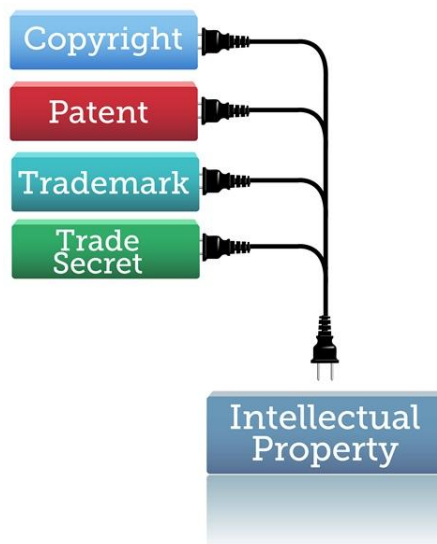

Overcoming Transatlantic differences on intellectual property

IPR and the TTIP negotiations



IN-DEPTH ANALYSIS

This publication aims to provide an overview of the regulation of intellectual property rights in the United States and the European Union, as well as presenting the debate around the inclusion of an intellectual property chapter in the Transatlantic Trade and Investment Treaty, currently under negotiation.

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EXECUTIVE SUMMARY

Recent studies demonstrate the important contribution of intellectual property rights (IPR) to the American and EU economies. Royalties and licence fees based on IPR figure high among the exports of both, and applications, and grants, for IPR protection made by Europeans in the US and vice-versa represent an important share of the totals. The differences between the respective IPR systems are comparatively small, yet seen as hard to overcome. The negotiation of the EU-US Transatlantic Trade and Investment Partnership (TTIP) may present the opportunity for a step change in EU-US relations in respect of IPR.

Protection of intellectual property (IP) and IPR is justified as a necessity for encouraging innovation, creativity and investment in research and development activities. On the other hand, granting IPRs may have social and economic costs, in particular when IPR owners make inefficient use of the protected goods while preventing others from using them more efficiently. Therefore, IP law is concerned with striking an appropriate balance between the owners of IPR and the interests of the general public in free access to information and knowledge. At international level, a series of conventions and treaties set minimum substantive and procedural standards with respect to IP protection and enforcement, and form the international legal regime on IPR.

With increasing trade in IP-related goods and services, the United States (US), the European Union (EU) and other industrialised nations have pushed for better enforcement measures against counterfeit and pirated goods and for regulation of IP from the perspective of trade policy. Moreover, a number of bilateral and regional free trade agreements (FTAs) between the EU or US and third countries have included IPR chapters or IPR provisions going beyond the minimum standards agreed at multilateral level. Bilateral investment agreements (BITs) are also used to protect the rights of investors who use IP as a means of investment. However, this expansion of IPR (in multilateral and bilateral agreements, as well as to new subject matters) led mainly by developed countries has raised a range of concerns as well as opposition from developing countries, mostly concerned with ensuring transfers of technology and access to generic medicines.

Both the US and EU attach great importance to the protection of IPR and each has put in place a high-standard legal system of IP protection and enforcement. Patents, designs, trademarks, copyright, geographical indications, and more recently trade secrets, have been the main areas of focus. Specifically, the EU has gone through a successful process of assuming competence from its Member States (MS) to regulate in the field of IPR and has managed to institute Union-wide systems with regard to trademarks, designs, geographical indications and even patents (the latter not yet in application). Efforts to establish effective enforcement and border measures against IP infringements are another constant preoccupation for both the EU and US.

As both the EU and US have sought to promote in their bilateral and regional FTAs strong IPR-related standards, an IP chapter is also expected to feature in TTIP now under negotiation, as a joint effort to promoting strong IP protection globally. Nevertheless, concerns have been expressed. Parallels with the Anti-Counterfeiting Trade Agreement (ACTA), rejected by the European Parliament in July 2012, are being made, in particular over lack of transparency in the talks and the fear that TTIP would see some of the controversial ACTA provisions reintroduced. Furthermore, issues such as geographical indications may become a stumbling block in the negotiations.

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List of the main acronyms used

ACTA:	Anti-Counterfeiting Trade Agreement
BIT:	Bilateral investment agreement
CETA:	Comprehensive Economic and Trade Agreement between the EU and Canada
CTM:	Community Trademark
DSB:	Dispute settlement body
ECJ:	European Court of Justice
EPO:	European Patent Office
FTA:	Free trade agreement
GDP:	Gross domestic product
IPR:	Intellectual property rights
ISDS:	Investor-to-state dispute settlement
ISP:	Intermediary service provider
NGO:	Non-governmental organisation
NTB:	Non-tariff barrier
OHIM:	Office for Harmonisation in the Internal Market
RTA:	Regional trade agreement
SME:	Small and medium-sized enterprise
TCD:	Transatlantic Consumer Dialogue
TFEU:	Treaty on the Functioning of the European Union
TRIPS:	Treaty on the Trade-Related Aspects of Intellectual Property Rights
TTIP:	Transatlantic Trade and Investment Partnership
TPP:	Trans-Pacific Partnership
UPC:	Unitary Patent Court
USPTO:	United States Patent and Trademark Office
USTR:	United States Trade Representative
WIPO:	World Intellectual Property Organisation
WTO:	World Trade Organisation

Glossary

Patent: An exclusive right granted for an invention, which is a product or a process that provides a new way of doing something, or offers a new technical solution to a problem. A patent provides its owner protection for the invention for a limited period, generally 20 years.

Trademark: A distinctive sign which identifies certain goods or services as produced or provided by a specific person or enterprise. The period of protection varies, but can generally be renewed indefinitely.

Design: An industrial design – or a design – is the ornamental or aesthetic aspect of an article; registration and renewals provide protection for, in most cases, up to 15 years.

Copyright and related rights: Copyright is a right given to creators for their literary and artistic works (also computer software). Related rights are granted to performing artists, producers of sound recordings and broadcasting organisations for their radio and television programmes.

Geographical indication: A sign used on goods that have a specific geographical origin and possess qualities or a reputation due to that place of origin.

Trade secret or undisclosed information: Protected information which is not generally known among, or readily accessible to, persons normally dealing with the kind of information in question, has commercial value because it is secret, and has been subject to reasonable steps to keep it secret by the person lawfully in control of the information.

[Definitions](#) are those of the World Intellectual Property Organisation (WIPO).

1. Introduction

The economies of the United States (US) and the European Union (EU) rely heavily on innovative and creative industries. Therefore they have implemented legislative protection and enforcement of intellectual property rights (IPR) at home, and advocated the need for improving this abroad, in multilateral fora, as well as in their bilateral dealings with third countries.

In the 1980s, the EU and US promoted the inclusion of intellectual property rights in the multilateral trade negotiations which led to the creation of the World Trade Organisation (WTO) and the Treaty on the Trade-Related Aspects of Intellectual Property Rights (TRIPS). For more than a decade however, they have turned to bilateral and regional free-trade agreements (FTAs and RTAs) to promote IPR-related measures, most often going beyond TRIPS standards. The EU and the US both also stated their intention to include IPR in their own bilateral trade and investment talks, in an effort to set rules for 21st century global trade which would act as a standard for other countries as well.¹ The EU-US negotiations for an ambitious and comprehensive Transatlantic Trade and Investment Partnership (TTIP) began in July 2013. On the specific issue of IPR, the parties seem ready to "address a limited number of significant IPR issues of interest to either side, without prejudice to the outcome."² Nevertheless, the inclusion of IPR provisions in the TTIP has met with opposition from a number of stakeholders on both sides of the Atlantic, in particular civil society and consumer associations. Moreover, certain IPR aspects (e.g. geographical indications) could prove a stumbling block in the talks due to the differences in EU and US approaches.

2. Intellectual property protection: background

2.1. General considerations

2.1.1. What is intellectual property?

The **importance** of intellectual property (IP) has grown considerably in recent decades. First, IP now generates economic value that in some cases surpasses the value of physical property. Secondly, IP has come to influence many areas of society: technological advance, culture, health and even the structure of society (institutions, organisations, re-distribution of wealth and income) etc. Nevertheless, IP protection and IPR are a matter of debate and their role in providing benefits to society at large is widely contested.³

Intellectual property refers to **creations of the mind** such as inventions; literary and artistic works; symbols, names and images used in commerce, etc.⁴ As such, it refers to non-material or intangible objects, distinct from the real goods resulting from the intellectual creation or the knowledge the IP contains. In practice, IP covers various rights based on different rationales (e.g. while patents and copyright are linked to innovation, trademarks are centred on providing an answer to asymmetric information

¹ [Transatlantic Trade and Investment Partnership \(TTIP\) Negotiations/](#) Akhtar S.I., Jones V.C., Congressional Research Service, 2014, 50 p.

² [Final Report/](#) High Level Working Group on Jobs and Growth, 2013, 6 p.

³ [The Law and Economics of Intellectual Property in the Digital Age : The Limits of Analysis](#), Elkin-Koren, N., Salzberger, E.M., 2013, 286 p.

⁴ [What is intellectual property?](#) / World Intellectual Property Organisation, 25 p.

on the market and are not associated directly with innovation). Traditionally, two categories of IPR are identified: industrial property (patents, trademarks, designs and geographical indications) and copyright (literary and artistic works and related rights).⁵ However, in the context of globalisation, technological advances and economic liberalisation, industrialised states have pressed for the expansion of IPR to new subject matters (e.g. undisclosed information, plant varieties, databases, business methods, etc.).⁶

IPRs grant their holders the legal right to use, as well as to exclude others from using without the consent of the right-holder, the protected intangible object. While this is similar to property over physical goods, there are significant **differences**. First of all, IPRs (patents, copyright) are limited in time and scope, as the core objective of IP law is to achieve a balance between the owner's rights and the interests of society. After the period for which the right is granted expires, the invention/creation enters the public domain and can be freely used by anybody. Second, IP is characterised by non-rivalry. As knowledge and information resources – the objects of IP – are not scarce, IP assets can be used simultaneously and/or subsequently by different users, in contrast to physical resources (e.g. land). Third, the intangible nature of IP differs from conventional property rights over physical goods in that it is difficult to enable exclusion of others without a clear and enforceable legal rule. Therefore, IP cannot be fully equated with the concept of property.⁷

Finally, IP law rests on the principle of **territoriality**, limiting the scope of IPR protection to the territory of the granting state (or to the entire territory of the EU in the case of EU unitary IPR). For example, to protect their rights in a state other than the granting state, inventors need to resubmit their patent application there. Territoriality forms the basis of the international IP legal regime.

2.1.2. Justification and main criticisms of IPR

Protection of IP has been **justified** on different grounds, rooted in various philosophical and legal doctrines, including to ensure recognition for the moral and economic rights of creators over their creations. According to some scholars, one of the main rationales for IPR is to provide incentives for innovation and creativity (in particular patents and copyright). This argument relies on the assumption that information constitutes a non-exclusive public good not subject to competitive uses which, by being freely available, does not sufficiently encourage investment in innovation. The government's intervention is thus needed to create economic incentives through exclusive rights granted to the creator/inventor for a limited period of time, which allows for the recovery of the investment costs. However, it must be clarified for whom these incentives are intended – for the creators, the managers of the creation or the producers. Another argument, based on the so-called "tragedy of the commons", justifies treating IP as property over physical goods. In this argument, common ownership of innovations and creations can lead to their overuse, lack of incentives to improve them and decrease in production. IPRs are thus created to provide a solution to this problem. Finally, some IPRs, such as trademarks, aim at remedying the lack or

⁵ [European intellectual property law: text, cases and materials](#) / Kur A., Dreier Th., 2013, 548 p.

⁶ [The Global Struggle over Geographical indications](#) / Raustiala K., Munzer S.R., *The European Journal of International Law*, Vol.18, no 2, 2007.

