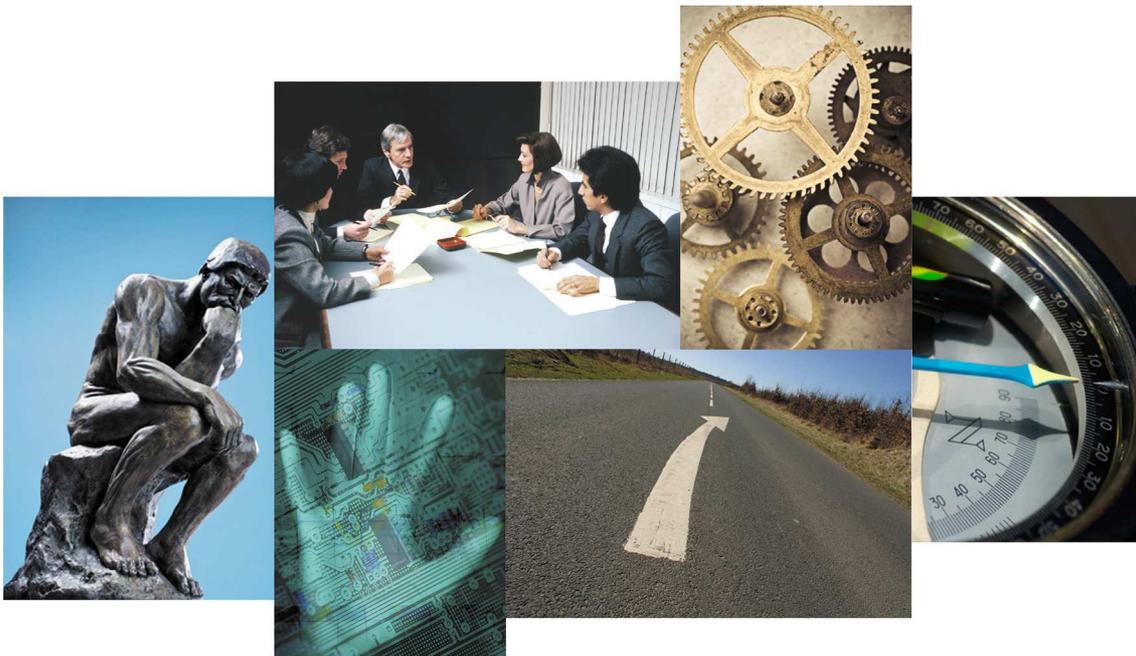


# Current and emerging intellectual property issues for business



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### Technology Transfer

- Providing analysis and legal opinions with respect to licensing, assignment and exploitation of trademarks and patents, drafting technology transfer contracts, specialist technical service contracts and franchising contracts and recordal thereof at the Brazilian Industrial Property Office and the Brazilian Central Bank.

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**Current and emerging  
intellectual property issues for business**

**A roadmap for business and policy makers**

**Tenth edition 2010**

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## Preface

Ten years ago ICC produced an “Intellectual Property Roadmap for Business and Policy Makers.” It would have been difficult to imagine at the time that a decade later the publication would have gone through ten editions, been translated into five languages, and be widely recognized as providing a unique overview of key developments in intellectual property (IP) policy much appreciated by the business community and policy makers worldwide.

The preface to the first edition noted that “intellectual property had become a key issue for businesses and policy makers.” This is undoubtedly truer today than ever before.

A read through the past nine editions of the Roadmap provides a quick scan of how IP policy issues have evolved over the past decade. Many date from long before the Roadmap was produced but continue to be relevant today.

Technology transfer has returned to the forefront of the international agenda through the United Nations Framework Convention on Climate Change. Correctly balancing the need to stimulate innovation and creativity with other policy objectives remains the delicate task of today’s policy makers, as it was of their predecessors. Businesses still call for better international coherence and stability of intellectual property systems, an appeal rendered more acute by the increasing globalization of IP-related transactions.

So what has changed in the IP policy landscape over the last ten years?

The most striking changes are those resulting from the impact of new technologies on society and business. The spread of digital technologies and Internet connectivity has dramatically changed the way in which businesses develop, exploit, and protect their intellectual property. On-line distribution, marketing and infringement, domain names, cross-border technology development through electronic communication, and new business models on the Internet are but some of the pioneering opportunities and challenges raised by these new technologies.

There is also increasing overlap between IP and Information Technology (IT) policies. Issues such as data privacy, open source software, technical measures to discourage on-line infringement, and domain name policy have implications in both the IT and IP fields.

The highly innovative area of biotechnology has also provoked much discussion about the extent to which biological materials should be patentable. The debate on access to genetic resources and the sharing of the benefits drawn from them continues to have ramifications in both the UN Convention on Biological Diversity and the World Trade Organization (WTO).

The increase in technological innovation and the resultant increase in patenting activity, especially in East Asia, has led to several initiatives to find solutions to streamline the international patent system.

The last ten years have also witnessed an increasing emphasis on the role of IP in stimulating development, as seen in the WTO Doha Round and the World Intellectual Property Organization’s Development Agenda. Resulting difficulties in moving forward on the multilateral IP agenda have led to an increase in bilateral and plurilateral initiatives.

Other issues that have emerged during the last decade – and are reflected in the Roadmap - are the growing phenomena of counterfeiting and piracy, the more prevalent use of arbitration and mediation in intellectual property disputes, and the growing recognition of IP rights as valuable business assets.

The present tenth edition encapsulates the complexity and richness of the policy debates around intellectual property today. It represents the contributions of several experts from different regions, as well as the comments of ICC members and national committees worldwide, and we would like to warmly thank all those who contributed to this publication.

We hope that the Roadmap will contribute to a better understanding of IP issues, and welcome any feedback and suggestions for improvement you might have.



Jean Rozwadowski  
Secretary General  
ICC



David Koris  
Chair  
ICC Commission on Intellectual Property

This is the tenth edition of “Current and Emerging Intellectual Property Issues for Business: A Roadmap for Business and Policy Makers”, which was first issued in 2000. It draws upon existing ICC positions and is not intended to create new ICC policy. This publication can also be accessed on the ICC website at [www.iccwbo.org/iproadmap](http://www.iccwbo.org/iproadmap) in English and other languages. ICC policy papers cited can be accessed at [www.iccwbo.org/policy/ipcommission](http://www.iccwbo.org/policy/ipcommission).

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## Links to relevant ICC bodies

### **With access to discussion papers, policy statements and other material**

#### BASCAP

<http://www.iccwbo.org/bascap/id1127/index.html>

#### BASIS

<http://www.iccwbo.org/basis/id8215/index.html>

#### ICC Centre for Expertise

<http://www.iccwbo.org/court/expertise/id4595/index.html>

#### ICC Commission on Commercial Law and Practice

<http://www.iccwbo.org/policy/law/>

#### ICC Commission on E-business, IT and Telecoms

<http://www.iccwbo.org/policy/ebitt/>

#### ICC Commission on Intellectual Property

<http://www.iccwbo.org/policy/ip/id3060/index.html>

#### International Court of Arbitration

<http://www.iccwbo.org/court/arbitration/>

#### IP Roadmap

<http://www.iccwbo.org/iproadmap/>

# Intellectual property basics

## What is intellectual property?

Intellectual property is a creation of the intellect that is owned by an individual or an organization which can then choose to share it freely or to control its use in certain ways. Intellectual property is found almost everywhere – in creative works like books, films, records, music, art and software, and in everyday objects like cars, computers, drugs and varieties of plants, all of which have been developed thanks to advances in science and technology. The distinctive features which help us choose the products we buy, like brand names and designs, can fall within the scope of intellectual property. Even the place of origin of a product can have rights attached to it, as is the case with Champagne and Gorgonzola. Much of what we see and use on the Internet, be it a web page or a domain name, also includes or represents some form of intellectual property.

## Why is intellectual property protected and who benefits?

Through a system of intellectual property rights, it is possible not only to ensure that an innovation or creation is attributed to its creator or producer, but also to secure “ownership” of it and benefit commercially as a result. By protecting intellectual property, society acknowledges the benefits it contributes and provides an incentive for people to invest time and resources to foster innovation and expand knowledge.

The intellectual property system is designed to benefit society as a whole, striking a delicate balance to ensure that the needs of both the creator and the user are satisfied. Intellectual property rights usually allow the rightsholder to exercise rights over the use of his/her work for a limited period of time. In return for granting such rights, society benefits in a number of ways.

The intellectual property system contributes to society by:

- Enriching the pool of public knowledge and culture;
- Maintaining fair competition and encouraging the production of a wide range of quality goods and services;
- Underpinning economic growth and employment;
- Sustaining innovation and creation; and
- Promoting technological and cultural advances and expression.

Where suitable or sufficient intellectual property rights are not available, or are difficult to enforce, innovators and innovative enterprises may need to rely to a greater extent on other means to protect themselves from unfair competition, such as through trade secrets, contractual agreements, or technical means of preventing copying. Such means can be less effective in promoting the goals set out above.

## How is intellectual property protected?

In general, intellectual property is protected by giving the creator of a work or an inventor exclusive rights to commercially exploit his creation or invention for a limited period of time. These rights can also be sold, licensed or otherwise disposed of by the rightsholder.

Intellectual property rights are granted under the national laws of each country or region. In addition, various international agreements on intellectual property rights harmonize laws and procedures, or allow intellectual property rights to be registered at the same time in several countries. Different types of intellectual property – literary and artistic creations, inventions, brand names, and designs, to name a few – are protected in different ways:

- Creations in the fields of literature and the arts, such as books, paintings, music, films and records as well as software, are generally protected through copyright or so-called related rights;
- Technological inventions are typically protected by patents;
- Distinctive features – such as words, symbols, smells, sounds, colours and shapes – that distinguish one product or service from another, can be protected by trademark rights;
- The specific external appearance given to objects, such as furniture, car body parts, tableware or jewellery, may enjoy design protection;
- Geographical indications and trade secrets are also considered to be types of intellectual property and most countries provide some form of legal protection for them;
- Rules to prevent unfair competition in the commercial world also help protect trade secrets and other types of intellectual property; and
- Specific legal protection is provided in some countries for plant varieties as well as for integrated circuits and databases. Such protection has helped spur the creation of diverse fields of business.

The same product can also be simultaneously protected by more than one type of intellectual property right in different countries.

## Copyright

Copyright exists to encourage the production of original artistic, literary and musical creations from books and paintings to movies, recordings and software. The copyright system rewards artistic expression by allowing the creator to benefit commercially from his work. In addition to granting economic rights, copyright also bestows “moral” rights which allow the creator to claim authorship and prevent mutilation or deformation of his work that might harm his reputation.

To qualify for copyright protection, the work has to be an original creation and expressed in a certain fixed form. Copyright is automatically vested in the author once the work is created, though a few countries maintain registration systems which provide additional benefits. It can then be licensed or assigned, often to a publisher or a producer. Copyright protection gives an author exclusive rights of a certain duration, generally from the time of creation of the work until fifty or seventy years after the author’s death.

