

The GATT Legislation in Particular Relating to Patents, Trade Marks, Border Enforcement and Geographical Indications

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Introduction

The Business Policy Division of the Ministry of Commerce administers the industrial property rights statutes: the Patents Act 1953, the Designs Act 1953, and the Trade Marks Act 1953; as well as the Plant Variety Rights Act 1987. The other major statutory intellectual property right is copyright which is the responsibility of the Department of Justice.

This speech will primarily deal with the legislative changes made as a result of the GATT Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) to the Patents and Trade Marks Acts and the implementation of a new regime for protecting geographical indications.

The changes to the patents and trade marks legislation came into effect on 1 January 1995. Two points should be noted:

- 1) These changes were originally to be encompassed in a much larger legislative package which implemented a comprehensive reform of the industrial property rights statutes.
- 2) Other reforms were not implemented last year in the GATT (Uruguay Round) Bill because the New Zealand Government wanted to ratify the GATT Uruguay Round Agreement by 1 January 1995.

I will also briefly discuss the ongoing reform of the industrial property rights laws and the process for consulting with Maori on the proposed reforms. This consultation process formally began with the four hui the Ministry of Commerce held in December 1994.

Background: intellectual property rights policy environment

The New Zealand economy in recent years has undergone wide ranging structural reforms. These reforms have focused on encouraging investment and innovation which are essential for long term economic growth.

Protection for intellectual property rights is an important element of the Government's policies for promoting investment and innovation. For example, if appropriate protection for the products of intellectual endeavour is provided, businesses are more likely to take the risks involved in research and development and to feel secure about being able to commercially exploit the knowledge gained.

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Accordingly, successive Governments have committed themselves to promoting intellectual property rights protection, both through an active involvement in the negotiation of the TRIPS Agreement, and through a commitment to a review of New Zealand's industrial property rights legislation.

GATT URUGUAY Round

The "Uruguay Round" negotiations, which began in 1986 at Punta del Este, Uruguay, were finally concluded in December 1993. 115 countries, including New Zealand, participated in these negotiations. The Uruguay Round result will:

- secure access to key export markets;
- protect New Zealand from unfair trade practices by larger economies; and
- increase economic growth as benefits from export returns reach all sectors of New Zealand business.

The Uruguay Round talks addressed:

- traditional concerns relating to border protection (tariffs, qualitative restrictions, technical barriers to trade) which were outstanding from previous GATT talks; and
- developed trade rules for "new" areas such as Trade in Services (GATS) and Trade-Related Investment Measures (TRIMS). TRIPS was also one of these new areas. These "new" areas have been recognized as increasingly significant for international trade as traditional barriers to trade have reduced.

Developed countries have increasingly exported goods which:

- contain a large intellectual property investment; and
- are copied relatively easily.

Goods such as sound recordings, audio-visual products, computer software and pharmaceuticals all fall into this category. Many developed country exports also benefit from established and prestigious brand names which assure customers of quality and assist marketing. As the value of trade in these kinds of goods has increased, developed countries have been increasingly concerned to ensure that the creators of these goods capture the full rewards of their investments in producing these goods. Developed countries became increasingly concerned at what they regarded as theft of the intellectual property rights in these goods through unauthorized copying.

This led to a number of initiatives by the United States and the EC in particular, to improve intellectual property rights protection on a country by country basis. The United States focused on a number of countries, particularly in East and South East Asia and Latin America which it considered to have weak protection for intellectual property rights.

New Zealand has also previously attracted the attention of the United States in its efforts to strengthen international intellectual property rights protection on a bilateral basis. Before 1992, New Zealand appeared on the "watch list" of countries whose intellectual

property rights law are of concern to the United States. This is a procedure provided for in United States' trade legislation. This was primarily due to the compulsory licensing provisions of our Patents Act. These were considered by the United States to be too weighted in favour of applicants for compulsory licences.