⁷ Elkin-Koren, N., Salzberger, E.M., *supra*, note 3.

asymmetry of information on the market, by preventing confusion among consumers and limiting their search costs on the market.⁸

On the other hand, **criticism of IPR** is abundant, with experts putting into doubt the assertion that stronger IPR favours innovation, and actually concluding that IPRs may lead to lower social welfare.⁹ The main criticisms of IPR are set out below. First, IPRs lead to restrained competition, as the right-holder is granted a de facto monopoly on the market and the ability to set monopolistic prices. This contains a paradox: the more important the invention, and the fewer substitute products there are on the market, the less it will reach the wider public; which constituted the goal of granting IPRs in the first place. Another criticism is that IPRs may be used strategically by their owners to increase market power, reduce competition by creating barriers to market entry for new players, and concentrate control over production and distribution of the goods generated by the IPRs. Among the more controversial practices are so-called patent trolls (patents acquired not in order to produce but to file law suits against businesses releasing products that might have infringed the patent) or patent evergreening (whereby the patent holder makes some small improvements to the product in order to extend the patent). A third criticism refers to the high transaction and administrative costs of IPR, including not only registration and litigation but also costs related to licensing of IPR (i.e. obtaining the consent of the right-holder for the use of IPR). High costs may thus impede innovation and stifle creation of new works, since just avoiding copyright infringement, for example, is a challenge for individual creators. Also they may affect existing products, with resources being diverted from R&D and investing in quality into efforts to secure IPRs. Moreover, some scholars have pointed to "the tragedy of the anti-commons" having particular relevance to IP law: when exclusive rights are granted over a scarce resource to a number of people, this might lead to under-consumption and collective waste of that resource.¹⁰ Other criticisms point to IPRs having implications on issues as diverse as the rights of indigenous people and traditional knowledge, "orphan drugs", ethics etc.¹¹

2.1.3. *Achieving the right balance*

IP law endeavours to achieve the balance between exclusive rights and the need to stimulate innovation, on the one hand, and access to (new) knowledge, on the other hand, as well as to respond to abuses of IP protection. To attain these objectives, legislators can either exclude specific subject matters from IP protection or make IPRs temporary. As regards **exclusion**, IPRs do not apply to **abstract ideas or principles**. Copyright protection is given to expressions and "not to ideas, procedures, methods of operation or mathematical concepts as such."¹² Patents do not protect discoveries, diagnostic, therapeutic and surgical methods for the treatment of humans and animals, plant and animal varieties (states usually provide *sui generis* protection in the case of plant varieties), scientific theories and mathematical methods etc. Trademarks cannot be registered if they refer to an abstraction or concept. Moreover, exclusion from IP protection can be justified for **public order, public policy or ethical reasons**.¹³

⁸ *Ibidem*.

⁹ [Creating a learning society: a new paradigm for development and social progress](#) / Stiglitz, Joseph E., Greenwald, Bruce C., 2014, 660 p.

¹⁰ Elkin-Koren, N., Salzberger, E.M., *supra*, note 7.

¹¹ [New frontiers in the philosophy of intellectual property](#) / Lever, A., 2012, 342 p.

¹² [WIPO Copyright Treaty](#) / WIPO, 1996, article 2.

¹³ [Agreement on Trade-Related Aspects of Intellectual Property Rights](#) / World Trade Organisation (WTO).

Regarding trademarks, protection is excluded for signs which may deceive the public. Finally, IP protection can be refused for the purpose of keeping some resources available to competitors (e.g. signs or indications which have become customary in the established practices of trade of a certain country).¹⁴ **Limiting the period of protection** is another way IP law attempts to balance the private and the public interest. The periods of protection vary from one IPR to another. Patents are usually protected for no less than 20 years from the date of filing the application. In the case of copyright, the term of protection is the life of the author, and at least 50 years after their death. Industrial designs are protected for at least 10 years.¹⁵ After registration, trademarks can be renewed indefinitely every seven (TRIPS, article 18) or ten years (WIPO Trademark Law Treaty, article 13).

2.2. The international IP regime

International IP law consists of bilateral, multilateral and plurilateral treaties and agreements which aim at setting minimum standards for IP protection and a certain convergence in procedural as well as substantive law between states. At the multilateral level, the first IP treaties were concluded in the 1880s. In the 1980s and 1990s the focus shifted onto trade aspects of IP, with IP being included in multilateral trade negotiations.¹⁶

The principle of national treatment

National treatment refers to the obligation for a State to grant nationals of other member countries the same protection as it grants its own nationals with regard to industrial property (Paris Convention) or in respect of original works - literary, artistic, scientific etc. (Berne Convention).

2.2.1. The WIPO-managed treaties

The World Intellectual Property Organisation (WIPO), a United Nations specialised agency, founded in 1967 by the WIPO Convention, acts as a global forum for IP services, policy and cooperation. WIPO's main role is to administer the current 26 treaties in the field of IP, for its 187 member states. The first IP treaties concluded were the **Paris Convention for the Protection of Industrial Property** (1883) and the **Berne Convention for the Protection of Literary and Artistic Works** (1886). Both treaties (revised on several occasions) enshrine the principle of **national treatment** and oblige their signatory States to provide certain **minimum rights** to beneficiaries of IP protection.

The Paris Convention¹⁷ establishes the principle of **priority** for all industrial property rights, e.g. the date at which the first application is filed in a member state is considered (for one year) the relevant filing date for the introduction of the same application in any of the other member states. Other minimum rights are set by the Paris Convention with regard to specific IP categories: patents, industrial designs, trademarks, service marks, indications of source or appellations of origin, etc. It also contains provisions on the repression of unfair competition.

The Berne Convention¹⁸ provides a wide range of minimum rights with respect to copyright for "every production in the literary, scientific and artistic domain", but also

¹⁴ Pruning the European intellectual property tree: in search of common principles and roots / Dusollier, S. in *Constructing European intellectual property: Achievements and new perspectives*, Geiger, C. (Ed.), 2013, pp. 24-57.

¹⁵ *Ibidem*.

¹⁶ Kur, A., Dreier, Th., *supra*, note 5.

¹⁷ [Paris Convention for the protection of intellectual property](#), 1883.

¹⁸ [Berne Convention for the protection of literary and artistic works](#), 1886.

foresees limitations and exceptions, such as the quotation right and the three-step test concerning limitations of reproduction rights. The Convention also establishes that **the moral rights** of the authors shall be protected by the States parties, as concerns their rights to claim ownership and to object to any modification of the work "which would be prejudicial to his honour or reputation" (article 6bis).

On the basis of the Paris and Berne Conventions, other **special agreements** have been concluded, extending the rights granted or setting common/minimum registration procedures and setting up, among others, the international patent system, the Madrid system for the registration of marks, the Hague system for industrial designs and the Lisbon system for the protection of appellations of origin.¹⁹

The main weaknesses of the WIPO agreements are considered to be the lack of enforcement mechanisms as well as the fact that membership of the conventions is not compulsory.²⁰ Other criticisms came from developing states, leading to the adoption of the WIPO Development Agenda in 2007.

Alongside WIPO, two other institutions are managing IP conventions: the **UN Educational, Scientific and Cultural Organisation** (UNESCO) administers the Universal Copyright Convention (1952); and the **International Union for the Protection of New Varieties of Plants** (UPOV) has the responsibility to provide an effective system of plant variety protection, in accordance with the provisions of the International Convention for the Protection of New Varieties of Plants.

2.2.2. *The WTO's TRIPS Agreement*

The **Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)** was concluded in the framework of the World Trade Organisation (WTO) and entered into force on 1 January 1995, as Annex 1C of the WTO Agreement.²¹ The inclusion of IPRs in the subject matter of the WTO constituted an important shift in the regulation of IP, following the increased importance given to trade in IP-related goods and services by industrialised countries, as well as the difficulty to reach consensus on further reviews of the Paris and Berne conventions. The US, Japan and European countries pushed for the inclusion of international IP protection in the Uruguay Round of trade negotiations, mainly to strengthen enforcement rules against counterfeiting and piracy. To achieve this, industrialised countries offered a series of agricultural concessions to developing

¹⁹ The main agreements concluded in the field of **copyright** are the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations (1960); the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty (1996); the Beijing Treaty on Audiovisual Performances (2012); the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled (2013). In the field of **industrial property** the most important agreements are the Patent Cooperation Treaty (PCT), part of the international patent system; the Madrid Agreement concerning the International Registration of Marks and the Protocol relating to the Madrid Agreement (the Madrid system); the Hague Agreement for the International Registration of Industrial Designs (the Hague system); and the Lisbon Agreement for the protection of Appellations of Origin and their international registration (the Lisbon system). The Patent Law Treaty (PLT), the Trademark Law Treaty (TLT) and the Singapore Treaty on the Law of Trademarks aim at streamlining the national or regional procedures for applications and registration and set maximum requirements for what a national/regional office may ask from an applicant or owner. The draft Substantive Patent Law Treaty meant to harmonise substantive patent law has been on hold since 2006, due to lack of agreement. Negotiations on a WIPO Design Law Treaty are under way. See WIPO [website](#).

²⁰ [Trade and Intellectual Property](#) / Emmert, F., in International Trade Law, Heng Wang, ed., 2012.

²¹ [Agreement on the Trade-Related Aspects of Intellectual Property Rights](#) / WTO, 1994.

countries in exchange for higher levels of IP protection.²² Nonetheless, extending the high standards of IP protection to developing countries (in connection with TRIPS but also with the bilateral trade agreements negotiated post-TRIPS) was widely criticised. One of the main arguments was that stronger IP standards may benefit some countries (the more innovative ones), but not others (those who derive comparative advantage in imitating technological advances developed by other countries). Moreover, considering the impact at global level of strong IP standards, some researchers have argued that global welfare would be maximised if some countries had no IP protection standards at all.²³

TRIPS is built on a so-called "Paris and Berne-plus" approach, meaning it has extended IP protection to some new areas not covered previously and set higher standards of protection in others. According to a WTO overview of the TRIPS, the agreement represents "to date the most comprehensive multilateral agreement on intellectual property".²⁴ The agreement relies on the national treatment principle (article 3), and introduces the Most Favoured Nation principle, meaning that any advantage granted to one trading partner must be extended to all WTO members (article 4). TRIPS refers in article 6 to the issue of the exhaustion of rights, but does not establish an international exhaustion regime, leaving its member states free to decide whether or not to allow parallel imports.

The IP owner's exclusive right to control the distribution of a protected product is "**exhausted**" after the first act of distribution; under a national exhaustion regime, parallel imports into another country, without the right-holder's permission, of protected products first sold domestically are illegal.

TRIPS addresses both substantive and procedural issues as regards copyright and related rights, trademarks, patents, geographical indications (GIs), industrial designs, topographies of integrated circuits and trade secrets. Among the notable provisions, TRIPS extends the three-step test for derogations under the Berne Convention to practically all IPRs (articles 13, 17, 26 and 30) and it explicitly excludes the authors' moral rights from its scope (article 9).²⁵

As regards specific IPRs, TRIPS establishes that **patents** (articles 27-34) must be granted in all fields of technology, provided "they are new, involve an inventive step and are capable of industrial application". Compulsory licences (i.e. use of a patent without the authorisation of the right-holder, including by, or allowed by, a government) are subject to specific conditions. On **trademarks** (articles 15-21), TRIPS includes a definition and adds certain rights for the owners of well-known marks. Compulsory

²² Kur, A., Dreier, Th., *supra*, note 5.

²³ See Chapter 14 on TRIPS in [The Regulation of International Trade](#) / Trebilcock, M. J., Eliason, A., Howse, R., 2013, 949 p.

²⁴ [Overview: the TRIPS Agreement](#) / WTO website, accessed June 30, 2014.