Copyright law allows the copyright holder to control certain uses of his work. These uses, which the author can authorize or prohibit, typically include reproducing, distributing, renting, recording, communication to the public, broadcasting, and translating or adapting the work. In some countries, the author does not have the right to prevent certain uses of works but still has a right to be remunerated for its use. In every country, exceptions exist that allow the public to make certain uses of works without either remunerating or obtaining the authorization of the author. An example of this could be the use of limited quotations for illustration or teaching. The protections afforded to the copyright holder as well as limitations and exceptions provided under copyright law are an essential part of copyright frameworks. Striking the right balance, together they facilitate the creation of artistic

works as well as new means to distribute and enjoy artistic works.

Most countries provide similar protection for phonogram producers, performers and broadcasters. In some countries, performers, producers and broadcasters of copyrighted works are protected by copyright just like authors; in other countries, they are instead protected by neighbouring or related rights. Copyright has become increasingly important with the development of digital technology and the Internet, where it is a major form of intellectual property protection for content distributed on-line - and where it faces difficult enforcement issues.

Several international agreements on copyright protection and related rights exist. These include the Berne Convention for the Protection of Literary and Artistic Works (1886), the Rome Convention for the Protection of Performers, Producers of Phonograms, and Broadcasting Organizations (1961), the Geneva Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of their Phonograms (1971), the WIPO Copyright Treaty (1996), and the WIPO Performances and Phonograms Treaty (1996). The last two address the protection of authors' rights in the digital world. The World Trade Organization (WTO) Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) (1994) is the first multilateral trade-related intellectual property agreement. It covers most types of intellectual property and includes copyright and related rights.

## Patents

A patent gives the inventor the right, for a specified period of time, to prevent others from using, making, selling, offering for sale, or importing his invention without his authorization. In return, the inventor must disclose the details of his invention in a patent document that is made publicly available. In this way, patents represent a social contract between society as a whole and inventors. An innovation which the inventor prefers to keep secret is known as know-how or a trade secret. These are protected under different rules.

In most countries, patent protection lasts for 20 years counted from the filing date and is issued by national or regional government patent offices, to which the inventor has to submit an application.

In order to be granted the patent, the invention must fulfill three conditions:

- It must be new- it should never have been published or publicly used before;
- It should be capable of industrial application – it must be something that can be industrially manufactured or used; and
- It must be “non-obvious” – it should not be an invention that would have occurred to any skilled person in the relevant field.

Patent systems have been adopted by many countries over the years because:

- They encourage the disclosure of information to the public, increasing the public's access to technical and scientific knowledge. Without the assurance of a patent, an individual or corporate inventor may choose to keep the details of an invention secret;
- They provide an incentive and reward for innovation and investment in R&D and future inventions;
- The limited duration of a patent encourages the rapid commercialization of inventions, so that the public receives a tangible benefit from the invention sooner rather than later;
- By encouraging the publication of details of inventions, patents help avoid duplication of

research and stimulate further research, innovation and competition; and

- Patents are perceived as a sound intellectual property title, granted after a rigorous examination process.

Several international agreements on patent protection exist. For substantive issues, the most important are the Paris Convention for the Protection of Industrial Property (1883) and the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) (1994), while the main patent treaties for procedural issues are the Patent Cooperation Treaty (1970) and the Patent Law Treaty (2000). The European Patent Convention (1973) sets out rules for obtaining European Patents which, when granted, split up into national patents in the designated countries. A revised version of the Convention (EPC 2000) and Implementation Regulations came into force on 13 December 2007.

## Trademarks

Trademarks allow consumers and businesses to differentiate between goods and services from different producers, and to select products by manufacturers whose reputation they trust.

For manufacturers or service providers who have invested the time, effort and money to build up a good brand image, trademarks are a way to prevent others from unfairly taking advantage of their reputation. This ensures fair competition between competitors in the marketplace and encourages producers to invest in the quality and reputation of their products or services.

Trademark protection can apply to brands, names, signs, symbols, and even colours, smells, sounds and shapes. In short, almost any distinctive feature attached to a product or service which distinguishes it from another can be protected as a trademark.

In most countries, a trademark has to be registered in a national or regional government trademark office for use with specific goods or services to be protected. A trademark holder can prevent others from using his trademark or a similar mark for the same or similar goods or services, if doing so is likely to cause confusion in the minds of the public. In many countries, famous or well-known trademarks also enjoy protection against uses that are considered to disparage, dilute or take unfair advantage of the reputation of the famous mark.

Almost all businesses, large and small, rely on trademarks. Trademark protection is used more than any other form of intellectual property, and in developing as well as developed economies. Trademarks serve to guarantee origin to local consumers, and readily searchable trademark registers allow businesses to avoid selecting new marks which could be confused with existing ones.

Several international agreements on trademark protection exist. For substantive issues, the most important are the Paris Convention for the Protection of Industrial Property (1883), the Trademark Law Treaty (1994), and the TRIPS agreement (1994). The Singapore Treaty on the Law of Trademarks was adopted on March 28, 2006. For procedural issues, the main treaties are the Madrid Agreement concerning the International Registration of Marks (1891) and its Protocol (1989), using French, English and Spanish as official languages, and the Nice Agreement concerning the International Classification of Goods and Services for the Purpose of Registration of Marks (1957). In Europe, Regulation no 207/09 of 26 February 2009 which codifies the previous regulation 40/94 on the Community Trade Mark (CTM) allows a trademark holder to obtain a single trademark registration covering the 27 European Union Member States. The link made on October 1, 2004 between the CTM

and the Madrid Protocol provides trademark owners with greater flexibility for obtaining international trademark protection.

## Designs

Design rights protect new and original visual aspects of a product or its packaging. Requirements for protection typically borrow concepts from both patent law (novelty) and copyright law (originality). The design eligible for protection must display aesthetic features and must not be predated by a known overall identical or similar design. Designs can be expressed in two-dimensional (drawing) or three-dimensional (model) formats. Designs contribute significantly to the marketability of goods and are crucial assets in several industries, for instance textiles, fashion, mobile consumer devices, computer software (interfaces), automobiles and furnishing and decoration.

The regime for design protection differs from one country to another, although harmonization has been achieved within the European Union, with Regulation No 6/2002 providing a Community design right effective in all 27 EU Member States. In most countries, design protection is subject to registration, although there is a trend to extend protection for a short term to unregistered designs, e.g. for 3 years in the EU. Registered designs can generally benefit from protection for 25 years.

The owner of a protected design may prohibit the making, selling, importing or exporting of products incorporating or applying the design. Depending on the countries, the owner may concurrently avail himself of the protection of copyright, trademark, and patent law. Design protection is an area which has benefited lately from significant and promising harmonization. The Hague Agreement (1925) concerning the international deposit of industrial designs, as amended by the WIPO Geneva Act (1999) allows centralized design application filing for protection in the various countries party to the Agreement (which includes the EU). The most recent Regulations came into effect on 1 January 2009. For procedural issues, the classification of goods is governed by the Locarno Agreement (1968).

## Trade secrets

Trade secrets encompass various types of business information, whether technical, commercial, financial, which is not known or readily ascertainable by the relevant public and which gives a business a competitive edge (for instance, manufacturing processes, techniques and know-how, customers' lists and profiles, distribution methods, financial information, ingredients, etc.). In general, information is eligible for trade secret protection if it is identified, substantial and secret, as reflected in Article 39 of TRIPS.

Trade secret protection is afforded without registration and can last without limitation in time, generally so long as confidentiality is maintained. When the trade secret is patentable know-how, the scope of legal protection respectively granted by patent law and trade secret status has to be carefully compared before deciding whether to patent the invention or to keep it secret. This decision will also depend on the kind of know-how involved, its contemplated use, the term of the expected competitive lead and the capability to ensure secrecy in the long run. A distinctive feature of a trade secret is the impossibility of erasing or overriding the effective transfer of knowledge once disclosed. This is why, when transferring a trade secret, its holder usually pays great attention to confidentiality provisions and to the efficiency of interim court injunctions that can be obtained locally to prevent unauthorized dissemination.

Businesses, having become more aware of the value of trade secrets, confidentiality and non-disclosure agreements, and non-compete agreements in employment contracts, now use them widely in the course of business dealings as well as in the context of employment relationships in an attempt to limit unwanted leaks and uses of valuable business information. However, trade secret protection remains weak in many countries, due partly to the lack of specific protective legislation and partly to the lack of awareness by the judiciary and other administrative bodies. Sanctions against procurement, use or disclosure of a trade secret, through application of the laws on unfair competition or practices - a branch of tort law – are also provided by Article 39 of TRIPS. Violation of a confidentiality undertaking can also be treated as a breach of contract. In limited cases, misappropriation of trade secrets can be a criminal offence such as theft or business espionage.

Communication of know-how as such, or as part of mixed patent and know-how licence agreements, is a well-known way of exploiting trade secrets of a technical nature, which are now less hindered by national restrictions affecting cross-border transfer of know-how.

## **Domain names**

An Internet domain name is a unique Internet address in a simplified form, designed to enable users to localize and visit a website on the Internet in an easy manner or use e-mail. Each computer (“server”) has a fixed or dynamic Internet Protocol address (“IP Address”), which enables it to communicate with Internet resources during a specific session. A domain name is nothing else than the easy-to-remember translation of such an IP address. For example, the Internet domain name *icc.org* contains “*icc*” as the “second level domain” before the dot and “*org*” as the “Top Level Domain” after the dot.

ICANN (Internet Corporation for Assigned Names and Numbers) is the global entity that is responsible for the coordination and management of the Domain Name System.

With the explosive growth of the Internet, domain names have become valuable assets to businesses serving as business identifiers that may conflict with already existing business identifiers (e.g. trademarks, geographical indications, trade names, etc.). Through domain names businesses can establish Internet presence and attract Internet users worldwide. While building upon strong trademarks, businesses seek to register and use the domain names identical to or incorporating their trademarks under Top Level Domains relevant to their businesses. Problems may occur when domain names incorporating trademarks or variations thereto are registered by others, including by cyber squatters.

With currently about 185 million domain name registrations and 240 available extensions (both generic and country level), the co-existence of the domain name and the trademark systems can lead to problems of ownership and conflicts with regards to the value of a domain name.

These developments have resulted in calls for additional/updated administrative and legal safeguards for the treatment of trademarks within the domain registration process and remedies against abusive registration of others’ trademarks as domain names.

*(See Section A. II. 2, Domain Names for treatment of the major issues)*

# Developments having an impact on intellectual property protection

Important economic, social, political and technological developments over the past few years have had a fundamental impact on how intellectual property is created, exploited and used. Existing systems of intellectual property protection are adapting to accommodate these changes, as they have since their inception. Businesses reliant on the exploitation of intellectual property assets must, to remain competitive, ensure that the means available to them to protect their intellectual property are still effective in this evolving environment.

This introduction describes the main forces changing the intellectual property landscape today and their possible impact on the creation and exploitation of intellectual property. Among these are:

1. The globalization of the economy;
2. The development of new technologies;
3. The spread of Internet connectivity and broadband penetration;
4. The growth in economic importance of non-technological business innovations and resources not protected by existing intellectual property regimes;
5. The politicization of intellectual property issues; and
6. Changes in the ways businesses operate.

## **1. The globalization of the economy**

The increasingly international scale on which businesses operate and trade is sometimes at odds with the traditionally territorial nature of most legislation, including that governing intellectual property rights. This tendency is exacerbated by the development of electronic commerce which allows more companies to operate internationally; this may raise questions concerning the applicable law and jurisdiction with respect to intellectual property transactions and infringements. Furthermore, the global nature of commerce has added challenges to registering (in the case of registered rights) and to enforcing intellectual property rights in every country where goods that are the subject of intellectual property rights may be manufactured and widely sold without the permission of the owners of those rights. This is equally true for globally active service companies such as insurance, banks and transportation companies.