Inclusion in the GATT of a multilateral agreement setting standards for intellectual property rights protection and a framework for enforcement and dispute settlement was therefore a major objective for developed countries such as the United States and the EC. The TRIPS Agreement achieves this objective, although only after prolonged and vigorous debate in negotiations principally between developed and developing countries, which had at times widely differing perceptions of what these minimum standards should be.

Protection of intellectual property rights remains a key issue for the trade policies of the developed countries, particularly the United States. Earlier this month Washington threatened to apply 100% tariffs to Chinese exports to the U.S. unless China takes action to tighten and enforce its intellectual property rights legislation.

What the TRIPS Agreement provides

The TRIPS Agreement will have a significant and increasing impact because:

- the TRIPS Agreement links intellectual property rights and trade;
- increases membership of and supplements existing intellectual property rights treaties;
- strengthens the standards for protection and enforcement of intellectual property rights; and
- covers all areas of intellectual property rights.

1 Linkage of intellectual property rights treaties and trade

In effect, the TRIPS Agreement extends to the World Trade Organization (WTO) contracting parties coverage of the major World Intellectual Property Organization (WIPO) conventions dealing with intellectual property rights:

- The Paris Convention for the Protection of Industrial Property. This covers a broad spectrum of creative endeavour—from inventions to service marks. The Convention is as revised in the Stockholm Act in 1967.
- The Berne Convention for the Protection of Literary and Artistic Works (as revised in 1971).
- The Rome Convention (1961) for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations.
- The Treaty on Intellectual Property in Respect of Integrated Circuits (IPIC Treaty 1989).

2 Benefits of the TRIPS Agreement

The standards provided for in the TRIPS Agreement will promote research and development and innovation because:

- there will be a greater consistency of approach in intellectual property rights legislation among member states;
- the uniformity and the strengthened provisions for enforcement will encourage wider technology transfers among members;
- newly industrialized or developing countries, which are traditionally known for having less rigorous regimes for protecting intellectual property rights, will be able to offer in the next ten years more secure markets for technology imports; and
- there will be greater incentives for innovation as innovators will be able to capture a greater share of the rewards for new creations and inventions.

3 *Coverage of the TRIPS Agreement*

All intellectual property rights are covered from patents to layout designs to trade secrets.

4 *Dispute settlement*

The TRIPS Agreement also provides for the settlement of disputes according to the separate Disputes Settlement Understanding which covers the World Trade Organization as a whole.

Implementation of the TRIPS Agreement: New Zealand domestic law

With the Uruguay Round concluded, some changes needed to be made to New Zealand's industrial property rights legislation to meet New Zealand's obligations under the TRIPS Agreement. These were effected through the GATT (Uruguay Round) Bill 1994. This Bill, passed by Parliament late last year, made amendments to a number of statutes including the Patents Act and the Trade Marks Act. The changes included increasing the term of a patent and amending the definition of trade mark to broaden the types of marks which can be registered. The Bill also introduced new provisions into the Trade Marks Act for preventing trade in counterfeit trade marked goods. A new Act for the protection of geographical indications (the Geographical Indications Act 1994) was also passed.

The principal changes to New Zealand's intellectual property rights law made by the GATT legislation are briefly outlined below.

Patents

The five major changes to the Patents Act 1953 required by TRIPS were:

- 1) restricting the grounds upon which an invention can be excluded from patentability;
- 2) increasing the term of a patent from 16 to 20 years;
- 3) specifying the circumstances in which a compulsory licence of a patented invention may be granted and the procedural and other requirements which attach to the grant of a compulsory licence;
- 4) clarifying the circumstances in which the Crown can utilize patented inventions; and

- 5) inserting a new provision providing for the reversal of the burden of proof in cases of the alleged infringement of a process patent.