²⁵ The [debate](#) on the moral rights of the author (rights of paternity or to claim authorship and right of integrity) is longstanding and it mainly opposes common law countries and civil law jurisdictions. The exclusion of moral rights from TRIPS has been interpreted as an effort to prevent the exploitation of a work by the holders of the economic rights over the work from being in any way limited by the author invoking their moral rights. Although party to the Berne Convention since 1989, the US does not fully recognise moral rights in copyright. The EU's Court of Justice has stated the importance of moral rights in its case law (e.g. Judgment of 6 April 1995 in [Joined Cases C-241/91 P and C-242/91 P](#)); however, because EU Member States rely on distinct legal traditions, moral rights have remained essentially a national matter (e.g. Directive 2001/29/EC leaves moral rights out of its scope).

licensing is forbidden for trademarks. For **geographical indications**²⁶ (articles 22-24), TRIPS provides protection against unfair competition and misleading use; clarifies to a certain extent the relation between GIs and trademarks and establishes a higher level of protection for wine and spirits or "absolute protection". Thus, holders of GIs can prevent the marketing of wine and spirits even if their labels indicate the true origin of the product or if they contain the GI in translation or if the GI is accompanied by expressions such as "style", "type", "kind". Regarding **copyright** (articles 9-14), TRIPS reaffirms the member states' obligation to comply with the Berne convention, except on the issue of "moral rights"; it also adds computer programs and databases to the list of works to be protected. Finally, TRIPS provides protection to undisclosed information against unfair competition, including test or other data required for approval and marketing of pharmaceutical products (article 39).

Importantly, TRIPS sets **IPR enforcement rules** (in Part III) covering civil and administrative procedures, provisional measures to prevent infringement of IPRs and border measures against the import of counterfeit or pirated goods. Member states party to the TRIPS also committed to adopt in their legislation criminal procedures and penalties against wilful infringement on a commercial scale (to include imprisonment and/or monetary fines, as well as destruction of the infringing goods).

Moreover, TRIPS brings IPR-related disputes between the parties under the remit of the WTO's Dispute Settlement Body (DSB), according to articles 63 and 64. Cross-retaliation becomes possible: if a party does not comply with the binding DSB decision in the IP field, then measures can be taken against it in areas other than IP. On the other hand, "non-violation" complaints (i.e. complaints that a country has been deprived of expected rights, although no WTO rules and commitments have been infringed) in respect of IP disputes have been under a "moratorium" from the beginning, and this has been extended several times up to the present.²⁷ Finally, TRIPS sets **transitional periods** for developing countries (until 2000) and least developed countries (currently extended to 2021).²⁸ Fundamentally, TRIPS also provides for so-called "flexibilities" and limits on IP protection, in order to achieve a balance between private and public interest. The provisions aim at allowing member states the possibility to enact domestic legislation for the promotion of public health and other public interests, as well as at ensuring the adequate dissemination of technology and the contribution of IPRs to social and economic welfare (e.g. articles 7 and 65-67).

Although in the view of some stakeholders and industrialised nations TRIPS has been beneficial for most countries, the agreement has also been criticised, in particular by developing states and civil society. Many developing states are opposed to the extension of Western-style IPRs, arguing that each state should set the level of IP protection adapted to its development needs. Moreover they believe high standards of IP protection benefit the industrialised nations which hold the most IP rights, with the effect of increasing costs and preventing access in poor countries to essential products

²⁶ For an overview, see [The economics of geographical indications](#) / Benavente, D., 2013.

²⁷ There is currently [no consensus](#) on whether non-violation cases should be allowed under TRIPS, as they are for the WTO agreements on goods and services, nor under what conditions. While the US and Switzerland consider TRIPS allows for non-violation complaints, the majority of WTO members, in particular developing countries, reject this view, as they fear it might affect, for example, their right to use compulsory licensing for access to generic medicines. See also [WTO website](#).

²⁸ See WTO website on [Least developed countries' needs in intellectual property](#).

and services, such as generic medicines.²⁹ Considering some of these criticisms, WTO members adopted the Doha Declaration on TRIPS and Public Health in 2001, allowing WTO members to use "flexibilities" in the area of compulsory licensing and parallel importation, in order to "protect public health and promote access to medicines for all". Among other things, the Declaration extends the compliance period for LDCs with regard to the obligation to grant patents for pharmaceutical products until 2016.³⁰ The Declaration is both a political statement and a Ministerial decision (article IX of the Agreement establishing the WTO) having legal effect on members of the WTO and WTO bodies; although not having the status of *authoritative interpretation* of the treaty, the Declaration has the same *effect* however, as it is an agreed understanding of certain aspects of TRIPS; therefore, it must be taken into account when interpreting the TRIPS agreement.³¹

Nevertheless, many experts still believe that a wider reform of the international IP regime is necessary, in order to achieve a rebalancing in the direction of the public interest, "a just allocation of information goods" and to take into account the "broad range of interests within society, not just those of the rights-holders".³²

2.2.3. Bilateral/regional and plurilateral agreements

With the Doha Round of multilateral trade talks at a standstill, further advances on the multilateral track in the field of IPRs seem difficult to achieve. Therefore, bilateral and regional trade agreements (RTAs) have been proliferating in the past decade, many including chapters or provisions on IPRs.³³ As of 15 June 2014, 379 RTAs out of the 585 notified to the WTO were in force.³⁴ Developed nations, such as the US, the EU and Japan, are the main promoters of inclusion of IPRs in their free trade agreements (FTAs) or RTAs, seeking a higher level of IP protection and enforcement than in TRIPS. As shown in a 2009 analysis of EU and US preferential trade agreements, these may contain either **TRIPS-plus provisions** (reinforcing the commitments taken at multilateral level) or **TRIPS-extra provisions** (additional commitments extending the coverage of those agreed multilaterally).³⁵ Examples of such provisions are: limits on the use of compulsory licenses, obligation to accede to certain conventions in the field of IP, term extension in cases of delayed patent approval, etc.

However, many questions have arisen about the **interplay** between the various FTAs with IP provisions and the multilateral framework on IP protection, as well as their **impact** on the countries' policies and legislation.³⁶ The increasingly detailed IP provisions in international agreements tend to fix standards of IP protection in internal legislation, disregarding flexibilities and even domestic checks and balances. Strong concerns have also been expressed about the process of "preference erosion" as a consequence of the **proliferation of FTAs containing IP chapters**. Preference erosion

²⁹ Kur, A., Dreier, Th., *supra*, note 5.

³⁰ See WTO website on the [Doha Declaration](#).

³¹ [Implications of the Doha Declaration on the TRIPS Agreement and public health](#) / Correa C.M., World Health Organisation, 2002.

³² [Washington Declaration on Intellectual Property and the Public Interest](#), 2011.

³³ [Principles for intellectual property provisions in bilateral and regional agreements](#) / Grosse Ruse-Khan, H., 2014, *European Intellectual Property Review* 36(4), pp 207-211.

³⁴ See WTO website on [regional trade agreements](#).

³⁵ [Beyond the WTO? An anatomy of EU and US preferential trade agreements](#) / Horn H., Mavroidis P.C., Sapir A., Bruegel, 2009, 76 pp.

³⁶ [Stronger IP enforcement finds a home in bilateral trade agreements](#) / Mara K., IP Watch, 2009.

may appear when the country promoting stronger IP protection grants its partner, in exchange for agreeing to higher standards of IP protection, a trade advantage in another area; however, the latter may see its economic benefits diminishing as the first country's other partners receive similar advantages. Setting IP rules in FTAs in isolation from other policies (health, environment, human rights, etc.) is another concern.³⁷

Furthermore, IPRs are seen as a **form of investment**: multilateral or bilateral investment treaties (BIT), although they do not set IP protection standards, are meant to protect the rights of investors using IP as a means of investment. For example, the 2005 German model BIT defines investment as covering "every kind of asset [...], in particular IPRs, in particular copyright, patents, utility-model patents, industrial design, trademarks, trade-names, trade and business secrets, technical processes, know-how and good-will."³⁸ Here, specific **concerns** relate to whether the obligations under TRIPS to extend most favoured nation and national treatment to all partners apply in the context of investment treaties (the General Agreement on Tariffs and Trade provides for an exception in the case of customs unions and FTAs), to the impact of provisions protecting investors against expropriation on compulsory licences or parallel importations, and to provisions on public interests, as well as to the challenges of investor-to-state dispute settlement (ISDS) provisions included in most BITs.

Finally, an example of a **plurilateral treaty** (i.e. with a limited number of signatories) in the field of IP is the Anti-Counterfeiting Trade Agreement (ACTA), negotiated between Australia, Canada, the EU, Japan, Mexico, Morocco, New Zealand, Singapore, South Korea Switzerland and the US.³⁹ The agreement was widely criticised, in particular for its IP enforcement measures and for the lack of transparency in the negotiations.⁴⁰ The European Parliament rejected ACTA in July 2012, declining to consent to its conclusion.

3. IPR in the transatlantic context

3.1. The role of IPR in the EU and US economies

In March 2012, the US Department of Commerce released a study prepared by the US Economics and Statistics Administration and the USPTO on identifying the most IP-intensive industries (patent, trademark and copyright) in the US and to evaluate their impact on the national economy. It shows that direct **employment** by these industries amounted to 27.1 million jobs, while indirect employment added another 12.9 million jobs in 2010. Taken together (i.e. 40 million jobs), employment generated by IP-intensive industries represented 27.7% of all jobs in the economy. By type of IPR, trademark-intensive industries generated most jobs in 2010, with 22.6 million; patent-intensive industries accounted for 3.9 million jobs; and copyright for 5.1 million. Moreover, the study found that IP-intensive industries generated about US\$5.06 trillion in value added, representing a share of US gross domestic product (GDP) of 34.8%. Finally, merchandise exports of IP-intensive industries amounted to US\$775 billion in 2010 (60.7% of US goods exports). Concerning services, the latest data available, for 2007, shows that exports of IP-intensive service-providing industries accounted for

³⁷ [Grosse Ruse-Khan, H.](#), *supra*, note 33.

³⁸ [Intellectual property rights in international investment agreements](#) / Liberti L., OECD, 2010.

³⁹ [Final text of ACTA](#), May 2011.

⁴⁰ [What's \(still\) wrong with ACTA, and why governments should reject the illegitimate agreement](#) / Love J., Knowledge Ecology International, 2012.

about 19% of US private services exports.⁴¹ Another study, by the US Chamber of Commerce, determines that IP-intensive companies exported more than US\$1 trillion, accounting for approximately 74% of total US exports in 2011.⁴²

Following the model of the USPTO study, in September 2013 the EPO together with OHIM published an analysis report on the contribution of IPR-intensive industries to economic performance and job growth in the EU-27 (data for Croatia were not available). The report considers that about half of EU industries are IP-intensive (trademark, design, patent, copyright and GIs). It concludes that approximately 56.5 million jobs (or 26% of all jobs in the EU) were generated directly by these industries in the period 2008-10. To these, indirect employment added about 20 million jobs. The added value of IP-intensive industries, namely €4.7 trillion, amounted to around 39% of GDP over the same period. The report also finds that a share representing 88% of EU imports and 90% of EU exports are IPR-intensive.⁴³

Table 1 - Direct contribution of IPR-intensive industries to employment and to GDP, in the EU

IP right	Employment	Share of total	Value Added / GDP (€ million)	Share of total EU GDP
Trade mark-intensive	45 508 046	20.8%	4 163 527	33.9%
Design-intensive	26 657 617	12.2%	1 569 565	12.8%
Patent-intensive	22 446 133	10.3%	1 704 485	13.9%
Copyright-intensive	7 049 405	3.2%	509 859	4.2%
GI-intensive	374 345	0.2%	16 134	0.1%
All IPR-intensive	56 493 661	25.9%	4 735 262	38.6%
Total EU economy	218 400 733		12 278 744	

Table 2 - EU external trade in IPR-intensive industries

IP right	Exports (€ million)	Imports (€ million)	Share of exports	Share of imports	Net exports (€ million)
Trademark	1 023 981	1 158 860	75.5%	75.7%	-134 879
Design	724 292	703 586	53.4%	46.0%	20 707
Patent	957 748	1 049 795	70.6%	68.6%	- 92 047
Copyright	57 051	41 727	4.2%	2.7%	15 325
GI	10 577	1 836	0.8%	0.1%	8 741
Total IPR	1 226 015	1 351 890	90.4%	88.3%	- 125 875
Non-IPR intensive	130 585	178 640	9.6%	11.7%	- 48 055
TOTAL EU TRADE	1 356 600	1 530 530	100%	100%	- 173 930

Source: European Patent Office and OHIM

Nevertheless, the abovementioned studies have been criticised for their choice of methodology and for providing a one-sided view of the question of whether strong IPRs lead to innovation.⁴⁴

According to EPO statistics, the US and European countries were in the leading positions for patents granted in 2013. The top five countries of origin as regards total

⁴¹ [Intellectual property and the US economy: industries in focus](#) / Economics and Statistics Administration and the US Patent and Trademark Office, 2013.