These factors underpin and continue to support the rationale for harmonizing intellectual property norms internationally. Harmonization through treaties dates from the Paris Convention (1883) through to the WTO TRIPS agreement – which linked intellectual property rights to the international trading system and its sanctions mechanism – and more recently the 1996 WIPO Internet Treaties. The desire to accelerate the harmonization process as part of the growth of international trade has led to other forms of norm-setting which have become important forces for harmonization. Bilateral free trade agreements, actively pursued by the US, and to a lesser extent the EU, often contain intellectual property standards higher than the minimum standards set by TRIPS. So-called soft law instruments, such as guidelines or recommendations, can be used to define new norms which can then be made binding through integration into treaties, adoption into national law or by reference in bilateral trade agreements.

As businesses operate in more countries (or on the Internet), control over the distribution of their products in different markets becomes an increasingly important issue. The subject of exhaustion of rights has been a frequent focus of debate. How exhaustion of rights is applied determines whether the holder of an intellectual property right can control the distribution regionally or internationally of (genuine) goods which have been put on a national market by the holder or with his consent. Typically, national laws provide that the intellectual property owner loses the right to control the sale or disposal of a particular product covered by their rights, following the first sale of that product by the owner or other authorized party. In some instances, parallel importation rules operate as an exception to such doctrine. These generally provide that certain products cannot be sold in a particular territory without the authorization of the IP owner, regardless of whether the goods have already entered the market in another territory.

The great majority of ICC members believe that, in the absence of a true single global market, a regime of international exhaustion would on balance be more harmful than beneficial to international trade and investment, and to innovation. Businesses have a legitimate interest – for reasons relating to commercial strategy, quality control, brand reputation, safety, etc. – in controlling the distribution of their goods across different markets to ensure that products tailored for one market are not sold in another. There are also arguments that consumers would not be better off in terms of availability or prices of goods under a regime of international exhaustion.

## **2. The development of new technologies**

The commercial application of new technologies – especially digital and communication technologies and biotechnology – has led not only to the development of new types of products and services, but also to new forms of distribution and methods of infringement. New technologies and business players are emerging so fast in these fields that, unless traditional business, and governmental and other organizations dealing with intellectual property rights take note and respond quickly and accordingly, they will be overtaken by such developments.

Information and telecommunication technologies (ICTs) link a multifaceted and diverse world – the information society. However - while infrastructure and information are its basic building blocks - knowledge, context, content and reflection are indispensable to foster understanding and make communication intelligible. Humans within the information society will thus continue to require encouragement and promotion of innovation and creativity. The intellectual property system lets the market reward the creation, production and dissemination of content, and is a more desirable alternative to state “patronage” or subsidies and the concomitant state influence and risk of censorship.

Furthermore, in the age of ever-evolving technologies, the role of technology itself as a means to protect and foster innovation and creativity has become more pronounced. Digital technologies have dramatically lowered the barriers to create and distribute artistic works. Today anyone can use the Internet to share their creativity with a worldwide audience. In addition, online platforms are opening up a wide variety of new ways to make money from creative works, and rightsholders and technology companies are working together to explore many different business models. As a means to make content available in the digital environment, copyright owners have invoked various technical measures to regulate copying and use of protected works. Rightsholders have also collaborated with consumer electronics, telecommunications and information technology industries to explore technological means to protect copyright content from being exploited without permission of the relevant right holders.

While intellectual property norms are still largely national or regional, ICTs are inherently global. Thus, more than ever, the chain of national intellectual property laws will only be as strong as its weakest link, and the ability to meaningfully enforce rights will be crucial. This will accentuate the need for increased international cooperation. The minimum requirements for copyright protection set out in TRIPS, the Berne Convention and 1996 WIPO Internet Treaties are important components for ensuring consistency and legal certainty in the global digital market. Voluntary codes of conduct, guidelines and contracts may well present a way to supplement national legislation in this endeavour. Many governments are looking at ways to encourage and facilitate the availability of licensable content while safeguarding the interests of rightsholders in protecting their digital content. In France, the *Accord pour le développement et la protection des œuvres et programmes culturels sur les nouveaux réseaux* (“Olivennes Agreement”) formed the basis for a new law establishing a process of graduated sanctions against repeat infringement. A consultation on possible legislative solutions to online infringement is on-going in the UK, laws to address repeat online infringement through a graduated response process have been adopted in Korea and Taiwan, and discussions on a voluntary industry agreement to combat online piracy are on-going in other countries, including Japan.

The on-going revolution in biotechnology offers the promise of significant improvements in quality of life and economic growth in the twenty-first century: in healthcare and medicine, sustainable industrial processes, agriculture, food, and the environment. These advances are made possible by an innovative, enabling set of biotechnologies that is transforming what is known about the world. The realization of this promise, however, depends critically on strong and effective intellectual property rights to stimulate the investment of resources needed to research and develop these innovations, to diffuse the new technologies widely, and to provide a market-oriented framework for the exchange of rights.

The increasing commercial application of new life science technologies, such as biotechnology, leads not only to the development of new types of products and services, but also to new forms of distribution and diffusion of technology and new types of public-private partnerships for achieving societal goals. Business needs to be particularly mindful of the intellectual property policy challenges presented by the growing convergence of biotechnology with information technologies and other new technologies in which information, new tools and new methods are critical to innovation.

A major focus in the field of biotechnology today is the development of sustainable alternative energy and fuel sources. In addition to providing renewable energy, many new biofuels can further benefit the planet by providing new avenues of waste management. Biofuel industries are expanding rapidly and globally, particularly in Europe, Asia and the Americas. The European Union has recently highlighted the potential for waste-derived bioenergy to contribute the reduction of global warming. The report concluded that almost 20 million tons of oil can be made available from biomass by 2020, with almost half coming from biowastes such as municipal solid waste, agricultural residues, farm waste and other biodegradable waste streams.

More recently, focus on the use of microorganisms in the development of biofuels has stimulated intense interest in intellectual property protection for these new fuel sources as well as increasing opposition to any requirement for early public availability of microorganism deposits.

Another pioneering field of technology is nanotechnology. “The field of nanotechnology” is essentially a catch-all phrase for various new technologies that focus on developing devices, systems, materials, biologics and other structures at the nano, or billionth of a meter, level. These fields bring together a multidisciplinary team of engineers, biologists, physicists and/or chemists to create new nano-materials for constructing miniature devices or systems of an electrical, material science or even biological “nature”.

The potential benefits of capturing the full value of such new developments are enormous. This field holds the promise of curing diseases through the manipulation of genes at the nano level using nano engineering systems, or of building new miniature computers capable of providing the processing ability of today's systems at the nano level.

One difficulty in capturing its full potential is that some of the materials and systems that will be developed, while highly miniaturized, will provide functions that already exist in today's materials and systems. Thus the challenge to the patent system will be to provide for adequate and balanced protection in this new emerging field. This will be absolutely critical in order to promote the investments that will be needed to bring these multidisciplinary technologies to the marketplace. The emergence of other new technologies in the future will also have implications for intellectual property protection which may go beyond the issues being discussed today.

### **3. Spread of Internet connectivity and broadband penetration**

The Internet remains one of the most significant breakthroughs of the last century and has literally become synonymous with both information gathering and distribution. The recent increase in broadband penetration has accelerated the proliferation of the Internet. Businesses are increasingly reliant on broadband not only for purposes of communication but also as a quick means of retrieving and distributing information. Broadband essentially refers to high-speed Internet connections that allow for transfers of information at rates far quicker than those attributable to narrow-band "dial-up" modems. The key feature of broadband is higher bandwidth - between 20 and 200 times faster than via "dial-up" - which allows the faster transmission of data at higher volumes, creating the opportunity for compressed digital audio files (mp3 files), films, live video and diagnostics or myriad other forms of content to be distributed much faster than ever before. With the advent of broadband, the frustration of snail-paced downloading of large audio and movie files and other forms of content has become a thing of the past.

Some have asked whether existing intellectual property laws are adequate to deal with the rise in large scale piracy that can result from fast and easy access to digital files over the Internet. Further questions have been raised about the difficulty of enforcing existing laws in light of the issues of jurisdiction, anonymity and the high volume of users of the Internet. Internet users may find it easy to breach intellectual property laws with a low risk for both detection and enforcement. With the advent of broadband and its facet of "high speed" facilitating "high volume", matters become much more complex. While broadband can enable and is enabling an array of new forms of legal content distribution and new business opportunities to bring legal content to more people than ever, piracy and intellectual property infringement remains a very significant problem since end users and applications providers can use their broadband connections to send and receive greater volumes of data at a greater speed compared with dial-up connectivity.

Another instance where high-speed connectivity has an impact on intellectual property protection has been the development of peer-to-peer (P2P) software, so-called because end users' computers connect directly with each other to facilitate the sharing of digital files over the Internet without centralized servers. P2P software has flourished through broadband connections due to the speed and ease of file sharing. On some services, digital files shared by users invariably consist of music or film, to the detriment of copyright owners of these works who receive no compensation for such distribution. In addition, high-speed connectivity has enhanced the accessibility and popularity of "virtual worlds", which are basically alternative digital universes used for commercial and social networking over the Internet, and "online

games,” which typically emphasize goal-oriented game play. Traditional concepts of intellectual property infringement may be implicated, for example, in the situation where vendors in a virtual world offer items for sale and such vendors have no association with the real life brands of such items.

High-speed connectivity has also enhanced the popularity of social networking and other web sites which typically allow user-generated content (UGC) to be uploaded, accessed and viewed. UGC may incorporate third-party content, and this may occur in both non-infringing and infringing ways, depending on the application of relevant copyright law. Although in certain jurisdictions operators of such web sites may enjoy safe harbours from copyright infringement, the risk of liability for copyright infringement is certainly there for web site operators who host UGC in other jurisdictions. It is important to note that a group of companies from the content sector and UGC platforms developed a set of principles (commonly referred to as the UGC Principles) to enhance copyright protection on such platforms through the deployment of filtering technology and effective take-down mechanisms, while at the same time facilitating user-generated content and legitimate uses of copyrighted works.

Broadband connectivity is increasingly being augmented globally by the deployment of fibre optic lines, advanced wireless networks and network technology innovations, further increasing both bandwidth and the capacity for existing broadband connections to deliver legitimate services of even higher quality. As a result of such deployment, and enhanced by content protection measures and cross-industry cooperation, traditional content distribution models are being augmented by such capabilities as Internet Protocol-delivered television, video-on-demand, digital radio, voice-over-Internet Protocol, and real-time home medical monitoring, to name but a few new services available. In many instances, these developing markets for specific Internet Protocol-enabled services and the enhancements to protect them are made possible by commercial agreements between the parties involved in end-to-end content delivery to support greater customer choice in a range of user applications. In regions where such advanced networks have been deployed, as indicated in the most recent broadband statistics of the Organization for Economic Cooperation and Development (OECD) and broadband scorecard of the European Competitive Telecommunications Association (ECTA), the take-up of broadband connectivity has shown the greatest increase.

