that indicates or suggests that the good in question originates in a geographical area other than the true place of origin in a manner which misleads the public as to the geographical origin of the good. There is no obligation under the Agreement to protect geographical indications which are not protected in their country or origin or which have fallen into disuse in that country.

A new law for the protection of geographical indications, viz. the **Geographical Indications of Goods (Registration and the Protection) Act, 1999** has also been passed by the Parliament and notified on 30.12.1999 and the rules made there under notified on 8-3-2002.

**Industrial Designs**

Industrial designs refer to creative activity which result in the ornamental or formal appearance of a product and design right refers to a novel or original design that is accorded to the proprietor of a validly registered design. Industrial designs are an element of intellectual property. Under the TRIPS Agreement, minimum standards of protection of industrial designs have been provided for. As a developing country, India has already amended its national legislation to provide for these minimal standards.

The essential purpose of design law it to promote and protect the design element of industrial production. It is also intended to promote innovative activity in the field of industries. The existing legislation on industrial designs in India is contained in the**New Designs Act, 2000**and this Act will serve its purpose well in the rapid changes in technology and international developments.

India has also achieved a mature status in the field of industrial designs and in view of globalization of the economy, the present legislation is aligned with the changed technical and commercial scenario and made to conform to international trends in design administration.

# IPRS Covered by TRIPs

The Agreement on Trade Related Intellectual Property Rights (TRIPs) is comprehensive in giving cover to all areas of technology, property, patents, trademarks, copyrights and so on.

The TRIPs encourages upon the member country’s sovereign right to frame its own legislation on intellectual property matters. This clause has been included on account of persistent demand from the developed and industrialized countries.

**The TRIPs Agreement covers seven categories of intellectual property rights:**

(i) Copyright

(ii) Trademarks

(iii) Geographical Indications

(iv) Industrial Designs

(v) Patents

(vi) Integrated Circuits

(vii) Trade Secrets

#### ****(i) Copyright:****

The copyright helps the parties to protect their literary and artistic works. Computer programmes, are also included in literary works. Authors of Computer programmes, performers on a phonogram, producers of phonograms (sound recordings) and broadcasting organizations are to be given the right to authorize or prohibit the commercial rental of their works to the public.

These similar exclusive rights also apply to the films. The protection for performers and producers of sound recordings are to be for not less than 50 years and for broadcasting organization for at least 20 years.

#### ****(ii) Trademarks:****

A sign or any combination of signs, capable of distinguishing the goods or services is called trade mark. Such sign, in particular works including personal names, letters, numerals, figurative elements and combination of colours as well as combinations of such signs are eligible for registration as trademarks.

The owner of a registered trademark has the exclusive right to present all third parties not having the owner’s consent from using in the course of trade identical or similar signs for goods or services. Initial registration and each renewal of registration, of a trademark are for a term of not less than seven years. The registration of a trademark is renewable indefinitely.

#### ****(iii) Geographical Indications:****

It refers to the identity of goods a originating in the territory of a member, or a region or locality in that territory where give quality or reputation of the goods is essentially attributed to its geographical origin.

Members are required to provide the legal means for interested parties to prevent the use of any indication which misleads the consumer as to the origin of goods and any use which would constitute an act of unfair competition.

#### ****(iv) Industrial Designs:****

Industrial designs are protected for a period of 10 years. Owners of protected designs would be able to prevent the manufacture, sale or importation of articles bearing or embodying a design which is a copy of the protected design for commercial purposes.

#### ****(v) Patents:****

Patents shall available for any inventions, whether products or processes, in all fields of technology, provided they are new, involve an inventive step and are capable of industrial application. Patent owners shall have the right to assign or transfer by succession, the patent and to conclude licensing contracts. The Agreement requires 20 years patent protection.

#### ****(vi) Integrated Circuits:****

The TRIP’S Agreement provides protection to the layout designs of integrated circuits for a period of 10 years. But the protection shall lapse 15 years after the creation of the layout design.

#### ****(vii) Trade Secrets:****

Trade Secrets having commercial value shall be protected against breach of confidence and other acts. Test data submitted to governments in order to obtain marketing approval for pharmaceuticals or agricultural chemicals shall be protected against unfair commercial use.

# Rights of Patentees under the TRIPs

### Relation to the Berne Convention

1. Members shall comply with Articles 1 through 21 of the Berne Convention (1971) and the Appendix thereto. However, Members shall not have rights or obligations under this Agreement in respect of the rights conferred under Article 6bis of that Convention or of the rights derived therefrom.
2. Copyright protection shall extend to expressions and not to ideas, procedures, methods of operation or mathematical concepts as such.