⁴² [IP creates jobs for America](#) / US Chamber of Commerce, 2012.

⁴³ [IPR-intensive industries: contribution to economic performance and employment in the European Union](#) / European Patent Office and the Office for Harmonisation in the Internal Market, 2013.

⁴⁴ See [Do IP rights actually promote innovation? A review of the recent US DoC report](#), 2012 and [Intellectual Property Rights do not equal Innovation and Creativity](#), 2013.

filings at the EPO were the US, Japan, Germany, China and South Korea. In Europe, after Germany, the top filing nations were France, Switzerland, the Netherlands and the UK. Moreover the statistics show that European companies filed the greatest number of applications in nine of the **ten most active fields**, with the exception of computer technology (dominated by Asia and the US). The most frequent applicants for patents at the EPO were Samsung, Siemens and Philips. Finally, the EPO granted 66 700 patents in 2013 of which most went to US companies, followed by applicants from Germany, Japan and France. Growing numbers of grants to the Netherlands, Sweden and Italy have also been registered.⁴⁵ Moreover, WIPO data shows that US and European countries were in the top positions with regard to other IPRs. Filings under the Madrid system for trademarks show a top three of Germany, US and France (five of the top ten countries are EU Member States). Regarding design applications, the top five were Switzerland, Germany, Italy, France and the US.⁴⁶

Concerning their reciprocal applications for IPRs and actual grants, based on USPTO data, EU countries accounted for nearly 50% of all trademark applications of foreign residents for the years 2009 to 2013 included, and they were granted around 45% of the total. Concerning patents, EU countries accounted for almost 30% of all foreign applications and for 28% of all foreign patents issued (2009-12).⁴⁷ In Europe, applications to OHIM for a Community Trademark (CTM) from US residents accounted for just over 44% of all non-EU applications in 2012 and 2013. US-registered CTMs for those years also represented 44% of registered CTMs granted to non-EU applicants. In 2013, the US held second place after Germany in terms of registered CTMs (12 786), and it also came second in terms of all registered CTMs since 1996, with around 17%.⁴⁸ As concerns patents granted by EPO, the US accounted for 45% of total granted patents to non-European states and for 22% of all patents granted by EPO in 2013 (first place). The US also holds first place in terms of all EPO issued patents for 2004-14 (22.6%).⁴⁹

SMEs and IPRs

The acquisition and management of IPRs are critical for start-ups and SMEs, for many reasons – signalling current and prospective value to investors, competitors and partners; protecting their innovations; gaining access to revenue, etc.⁵⁰ A significant proportion of applicants for patents to EPO in 2013 were SMEs and individual inventors (29%) and, according to the OECD, the smallest firms (fewer than 25 employees) produced the greatest number of patents per employee in the US. However, SMEs encounter significant difficulties, in terms of time and high costs, when it comes to either registering IPRs or defending them. As a consequence, many SMEs tend to prefer other forms of protection, such as trade secrets, confidentiality agreements, marketing advantages, etc., instead of formal IPRs. Beside measures directed to SMEs for the domestic market, the EU and US also make efforts to ensure IP protection on external markets for their export-oriented SMEs (including on each other's markets). A number of IPR-related problems perceived by US SMEs exporting to the EU were put forward in a study, such as the need for stronger protection of trade secrets in the EU or the high costs of obtaining a patent, pending the application of the Unitary Patent.⁵¹

⁴⁵ [Annual Report 2013 – Statistics and trends](#)/ European Patent Office, 2014.

⁴⁶ [WIPO infographic](#)/ WIPO, 2013.

⁴⁷ [Performance and accountability report, Fiscal Year 2013](#)/ USPTO, 2013.

⁴⁸ [Statistics of Community Trademarks](#)/ OHIM, 2014.

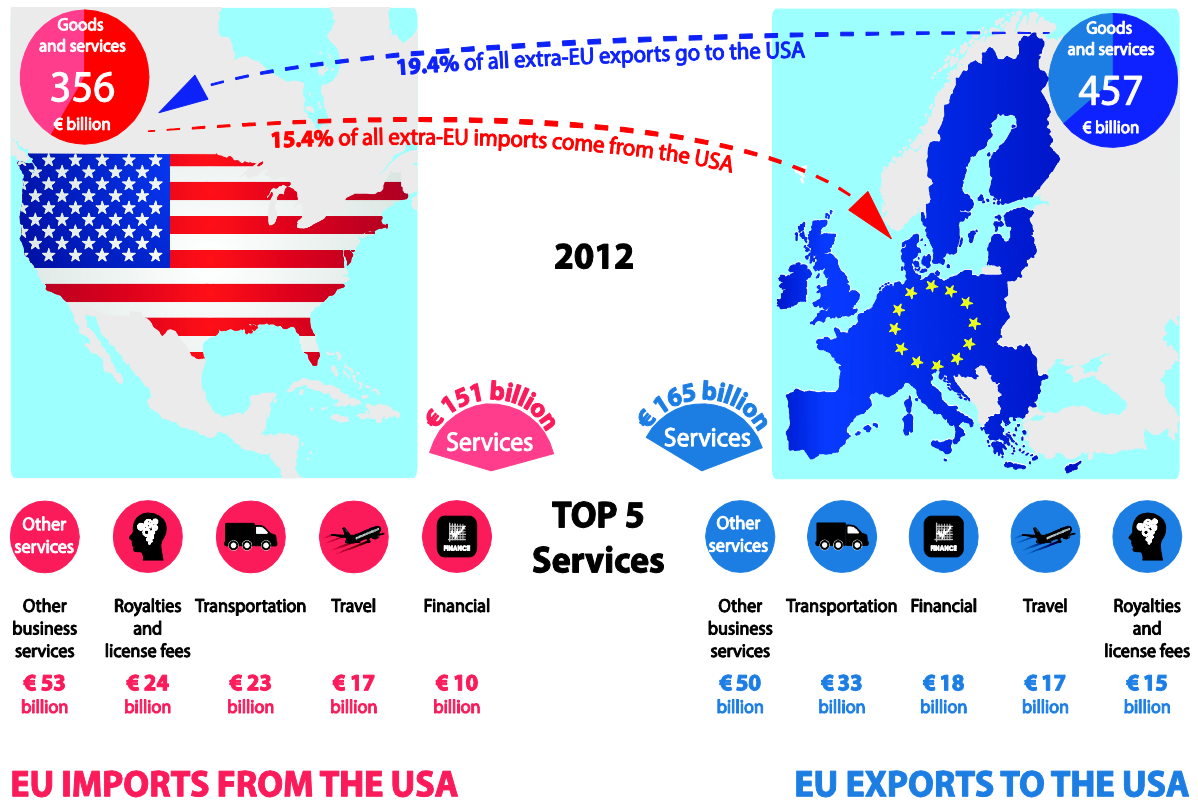
⁴⁹ [EPO Patent statistics](#)/ European Patent Office, 2014.

⁵⁰ [Intellectual assets and innovation: the SME dimension](#)/ OECD, 2011.

⁵¹ [Trade barriers that US small and medium-sized enterprises perceive as affecting exports to the European Union](#)/ US International Trade Commission, USITC Publication 4455, 2014.

As concerns transatlantic trade, royalties and licence fees based on IPRs were among the top five services traded between the EU and the US in 2012 (see figure 1). Royalties and licence fees were the second EU services import from the US (€24 billion) and the fifth services export to the US (€15 billion) in 2012.⁵² Finally, the prospects which IPRs represent for SMEs are a constant preoccupation in the EU and the US alike.

Figure 1: EU-US trade in goods and services (including royalties and licence fees), 2012.



Data source: Eurostat

3.2. IPR regulation in the European Union and the United States

IPR has been gradually included in the competences of the EU through reviews of the Treaties (primary law), European Court of Justice (ECJ) case law and legislative harmonisation (secondary law). The current legal basis for EU action on IP protection is contained in Articles 36, 114 and 118 of the Treaty on the Functioning of the EU (TFEU). In the US, IP legislation has different sources: the Constitution (Article I, Section 8), the Congress and common law (case law). The US has a national exhaustion regime. In the EU, the ECJ has enshrined the principle of regional exhaustion, allowing parallel imports within the EU (not applying to counterfeit products or products marketed outside the European Economic Area). In the ECJ's view⁵³, forbidding parallel imports in the EU "would legitimise the isolation of national markets" and affect "the essential purpose of the Treaty which is to unite national markets into a single market."

⁵² A WIPO [report](#) found that royalties and licence fee revenues reached \$180 billion worldwide in 2009.

⁵³ As expressed in [Deutsche Grammophon v Metro SB](#), ECJ 8 June 1971, case 78/70.

As regards the **evolution of EU legislation on IP**, until the end of the 1980s,⁵⁴ IP protection was seen as an exclusive national prerogative. IP was then interpreted as a derogation from the principle of free movement of goods (Article 36 TFEU, former Article 30 TEC) and early ECJ case law focused on the issue of parallel imports. Subsequently, the ECJ confirmed the principle of non-discrimination in the exercise of IPRs.⁵⁵ The Commission brought IP issues under Community law by proposing secondary legislation on IPRs, relying on the method of legislative approximation or harmonisation.⁵⁶ It achieved approximation of substantive rules relating to trademarks and industrial design, procedural rules on enforcement of IP rights, some approximation regarding copyright, as well as new IP instruments (directives on software, on databases, on the information society etc.).⁵⁷

However, the creation of **unitary legislation on IP rights** (unitary legal effect across the EU) required a legal basis in the Treaties, in the absence of which the Commission relied on former Article 308 EC (Article 352 TFEU) to enact regulations in the field of IP (e.g. the Community Trademark, Community plant variety rights and Community design). A specific legal basis for establishing Union-wide intellectual property rights has been introduced by the Lisbon Treaty. Article 118 TFEU provides the EU with an **explicit competence** for creating "European IPRs throughout the Union", in accordance with the ordinary legislative procedure. Nevertheless, language arrangements need unanimous approval by the Council. Article 207 TFEU now explicitly provides competence for the EU with regard to the "commercial aspects of intellectual property". Finally, the EU Charter of Fundamental Rights, which became binding with the Lisbon Treaty, establishes in Article 17(2) that "Intellectual property shall be protected". The provision is nevertheless highly controversial, as it may entail a conflict between freedom of expression and right to privacy, on the one hand, with copyright and trademark law, on the other hand.⁵⁸

So far, four Union-wide IP systems are in force: the system for the protection of geographical indications; the Community trademark system; the system for Community protection of plant varieties; and the system for Community design.⁵⁹ In 2011, the Commission adopted its **comprehensive IP strategy** entitled "A Single Market for IPR" (COM(2011) 287) advocating "a modern, integrated European IPR regime". The strategy is the basis for the on-going review and (legislative) initiatives concerning the various IPRs.