The inherent cross-border nature of the Internet may result in multi-jurisdictional intellectual property litigation becoming more common. In addition, it may also drive increased commercial and other voluntary agreements among the parties involved in end-to-end content delivery (network operators and application and content providers) to address potential copyright infringements. Intellectual property laws also differ from country to country – a person may be infringing copyright in one country but not in another – thus adding further complexity to an already complicated issue. *(See Section B. I. Enforcement priorities).*

As noted earlier, the explosive growth of the Internet has also contributed to the development of the use of domain names as significant business identifiers and to an increasing trend to monetize and use domain names as commodities for speculative gain. The enormous growth of domain names associated with trademarks that are registered by parties who have no relationship to the trademark and the use of such names for either resale or garnering online traffic revenue raises questions about the border between use and abuse.

ICANN (Internet Cooperation for Assigned Names and Numbers) is responsible for the global coordination of the Internet's system of unique indicators of the Domain Name System (DNS), including domain names. ICANN is responsible for developing and enforcing policies that ensure the DNS's security, stability, reliability and interoperability through its policy development process in

which global stakeholders are involved through bodies including the Generic Names Supporting Organization (GNSO).

ICANN's policies that are relevant to intellectual property are most clearly seen in the trademark area as increasingly trademarks are used as domain names on the Internet. The domain name system, unlike the territorial trademark system, is global in scope and does not differentiate between different categories of goods and services. Where identical trademarks for different goods and services may coexist, a domain name identical to a trademark can only be registered once under a particular Top Level Domain (TLD). A particular string of characters can only link to one particular website and the domain name is therefore unique. Recently, a form of monetizing of domain names has grown up, and third parties without rights in the trademark associated with the domain names are registering hundreds to thousands of names that are slight misspellings, or variations on a famous and well known trademark, and signing up for advertising revenue based on "click through" ads. The opportunity for profit in the new monetizing industry exists because many Internet users guess domain names by typing a naming string (usually containing a trademark followed by an extension) directly into the navigation bar on their search engine. The challenge is to reduce to a minimum the conflicts between the system of domain names and the territorial trademark system, and to limit the abusive registration or misuse of domain names.

The major IP-related issues in the domain name area that are currently under discussion are the impact of "domain name tasting" and "domain name parking", the need for change of legislation with new developments and trends in the domain name industry, the accessibility and accuracy of WHOIS registration details, the impact of the introduction of vast numbers of Internationalized Domain Names (IDNs) and the introduction of new Generic Top Level Domains (gTLDs). The general lack of awareness of the changes that are forthcoming presents significant challenges to the intellectual property community, and those who rely on trademarks.

The growth of Internet connectivity has also resulted in many customers now using the Internet to purchase goods or to increase their knowledge on certain brands or products. Business owners have correspondingly used the Internet to create brand awareness, to the extent of purchasing the use of keywords from certain search engines. Such keywords are essentially certain words which, when typed into a search engine, trigger a sponsored link advertisement. This advertisement will then appear when certain keywords are typed into a search engine. A sponsored advertisement may therefore appear on the same search results page as the natural search results showing the website of the trademark owner's brand. In recent years, the issue of search engines and whether sponsored links or keywords amount to use of a trademark has been the subject of increasing litigation.

#### **4. Economic importance of non-technological business innovations and genetic resources and traditional knowledge**

With the growth of service industries, new types of intellectual innovations are gaining in economic importance and companies look towards the intellectual property system to protect these. However, some of the new forms of intellectual property do not fall squarely within existing systems of protection, and the latter have to be adapted, or new rights created, to accommodate these new innovations.

Until now, solutions have been found either by creating new, specific sui generis types of rights or through a broader interpretation of what can be protected under traditional intellectual property rights. The protection of databases, as enacted in the European Union, is an example of the first approach.

The availability of patent protection for computer-related inventions, as adopted in the US and Japan, is an example of the second approach.

Commercial interest in plant and animal species in industrializing countries, and in traditional cultural expressions and medicinal remedies have raised questions of ownership of such resources previously assumed to be in the public domain. Work is also being carried out to determine to what extent the intellectual property system can be used for situations where collective ownership has been asserted by communities over such resources.

## **5. The politicization of intellectual property**

Long considered a technical issue, intellectual property policy is now firmly established in the political arena and is often held up to public scrutiny. Policy makers have to constantly strive to maintain the delicate balance necessary to satisfy the rights of the creator and the interests of users, so that the system benefits society as a whole.

The politicization of the intellectual property debate is due in part to the increasing economic importance of intellectual property. This has also made it an important issue in trade relations between states. The linkage between international trade and intellectual property is clearly exemplified by the use of the cross-retaliation mechanism under the WTO Dispute Settlement Understanding (DSU) in the area of intellectual property. Under this mechanism, if a WTO member does not comply with a WTO dispute settlement decision, the adverse party can retaliate by suspending concessions or obligations against that WTO member, usually in the same sector, but in exceptional circumstances, in another sector. Use of cross-retaliation by suspension of TRIPS concessions and obligations was granted for the first time to Ecuador (in the “banana case”) against the European Communities, to Antigua and Barbuda against the US for violation of WTO/GATS rules (cross-border gambling and betting services) and to Brazil against the US (in the “upland cotton dispute”). However, cross-retaliation has not yet effectively taken place in any of these cases.

Another factor is the inclusion of a number of intellectual property related issues in the WTO Doha Development Agenda. Among these issues are geographical indications, the relationship between TRIPS and the Convention on Biological Diversity (CBD), and the transfer of technology to least-developed countries.

The intellectual property debate has been further politicized by opposition in some developing countries to proposals made by developed countries in several bilateral Free Trade agreements (e.g. United States and Chile, United States and Peru, United States and Central American countries plus the Dominican Republic – CAFTA-DR), to strengthen the protection of intellectual property - within the context of a broader trade package. Some developing countries have recognized the benefits that will accrue to their economies from the strengthened intellectual property protection contained in these bilateral free trade agreements and have accepted them. In other developing countries, however, the inclusion of such proposals has led to national debates.

A further factor is the emergence of new actors taking a very active part in the debate on intellectual property related policy issues. These new actors include consumer organizations, groups in academia and other so-called civil society organizations not earlier engaged in IP issues. The addition of such voices to the debate has increased awareness and interest from a broader group of stakeholders in debates around intellectual property, and consequently, has resulted in a more complex policymaking process in this area.

Yet another factor has been the introduction of intellectual property concepts in communities and countries previously unfamiliar with them, and misunderstandings over the use of intellectual property rights in connection with culturally and socially sensitive material previously assumed to be in the public domain. Innovators have turned to new sources – such as genetic material, traditional remedies, little-known plants and animal species – in their search for new products. This has provoked emotional debates over the concept of ownership of and sharing of any benefits flowing from these resources and the products derived from them.

A tension between the commercial interests of the proprietor of intellectual property and the interests of the public in sensitive areas such as healthcare, ethics, development, the protection of the environment, competition policy, privacy and consumer protection is increasingly debated in developed economies as well as in some developing countries. Indeed, a further factor of increasing significance and complexity is that a number of developing countries feel that the intellectual property system, as currently implemented, and particularly the patent system, does not strike the right balance between the interests of developing countries and those of developed countries, and that this needs to be rectified. At its core is a discussion about the role of intellectual property in the promotion of development. This is especially manifest in WIPO, where a 2004 proposal for a Development Agenda for WIPO resulted in an agreement by the WIPO General Assembly in 2007 on 45 implementation measures. While this must be seen as a breakthrough, WIPO negotiations in other areas, especially on a Substantive Patent Law Treaty (SPLT) remain stalled because of disagreement as to whether exceptions relating to health and the environment should be built into the treaty, and because of a view that such a treaty would deprive developing countries of flexibilities available under the TRIPS Agreement.

The debate on intellectual property rights as related to different public policy issues, which as mentioned has been ongoing since some time, is getting increased attention. The WIPO conference July 13-14, 2009, bears witness to this, taking up the area of intellectual property and public policy in four areas: climate change, access and benefit-sharing related to genetic resources, health, and food security. An increasing number of UN organizations in addition to WIPO are also taking up intellectual property in different respects, including WHO, UNESCO, UNCTAD, the UN Human Rights Council, ECOSOC, the Convention on Biological Diversity (CBD), and the UN Framework Convention on Climate Change (UNFCCC).

This increasing politicization of intellectual property issues means that business - in addition to engaging in the deliberations of international organizations - must also focus on communicating to the general public effectively on intellectual property issues. In particular, business must explain the mechanisms of the intellectual property system because, in political discussions, many doubts and objections, particularly with regard to sensitive areas, are caused by a lack of insight into how the intellectual property system functions as a positive tool for achieving economic growth and other societal benefits. Business must explain that intellectual property protection not only provides incentives for investments in research and development, but also enhances transparency and the dissemination of knowledge. For example, a ban or restriction on patents will not help to prevent undesirable developments in new, sensitive technologies. On the contrary, without patents – the word originates from the Latin expression “*litterae patentēs*” (“open letters”) – inventors could be driven to commercialize their inventions by keeping them secret and by using non-disclosure agreements. If inventions were kept secret, the public would be locked out from technological developments in sensitive areas. Similarly, the establishment of protection for copyright works is intended to facilitate their broader dissemination, by providing incentives for creation and distribution, and so narrowing of such protections would damage the balance of such a scheme, with harm to local industry and creators.

In political discussions, the benefits and value of intellectual property protection for small companies are sometimes questioned. Therefore, business must highlight the important and beneficial role that intellectual property rights play for SMEs, spin-offs and start-ups in the context of co-operation, collaboration, specialization and financing. The intellectual property system is a precondition for markets for technologies and innovations that are often developed by SMEs.

Business must communicate better about these mechanisms and about the effects of intellectual property protection, and focus on encouraging education about the importance of intellectual property for society. This is essential if it is to garner public support for intellectual property rights. Such support would also greatly alleviate enforcement problems made more acute by new technologies and globalization.

## **6. Changes in the ways businesses operate**

Intellectual property has long been used by businesses to support the marketing of goods and services. However, there is growing recognition that intellectual property (IP) is a valuable asset in itself that can bring in revenue through licensing, improve a company's balance sheet, increase stock value, or be used as collateral for loans or other financing.

The IP market is growing, both in size and in the number of players. More IP is owned by small companies and universities. The number of IP broker companies and intermediaries is growing and patent auctions are becoming more important for buying and selling IP. This trend has been already ongoing for some time, but has been accelerated by the present economic downturn, which started in 2008. Many companies are looking into their IP portfolios to spot packages that can be sold and bring in some money. Trading of IP is becoming a significant element in today's way of doing business.

This development makes valuation of IP even more relevant than it was before. A number of valuation techniques have been developed, but since the value of IP is context-based and may have various value dimensions at the same time, the development of international standardized techniques will be a challenge. Moreover, accounting rules may require effective methods for valuing IP in order to allow the business impact to be visualized.

Product life cycles in many industries (e.g. the information technology sector) continue to shorten. The length of time and amount of investment required to obtain intellectual property rights, especially patents, can be substantial relative to the effective life of the product.

Requirements such as the need to mark products with relevant patent numbers also become impracticable when products have short life cycles and use many different technologies subject to different patents, especially when these products are miniaturized.