1 *Exclusions from patentability (Article 27)*

There was some debate over the exclusions from patentability. Originally s17 of the Patents Act 1953 provided three grounds for excluding inventions from patentability. These were:

- 1) products or processes contrary to natural laws;
- 2) substances capable of being used as a food or medicine; and
- 3) products or processes that were contrary to law and morality.

The first two and that part of the third exclusion relating to products or processes that were contrary to law were required to be repealed because they were inconsistent with article 27 of TRIPS. This leaves only the contrary to morality exclusion in place.

The question of exclusions was controversial in the TRIPS negotiations. Some countries previously excluded entire industries from the scope of the patent system because of various economic and social policy considerations. TRIPS allows exclusions to remain in place for certain specified circumstances, one of which is to protect *ordre public* or morality.

In New Zealand we have retained the morality exclusion at least until concerns over patenting of life forms can be canvassed more fully in consultation with interest groups such as Maori and the biotechnology industry. Government will decide what it considers to be appropriate exclusions from patentability before the proposed Intellectual Property Law Reform Bill is introduced.

2 *Patent Term and Extensions (Article 33)*

The Patents Amendment Act 1994 changed:

- the patent term from 16 years to 20 years; and
- repealed the provisions allowing for extension of the patent term.

The first change was required by TRIPS; the second was not. However, in view of the longer patent term required by TRIPS the Government considered it an appropriate time to address provisions for extension of patent term.

During the passage of the Bill considerable attention was given to the question whether an extension to the patent term should remain available. A number of arguments were put forward suggesting that New Zealand should go beyond the basic requirement in TRIPS, of a 20 year term, and provide for an extension of the patent term.

The extension issue has been debated in New Zealand for a number of years. The debate began well before the GATT legislation was introduced when the Ministry of Commerce commenced its review of the Patents Act in 1990. The issue has been canvassed in the Ministry's two discussion and proposals documents on the reform of the Patents Act

1953, and was well covered in submissions received in response to these documents.

The existing system of extension was considered to be inappropriate, and was therefore repealed. Several factors were taken into account in reaching this decision. They were:

- 1) The application process for extension of the patent term was uncertain and often involved delays because of the difficulties in determining what constituted "inadequate remuneration".
- 2) The 20 year term, together with the protection which has also been given to registration data, provides an appropriate period of protection for pharmaceuticals and agrochemicals, recognizing companies' investment in research and development.
- 3) Systems of extension which were suggested by, for example, the research based pharmaceutical and agrochemical companies, are not the international norm. They are only provided for at present by countries who are exporters of pharmaceuticals and agrochemicals. Canada has a flat 20 year patent term. Australia has also introduced a flat 20 year patent term, effective from 1 July this year.
- 4) There is no significant problem in New Zealand with delay in the approval processes for drugs and agrochemicals as these products are approved relatively quickly.
- 5) There is no reason to believe that patentees will delay the introduction of their products to New Zealand if New Zealand does not provide an extension to the patent term. It is more likely that if patentees have a limited period in which to exploit their products they will put them on the market sooner rather than later.

The Government concluded that a 20 year term without extensions was sufficient to balance protection for innovation and the need to promote competition and was therefore appropriate for New Zealand.

3 *Compulsory licensing (Article 31)*

The 1994 amendments to the Patents Act clarify the situations where a grant of a compulsory licence for a patented invention may be made. The purpose of a licence is to ensure that the patentee's interest in obtaining an appropriate return on the investment in the invention is balanced with the need to maintain safeguards against the misuse of a monopoly right provided by the patent. The grounds for obtaining such a licence are restricted. They are available on application to the High Court:

- only where a market is not being supplied with the patented invention or is not being supplied on reasonable terms; and
- only after three years from the date of sealing of a patent or four years from the date of the patent (whichever is the later).

4 *Crown use (Article 31)*

The 1994 amendments to the Patents Act also provide that any government department can use an invention for the services of the Crown. The grounds for invoking Crown use are already in the Patents Act and were retained to ensure the Patents Act:

- does not obstruct a government department from fulfilling its statutory responsibilities; and
- enables the Crown to act in cases of emergency—the definition of emergency being substantially narrowed and confined to the security or defence of New Zealand or to a civil emergency.