3.2.1. Patents

The **EU patent package** (unitary patent protection and establishment of a Unified Patent Court) aims at remedying the high costs and difficulty associated with obtaining comprehensive patent protection in Europe.⁶⁰ One application to the EPO will grant the

⁵⁴ The legal framework of the legislative activity concerning IPRs at European regional level/ Scordamaglia V., in *Constructing European intellectual property: Achievements and new perspectives*, C. Geiger (Ed.), 2013.

⁵⁵ Kur, A., Dreier Th., *supra*, note 5.

⁵⁶ Commission action was based initially on article 94 TEC, now [115 TFEU](#) (i.e. Council Directives (...) that affect the functioning of the internal market); and later, on the basis of article 95 TEC (article [114 TFEU](#)) which provides for co-decision (now ordinary legislative procedure).

⁵⁷ Kur, A., Dreier Th., *supra*, note 5.

⁵⁸ Fundamental rights and European IP law: the case of Art. 17(2) of the EU Charter / Griffiths J., McDonagh L., in C. Geiger (Ed.), *op. cit.*

⁵⁹ See Max Planck Institute for Innovation and Competition [website](#).

⁶⁰ Patent protection in the EU can be obtained either through the Member States' national patent offices or through the EPO established by the European Patent Convention (EPC). However, even if the applicant is granted a European patent by the EPO, they must still validate it in the states where they seek protection within a certain time limit, in order for the patent to take effect.

applicant protection in the 25 MS so far taking part in the enhanced cooperation establishing the unitary patent (Council Decision 2011/167/EU), at considerably lower cost. The package, approved by the European Parliament in December 2012, consists of two Regulations: on implementing enhanced cooperation in the area of the creation of unitary patent protection (Regulation (EU) No 1257/2012) and on the applicable translation arrangements (Council Regulation (EU) No 1260/2012). The Agreement on the Unified Patent Court (UPC), the third component of the package, is an international convention open to all EU MS, and establishes a specialised court with exclusive jurisdiction for litigation relating to European patents and European patents with unitary effect (unitary patents).⁶¹ Italy and Spain are not participating in the enhanced cooperation, although Italy, unlike Spain, joined the UPC. Poland decided not to sign the UPC Agreement, adopting a wait-and-see approach. Croatia has not yet signed up to the unitary patent system, although is expected to do so. The two Regulations entered into force in January 2013 but their application is conditional on the entry into force of the UPC Agreement (when 13 states, including France, Germany and the UK, have ratified it). So far, five EU Member States have ratified the UPC Agreement.⁶² Patent protection in the EU is granted for 20 years, in accordance with the European Patent Convention.

The **US recognises three types of patents: utility patents** (for inventions or discoveries of "any new and useful process, machine, article of manufacture, or composition of matter, or any new and useful improvement thereof"), **design patents** (for new and original designs) and **plant patents** (for new plant varieties). The most common are utility patents. The term of protection for a utility patent is 20 years.⁶³ On 16 September 2011, the "America Invents Act" (AIA), the most important reform of patent law in US history, was signed into law by President Obama.⁶⁴ Many of its provisions have only applied since March 2013. Among other things, AIA moves the US from the first-to-invent to the **first-to-file system** (now used by all countries in the world). It redefines what constitutes "prior art"⁶⁵ against a patent, and revises some of the procedures considerably. The AIA also includes a ban on tax-strategy patents (patents related to strategies for complying with the tax code) and on patents related to human cloning. Business methods are patentable in the US, but the AIA introduces a specific procedure for challenging this type of patents. Although part of a move to narrow the gap with the European (and Japanese) patent systems, differences between US and European patents still remain (e.g. provisions concerning the grace period, which is an exception in Europe, and the scope of prior art).⁶⁶ **US design patents** protect "any new, original, and ornamental design for an article of manufacture" for a term of 14 years. **Plant patents** are also granted for 20 years for inventors who "asexually reproduce any distinct and new variety of plant".⁶⁷

⁶¹ [Unitary patent protection and Unified Patent Court: the EU Patent Package](#) / Luginbuehl S., EPO, 2013.

⁶² See Council website on [Unified patent court – ratification](#).

⁶³ See [Stopfakes.gov](#)

⁶⁴ [A guide to the legislative history of the America Invents Act](#) / Matal J., 2012.

⁶⁵ Prior art refers to any information or evidence that the invention is already publicly known. See [EPO definition](#) and [US AIA](#).

⁶⁶ [The US Patent System After the Leahy-Smith America Invents Act](#) / Gupta P.R., Feerst A., 2012.

⁶⁷ [Intellectual property in consumer electronics, software and technology start-ups](#), Halt, G.B. et al., 2013, 241 p.

3.2.2. Designs

The Community design system began in 2003 and is based on the 1998 Designs Directive approximating MS' laws on protection of designs,⁶⁸ and Council Regulation of December 2001 establishing a Community design giving uniform protection in all MS.⁶⁹ The EU acceded to the Geneva Act of the WIPO Hague Agreement on the international registration of designs, with effect from 2008.⁷⁰ At present, the Commission is not reviewing the system. OHIM is responsible for managing the Community design.

3.2.3. Trademarks

Since 1996, a Community Trademark (CTM), granting a unitary IP right across the EU, co-exists with national trademarks in the EU. Once registered, the CTM can be renewed indefinitely every 10 years. To be registered, CTMs must be **clearly defined and distinctive** (i.e. able to distinguish one company from another; generic terms are not eligible for trademark protection). The Community Trademark system consists of the 1988 Trademark Directive, approximating the laws of MS with regard to trademarks (codified in 2009: Directive 2008/95/EC) and of the 1993 Trademark Regulation (codified in 2009: Council Regulation EC No 207/2009) instituting the Community Trademark as well as the OHIM.⁷¹ In March 2013, the Commission announced new proposals on the Union trademark legislation: a recast of the Trademark Directive and a revision of the Trademark Regulation, with the aim of simplifying national and EU trademark legislation, as well as registration procedures, including reducing application fees.⁷² In February 2014, the EP approved, with amendments, the trademark package.⁷³

In the US, trademarks must comply with two conditions: **distinctiveness** and **use in commerce** (they can also be renewed as long as they are in use).⁷⁴ However, registering a trademark is not required in the US, although those who wish to have extra protection may obtain a Federal trademark registration (Lanham Act of 1946, as amended) through the USPTO or at state level.⁷⁵ Like the EU, the US is a party to the Madrid Protocol. There are exceptions to granting trademark protection, such as those justified by public morals, for marks likely to cause confusion or deceive the consumer, for functional marks, for marks that are geographically descriptive, etc.⁷⁶

⁶⁸ Directive [98/71/EC](#) of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs.

⁶⁹ [Council Regulation \(EC\) No 6/2002](#) of 12 December 2001 on Community designs.

⁷⁰ [Council Regulation \(EC\) No 1891/2006](#) of 18 December 2006 amending Regulations (EC) No 6/2002 and (EC) No 40/94 to give effect to the accession of the European Community to the Geneva Act of the Hague Agreement concerning the international registration of industrial designs.

⁷¹ [Trademark law in the European Union: Current legal framework and proposals for reform](#) / Manko R., EPRS briefing, 2013.

⁷² European Commission [press release](#), March 2013.

⁷³ See the EP Legislative Observatory fiches on the [Directive](#) and [Regulation](#).

⁷⁴ In the US, other types of marks are also eligible for protection, according to their use: service marks, house marks, trade dress, collective marks, certification marks and trade names. **Certification marks** and **collective marks** are defined later in this chapter. **Service marks** are used to identify the source of services; **house marks** are trademarks used in all aspects of a company's business (e.g. business cards); **trade dress** refers to the overall impression created by a product which can be comprised of any combination of shape, colour, design and wording; **trade names** are used to identify a business or vocation (they are not registerable under Federal Trademark law as such, unless they acquire secondary meaning as a trademark). See Halt, G.B. et al., *supra*, note 67.

⁷⁵ [US Trademark Law: rules of practice and federal statutes](#) / USPTO, 2013.

⁷⁶ Halt, G.B. et al., *supra*, note 67.

3.2.4. Copyright

EU legislation is in place on various copyright-related issues. Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society aimed at adapting copyright legislation to technological advances. In the field of exploitation of rights, several directives have been adopted, on the rental and lending right and other rights related to copyright; on broadcasting and cable retransmission; and on the resale right. Other directives have extended legal protection to computer programmes and databases.⁷⁷ The **term of protection** for authors (70 years after their death) was also extended to performers and sound recordings (before 2011, their term of protection was 50 years after their communication to the public).⁷⁸ The Commission's review of the EU copyright framework is on-going, with a view to a decision on whether to table legislative proposals later in 2014. Of interest are the Commission's intentions expressed in the 2011 IP strategy to create a European Copyright Code ("comprehensive codification of the present body of EU copyright directives"), as well as to examine the possibility of creating an optional unitary copyright title on the basis of Article 118 TFEU.⁷⁹ In the meantime, a Directive on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use in the internal market was adopted in February 2014; as well as legislation on orphan works and other initiatives (e.g. out of print works, access for visually impaired persons, and the public consultation on the Communication on content in the Digital Market, (COM(2012) 789).⁸⁰

The US Copyright Office handles **US copyright** registrations, which is an exclusive federal competence. Copyright protection is provided to the authors of "original works of authorship", both published and unpublished, and exists from the moment when the work is created and fixed in a tangible form. Therefore, registration is not compulsory, but is needed if a lawsuit for infringement is envisaged, and may be done for other reasons. In the US, the term of protection usually lasts 70 years after the author's death. The US is a signatory to the conventions on copyright administered by WIPO and the Universal Copyright Convention administered by UNESCO. The US Copyright Act, adopted in 1976, constitutes the framework for copyright protection in the US. It was amended several times, with the 1998 Digital Millennium Copyright Act being one of the most important amendments.⁸¹ The US has also included in its free trade agreements requirements that the parties have strong copyright laws and enforcement measures. Similarly to the EU, the US has embarked in 2013 on a process of copyright reform, in order to adapt to the changes and address the challenges of digital economy,

⁷⁷ [Directive 2001/29/EC](#) of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society; [Directive 2006/115/EC](#) of 12 December 2006 on rental right and lending right and on certain rights related to copyright in the field of intellectual property (codified version); [Council Directive 93/83/EEC](#) of 27 September 1993 on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission; [Directive 2009/24/EC](#) of 23 April 2009 on the legal protection of computer programs (Codified version); [Directive 96/9/EC](#) of 11 March 1996 on the legal protection of databases.

⁷⁸ See Directive 2011/77/EU and Directive 2006/116/EC, European Commission [website](#).

⁷⁹ See also [Diversity versus unity: reflections on the future of copyright in the EU](#) / Schönherr, F., 2012.

⁸⁰ Cf. European Commission webpage on [Copyright and neighbouring rights](#).

⁸¹ [Copyright law of the United States](#), Title 17 of the US Code. See also the [Digital Millennium Copyright Act: US Copyright Office summary](#), 1998 and [International copyright relations of the United States](#) / US Copyright Office, 2014.

following the publication of a green paper on "Copyright policy, creativity and innovation in the digital economy".⁸²

3.2.5. Geographical indications (GIs)

The EU has put in place a *sui generis* system on **unitary GI protection** since 1992.⁸³ The Quality regulation (Regulation (EU) 1151/2012), which entered into force in January 2013, repeals the previous regulations to strengthen the scheme for protected designations of origin (PDOs) and protected GIs.⁸⁴ It also provides a legal basis for inserting in the EU register third-country GIs protected through bilateral agreements and another legal basis for measures to defend EU logos (the latter will become compulsory for products of EU origin from January 2016).⁸⁵ In the EU, GI protection is said to be "absolute": it protects registered names against any misuse or misleading practices, including when "the true origin of the products or services is indicated or if the protected name is translated or accompanied by an expression such as 'style', 'type', 'method', 'as produced in', 'imitation' or similar, including when those products are used as an ingredient." Generic names (terms that have become common) cannot be registered as GIs. The EU also provides specific protection to wines and spirit drinks.⁸⁶ A 2012 Commission study on the value of agricultural GIs (including wines and spirits) found that "the estimate of the sales value of GI products in 2010 was €54.3 billion. More than half (56%) was accounted for by wines; almost a third (29%) by agricultural products and foodstuffs; spirits represented 15% and aromatised wines 0.1%." However, the sales value of GIs as a share of the total European food and drinks sector was 5.7% in 2010. Italy, France, Germany and the UK were the EU leading states with regard to their GIs' sales value.⁸⁷

The EU has an international policy on promoting and extending protection for its GIs, in particular through bilateral FTAs. It also has a series of specific bilateral agreements on wine and spirits with third countries.⁸⁸ Nevertheless, the EU system is contested by certain third countries, including the US, which use different systems of protection (e.g. trademarks) and accuse the EU of impeding market access for their products.