In the "network" economy, the perennial question arises again as to how the interests of various parties can best be balanced. These parties include infrastructure builders, system developers, service providers, information providers, etc., who are increasingly interdependent. There are many parties whose activities seem to increasingly overlap, and this makes it important to consider each party's rights and responsibilities.

Standards have always been particularly significant in telecommunications, for they are essential to interoperability (Morse code was "CCITT" standard No 1), but over recent decades similar considerations have applied to computers, televisions, radios and other devices, software and

entertainment systems. The lifetime of technologies has shortened so that new standards are required with greater frequency and the number of essential patents on standards has significantly increased over time. Companies that have invested in R&D to develop the technologies that they contribute to the standard want to see a fair return on their investments from other users of the standard through granting licenses under patents they may have obtained and that are essential for the standard. The risk of patent hold-up and royalty stacking has led to a demand for more transparency in the standard setting process such as early disclosure of the existence of essential patents and declarations of willingness to offer licenses for the essential patents under (F)RAND (fair, reasonable and non-discriminatory) conditions.

The complexity of products, specialization and reorganization of production in order to benefit from economies of scale and reduced cost sources are leading to increasingly decentralized production. Outsourcing and collaboration become more important. The partners involved are therefore often separate legal entities in different countries. Adequate protection of intellectual property is crucial to enable the exchange of R&D results (“open innovation”), creativity and inventiveness among such independent partners in different jurisdictions.

Such protection is of importance to all sizes of companies, universities and research institutes, which seek IP protection to enable trading, sharing and exchanging technologies on a local or global level.

Another development in the IP landscape is the rise of “NPE”s (“Non-Practising Entities”). This term is not to be taken literally to mean all organisations who do not supply the market with the products and services covered by the patents they own; for instance, universities and research institutes are not NPEs in the sense intended. Rather, NPEs are businesses whose sole or primary activity is asserting patents acquired from others against the current activities of companies in the marketplace, claiming very large amounts of money. Because the NPEs do not sell products and services themselves, they are essentially immune from retaliation. Some NPEs make assertions of patent infringement which they might have difficulty substantiating in court, in the hope that a potential defendant may settle rather than defend himself in court at great expense in legal fees and management time (a particularly significant consideration in the US); such NPEs are sometimes described, with pejorative intent, as “patent trolls”. Over the past few years, the number of law suits by NPEs has significantly increased. Originally, NPEs focused on ICT, but increasingly they are asserting patents in other areas as well. In response, a number of industrial companies participate in collective buying arrangements. Although different operating models exist, these collective buying initiatives seek to buy up patents that might otherwise be bought up by NPEs and to license them to the collective’s members.

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*This brief introduction indicates that the intellectual property landscape is evolving rapidly. An overview of the key current and emerging intellectual property issues which have – or will have – an impact on business can be found in the following "roadmap" which is intended to provide an evolving framework and guidelines for businesses and policy makers in this area.*

# Roadmap 2010

## A. Issues relating to specific intellectual property rights

### I. PATENTS

#### 1. Substantive patent harmonization and patent office cooperation

As business, trade and the impact of technology have become increasingly global, awareness of the value of intellectual assets has grown and the very high costs of obtaining and enforcing patents have continued to increase. The increasing backlogs of pending patent applications in the major patent offices and the problems these bring for all parties concerned underline the need for substantive harmonization and facilitated work sharing between patent offices. In this context, work sharing means that patent offices share information about search strategies, search results and examination results for applications directed to the same invention and use that information in connection with search and examination work done on such applications. Patent offices engaged in such work sharing will retain the ultimate responsibility of deciding for themselves whether a patent should be granted or not. This is consistent with the original proposal to the Paris Union in 1966 for what became the Patent Cooperation Treaty (PCT) for a system to resolve the duplications in patent filing and examination to “result in more economical, quicker, and more effective protection for inventions throughout the world thus benefiting inventors, the general public and Governments.”

Work on substantive harmonization of patent laws worldwide has been ongoing at WIPO since 1984 and business continues to strongly support efforts to make significant progress on that work and to conclude it.

But even before international substantive patent law harmonization is achieved, significant progress can be made to enable work sharing among national patent offices. At the global level, the PCT was designed to address many of the problems that arise with international backlogs of patent applications by providing a single very high quality search and examination in the international phase. The PCT system has been a great success, but to fully realize its original promise, discussions are ongoing at WIPO to improve the PCT system, including as laid out in a document prepared by the WIPO Secretariat on the future of the PCT and discussed at the PCT Working Group meeting May 4 to 8, 2009. The work includes efforts to make the international examination more complete, relevant and useful and also to eliminate unnecessary processing. The PCT system provides a robust structure among its 142 Member States through which the work sharing that is an integral part of the PCT system can be fully realized.

Parallel efforts are underway through which work sharing among patent offices is being pursued and which are consistent with and supportive of the ongoing efforts to improve the PCT system. For example, Patent Prosecution Highways (PPHs) allow a patent applicant, whose patent claims are determined to be allowable/patentable in the office of first filing, to request that its corresponding application filed in a second office be advanced out of turn for patent examination provided certain conditions are met. The office of second filing would be able to exploit the search and examination results of the office of first filing and applicant may be able to obtain faster processing of a corresponding application filed in the second office. This facilitates the processing of patent applications by the offices participating in PPHs, resulting in savings for the offices involved and for applicants. The PPH was launched as a pilot program between the US Patent and Trademark Office (USPTO) and the Japan Patent Office (JPO) in 2006. Such bilateral PPHs now exist between 14 patent offices, including the USPTO, JPO, Korean Intellectual Property Office (KIPO), UK Intellectual Property Office, German Patent and Trademark Office, Danish Patent and Trademark Office, Canadian Intellectual Property

Office, IP Australia, European Patent Office, Intellectual Property Office of Singapore, Russian Patent Office, Hungarian Patent Office, Austrian Patent Office, and the National Board of Patents and Registration of Finland. While promising, the operation of PPHs and the results they achieve should be followed to ensure their continued effectiveness and continued compatibility with the PCT. More and current information can be found on the PPH portal web site maintained by the JPO.

Progress is also being made among the IP5 offices (USPTO, EPO, JPO, KIPO, and Chinese Intellectual Property Office (SIPO)). In particular, the IP5 offices have undertaken 10 foundation projects to harmonize the global environment for patent searches and examination and to enable work-sharing among the five offices.

All of these projects – including improvements to the PCT system, PPHs, and work of the IP5 offices – show very encouraging signs of a strong interest among patent offices that engage in search and examination of patent applications to improve the conditions for cooperation on both multilateral and bilateral levels.

### **Business action**

Business welcomed the coming into effect of WIPO's Patent Law Treaty (PLT) on April 28, 2005. Business looks forward to a large number of states acceding to the PLT. Business will continue to support the need for harmonization of substantive patent law and press for this to be a main task for WIPO, given the extent and urgency of the so-called "patent office crisis". Business notes with concern that the negotiations for conclusion of WIPO's Substantive Patent Law Treaty (SPLT), have not been resumed after the breakdown in 2006, with only informal consultations held in 2007. During WIPO's continued discussions since 2008 in the field of patents, technical studies have been presented and opened to discussions, including the "Report on the International Patent System", as well as technical studies on selected topics. Business will follow and take active part in this work.

Business, as a major user of the PCT system, has supported the system as being most beneficial and it encourages and applauds the current efforts in WIPO to enhance it. In particular, business will continue to follow and support efforts towards improvement of the PCT system so as to make it an effective instrument for work sharing of patent search and examination. Patent Prosecution Highways are positive developments both in their own right and also as providing lessons for the improvement of the PCT system. Business will also continue to follow and support the development of PPH's – including to ensure their effectiveness, sustainability and consistency with the PCT system. Moreover, the work of the IP5 offices on their foundation projects is an important and positive development.

### **ICC action**

ICC continues to promote the harmonization of patent law and will continue to stress the need to work towards the conclusion of WIPO's Substantive Patent Law Treaty. ICC will examine the "Report on the International Patent System" and the technical studies published by WIPO. ICC will follow the parallel on-going negotiations in the so-called "extended trilateral" group of countries – the US, Japanese and European Patent Offices extended to include the so-called Group B countries, meaning the industrialized countries group in WIPO (EU member states less the ten countries in the WIPO Eastern European and Baltic States grouping, plus Australia, Canada, Japan, New Zealand, Norway,

### **Government action**

Those governments that have not yet ratified the Patent Law Treaty are encouraged to do so as soon as possible. Governments should work towards resolving outstanding issues with the aim of concluding the Substantive Patent Law Treaty.

Governments should work towards concrete results in terms of patent law harmonization from the resumed work in WIPO's Committee on Patent Law.

Governments should take steps to strengthen the PCT system and enhance the quality of work done by national offices under the PCT system and encourage use of the PCT system by applicants. In particular, national offices that act as International Search Authorities and International Preliminary Examination Authorities should ensure that the quality of their work on the search and examination of international applications is at least the same as that for national applications. Moreover, Contracting States to the PCT should ensure that full and effective use is made of International Search Reports and International Preliminary Examination Reports in the national phase so as to simplify and streamline the processing of applications at the national level. Governments should also support work sharing efforts such as those represented by PPHs. consistent with the PCT system.

**Business action (continued)**

Liechtenstein, Monaco, Switzerland and the United States). ICC will continue to support the use and strengthening of the PCT and will also follow the work of the IP5 offices on work sharing, which include the USPTO, EPO, JPO, KIPO and SIPO. Moreover, ICC will also continue to follow the evolution of other work sharing initiatives, including the “Patent Prosecution Highways” (PPHs) that have been put in place between a number of patent offices in recent years. In this vein, ICC will continue to play an active role at WIPO and before national and regional patent offices to promote effective mechanisms to share work related to the search and examination of patent applications.

**Government action (cont.)**

In particular, Governments should ensure that PPHs are effective and sustainable and continue to be should also support work on foundation projects such as those now underway among the IP5 offices.

**1.1 Basis for awarding patent rights: first-to-invent v. first-to-file**

The US and the rest of the world currently rely on fundamentally different criteria for deciding to whom a patent should be granted. The US continues to award patents to the first person to invent while other countries work on the basis of who has first filed a patent application. Significant patent reform is under very serious consideration in the US and included in the current reform bills are provisions for a first-inventor-to-file framework. The currently pending legislation would award priority to the first applicant to file, subject to a one-year grace period that would allow an inventor to publish within a year prior to filing and subject to a procedure that would award rights to the “true” inventor where an applicant derived the patented invention from a person who is not named as an inventor. While the pending legislation faces further debate before final approval, it is expected that the US will ultimately adopt a first-inventor-to-file system that will more closely align the US with other jurisdictions.

**Business action**

Business will continue to articulate the case for the first-to-file approach to the US Government through e.g. industry bodies, and educate the US inventor community on the long term benefits of a harmonized system for awarding patent rights. Business will urge the US government to bring this much expected reform into force.

**Government action**

Non-US governments and national patent offices should provide political support to industry initiatives in this area.

**1.2 National differences in patentability (e.g. biotechnology and computer software)**

Some differences between countries still exist with respect to the patentability of inventions in areas of innovation at the forefront of scientific endeavour, e.g. life sciences, or where the pace of technological change is very fast, e.g. information technologies. An example is the difference between the European and Japanese approaches and the broader US approach to the patentability of computer software. Wide variations occur in the patentability of biological materials: the US allowing organisms of all kinds (humans excepted) to be patented; Europe excluding patents on plant and animal varieties; some countries rejecting all patents on biological materials; while the position in some other countries remains unclear. Significant differences also remain concerning the precise definition of what constitutes prior art, “technical contribution” and the scope of any grace period.