### ****Computer Programs and Compilations of Data****

1. Computer programs, whether in source or object code, shall be protected as literary works under the Berne Convention (1971).
2. Compilations of data or other material, whether in machine readable or other form, which by reason of the selection or arrangement of their contents constitute intellectual creations shall be protected as such. Such protection, which shall not extend to the data or material itself, shall be without prejudice to any copyright subsisting in the data or material itself.

### ****Article 11  Rental Rights****

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 excepted 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.

### ****Article 12**** Term of Protection

Whenever the term of protection of a work, other than a photographic work or a work of applied art, is calculated on a basis other than the life of a natural person, such term shall be no less than 50 years from the end of the calendar year of authorized publication, or, failing such authorized publication within 50 years from the making of the work, 50 years from the end of the calendar year of making.

### ****Article 13 Limitations and Exceptions****

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.

### ****Article 14 Protection of Performers, Producers of Phonograms (Sound Recordings) and Broadcasting Organizations****

1. In respect of a fixation of their performance on a phonogram, performers shall have the possibility of preventing the following acts when undertaken without their authorization: the fixation of their unfixed performance and the reproduction of such fixation. Performers shall also have the possibility of preventing the following acts when undertaken without their authorization: the broadcasting by wireless means and the communication to the public of their live performance.
2. Producers of phonograms shall enjoy the right to authorize or prohibit the direct or indirect reproduction of their phonograms.
3. Broadcasting organizations shall have the right to prohibit the following acts when undertaken without their authorization: the fixation, the reproduction of fixations, and the rebroadcasting by wireless means of broadcasts, as well as the communication to the public of television broadcasts of the same. Where Members do not grant such rights to broadcasting organizations, they shall provide owners of copyright in the subject matter of broadcasts with the possibility of preventing the above acts, subject to the provisions of the Berne Convention (1971).
4. The provisions of Article 11 in respect of computer programs shall apply mutatis mutandis to producers of phonograms and any other right holders in phonograms as determined in a Member’s law. If on 15 April 1994 a Member has in force a system of equitable remuneration of right holders in respect of the rental of phonograms, it may maintain such system provided that the commercial rental of phonograms is not giving rise to the material impairment of the exclusive rights of reproduction of right holders.
5. The term of the protection available under this Agreement to performers and producers of phonograms shall last at least until the end of a period of 50 years computed from the end of the calendar year in which the fixation was made or the performance took place. The term of protection granted pursuant to paragraph 3 shall last for at least 20 years from the end of the calendar year in which the broadcast took place.
6. Any Member may, in relation to the rights conferred under paragraphs 1, 2 and 3, provide for conditions, limitations, exceptions and reservations to the extent permitted by the Rome Convention. However, the provisions of Article 18 of the Berne Convention (1971) shall also apply, mutatis mutandis, to the rights of performers and producers of phonograms in phonograms.

### ****Section 2: Trademarks****

### ****Article 15 Protectable Subject Matter****

1. Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark. Such signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colours as well as any combination of such signs, shall be eligible for registration as trademarks. Where signs are not inherently capable of distinguishing the relevant goods or services, Members may make registrability depend on distinctiveness acquired through use. Members may require, as a condition of registration, that signs be visually perceptible.
2. Paragraph 1 shall not be understood to prevent a Member from denying registration of a trademark on other grounds, provided that they do not derogate from the provisions of the Paris Convention (1967).
3. Members may make registrability depend on use. However, actual use of a trademark shall not be a condition for filing an application for registration. An application shall not be refused solely on the ground that intended use has not taken place before the expiry of a period of three years from the date of application.
4. The nature of the goods or services to which a trademark is to be applied shall in no case form an obstacle to registration of the trademark.
5. Members shall publish each trademark either before it is registered or promptly after it is registered and shall afford a reasonable opportunity for petitions to cancel the registration. In addition, Members may afford an opportunity for the registration of a trademark to be opposed.

### Article 16 Rights Conferred

1. The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed. The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use.
2. Article 6bis of the Paris Convention (1967) shall apply, mutatis mutandis, to services. In determining whether a trademark is well-known, Members shall take account of the knowledge of the trademark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark.
3. Article 6bis of the Paris Convention (1967) shall apply, mutatis mutandis, to goods or services which are not similar to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademark and provided that the interests of the owner of the registered trademark are likely to be damaged by such use.

### ****Article 17 Exceptions****

Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties.

### ****Article 18 Term of Protection****

Initial registration, and each renewal of registration, of a trademark shall be for a term of no less than seven years. The registration of a trademark shall be renewable indefinitely.

### ****Article 19 Requirement of Use****

1. If use is required to maintain a registration, the registration may be cancelled only after an uninterrupted period of at least three years of non-use, unless valid reasons based on the existence of obstacles to such use are shown by the trademark owner. Circumstances arising independently of the will of the owner of the trademark which constitute an obstacle to the use of the trademark, such as import restrictions on or other government requirements for goods or services protected by the trademark, shall be recognized as valid reasons for non-use.
2. When subject to the control of its owner, use of a trademark by another person shall be recognized as use of the trademark for the purpose of maintaining the registration.