The conditions under which Crown use can operate are the same as those applying to compulsory licences, for example the requirement to pay remuneration to the patentee.

5 *Reversal of the burden of proof (Article 34)*

The Patents Act had to be amended to comply with Article 34 of the TRIPS Agreement which requires that there be provision for the reversal of the burden of proof in cases of alleged infringement of a process patent. The effect of this is that:

- A non-patentee will be required to show that their product has *not* been derived from the process which is the subject of the patent.
- There is now no requirement for the patentee to prove there had been an infringement. This was almost impossible to do when a process patent is involved unless information about the process can be obtained.

6 *Transitional provisions*

The Patents Amendment Act 1994 also provides transitional provisions which define the rights of applicants who have patent applications pending or parties who have proceedings under way at 1 January 1995.

Registration data (Article 39(3))

Registration data is protected by amendments to the Animal Remedies Act 1967; Pesticides Act 1979; and the Medicines Act 1981.

- This is data supplied by an applicant to a regulatory authority when seeking approval to market an animal remedy, agricultural chemical or pharmaceutical.

These three statutes were amended by similarly worded provisions which all have the same objective. This is to give effect to the TRIPS requirement to provide protection for registration data where there are products:

- which utilize *new* chemical entities; and
- require protection of data against:
 - (i) “unfair commercial use”; and
 - (ii) “disclosure” except where necessary to protect the public.

The new system:

- defines the information which is to be protected; and
- provides protection for this information for a five year period.

The TRIPS Agreement does not specify a period of protection but the Government

considered that five years meets the TRIPS requirements as well as providing research-based companies with a meaningful period of protection.

Trade marks

The Trade Marks Amendment Act 1994 offers increased opportunity for protection for businesses by widening the category of “marks” which may be registered. TRIPS obligations relating to trade marks required a number of amendments to be made, including border protection measures.

The main provisions in the 1994 amendment provided for:

- a wider definition of “trade mark” and the inclusion of a definition of “sign”;
- broadening of the infringement test;
- greater protection for marks which are well-known in New Zealand;
- the nature of a mark not to be an obstacle to registration; and
- the introduction of a new regime for border protection.

1 *Definition of “Trade Mark” and “Sign” (Article 15)*

The Trade Marks Amendment Act 1994 amended the definition of trade mark to:

- mean any sign or combination of signs, capable of being represented graphically and capable of distinguishing the goods or services of one person from those of another person.

The Amendment also introduced a definition of sign:

- This is defined inclusively: a device, brand, heading, label, ticket, name, signature, word, letter, numeral, colour, or any combination thereof.

The effect of these amendments is to widen the definition of trade mark to cater for the developments in marketing and technology. Audible marks may now be capable of registration. These marks are subject to the qualification that they must be capable of being represented graphically. A flexible definition recognizes that if any sign operates as a trade mark in the market place it should be capable of being registered.

2 *Similar Goods (Article 16)*

The amendments also provide that the rights given to a trade mark proprietor against infringement of a trade mark are extended to use of a sign that is identical or “similar to” the registered trade mark. This applies to goods or services that are similar to (or identical to) the goods and services for which the trade mark is registered.

The previous test for infringement was limited. It only applied to identical trade marks used on goods or services in the class for which the mark was registered.

The effect of the inclusion of “similar goods” is that:

- In relation to similar goods or services, infringement occurs where the use would be likely to deceive or cause confusion.

- Where a trader has a product which previously would, for example, have needed to be registered in five classes to protect the mark from being used on like products, that trader would now need to register the mark in fewer classes and use of that mark could constitute an infringement if the mark were used on similar goods such that it would be likely to cause confusion. As such it may improve the position of registered trade mark holders and ease the need to register in so many classes.