**Business action**

Business bodies at the national/regional/ business sector level will determine the future needs of commerce and articulate to governments accordingly. While remaining sensitive to genuine ethical concerns in the biological area, business will continue to press for full implementation of the minimum standards laid down in TRIPS.

**Government action**

Governments should ensure full compliance with their TRIPS obligations when legislating on these issues.

**Business action (continued)****ICC action**

In a written representation dated May 18, 2009, to the Enlarged Board of Appeal of the European Patent Office, ICC reiterated its longstanding support for the patentability of computer-implemented inventions in that computer-implemented inventions that solve a technical problem involve technical considerations and are, therefore, patentable provided the usual patentability criteria are met.

ICC believes that the interests of stakeholders in the European patent system – including both patent applicants and third parties – would be best served by confirming the case law of the Boards of Appeal in the EPO as it stands. That case law reflects a natural evolution in the interpretation of Article 52(2) and (3) EPC over the past two decades and has produced a stable and predictable framework for determining what subject matter is eligible for patent protection under the EPC.

**1.3 Patentability of new uses for known compounds**

Andean Community countries and some other countries, e.g. Argentina, rely on a fundamentally different criterion for deciding whether patents can be granted with respect to second or further uses of known compounds, even if such use meets the standards of novelty, inventive level and industrial application.

In such countries, once a compound is known, and regardless of whether it is patentable or not, only the original use can be protected, as new uses for known compounds are considered to be discoveries and not inventive matter. The Andean Court of Justice has interpreted Article 27 of TRIPS as requiring countries to grant protection for inventions that are related only to products, compounds or processes. It further established that uses are a new category of inventions - different from products, compounds, procedures or processes, and therefore not necessarily patentable under TRIPS. It also held that new uses are lacking in industrial applicability.

Second uses of products can involve important and significant new applications of existing inventions. Most developed countries provide for second-use patents and a number of bilateral free trade agreements recently negotiated by the US expressly call for the patentability of all inventions.

Further, smaller enterprises which do not have the financial or infrastructural capability to undertake the development of new compounds for medicinal use may well be able to develop new uses and formulations, including those which are particularly adapted for use in local conditions. Providing for patentability of new uses and formulations will therefore encourage R&D by such enterprises with beneficial economic and health impacts.

**Business action**

Business strongly supports initiatives with the objective of improving patent protection for new uses. Business requires full protection of innovation through a system of direct protection for inventions. Companies should be encouraged to increase investment in the evaluation of known compounds in order to determine new applications of such medications, especially in life-threatening situations. Business needs to convince appropriate authorities that second or subsequent uses do not qualify as “discoveries”, that they represent innovation with industrial applicability, and that they merit full protection

**Government action**

Governments, WTO and WIPO must be made aware of the need to encourage innovation. Efforts must be made to convince governments that all types of inventions need to have access to patent protection in strict compliance with Article 27 of TRIPS, with the sole exception of inventions that may be excluded from patentability as stated in Articles 27.2 and 27.3 of TRIPS. Second uses of known products should be patentable provided the usual criteria

provided that they fulfil the statutory criteria for patentability. of patentability are met.

#### 1.4 The work on a unified patent system in Europe

In Europe, the lack of a unitary title and the absence of an integrated, specialised and unified jurisdiction for patent related disputes have for many years been a subject matter for discussion between the European Commission, EU Member States and the stakeholders. The position in late 2009 was that those two issues – a European Union patent and a European Union Patents Court (EEUPC) – should be dealt with as a package.

Regarding the EU patent, the European Commission is continuing its attempts to establish an efficient and economical European Union Patent system across the EU. However, the EU's Competitiveness Council in May 2004 failed to agree on the system envisaged in the then applicable version of the Proposal for a Council Regulation on the Community Patent, as it by then was called. A public consultation was launched on January 16, 2006, by the European Commission regarding the future patent policy in Europe including an EU-wide system of protection. In late 2009, a revised proposal for a Regulation on a European Union patent was under discussion.

In an effort to abolish outstanding issues, such as the cross-border infringement of patents or multi-fora litigation, the idea of creating a unified jurisdictional system effective in all Member States was launched, with a view to increasing legal certainty, reducing costs and improving access to patent litigation. On 20 March 2009, the European Commission adopted a Recommendation to the Council to authorise the Commission to open negotiations for the adoption of an Agreement creating a Unified Patent Litigation System (UPLS). The system proposes a court structure that would have jurisdiction concerning the infringement and validity of European and European Union patents (but not entitlement disputes and related contractual disputes). The new court system would comprise a largely decentralized first instance, with local and regional divisions as well as one central division, a single appeal instance and a Registry. The central division would be the exclusive forum for invalidity claims, except that invalidity could be raised as a counterclaim in infringement proceedings brought in local or regional divisions. The language of the proceedings within the local and regional and central divisions would be in the local language, but other choices of language could be available under certain conditions. The language before the central division would be the language of the patent. Appeals would normally be heard in the language of the first instance case. All divisions would form an integral part of a unified European and European Union Patents Court with uniform procedures; the divisions would be specialized and distinct bodies, but be linked to the European Court of Justice (ECJ) aimed at providing interpretation and application of Community law and transitional agreements.

The EU Council of Ministers, during its meeting of May 2009, agreed to request the European Court of Justice, ECJ, for an opinion on whether the envisaged agreement to be concluded between the EU, its Member States and other contracting parties to the European Patent Convention was compatible with the EC Treaty. This opinion is expected at the earliest in late 2010.

The European Union Competitiveness Council reached a political agreement on December 4, 2009, concerning the main features of a European and European Union Patents Court and on a number of principles for further work on a European Union Patent Regulation, including with regard to translation arrangements, renewal fees, enhanced partnership, and possible amendments to the European Patent Convention (EPC). At the same meeting the form of a Regulation creating a unitary patent right for Europe was also agreed. However, this draft Regulation importantly deferred its entry into force until such a time as the Council can reach agreement on the contentious issue of the translation regime to apply to the patent rights obtained.

##### **Business action**

Business continues to welcome, and will follow, the continued work in the EU on the future patent system for Europe, including the European Union patent and a unified

##### **Government action**

European Member State governments should continue to support the work on a European Union patent and on a unified jurisdiction for patent related

jurisdiction for patent-related disputes.

### **Business action** (continued)

Business supported the European Commission's previous attempts to establish an efficient and economical patent system across the EU. Business continues to welcome the work on the EU Patent, while emphasizing the need for legal certainty and cost-effectiveness and the need for a language solution acceptable for business. Business urges European Member State governments to closely follow the development of these projects and to listen to well-founded concerns expressed by business.

### **ICC action**

ICC will continue to follow and study the continued work on the EU patent and on a unified jurisdiction for patent related disputes. It has issued "Comments on Proposals for an EU Patent Litigation Jurisdiction" (25 April 2008).

disputes that meets the needs of business.

## **1.5 Language Considerations**

Language is always a sensitive issue. From a strictly economic perspective, the cost benefits of one language for obtaining and enforcing patents are self-evident. However, the choice of language has important implications for national identity, culture and sovereignty. The political sensitivity of this issue was demonstrated during the debate which has been taking place for many years over the European Commission's proposal for a Community Patent Regulation and can only be exacerbated on a worldwide scale. Improvements in machine translation may gradually reduce the significance of this issue in the future.

At the same time, the Agreement on the application of Article 65 on the grant of European Patents (the "London Agreement") - which reduces the translation requirements for granted European patents - entered into force on 1 May, 2008. This agreement foresees the necessary safeguards for third parties in that it states the right of the contracting states to require the translations of claims and, in the context of patent litigation, translation of the full specification.

### **Business action**

Business will continue to support initiatives to build trust and understanding among the different stakeholders involved, and evaluate possible solutions to achieve an acceptable compromise among them.

Business welcomed the entering into force on May 1, 2008 of the London Agreement, as this agreement should reduce significantly the translation costs for obtaining and validating European patents.

### **ICC action**

ICC issued "The Need for Further Accessions to the London Agreement" (22 June 2009), which recommends the accession to the London Agreement by all signatories of the European Patent Convention at the earliest opportunity.

### **Government action**

Governments and patent offices should use their political weight to help build understanding between stakeholders, and press for creative solutions to the problem. While some language differences may be necessary, the number of different languages should be minimized.

Those governments who have not yet acceded to the London Agreement are encouraged to do so as soon as possible. Full accession to the Agreement will induce significant cost savings and reallocation of resources to research and development (R&D). Further accessions should increase legal certainty and have no negative impact on the public-notice function of patents, in particular due to the existence of safeguard clauses.

## 2. Compulsory licensing and government use

The statutes of most countries provide for the authorities to work, or authorize third parties to work, a patented invention commercially without the patentee's permission. Such provisions include compulsory licensing and government use (e.g. Crown use in the UK). Generally, the statutes clearly define the relatively limited circumstances under which such working is permitted and require the payment of reasonable compensation to the patentee. Articles 30 and 31 of the TRIPS Agreement lay down minimum standards for allowing such working under compulsory licence.

The debate on exceptions and limitations in the field of patents, especially compulsory licensing, has long since focussed on the area of public health and access to medicines in the developing world. The amendment of the TRIPS Agreement decided in 2005 regarding compulsory licensing for export in the pharmaceutical area is one outcome of this debate. The debate is also related to the discussion whether the patent system, with its current in-built checks and balances, remains an adequately balanced system which is of critical importance in providing incentives for technical development and economic growth. This debate is ongoing especially with regard to poor countries in the developing world.

The debate has now been widened to other areas. Examples are the discussions in the UN Framework Convention on Climate Change (UNFCCC) on intellectual property regarding “green” technology, the decision in WIPO’s Standing Committee on Patent Law to study the area of exceptions and limitations in the patent system, and the WIPO Conference held July 13-14, 2009, on the subject of intellectual property and public policy.

### Business action

Business must take an active part in the debate on the patent system and stress the value of the patent system as a tool for technological and economic progress and development, in rich as well as in poor countries. Business must also listen carefully to the arguments raised by those having different views. Business must stress that the patent system encourages innovation and that, if the exclusivity of the patent right is overly prejudiced, companies will reduce investment in inventing, developing and commercializing new technology, be that in the pharmaceutical and medical sector or in a sector working with “green” technology, to the detriment of everyone whether they be rich or poor. Business should encourage additional countries to ratify the TRIPS amendment decided in 2005.

### ICC action

ICC has submitted papers in the context of the UNFCCC negotiations, emphasizing that the patent system has a very important incentivising role for development of “green” technology. (*See Part C. III, Technology development and transfer*). ICC will actively follow and take part in the discussions in the WIPO work on exceptions and limitations in the field of patents. ICC is monitoring the regional/national implementation of the amendment in the TRIPS Agreement decided in 2005 and of the underlying decision in the WTO General Council.

### Government action

Governments should ratify without delay the amendment of the TRIPS Agreement decided on December 6, 2005.