⁸² [Copyright policy, creativity and innovation in the digital economy](#) / The Department of Commerce Internet Policy Task Force, 2013.

⁸³ [Council Regulation \(EEC\) No. 2081/92](#) on the protection of geographical indications and designations of origin for agricultural products and foodstuffs (repealed by [Council Regulation \(EC\) No 510/2006](#)).

⁸⁴ The EU uses two kinds of GIs: **Protected Designation of Origin (PDO)** covers agricultural products and foodstuffs which a) originate in a specific place, region or, in exceptional cases, a country; b) whose quality or characteristics are essentially or exclusively due to a particular geographical environment with its inherent natural and human factors; and c) the production steps of which all take place in the defined geographical area. **Protected Geographical Indication (PGI)** covers agricultural products and foodstuffs a) originating in a specific place, region or country; b) whose given quality, reputation or other characteristic is essentially attributable to its geographical origin; and c) at least one of the production steps of which take place in the defined geographical area. See WIPO [website](#).

⁸⁵ See European Commission's [DOOR database](#).

⁸⁶ [Council Regulation \(EC\) No 479/2008](#) on the common organisation of the market in wine (repealing previous legislation) and [Regulation \(EC\) 110/2008](#) on the (...) protection of spirit drinks.

⁸⁷ [Value of production of agricultural products and foodstuffs, wines, aromatised wines and spirits protected by a geographical indication \(GI\)](#) / Chever, T., Renault, C., Renault, S., Romieu, V., 2012

⁸⁸ See European Commission website on [Bilateral agreements](#), DG Agriculture and Rural Development.

The IP strategy of 2011 mentioned that the EU will assess whether also to institute an EU-wide system for the protection of **non-agricultural products** (e.g. crafts, ceramics, textile products, etc). For this, it has commissioned a study on non-agricultural GIs (2013), which analyses the level and instruments of protection of these GIs internationally and in the EU MS, the interaction with the CTM and proposes an EU Regulation on non-agricultural GIs.⁸⁹

The **US also protects GIs** but only to the extent required by TRIPS and does not recognise a number of EU GIs (e.g. feta cheese, which is a generic name in the US, but a protected Greek GI in the EU; bologna, black forest ham etc.). GIs are usually protected in the US under trademark law, as trademarks, collective marks or certification marks, and not under a *sui generis* system like the EU. **Certification marks** are used to indicate the regional or other origin; characteristics of the product/service (quality, mode of manufacture etc.); or that the labour on the goods/services has been performed by a member of a union or other association. Usually, the owner of a certification mark is a governmental body which does not use the mark but may authorise other entities who meet the requirements to use it. **Collective marks** are marks adopted by a "collective" (association, cooperative, etc.) which identify the goods and services as belonging to the collective and distinguish them from those of non-members. The collective itself does not sell the products/ services (only its members do), but may advertise them. Finally, GIs can be protected as **trademarks**, when consumers recognise a certain sign referring to a geographical region as identifying a company or manufacturer. Geographical signs, not registrable as trademarks, then acquire "secondary meaning".⁹⁰

3.2.6. Trade secrets

On the basis of the 2011 IP Strategy, the Commission proposed in November 2013 a draft directive (COM(2013) 813) on the protection of undisclosed know-how and business information (trade secrets). Trade secrets can cover any information kept secret and of value to a company, such as recipes for certain products, manufacturing techniques, computer algorithms, marketing strategies, etc. As the owner of a trade secret does not have an exclusive right over his creation, trade secrets receive legal protection if they have been obtained illegally by an unauthorised party. The Commission argues protecting trade secrets is a necessity to stimulate innovation and protect creators against dishonest practices as all companies rely on trade secrets, in particular SMEs and start-ups which usually cannot afford better protection through other IPRs. Moreover, EU MS grant uneven protection against misappropriation of trade secrets: few MS define trade secrets in their legislation and some have no legislative provisions on trade secrets or provide protection under general tort law (i.e. civil liability or the obligation of a person to offer reparation for damage caused).

The preferred option was to harmonise MS' civil law remedies against the misappropriation of trade secrets, including measures related to imports from third countries, and to provide rules on preserving confidentiality of trade secrets during litigation in courts. The draft directive thus defines trade secrets in accordance with TRIPS (information which is confidential; should have commercial value because it is confidential; and the trade secret holder should have made reasonable efforts to keep it confidential) and aims at giving businesses an adequate level of protection and means of redress. The Council adopted a general approach on the draft directive in

⁸⁹ [Study on geographical indications protection for non-agricultural products in the internal market](#) / Insight Consulting, REDD, OriGIn, 2013.

⁹⁰ [Geographical indications protection in the United States](#) / USPTO.

May 2014, opening the way for negotiations with the European Parliament.⁹¹

The US law on trade secrets has evolved from the various US states' laws (normally regulating trade secrets under unfair competition law). The Uniform Trade Secrets Act (UTSA, 1985) provides a uniform definition of trade secrets and of misappropriation. The Act provides for remedies in case of infringement, including injunctions, damages and attorney's fees. Moreover, it includes the possibility that a trade secret owner can have the authorities prevent the importation of products made by using misappropriated trade secrets. The majority of US states have adopted the UTSA. Independent discovery and use of a trade secret as well as "reverse engineering" are accepted practices, however.⁹² In addition, the Economic Espionage Act of 1996 makes the theft or misappropriation of a trade secret (to benefit foreign powers or for commercial or economic purposes) a federal crime, with penalties ranging from fines to imprisonment or both.⁹³ Currently, a series of other legislative acts on trade secrets are in preparation in the US, such as the Defend Trade Secrets Act introduced in April 2014 and legislation on cybersecurity measures to combat trade secret theft, expected to be introduced soon. The Strategy on mitigating the theft of US trade secrets (2013) underlines US intentions to seek the adoption in third countries of criminal remedies for the theft of trade secrets, similar to those in US law.⁹⁴

3.2.7. Enforcement of IPRs in the EU and the US

According to estimates, roughly 7-8% of world trade every year is in counterfeit goods.⁹⁵ According to a Commission report based on 2012 data, the retail value of articles detained at EU customs that year approached €1 billion, with China the main source of these goods.⁹⁶ The 2013 EU Serious organised crime and threat assessment by Europol points to the significant damages counterfeiting causes to the EU: losses of billions of euros in taxes and duties; lost sales and profits for businesses; disincentive for investment, as well as harm to the health and safety of consumers.

The **IP Enforcement Directive** (Council Directive 2004/48/EC) is the foundation of the EU's efforts in combatting piracy and counterfeiting in the EU. As regards customs initiatives, a new regulation (Regulation (EU) No 608/2013) entered into force in June 2013, meant to strengthen enforcement by extending coverage to IPRs not included in the previous regulation (e.g. trade names if they are protected as exclusive rights under national law, etc.).⁹⁷ An **EU Strategy for the enforcement of IPRs in third countries** was published in 2005, with the aim of reducing IP violations in third countries. The strategy contains several proposals for action, ranging from technical and financial assistance to priority countries, to improve their legislation on IP and enforcement systems, to using the multilateral frameworks (WIPO, TRIPS Council) to address IP problems at an early

⁹¹ See [Council's General Approach](#) (9870/14), May 2014.

⁹² Halt, G.B. et al., *supra*, note 67.

⁹³ [Economic Espionage Act](#) to amend Title 18 of the US Code, 1996.

⁹⁴ [Administration Strategy on Mitigating the Theft of U.S. Trade Secrets](#), 2013.

⁹⁵ See [Stopfakes.gov](#).

⁹⁶ [Report on EU customs enforcement of intellectual property rights: results at the border 2012](#) / EU Taxation and Customs Unit, 2013.

⁹⁷ Replacing [Council Regulation \(EC\) No 1383/2003](#) of 22 July 2003 concerning customs action against goods suspected of infringing certain IPRs and the measures to be taken against goods found to have infringed such rights.

stage, or through bilateral FTAs and political dialogue, etc.⁹⁸ The Commission has been reviewing the strategy, following an evaluation carried out in 2010, which put forward a series of recommendations: upgrading the strategy to a more consistent and comprehensive approach, more accent on the development agenda, further developing technical cooperation through bilateral instruments if the multilateral proves not to be an effective forum, etc.⁹⁹

According to US Customs and Border Protection, in fiscal year 2013, the number of seizures of counterfeit and pirated goods increased by 7% compared to the previous year, with an estimated retail value of US\$1.74 billion (68% attributable to China). Another operation against infringements on the internet led in 2013 to the seizure of 1 413 internet domain names. Many US agencies and bodies are involved in the enforcement of IPRs.¹⁰⁰ A **Joint Strategic Plan** managed by an Intellectual Property Enforcement Coordinator aims at reducing counterfeit and infringing goods at domestic and international levels.¹⁰¹ Beside civil and procedural remedies, the US Code (under Title 18, Crimes and criminal procedures) contains provisions on criminal infringement of copyright, on trafficking in counterfeit goods and services, etc. Nevertheless, the US system requires that IPR owners remain vigilant about detecting potential infringement and use litigation in court to enforce their rights.

In respect of third countries, the US Trade Representative (USTR) publishes annual Special 301 reports establishing "priority watch lists" and "watch lists" for foreign countries raising concerns as regards IP protection, enforcement and market access for the US, as well as the "Notorious Markets List" on serious IP infringements in third countries harming US interests.

3.3. IPR provisions in EU and US FTAs

Both the EU and the US have been including TRIPS-plus provisions in their respective FTAs. The main trade negotiating objective of the US with respect to IPR, as reflected in the expired Trade Promotion Authority (2002), is to ensure "that the provisions of any multilateral or bilateral trade agreement governing IPRs that is entered into by the USA reflect a standard of protection similar to that found in the US."¹⁰² On a similar note, the European Commission's current stated aim is to include comprehensive IPR chapters in its trade agreements, to offer similar protection to that existing in the EU, while taking into account the level of development of the respective countries (e.g. IP chapters included in EU FTAs also include a part on technical cooperation, intended to help third countries to improve their IPR protection).

The US has pursued a comprehensive strategy of including TRIPS-plus IP provisions in bilateral FTAs, even before the TRIPS agreement was in force, e.g. the North Atlantic Free Trade Agreement with Canada and Mexico (NAFTA, 1994). NAFTA and thereafter the USA-Jordan FTA (2000) became models for subsequent US negotiations. US FTAs contain obligations to ratify international IP conventions, include TRIPS-plus provisions

⁹⁸ [Intellectual Property and the EU's Deep Trade Agenda](#) / Araujo, M., 2013, Journal of International Economic Law 16(2), pp 439-474.

⁹⁹ [Evaluation of the Intellectual Property Rights Enforcement Strategy in third countries](#) / DG Trade, 2010.

¹⁰⁰ For example, the Intellectual Property Rights Centre, the USPTO, the Department of Commerce, the Department of Justice, the State Department etc.

¹⁰¹ [Joint Strategic Plan](#), 15 US Code 8113.