3 *No obstacles to registration (Article 15)*

The nature of goods and services to which a trade mark is to be applied shall not form an obstacle to registration. In the past for example, trade marks for tobacco products applied for in classes of goods and services other than for tobacco products have been refused registration under s16 of the Trade Marks Act 1953 since the registration of such trade marks is restricted under the Smokefree Environments Act 1990. Such marks will now be registrable although the *use* of these trade marks may still be limited.

4 *Well-known trade marks (Article 16)*

Well-known marks are those where the unregistered trade mark becomes so well-known that the use is likely to be taken as indicating a connection between the proprietor of the mark and other unauthorized users of that mark. The TRIPS Agreement required that protection be provided for well-known marks. In the course of strengthening the protection for well-known marks, the existing restriction limiting the registration of defensive trade marks to invented words was also dropped.

5 *Border protection (Articles 51–60)*

The provisions dealing with border protection in the Trade Marks Act vary slightly from those provided in the Copyright Act 1994 so I will deal solely with trade marks. Border protection measures covering counterfeit trade marked goods have been included in the Trade Marks Amendment Act 1994 to meet the obligations under Articles 51 to 60 of the TRIPS Agreement.

It is generally accepted that intellectual property rights are private rights. This is because:

- enforcement of these rights is generally also by way of private action;
- any state enforcement action is by way of an exception to this principle; and
- to the extent that the Government decides to become involved in the enforcement of intellectual property rights, it is likely to be principally in relation to those rights the Government has created by statute, that is, in this case registered trade marks.

It was because of these reasons that the emphasis in the new border protection regime is on empowering proprietors of trade marks to take action to protect their registered marks at the border.

Border protection provisions covering registered and unregistered trade marks were previously included under the Fair Trading Act 1986. However, the amendments contained in the Trade Marks Amendment Act reflect the fact that the TRIPS Agreement only requires that the border protection provisions apply to registered trade marks.

Owners of unregistered marks will still have available to them the common law action of passing off to protect their unregistered marks and s 16 of the Fair Trading Act will continue to provide some protection for unregistered marks.

Trade marked goods which may infringe an unregistered mark will not be detained by customs at the border.

The key elements of the border protection measures in the Trade Marks Act are that the trade mark proprietor:

- Gives notice to the Customs Department requesting that imported goods infringing their registered trade mark be detained.
 - A separate notice per registration is required.
 - A notice is valid for five years or until earlier expiry.
- Gives a security to Customs.
- Is advised by Customs when goods imported bear an infringing mark.
- Has ten working days in which to initiate proceedings against the importer otherwise the goods will be released to the importer. An extension of a further ten working days is available.

Geographical indications (Articles 22–24)

The Geographical Indications Act 1994 establishes a regime for protecting New Zealand and international geographical indications from false or misleading use. The TRIPS Agreement requires that protection be provided for geographical indications, in particular wines and spirits. The Act is also designed to meet any new obligations arising from further GATT negotiations which will be held on the establishment of a multilateral system of notification and registration of geographical indications for wines. The Geographical Indications Act, however, goes considerably beyond obligations arising from the TRIPS Agreement and this made it desirable to pass the Act as part of the GATT legislation. The additional features are:

- Allowing New Zealand to meet any obligations under the proposed New Zealand/European Commission wine agreement. This is a bilateral agreement, which if concluded, will require European Union geographical indications used to indicate the origin of wine to be protected in New Zealand. Reciprocal protection will in turn be given to New Zealand geographical indications in Europe.
- Meet the desire of the Wine Institute of New Zealand (WINZ) for a system to ensure truth in labelling as to geographical indications used in relation to wine in New Zealand.

As the provisions of the Geographical Indications Act 1994 are of a generic nature, the Act can apply to products other than wine, for example cheese and fruit wines.