Governments should understand that loosening of the conditions for compulsory licensing (which affects inventions in all fields) places the incentivising effect of patents at risk, including for individual inventors and small businesses in developing countries, because such measures would have to apply to all rightsholders, including domestic rightsholders.

Governments must work to safeguard the positive values of the patent system in the UNFCCC negotiations.

### 3. Patents and standards

While on the one hand companies seek to harmonize the way in which goods and services are designed through standards, on the other hand companies seek to gain part of the return on investments through patent protection. In general, conflicts may potentially arise when the implementation of the technical standard requires the use of a technology that is covered by one or more patents. Companies owning patents essential to the standard might seek to get a return on their investments through patent licenses, charging royalties in exchange for agreeing to share their proprietary technology with all implementers. Without that possibility patent owners may be reluctant to participate in standards-setting activities and contribute their technologies to new standards that are being developed. Companies' viewpoints on the inclusion of patented technology into standards may vary depending on whether the company is a patent holder, an implementer of the standard, or potentially both.

Companies generally are concerned about the costs associated with implementing the standard, and if there are many patent holders who own essential patents on a single standard who likely will seek compensation for use of their technology, then this concern can become more heightened. There is also a concern if there is a patent holder who is not willing to license his essential patented technology to all implementers on reasonable terms. To ensure a wide dissemination of standardized technologies while maintaining incentives for innovation, several approaches are pursued to prevent possible conflicts. Most standards bodies seek the early disclosure of the existence of essential patents, and they request that the patent holders declare their willingness to offer licenses to all implementers on (fair), reasonable and non-discriminatory terms and conditions ((F)RAND). Potential implementers can then contact the patent holder and discuss detailed licensing terms, which often would be customized to address all of the implementer's specific needs.

The rationale is that there is a possibility that, once the standard is finalized, the patent holder may seek unreasonable licensing terms and the implementer will be pressured to accept them. This scenario is called "patent holdup" or "patent ambush". Historically, patent holdup has rarely occurred, in part because most participants are interested in the standard's success and widespread implementation so they are motivated to act reasonably.

More recently some participants have required more transparency early in the standardization process ("ex ante" or before the standard is completed) of the maximum amount of patent royalties that may be charged on standard compliant products and/or services in connection with the patent holder's essential patent claims. Due to a number of reasons, the "ex ante" approach has not succeeded in some technology areas, e.g. telecommunication. Most standards bodies that have considered this "ex ante" approach have permitted the voluntary ex ante disclosure of licensing terms to the standards body, but they have not required it. Some companies prefer to negotiate a customized license that may address issues beyond just the essential patent claims, and some patent holders do not actively seek licences from implementers.

Another approach consists of setting up patent pools to address the issue of high cumulative royalties and reduce transaction costs by setting up a one-stop-shop for licences willing to take a licence under the essential patents covering the standard. To comply with competition rules, patent pools may have to be set up and run independently of standards bodies. Negotiations regarding licences from the pool are addressed between the pool (through one of the parties in the pool or a licensing organization) and the stakeholders in the market and are thus outside the responsibility of SSOs (Standard Setting Organizations).

There have also been suggestions of legislative actions internal and external to the patent system. Internal to the patent system, some suggest exclusions from patentable subject-matter and exceptions and limitations to the enforcement of patent rights. External to the patent system, some have suggested more aggressive use of

commercial and competition law as a legal mechanism to challenge the abusive or otherwise illegal conduct of any patent holder or of any collective group of implementers.

### **Business action**

Business recognizes that in order to enable the creation of standards that include state of the art technologies and that have the prospect of being used in the marketplace, it is in the interest of the different stakeholders that patent matters are properly addressed during the standard-setting process.

### **ICC action**

ICC recognizes that in standard setting a wide range of issues relating to patents may be encountered and that different stakeholders have different views on these issues.

### **Government action**

No national legislation includes a specific provision limiting the right conferred by a patent, the exploitation of which is essential for the implementation of a standard. The scope of the exclusive patent right is already carefully designed under national patent laws in order to strike a balance between the legitimate interests of right holders and third parties. ICC believes that neither the international patent system nor its national implementation requires changes to address concerns about patents and standards, and urges governments not to pursue proposals to exclude subject matter from patent protection nor to provide broad exceptions and limitations to the enforcement of patent rights to address concerns about patents and standards.

## II. TRADEMARKS

In an increasingly global economy, especially in e-commerce, national regimes for protection of trademarks are becoming an anachronism. Global protection should be available at a reasonable cost and effort, and enforcement of such rights should be effective.

Globally, the scope of protection afforded to trademarks needs to be clarified and harmonized, for instance:

- The flexibility of registration requirements for less than conventional signs, such as colours, smells, shapes, packaging, retail sale services, etc.;
- How to assess likelihood of confusion in the context of infringement, versus a mere risk of association;
- What is “genuine” trademark use for purposes of maintaining in force trademark rights;
- What should be the scope of protection against use of a well-known trademark for dissimilar products; and
- The legal and taxation implications of choosing not to record a trademark licence on the register.

The Singapore Treaty on the Law of Trademarks harmonizes procedural rules and is applicable to all kinds of trademarks that can be registered under a given jurisdiction, as well as permitting electronic communications.

In October 2007, the Assembly of the Madrid Union adopted an amendment to Article 6*sexies* (the “safeguard” clause) of the Protocol forming part of the Madrid System concerning the International Registration of Marks providing that, in the relevant States, the terms of the Madrid Protocol will prevail over those of the Madrid Agreement as from September 1, 2008. This means that the international registration may be based on an application rather than a registration at the Office of Origin and that it may be transformed in the respective Member States into national/regional applications having the original date of filing.

A further benefit of the Madrid System is an on-line facility for central payment of renewal fees for international registrations using a credit card or a WIPO account.

The success of the European Community trademark seems to confirm that a single regional trademark title meets the needs of businesses. A study is being made by the EU DG (MARKT) on the overall functioning of the trademark system in Europe.

### Business action

Business supports the creation of a global trademark registration system which takes into account business needs. In this respect, business welcomes the accession of the European Community and the United States to the Madrid Protocol as well as the positive effects of EU enlargement for trademark owners. Business also supports WIPO initiatives to harmonize procedural matters and encourage states to move toward harmonizing national laws relating to trademarks.

### Government action

Governments should ratify and implement the Singapore Treaty on the Law of Trademarks. WIPO should continue to promote further international harmonization and work towards creating a truly global trademark system utilizing electronic filing and databases.

Steady progress is being made toward this with Spanish now being accepted as a third language within the Madrid System, and with both the EU and the US now processing applications under the system.

Currently, membership of the Madrid System stands at 84 participating countries. It is to be hoped that governments of the remaining WTO countries will be encouraged by these developments to accede to the system in order to facilitate registration of trademarks on a worldwide scale.

## 1. Use of trademarks on the Internet

The use of trademarks on the Internet raises many issues which are being resolved as the law develops. However, it is of concern that, since national approaches vary, the outcome of litigation also varies.

One well-known category of issues relates to conflicts arising from contested registrations of domain names identical or similar to trademarks. (*See next section on Domain names*).

A second category of issues relates to new uses of trademarks on the Internet, in many forms that are not all clearly perceptible.

The incorporation into websites of trademarks owned by others, either overtly or covertly (as metatags) in order to attract hits by search engines, is generally considered an actionable unfair business practice. Debates also arise from (i) the use of trademarks for advertising purposes, for instance as keywords for the purpose of search engine ranking or for pop-up displays on computer screens; (ii) the scope of permitted trademark parody, as exercise of freedom of speech, on non-commercial websites including blogs; and (iii) the linking and framing of webpages which can also be used for phishing (i.e. basically setting up bogus pages to steal users' information).

These uses of trademarks on the Internet raise many issues of how an act of trademark infringement should be characterized, which law(s) should be applicable to trademark-related transactions and such infringements, and in which jurisdictions actions can be brought.

Despite these uncertainties, many brand owners use the Internet as a distribution channel for their products and as a tool to manage relationships with customers. The rapid growth of e-commerce platforms has highlighted an issue requiring clarification as to the scope of the responsibilities of web intermediaries and the scope of protection for brand owners in relation to unauthorised sales on the Internet.

Business action	Government action
Business supports the incorporation into national law of the WIPO Joint Recommendation Concerning Provisions on the Protection of Marks and Other Industrial Property Rights in Signs on the Internet of 2001.	Following its in-depth study of the use of trademarks on the Internet, WIPO produced a Joint Recommendation Concerning Provisions on the Protection of Marks and Other Industrial Property Rights in Signs on the Internet in 2001. Governments should integrate its provisions into national law.

## 2. Domain names

In general, domain name registrations do not require any pre-screening and therefore may easily conflict with prior rights such as existing trademarks. In evident cases of “cyber squatting”, the prior right holder can often stop the hosting of the website by complaining to the ISP and then pursue the transfer of the domain names via local courts or a domain name dispute resolution body. Anti-cyber squatting legislation was enacted in 1999: in the US, the Anti-cyber squatting Consumer Protection Act was established under federal law, and at the global level the Internet Corporation for Assigned Names and Numbers (ICANN) adopted the Uniform Domain Name Dispute Resolution Policy (UDRP) proposed by WIPO. The UDRP was originally designed to discourage and resolve disputes over the abusive registration and use of trademarks as domain names under Generic Top Level Domains (gTLDs) such as .com, .net, .biz, .info, etc. The UDRP has now become an international standard for resolving domain names disputes in a quick, cheap and effective way. A growing number of Country Code Domain Name Registries have adopted the UDRP or other Alternative Domain Name Dispute Resolution Policies (ADRs). WIPO provides not only dispute resolution services for gTLDs but for some Country Code Top

Level Domains (ccTLDs) as well.

Under the UDRP, a trademark owner can file a complaint and must demonstrate that the disputed domain name is identical or confusingly similar to its trademark, that the domain name holder does not have a right or legitimate interest in the domain name and that this domain name holder registered and used the domain name in bad faith. The publication on WIPO's website of the decisions of the UDRP panels for generic as well as many country-code domain names provides useful guidance for trademark owners. A body of case law is being built up, both under the WIPO dispute resolution procedure and elsewhere, treating each case on its particular circumstances but following the general principle that domain name registrants need to show that there is no intention to detract from, or make use of, the goodwill associated with a trademark.

Domain names of cyber squatters are often effectively transferred to the rightful owner as a result of a UDRP procedure. However, if the rightful owner does not want to maintain the domain names registration in its portfolio and decides to cancel the registration, the domain name becomes available again and will most likely be picked up by speculators through use of computer software that automatically registers expired domain names, also containing trademarks. In the last couple of years, cyber squatting has increasingly moved from the traditional pattern of individuals registering domain names and offering them for sale towards sophisticated portfolio and individual owners who test the profitability of domain names incorporating trademarks and variations thereto (during the Add Grace Period (AGP) or afterwards) and derive income from automated registration of domain names and pay-per-click advertising. This is done on parked sites or by linking to legitimate company websites. Trademark owners and more stakeholders in the Internet community have recognized the need to tackle such repetitive and abusive conduct. In 2009, ICANN introduced an AGP Limits Policy to prevent refunds on domain names that are cancelled during the first five days of the registration and charge these registrants with transaction fees on all domain names exceeding a newly introduced threshold.

To accommodate such new circumstances and developments, WIPO recommended that domain names under new gTLDs should not be cancelled as an outcome of administrative proceedings, but should be deleted and placed on a Reserved Names List.