¹⁰² [EU Bilateral Trade Agreements and Intellectual Property : For Better or Worse?](#) / Drexler, J., Grosse Ruse-Khan, H., Nadde-Phlix, S., 2014, 303 p.

but not all the flexibilities offered by TRIPS, in terms of compulsory licences for example. Moreover, US FTAs can provide for extended protection periods for copyright and trademarks, as well as for patents to take into account the shortening of the patent term due to marketing approval processes.¹⁰³ In its FTAs with Morocco, Chile, Singapore, Oman, Australia, as well as with Peru, Colombia and South Korea, the US has introduced terms of protection for copyright of at least 70 years, and in some of them trademark protection lasts no less than 10 years following registration. They also include provisions for adjustments to compensate for unreasonable delays in patent granting, and extensions for protection of undisclosed data required for market approval, of five years in the case of patents for pharmaceutical products and 10 years for agricultural and chemical products.¹⁰⁴ On the other hand, FTAs with Peru, Colombia and Panama included more flexibility with regard to public health issues (in particular data exclusivity, patent extensions, linking drug approval to patent status, as well as special provisions on both public health and economic development).¹⁰⁵ As regards enforcement provisions, US FTAs tend to be more specific both on civil and on criminal remedies than TRIPS: for civil enforcement, US FTAs extend the application of civil remedies by eliminating TRIPS wording on infringement that is done "knowingly or with reasonable ground to know" and provide for the destruction of the infringing goods, even if they are not part of criminal proceedings, while criminal law provisions relate to the need for criminal proceedings even in the absence of intent.¹⁰⁶ They also include liability for ISPs.¹⁰⁷

Alongside TTIP, since 2011, the US has been negotiating the Trans-Pacific Partnership (TPP) with 11 countries in the Asia-Pacific region.¹⁰⁸ The chapter on IPR in the TPP is said to represent one of the most contentious areas in the negotiations. Most TPP countries oppose US proposals to "expand the scope of patentability, including terms such as new monopoly patents for new uses of already-patented drugs that would promote patent evergreening" as well as to extend data exclusivity terms for medicine and to address the various rules on pharmaceuticals reimbursement programmes. The American pharmaceutical industry intends to oppose the TPP if the agreement reverses provisions of past US FTAs.¹⁰⁹ There are also disagreements with regard to copyright, particularly the 70-year protection term, and US demands concerning ISP liability and with regard to enforcement measures (criminal penalties and *ex officio* powers).¹¹⁰

Earlier EU FTAs incorporated IP provisions more general in nature than those negotiated by the US (e.g. EU-South Africa, EU-Mexico and EU-Chile FTAs). In particular, they included requirements for the partner countries to ratify a number of international IP conventions, the obligation to continue to implement adequately

¹⁰³ Liberti, L., *supra*, note 38.

¹⁰⁴ [Comparing international trade policies: the EU, United States, EFTA and Japanese PTA strategies](#) / Heydon, K., Woolcock, S., EP Policy Department, 2014

¹⁰⁵ [A shift in intellectual property policy in US FTAs?](#) / Vivas-Eugui, D., 2007.

¹⁰⁶ Heydon, K., Woolcock, S., *supra*, note 104.

¹⁰⁷ The debate revolves around the question of whether and to what extent Internet intermediaries, namely ISPs or more broadly online service providers can be held liable for copyright-infringing third party content they help host online. See B.M. Farano, [Internet intermediaries' liability for copyright and trademark infringement: reconciling the EU and US approaches](#), 2012

¹⁰⁸ Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

¹⁰⁹ [Administration Desperate to Announce Breakthrough on TPP in Japan...](#) / Inside Trade, 21 April 2014.

¹¹⁰ [Leak of TPP text on copyright Limitations and Exceptions](#), Inside Trade, August 2012.

international treaties on IPRs, as well as the obligation to grant effective protection of the highest international standards and effective enforcement of IPRs. However, since its 2006 "Global Europe" Communication, the Commission has sought to conclude FTAs which include comprehensive IP chapters, containing IP provisions resembling those in the EU, in a similar approach to the US.¹¹¹ These second-generation agreements (e.g. with South Korea, Peru and Columbia, as well as in the draft agreement with Canada) contain more detailed and specific IPR provisions, including lists of protected GIs, copyright and internet rules (the EU however tries to limit liability for ISPs), and enforcement measures. In the case of the IP chapter in the EU-Canada Comprehensive and Economic Trade Agreement (CETA), the EU aimed to ensure the same level of copyright protection, to ensure that its GIs receive adequate protection on the Canadian market and to tackle some perceived shortcomings in Canada's regulation of the pharmaceutical sector. Following the rejection of ACTA, CETA does not contain provisions on liability of ISPs and criminal sanctions for infringements.¹¹² Nevertheless, the FTA with South Korea (2011) still contains a number of provisions on criminal sanctions inspired by ACTA.¹¹³

4. An IPR chapter in the Transatlantic Trade and Investment Partnership

4.1. The Transatlantic Trade and Investment Partnership negotiations

The EU and US are currently negotiating a comprehensive and ambitious trade and investment deal, which would create the world's largest FTA, as the US and EU accounted for almost half of global GDP and 30% of world trade in 2012. The aim of TTIP is to expand trade and investment across the Atlantic, increase employment and competitiveness, as well as create a common approach to global trade. The negotiations, begun in July 2013, have three main components: market access (elimination of tariffs for goods and new market access for services and public procurement); regulatory convergence and non-tariff barriers (NTBs) such as divergent standards, technical and sanitary requirements, etc.; and rules for global trade. Of these, market access is considered the easiest issue to negotiate, with regulatory NTBs the most difficult, but also likely to yield most benefits. Finally, negotiations on rules on global trade would cover various issues such as investment protection, trade facilitation, labour and environment, energy, and IPR. The aim is for the two sides to agree on a set of high standards, which could eventually be adopted by third countries too.¹¹⁴ Facing strong demands from some EU MS for "a cultural exception", the Commission's negotiating mandate contains new language on the audiovisual sector, establishing red lines on the Commission's negotiating position to ensure that "the promotion of European cultural works shall not be affected."¹¹⁵

While business and industry on both sides of the Atlantic are promoting the negotiations intensively, there is also strong opposition to TTIP both as a whole and to specific provisions. The main criticisms of trade unions, consumer groups, NGOs and

¹¹¹ Liberti, L., *supra*, note 38.

¹¹² Heydon, K., Woolcock, S., *supra*, note 104.

¹¹³ [Araujo, M.](#), *supra* note 97

¹¹⁴ European Commission, DG Trade, [TTIP website](#).

¹¹⁵ [France, films and foreign trade: the leaked mandate/](#) Spiegel, P., Financial Times, 10 June 2013.

citizens on both sides of the Atlantic refer to the fear of lower standards to the benefit of large businesses and lack of transparency in the talks (including from some EU MS). Moreover, the inclusion in the deal of provisions related to ISDS, agriculture and sanitary standards, environment and data privacy issues is another reason for criticism.¹¹⁶

Legally, the Council would conclude a deal with the consent of the European Parliament; ratification by all EU MS is also required. In the US, Congress is responsible for international commerce; a bill to grant the President Trade Promotion Authority (i.e. right to negotiate and sign trade agreements which Congress then approves or rejects, but cannot change) is not certain to be approved.¹¹⁷ The sixth round of TTIP talks takes place in July 2014.

4.2. Including IPR in the TTIP: supporters and opponents

On the issue of IPR, the EU-US High Level Working Group for Growth and Jobs tasked with assessing the opportunity of launching EU-US negotiations recommended in its final report that TTIP address "a limited number of significant IPR issues of interest to either side, without prejudice to the outcome", while mentioning both sides' commitment to a high level of IP protection, including enforcement.¹¹⁸ However, according to a Congressional Research Service report, there is a debate on whether to include IPRs in the negotiations at all.¹¹⁹

The European Parliament is legally required to give its consent to TTIP, after its finalisation. In its resolution of 23 May 2013 on EU trade and investment negotiations with the United States of America (P7_TA(2013)0227), the EP recognised IP as "one of the driving forces of innovation and creation and a pillar of the knowledge-based economy", and stated that the agreement should include "strong protection of precisely and clearly defined areas of intellectual property rights (IPRs), including geographical indications".

In favour of an IPR chapter in TTIP are industry and business in the US, as well as some US lawmakers, who demand strong protection for IP in TTIP and call on the negotiators to "ensure that the outcome supports the ability of the US and EU to achieve robust IP protection in other negotiations, foreign markets and at the global level."¹²⁰ The situation in the EU is similar, as business associations have been calling for the inclusion of IPR in the TTIP, which could act as a framework for encouraging better protection of IP in third countries, as well as innovation and technological development in the transatlantic economy.¹²¹ Transatlantic business associations, such as the Transatlantic Business Council, have also pushed for a strong IP chapter in TTIP.

Opposing any IPR inclusion in the TTIP are civil society organisations on both sides of the Atlantic which believe that including copyright and patent provisions will lock up technology and stifle independent innovation, leading ultimately not to job creation but to stagnating employment. Moreover, they point to the lack of transparency in similar deals (e.g. ACTA, TPP) and to their scepticism that negotiators take into account

¹¹⁶ See the [European Trade Union Confederation](#), the [Transatlantic Consumer Dialogue](#), [Citizen.org](#) and [TTIP puts the EU's environmental and social policies on the line](#) / Euractiv article, January 2014.

¹¹⁷ [S.1900 - Bipartisan Congressional Trade Priorities Act of 2014](#).

¹¹⁸ [Final Report High Level Working Group on Jobs and Growth](#), 2013.

¹¹⁹ Akhtar S.I., Jones V.C., *supra*, note 1.

¹²⁰ [US lawmakers demand strong IP protections in EU trade deal](#) / Nawaguna, E., Reuters, October 2013.

¹²¹ [Why TTIP matters to European business](#) / BusinessEurope.

the broader interests of Internet users, believing that TTIP will be another opportunity to have binding ACTA-like provisions. The Transatlantic Consumer Dialogue (TCD) has expressed concerns that the IP provisions in TTIP could "weaken the rights to health, culture and expression of US and EU citizens by unfairly limiting access to knowledge and access to medicine".¹²²

In its Resolution on IPRs in TTIP, the TCD recommended that no ISDS mechanism allowing private companies to sue states over IPR-related matters should be included in the TTIP; limitations and exceptions to IPR should not be weakened; provisions that would prevent clinical trial data transparency or that extend (data or market) exclusivity for patents for pharmaceutical products should not be included; that internet intermediaries should be protected from liability for the removal of illegal content without court order. Moreover, the TCD stated that TTIP should not prevent legitimate parallel trade of medical products, or access to publicly financed education, scientific data or materials, that IPR enforcement measures should not affect privacy or other fundamental rights and called for the exclusion of criminal penalties for patent infringements from the talks.

Additionally, some experts believe that, due to the rejection by the European Parliament of ACTA, including IPRs in the talks could jeopardise the entire deal, as many would make a connection between TTIP and ACTA's IP provisions. Moreover, they maintain that the differences in IP systems between the EU and the US are quite small, although hard to reconcile, and in any case they do not constitute significant trade barriers.¹²³

4.3. Potential IP issues in TTIP

There has been some speculation on what the IP chapter of TTIP might include, in particular in relation to the formulation "significant" IP issues. Observers have relied on the Commission's negotiating mandate to gain a clearer idea: This states that TTIP should "complement the provisions of the TRIPS Agreement"; that it should "address areas most relevant for fostering the exchange of goods and services with IP content, with a view to supporting innovation" and that it should provide "enhanced protection of EU geographical indications." The same experts advise negotiators to ensure transparency as a strategy for TTIP, following ACTA's rejection by the EP.¹²⁴

According to representatives of the Commission, there will not be a comprehensive IP chapter in TTIP because both the US and EU already have a high level of IPR protection and despite differences in rules, TTIP does not need to "fix things". Therefore, negotiators will address a "limited number of significant IPR issues interesting for both sides," such as trade secrets, some issues related to patents and trademark systems, as well as cooperation and enforcement. TTIP will not foresee any harmonisation of rules on enforcement and it will not bring back any controversial provisions of ACTA. GIs were one of the EU's priorities, despite US concerns in this regard.¹²⁵ Opponents fear however that a vaguely defined IP chapter in TTIP will allow room for a number of

¹²² [Resolution on Intellectual Property Rights in the Transatlantic Trade and Investment Partnership](#) / Transatlantic Consumer Dialogue, 2013.