### ****Article 20 Other Requirements****

The use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements, such as use with another trademark, use in a special form or use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings. This will not preclude a requirement prescribing the use of the trademark identifying the undertaking producing the goods or services along with, but without linking it to, the trademark distinguishing the specific goods or services in question of that undertaking.

### ****Article 21 Licensing and Assignment****

Members may determine conditions on the licensing and assignment of trademarks, it being understood that the compulsory licensing of trademarks shall not be permitted and that the owner of a registered trademark shall have the right to assign the trademark with or without the transfer of the business to which the trademark belongs.

# Compulsory Licensing in TRIPs

In 2001, WTO Members adopted a special Ministerial Declaration at the WTO Ministerial Conference in Doha to clarify ambiguities between the need for governments to apply the principles of public health and the terms of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). In particular, concerns had been growing that patent rules might restrict access to affordable medicines for populations in developing countries in their efforts to control diseases of public health importance, including HIV, tuberculosis and malaria. The Declaration responds to the concerns of developing countries about the obstacles they faced when seeking to implement measures to promote access to affordable medicines in the interest of public health in general, without limitation to certain diseases. While acknowledging the role of intellectual property protection “for the development of new medicines”, the Declaration specifically recognizes concerns about its effects on prices.

The Doha Declaration affirms that “the TRIPS Agreement does not and should not prevent Members from taking measures to protect public health”. In this regard, the Doha Declaration enshrines the principles WHO has publicly advocated and advanced over the years, namely the re-affirmation of the right of WTO Members to make full use of the safeguard provisions of the TRIPS Agreement in order to protect public health and enhance access to medicines for poor countries.

The Doha Declaration refers to several aspects of TRIPS, including the right to grant compulsory licenses and the freedom to determine the grounds upon which licences are granted, the right to determine what constitutes a national emergency and circumstances of extreme urgency, and the freedom to establish the regime of exhaustion of intellectual property rights.

### ****Compulsory Licences****

The TRIPS Agreement allows the use of compulsory licences. Compulsory licensing enables a competent government authority to license the use of a patented invention to a third party or government agency without the consent of the patent-holder. Article 31 of the Agreement sets forth a number of conditions for the granting of compulsory licences. These include a case-by-case determination of compulsory licence applications, the need to demonstrate prior (unsuccessful) negotiations with the patent owner for a voluntary licence and the payment of adequate remuneration to the patent holder. Where compulsory licences are granted to address a national emergency or other circumstances of extreme urgency, certain requirements are waived in order to hasten the process, such as that for the need to have had prior negotiations obtain a voluntary licence from the patent holder. Although the Agreement refers to some of the possible grounds (such as emergency and anticompetitive practices) for issuing compulsory licences, it leaves Members full freedom to stipulate other grounds, such as those related to non-working of patents, public health or public interest. The Doha Declaration states that each Member has the right to grant compulsory licences and the freedom to determine the grounds upon which such licences are granted.

#### ****Parallel Importation****

Parallel importation is importation without the consent of the patent-holder of a patented product marketed in another country either by the patent holder or with the patent-holder’s consent. The principle of exhaustion states that once patent holders, or any party authorized by him, have sold a patented product, they cannot prohibit the subsequent resale of that product since their rights in respect of that market have been exhausted by the act of selling the product. Article 6 of the TRIPS Agreement explicitly states that practices relating to parallel importation cannot be challenged under the WTO dispute settlement system. The Doha Declaration has reaffirmed that Members do have this right, stating that each Member is free to establish its own regime for such exhaustion without challenge.

Since many patented products are sold at different prices in different markets, the rationale for parallel importation is to enable the import of lower priced patented products. Parallel importing can be an important tool enabling access to affordable medicines because there are substantial price differences between the same pharmaceutical product sold in different markets.

#### ****Extension of transition period for Least-Developed Countries (LDCs)****

The Doha Declaration also extended the transition period for LDCs for implementation of the TRIPS obligations from 2006 to 2016. However, the extension is limited to the obligations under provisions in the TRIPS Agreement relating to patents and marketing rights, and data protection for pharmaceutical products. Thus, LDCs are still obliged to implement the rest of their obligations under the TRIPS Agreement as of 2006. From a public health perspective, this extension of the transition period for LDCs is of significant importance. It is a recognition of the implications of patent protection on public health, and thus, it is recommended that all LDCs adopt the necessary measures to use the 2016 transition period in relation to pharmaceutical patents and test data protection.