The main provisions are:

- the establishment of a Register of Protected Geographical Indications for both

New Zealand and international geographical indications which will be kept by the Patent Office;

- that New Zealand geographical indications will be determined by a Geographical Indications Committee consisting of New Zealand Geographic Board members and representatives of the producers who have applied to have the particular geographical indication(s) determined; and
- that any false or misleading use of protected geographical indications not exempted under the Act will be deemed to be an offence under the Fair Trading Act.

The Act is scheduled to come into force by 1 June 1995.

The review of the industrial property statutes: the proposed IPLR bill

The Ministry has, since 1990, been reviewing New Zealand's industrial property statutes: the patents, trade marks and designs legislation as well as the plant variety rights legislation. A product of this review was a proposal, mentioned earlier, to pass the GATT required reforms and other reforms in a much larger legislative package.

The industrial property rights statutes: the Trade Marks Act, the Patents Act, and the Designs Act are over 40 years old. As with the Copyright Act 1962, the reform of these statutes is necessary so as to:

- be consistent with the government's broader economic policies to encourage growth and innovation;
- take account of developments in business and technology since 1953;
- minimize the costs to businesses of protecting their intellectual property rights; and
- streamline the system to facilitate the granting of rights.

The changes required by the TRIPS Agreement only go so far, leaving many other changes necessary or desirable.

It is proposed that these reforms be enacted by way of an Intellectual Property Law Reform Bill. Also to be included in the proposed Intellectual Property Law Reform Bill are amendments to the Plant Variety Rights Act 1987, primarily aimed at allowing New Zealand to ratify the 1991 Revision of the UPOV Convention.

During the review process the Ministry has tried to ensure that interested parties have been involved through:

- the release of discussion and recommendations papers and the calling for submissions; and
- consultation with interested groups.

The process of consultation is now at an advanced stage with remaining consultation focusing upon three issues:

- Exclusions from patentability. An approach to the patentability of life forms needs to be determined.
- The registration of culturally offensive trade marks. The difficulties in determining the appropriateness of the mark or who should have a say in relation to that mark are problems which arise in this area. For example, the registration of the Auckland Warriors mark in relation to alcohol may be considered offensive by Maori.
- The scheme for protecting designs applied industrially.

Consultation with Maori: overall comments

In December 1994 the Ministry of Commerce, assisted by the Ministry of Maori Development (Te Puni Kokiri), arranged for four hui to be held in order to discuss with Maori the proposed Intellectual Property Law Reform Bill. The hui were very well attended with approximately 200 people attending each of the hui. Officials from the Ministry of Commerce and other interested departments are currently considering how intellectual property rights law reform and consultation with Maori might be advanced during 1995.

Separate legislation to provide appropriate protection for the broad range of Maori cultural and intellectual property is an option to be considered. Commerce and Te Puni Kokiri will be working on further discussion and the development of a possible model.

Conclusion

In conclusion I would like to emphasize the following points:

- New Zealand's system of intellectual property rights does not operate in isolation from:
 - (i) other policies to promote economic growth; or
 - (ii) from the international trading environment.
- The TRIPS Agreement ensures that patentees, designers and other intellectual property rights holders in member countries are treated equally in the level of protection and in the enforcement provisions that they can utilize.
- The amendments to intellectual property rights legislation arising from the TRIPS Agreement are only part of a larger process of intellectual property rights law reform. This process will be further advanced by the passage of the proposed Intellectual Property Law Reform Bill which will carry out more comprehensive reform of the Patents Act, the Trade Marks Act, Designs Act and Plant Variety Rights Act.
- What the GATT legislation does demonstrate, however, is the importance of international standards and negotiations to our domestic intellectual property rights law. Increasingly the framework for our intellectual property rights law will be set at international forums rather than domestically. The challenge will be in this environment to continue to ensure that our intellectual property rights law not only meets the needs of New Zealand businesses but also other groups in the New Zealand community, such as Maori, with their own particular needs.