¹²³ [What role for intellectual property rights in the TTIP?](#) / Hearing organized at the EP, May 2013.

¹²⁴ [Negotiating the IP Chapter of an EU-US Transatlantic Trade and Investment Partnership: Let's Not Repeat Past Mistakes](#) / Matthews, D., IIC-International Review of Intellectual Property and Competition Law, 2013.

¹²⁵ [IPR Lists For Trans-Atlantic Trade Deal Still Growing; Risk Of Locking In Old IPR Regimes?](#) / Ermert, M., Intellectual Property Watch, 2013

other controversial measures.¹²⁶ For example, they suspect enforcement measures on ISP liability will be included in the talks. They state that the real concern about TTIP is the intent to approximate enforcement measures in the EU with those in the US, advocated by copyright industries which believe that ISPs need to be involved in combatting online infringements and also be liable for failing to take down illegal content. For the time being, criminal sanctions have been excluded from the EU negotiating mandate granted by the Council; and the TTIP talks will not cover data protection (although the issue is linked to discussions about e-commerce).

Some **copyright-related issues** may be included in TTIP. At a hearing organised by the USTR before the TTIP talks had begun, industry representatives underlined the need to find commonalities between EU and US privacy and copyright policies to promote the free flow of data across the borders, while consumers and privacy advocates said that TTIP should not impose the restrictions of US copyright policies on other countries. A representative of the International Intellectual Property Alliance stated that, due to the modern copyright systems and enforcement provisions already in place and to a certain extent harmonised in both the EU and the US, "the IP provisions in the TTIP should be different from other trade agreements."¹²⁷ One area where the EU and the US could cooperate was in enforcing IPRs on third-country markets. Issues relating to broadcasting and the audiovisual sector may also arise, as they seem to be a concern for US exporters of audiovisual services. In particular, US businesses denounce European broadcasting and film quotas, language-dubbing requirements, and government subsidies. As regards EU stakeholders, broadcasters' rights, public performance and resale rights seem important and also supported by the relevant sectors in the US administration. Finally, issues related to ISP liability and enforcement denounced by civil society groups during the ACTA negotiations may resurface in the TTIP talks.¹²⁸ The Commission had proposed in 2012 a draft directive on takedown requests (removing content suspected to infringe copyright from online platforms), but it withdrew it. New proposals for such a directive are said to be ready for submission following the recent European elections. Despite the Commission's pledge that it will not pursue any provision on ISP liability in the TTIP talks, a leaked EU TTIP proposal appears to include language suggesting that the EU and the US "should cooperate and maintain a dialogue on the liability of intermediary service providers with respect to the transmission, or storage of information".¹²⁹

Concerning **patents**, issues that are likely to emerge in the talks relate to patent term extensions, protection of test data and patent linkage. Both the EU and US have included in their FTAs with third countries patent term extensions going beyond TRIPS provisions of 20 years, to provide for delays in the patent examination process, but with different lengths for such extensions.¹³⁰ On the protection of undisclosed test data, although both partners protect such data, discussions may arise against the background of the EU's Clinical Trials Regulation, adopted by the EP in 2013

¹²⁶ [A TTIP Christmas wish](#) / Horten, M., IPtegrity, 2013.

¹²⁷ [USTR Hears Arguments For, Against Privacy, Copyright Interoperability in TTIP Hearing](#) / Warren's Washington Internet Daily, 30 May 2013.

¹²⁸ [Leaked EU analysis of TTIP IPR negotiations](#) / Knowledge Ecology International, 2014.

¹²⁹ [EU-US dialogue on ISP/webhosting liability](#) / Horten M., IPtegrity, 2014.

¹³⁰ Akhtar S.I., Jones V.C., *supra*, note 1.

(P7_TA(2014)0273).¹³¹ Finally, patent linkage refers to whether the marketing approval of a generic drug depends on the patent status of the brand name product. The US requires patent linkage, while the EU removes it for medicinal products for human use, despite varying practices across EU MS. However, patent provisions in TTIP would not be so controversial, despite some concerns about their impact on developing countries.

One stumbling block in the TTIP negotiations could be **discussions over GIs**. Protection of GIs is at the top of the EU's priority list with regard to the IP chapter of the TTIP. Nevertheless, GIs are part of a wider debate on agriculture in TTIP, covering market access and tariffs, sanitary and phytosanitary issues and IPRs. The EU has been actively promoting recognition for its GIs in FTAs, while the US is reluctant to extend more protection to GIs than that it committed to in TRIPS. In addition, some US products are sold and marketed under names considered generic in the US, while in the EU they are protected as GIs (e.g. feta cheese, Parma ham). In more recent agreements, such as the EU-South Korea (2010) and in the CETA political agreement, the EU has succeeded in obtaining recognition for its GIs, to the concern of the US. Following these agreements, South Korea (and Canada) would need to exclude some of the US generic name products from their markets, if those names conflict with EU protected GIs – considered by the US as denial of market access and a significant risk to its exporters.¹³² As the EU is perceived as successful in having its GI system accepted in FTAs, many US agricultural sectors are extremely concerned about the TTIP negotiations, and the US Congress will give due regard to agricultural interests before voting on the TTIP.¹³³ Already, 55 US senators have urged the USTR to oppose the EU on the issue of dairy GIs (cheeses in particular), followed by a subsequent call to protect US generic meat names (e.g. bologna, black forest ham) from EU GI protection in the TTIP. Therefore, the question of GIs in the TTIP is expected to raise problems, with the EU expected to insist on their inclusion.

Both EU and US business groups have called for the inclusion of **trade secrets** in the TTIP talks. The Commission's proposals on a trade secrets directive will not only provide the EU with a harmonised legal framework but also aim at aligning trade secret protection in the EU with the US. It therefore paves the way towards the issue's inclusion in TTIP and towards a strong EU negotiating position. However, although the US aims at including in its trade agreements provisions for criminal enforcement of trade secrets, TTIP most probably will contain only civil law measures, because the EU's proposed directive on trade secrets does not address the issue of criminal proceedings.¹³⁴ Nonetheless, the main concern related to trade secrets in the transatlantic talks is not the US or the EU, but third countries and a series of practices contributing to trade-secret theft. The EU and US could also address in TTIP issues related to forced technology transfer requirements of third countries (e.g. China or India's "indigenous policies") as market access preconditions.¹³⁵

¹³¹ The Clinical Trials Regulation removes the framework which allowed pharmaceutical companies not to publish their trial data, as well as the requirement for commercial confidentiality for clinical trial study reports. See Transatlantic Consumer Dialogue, [IP Policy Committee](#) blog.

¹³² [The Protection of Geographical Indications After Doha: Quo Vadis?](#) / Evans, G.E. & Blakeney, M., *Journal of International Economic Law*, 2006, 9(3).

¹³³ [Achieving a Successful Outcome for Agriculture in the EU-U.S. Transatlantic Trade and Investment Partnership](#) / Grueff, J., *International Food & Agricultural Trade Policy Council*, 2013

¹³⁴ [European Commission trade secrets directive offers nuanced definition](#) / Inside US Trade, 2014.

¹³⁵ Akhtar S.I., Jones V.C., *supra*, note 1.

An already contentious issue which could be connected to IPRs (as IPRs are also a form of investment) is a potential **ISDS mechanism** in the TTIP. Faced with growing opposition, the Commission decided to pause the talks on ISDS pending a three-month public consultation started in March 2014. Critics of the inclusion of any ISDS provisions in TTIP point to on-going disputes connected to IP as investment, such as Phillip Morris vs. Australia (the company is challenging Australia's plain packaging legislation on tobacco products, as affecting the value of its IPRs) and the US pharmaceutical company Eli Lilly vs. Canada (the dispute concerns Canada's standards for granting drug patents).¹³⁶

Following the fourth round of TTIP negotiations in March 2014, a leaked EU analysis of the talks on IPRs sheds more light on the topics addressed and the respective positions of the EU and US. The memo mentions that talks on IPRs remain exploratory and have not entered the actual negotiation phase. The fourth round addressed a list of issues, including copyright, trademarks, patents, designs, enforcement, trade secrets, regulatory data protection, cooperation in relation to international issues (relations with third countries and international organisations) and voluntary best practices. The analysis mentions that the main achievement of the round is the agreement to continue further work on the basis of a US proposal for the architecture of the IPR chapter, which seems to correspond to the EU's idea to address a limited number of issues of interest to both parties. The chapter could be structured in four parts: 1) list of international agreements; 2) general principles stressing the importance of IP as a tool for growth, jobs, and innovation, 3) binding commitments on a limited number of significant IP issues, and 4) cooperation on issues of common interest. Among the specific aspects, of note are US concerns about pharmaceutical test data, some US support for EU proposals on broadcaster rights, public performance and resale rights, and proposals for joint EU-US reports on enforcement of IPRs in third countries.¹³⁷ The fifth round of talks in May 2014 also included discussions on IPR, in particular GIs, where the two sides compared their respective systems, without touching upon any specific list of food or wine names.¹³⁸

5. Outlook

Protection of IPRs has become a strong focus for both the EU and the US, visible not only through the efforts to reform their domestic legislation but also through the determination to include in their agreements with third countries commitments to high standards of IPR protection and enforcement. Justified as a necessary means to stimulate innovation and creativity, IPRs are nevertheless increasingly criticised.

The negotiations for a Transatlantic Trade and Investment Partnership have addressed IPRs, although, due to the lack of information on the talks, it is difficult to assess what the provisions on IP would look like. The US and the EU are partners with strong IP protection systems. However, the rather limited differences in their regulation of IPRs are hard to reconcile. Moreover, increasing opposition to several aspects of the TTIP talks puts into doubt the prospects for the agreement. In particular regarding IPRs, the

¹³⁶ See [Philip Morris Asia Limited \(Hong Kong\) v. The Commonwealth of Australia](#), at the Permanent Court of Arbitration; and [Eli Lilly and Company v. Government of Canada](#), at [Government of Canada website](#).

¹³⁷ [Leaked EU analysis of TTIP IPR negotiations](#) / Knowledge Ecology International, 2014.

¹³⁸ [TTIP talks on GIs focused on comparing systems not on EU GI list](#) / Inside US Trade, 2014.

association some critics make with the provisions contained in ACTA constitutes a challenge for the success of the talks. Therefore, the US and the EU will probably focus their discourse on how to cooperate in promoting protection and combating infringement of IPRs in third countries rather than attempt to harmonise aspects of their respective IP systems. A particular challenge for the EU will be to achieve recognition for its GIs in TTIP, a priority for the EU in all other FTA negotiations, but one which seems to be strongly opposed by the US.

6. Main references

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Intellectual property rights generate important economic gains for their owners in today's economies. Promoting high standards of IP protection and enforcement beyond their borders has been a consistent policy priority of both the European Union and the United States for the past two decades, in multilateral as well as bilateral fora.

The EU and US have also stated their intention to include IPRs in their talks on a Transatlantic Trade and Investment Partnership (TTIP), not least as a global standard-setting effort. However, there is growing criticism of the inclusion of a chapter on IPR in the TTIP, fuelled, among other reasons, by the speculation surrounding the talks on IPR and by fears that the TTIP will turn out to be another route to introduce the controversial provisions rejected by Parliament with ACTA. The European Parliament continues to play an essential role, since its consent is required before any TTIP agreement can enter into force.