# Trade related investment Measures (TRIMS)

The agreement on the Trade Related Investment measures (TRIMS) calls for introducing national treatment of foreign investment and removal of quantities restrictions. It identifies five investment measures which are inconsistent with the General Agreement on Trade and Tariff (GATT) on according national treatment and on general elimination of quantitative restrictions. These are measure which are imposed on the foreign investors the obligation to use local inputs, to produce for export as a condition to obtain imported goods as inputs, to balance foreign exchange outgo on importing inputs with foreign exchange earnings through export and not to export more than a specified proportion of the local production.

Trade-Related Investment Measures is the name of one of the four principal legal agreements of the World Trade Organization (WTO), trade treaty. TRIMs are rules that restrict preference of domestic firms and thereby enable international firms to operate more easily within foreign markets. The TRIMs Agreement prohibits certain measures that violate the national treatment and quantitative restrictions requirements of the General Agreement on Tariffs and Trade (GATT).

#### ****TRIMs may include requirements to:****

1. Achieve a certain level of local content;
2. Produce locally;
3. Export a given level/percentage of goods;
4. Balance the amount/percentage of imports with the amount/percentage of exports;
5. Transfer of technology or proprietary business information to local persons;

These requirements may be mandatory conditions for investment, or can be attached to fiscal or other incentives. The TRIMs Agreement does not cover services. All WTO member countries (offsite link) are parties to this Agreement. This Agreement went into effect on January 1, 1995. It has no expiration date.

The Agreement requires all WTO Members to notify the TRIMs that are inconsistent with the provisions of the Agreement, and to eliminate them after the expiry of the transition period provided in the Agreement. Transition periods of two years in the case of developed countries, five years in the case of developing countries and seven years in the case of LDCs.

### ****India’s Notified TRIMs****

As per the provisions of Article. 5.1 of the TRIMs Agreement India had notified three trade related investment measures as inconsistent with the provisions of the Agreement:

1. Local content (mixing) requirements in the production of News Print,
2. Local content requirement in the production of Rifampicin (a medicine) and Penicillin – G, and
3. Dividend balancing requirement in the case of investment in 22 categories of consumer goods.

Such notified TRIMs were due to be eliminated by 31st December, 1999. None of these measures is in force at present. Therefore, India does not have any outstanding obligations under the TRIMs agreement as far as notified TRIMs are concerned.

### ****Present Status****

The transition period allowed to developing countries ended on 31st December, 1999. However, Art. 5.3 provides for extension of such transition periods in the case of individual members, based on specific requests. In such cases individual Members have to approach the Council for Trade in Goods with justification based on their specific trade, financial and development needs. Accordingly 9 developing countries (Malaysia, Pakistan, Philippines, Mexico, Chile, Colombia, Argentina, Romania and Thailand) have applied for extension of transition period in respect of certain TRIMs which had been notified by them. Examination of their requests is underway in the Council for Trade in Goods of WTO.

**India had proposed during the Seattle Ministerial Conference that:**

* Extension of transition period for developing countries should be on a multilateral basis and not on an individual basis;
* Another opportunity should be provided to developing countries to notify un-notified TRIMs and maintain them for an extended transition period;
* The Seattle Ministerial Conference was inconclusive and no decision could be taken on the proposals.

**Examples of TRIMs Explicitly Prohibited by the TRIMs Agreement**

|  |  |
| --- | --- |
| **Local content requirement** | Measures requiring the purchase or use by an enterprise of domestic products, whether specified in terms of particular products, in terms of volume or value of products, or in terms of a proportion of volume or value of its local production. (Violation of GATT Article III:4) |
| **Trade balancing requirements** | Measures requiring that an enterprise’s purchases or use of imported products be limited to an amount related to the volume or value of local products that it exports. (Violation of GATT Article III:4) Measures restricting the importation by an enterprise of products used in or related to its local production, generally or to an amount related to the volume or value of local production that it exports. (Violation of GATT Article XI:1) |
| **Foreign exchange restrictions** | Measures restricting the importation by an enterprise of products (parts and other goods) used in or related to its local Production by restricting its access to foreign exchange to an amount related to the foreign exchange inflows attributable to the enterprise. (Violation of GATT Article XI:1) |
| **Export restrictions (Domestic sales requirements)** | Measures restricting the exportation or sale for export by an enterprise of products, whether specified in terms of particular products, in terms of volume or value of products, or in terms of a proportion of volume or value of its local production. (Violation of GATT Article XI:1) |

The TRIMs Agreement has been found by the developing countries to be standing in the way of sustained industrialization of developing countries, without exposing them to balance of payment shocks, by reducing substantially the policy space available to these countries. Developed countries, on the other hand, have been arguing for a further expansion in the list of prohibited TRIM. But India should be careful while giving its node to the expansion of TRIMS because it may make Indian manufacture more vulnerable against the cheap products of developed countries.