ICANN's new gTLD program will lead to the launch of a potentially large number of new extensions that may provide even more opportunities for abusive trademark registrations and issues for the Internet community, and trademark holders in particular.

At the beginning of 2010, the Internet addressing system was represented by 21 generic top-level domains (gTLDs). Expansion of the gTLDs is being considered to allow for more innovation, choice and change to the Internet's addressing system. The decision to introduce new gTLDs was the result of consultations and discussions with a variety of stakeholders – governments, individuals, civil society, business and intellectual property constituencies, and the technical community. This program has been delayed, but the introduction of the new gTLD program is expected in 2010. In the meantime, ICANN is working on an Applicant Guidebook taking into account solutions for concerns relating to trademark protection issues among others. ICANN continues to provide opportunities to the Internet community to participate in this process.

In November 2009, ICANN launched the IDN ccTLD Fast Track Process, which is a mechanism to introduce a limited number of non-contentious internationalized country-code top level domain names (IDN ccTLDs). IDNs are domain names represented by local language characters, including characters from non-ASCII scripts (for example, Arabic or Chinese). Till recently non-ASCII characters could only be used before the dot, but with the recent introduction of IDNs, it will be possible to use many more characters as part of domain names, including after the dot (e.g. new names written in Korean, Chinese, Arabic characters after the dot). With the introduction of new Internationalized Domain Names (IDNs) an expansion of the Domain Names System is expected. From an IP perspective, the translation of a word trademark into a non-Latin script, with all its possible variants, will

make it difficult for brand owners to select domain names which are valuable for their own portfolio and to assess infringing use of a prior trademark as well as bad faith registration or use.

The accessibility and accuracy of domain name registration details are of significant concern to right owners. WHOIS is a database of information that includes current registrant contact details used for a wide variety of purposes, but also used by trademark holders and law enforcement to determine who the registrant of a particular domain name is. To deal with abuse of registration of a brand online, the IPR owner needs to know who to deal with. He/she therefore relies upon access to WHOIS services which provide public access to data on registered domain names including, currently, contact information for registered name holders. ICANN contracts include provisions on the requirements for registration data and accessibility of this data. However, there is an increasing trend by registrars and commercial agencies to mask the identity and contact details of domain name applicants. WIPO has also drawn attention to mass registrations often anonymously taken on a serial basis. At the beginning of 2010, a discussion was ongoing at ICANN concerning possible changes to obligations relating to public access to, and accuracy of, WHOIS data, to take into account the need to balance considerations of privacy (for the registrant) and the Internet user's ability to know with whom they are interacting, as well as the needs of law enforcement, IP holders, etc.

### **Business action**

Business will continue to ensure that its voice is heard in ICANN, the organization responsible for technical management and coordination of the generic domain name system and contribute to the formulation of policies concerning domain names. Business will continue to support the Uniform Dispute Resolution Policy (UDRP) and continue to work with other stakeholders and WIPO to ensure that a workable *modus vivendi* is found between the domain names and trademark systems.

Business also supports efforts to ensure a safe and reliable domain space for internationalized domain names.

Business will also monitor developments and react where needed with respect to WHOIS services, new gTLDs and abusive domain name registrations in the interest of IPR owners and business in general.

### **ICC action**

ICC is contributing business views on ICANN policies directly and through the Business Constituency in ICANN. Publications and statements of the ICANN Intellectual Property Constituency are closely monitored.

ICC is monitoring and assessing substantive issues for businesses, contributing to raising awareness in the business community of DNS related issues and participating directly in public comment processes concerning ICANN structural review and organizational evolution. ICC issued the paper entitled "Issues Paper on Internationalized Domain Names" (7 July 2006).

### **Government action**

WIPO should continue its active role in encouraging country-code Top Level Domains (ccTLDs) to implement policies to prevent and resolve conflicts involving intellectual property rights. The establishment of a ccTLD database allowing access to information on ccTLD policies in this area will help provide transparency for users in this respect.

Governments should ensure that the provisions concerning domain names in the WIPO Joint Resolution and Provisions on the Protection of Well-known Marks adopted in September 1999 are followed nationally.

Governments should not overly restrict registration in their ccTLDs and should provide an expedited dispute resolution system along the lines of ICANN recommendations and the UDRP system.

### 3. Famous / well-known marks

Since well-known marks are especially vulnerable to abuse, it has long been recognized in the Paris Convention, and reaffirmed in TRIPS, that special protection is needed for such marks. However, enhanced protection through concepts broader than mere trademark infringement may be needed, e.g. through rules of unfair competition, dilution, or “indication of connection”.

For example, in 2006, the US enacted that the owner of a famous mark may apply to the relevant court for an order prohibiting continuing, or anticipated, use likely to cause dilution by blurring or tarnishment of the famous mark regardless of likely confusion or economic injury.

#### Business action

Business supports the creation of working systems to protect well-known marks both on national and global levels and encourages the implementation of the WIPO Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks nationally.

#### Government action

The WIPO Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks, adopted in September 1999, provides welcome guidance to both trademark holders and competent authorities concerning the criteria for determining what constitutes a well-known mark.

The WIPO Recommendation of 1999 operates as non-binding guidelines to the application of the Paris Convention and TRIPS. National measures to implement the Recommendation and their legal effects therefore vary from country to country. These can range from establishing an official register (sometimes open only for domestic brands) to having informal lists maintained by the national authorities.

Governments should initiate discussions based on the WIPO Joint Recommendation with a view to establishing an international system for recording and recognizing rights in well-known trademarks.

### 4. Searches

The lack of full, worldwide, national search possibilities using the Internet for all forms of trademarks creates uncertainty for companies wishing to register such marks as they are unable to verify if such marks are already registered.

A welcome beginning has been made with the compilation by the Office for Harmonization of the Internal Market (OHIM) of an on-line dictionary (EUROCLASS) of terms related to the classification set out in the Nice Agreement.

#### Business action

Business encourages the development of additional publicly accessible search facilities within trademark offices. The provision of searchable official journals and registers in electronic format is welcomed.

Business welcomes the WIPO e-commerce databases on trademarks and WIPO-UDRP panel decisions made available for public search.

#### Government action

WIPO and governments should work towards developing common systems to allow searches of registered trademark databases, including on-line searches where feasible. A standard electronic format for publishing and searching official journals and registers should be developed for use of all WIPO countries. In order to facilitate access, it is essential that national offices cooperate and produce the results in a common format with, ideally, all using common software.

Currently the EUROCLASS dictionary only has English and Swedish versions. It is to be hoped that other language versions will be added rapidly and cross-referenced.

### III. DESIGN

#### 1. Substantive and procedural international harmonization

National differences in substantive rules, e.g. the criteria of protectability, the procedure for granting protection, scope of protection, remedies against infringement, etc., make it difficult for design owners to obtain international protection.

The situation has improved with the possibility of applying for registration in several countries through the Hague System under the Geneva Act. Also, since April 2003, businesses have been able to apply for a single community registration covering all 27 EU member States.

At EU level, despite legal harmonization, the legal regimes in the respective Member States still differ widely. Unfortunately, there is a lack of binding leading cases and basic principles as there are no ECJ or CFI decisions on substantive European design law.

One complex substantive issue is ensuring availability of design protection with respect to alternative or cumulative protection by trademark, copyright and, as the case may be, patent law. Unfortunately, there are tendencies to draw a more or less strict dividing line between the intellectual property rights in question which is contrary to legislation providing expressly for the cumulative protection for designs in certain jurisdictions, such as the EU. Moreover, it is obvious that a design of a product can be original as well as have a distinctive character and at the same time serving as an indication of source of origin, thereby fulfilling the protection requirements for design, trademark and/or copyright protection.

##### Business action

Business encourages discussions to begin on an international design law treaty. Business encourages governments to ratify and adopt the provisions of the 1999 revision of the Hague Agreement (Geneva Act) concerning design registration procedures and which allows a single international deposit of up to 100 designs per international application.

At the EU level, business welcomes the accession of the EU to the Geneva Act of the Hague Agreement thereby enabling applicants, through a single international application, to obtain design protection in the EU under the Community design system and in other countries of the Geneva Act inside or outside the EU.

##### Government action

TRIPS introduced few concrete international rules (apart from the minimum protection period). Governments should begin discussions on international harmonization of design law; an international design law treaty would focus and accelerate the harmonization process.

Easier access to design protection can be provided at a national level by not requiring ex officio examination before registration, allowing multiple deposits and the possibility of deferring publication of the design, for a limited period.

At an international level, the 1999 revision of the Hague Agreement is an important step in simplifying international registration and meeting the needs of users. Out of the 56 members of the Agreement, 37 countries so far have acceded to the Geneva Act. Governments should ratify and implement the provisions of this new revision.

## 2. Lack of full search possibilities for designs

Business needs easy user-friendly access to central international registration of designs. The lack of full search possibilities for designs creates uncertainty for companies wishing to register designs, as they are unable to verify if the designs have already been registered. While some countries provide easy access to protection, many others still do not do so.

### Business action

Business supports the standardized development of on-line access and easy searchability of design registers.

### Government action

WIPO is working to develop an electronic design register. Governments, and in particular the EU, should participate actively in producing a standardized system for use by all WIPO members.

WIPO is also working to improve the Locarno Classification system for designs through a committee of experts. The aim is to make designs more easily searchable. One of the major limitations of the current version is that it classifies according to products and not to the appearance of design so that it is not possible to search for similar or identical designs in another product range. This is a problem because in most states the scope of protection of a design extends to all products having a similar appearance and not just those from the same product range.

## IV. COPYRIGHT

The protection of copyright and related rights within the ever-changing digital infrastructure and applications is taking place within a framework of complex legal, economic and social issues. New ways of facilitating inexpensive and virtually instantaneous reproduction, distribution and display of works and other subject matter have created great opportunities and challenges for rightsholders as well as distributors and consumers. At the same time, the new technology is seen as providing opportunities for an increasing number of new players, ranging from new commercial content providers/publishers of copyrighted material and the IT, telecom and consumer electronic industries, to private persons making copyrighted material they created themselves available on the Internet. As digital networks in general, and electronic commerce in particular, increase the ways in which content can be used and experienced, copyright protection needs to respond to the new challenges and opportunities raised by digital distribution methods.

Important contributions to the new framework are the 1996 WIPO Treaties on Copyright (WCT) and on Performances and Phonograms (WPPT) (collectively the “WIPO Internet Treaties”), which both entered into force in 2002. As of the date of this publication and following the recent ratification by the EU and its member states, 88 and 86 countries have joined the WCT and WPPT Treaties respectively. However, many countries have not yet signed these treaties, and a number of signatories have yet to fully implement the provisions of these treaties into domestic law. In addition to the WIPO Internet Treaties, discussions on updating the protection for certain categories of related rightsholders are on-going within WIPO.

Copyright industries help drive economic growth and the contribution of copyright-based activities to national economies is constantly increasing. Yet, the copyright dependent nature of different commercial activities is often not generally acknowledged as such, nor is the contribution of copyright-dependent industries to the national economy understood or fully credited. Consequently there may be a lack of awareness among national decision makers and opinion leaders about the economic importance of copyright. Consequently, WIPO is working with a group of national governments from each region of the world to analyze the impact of copyright-dependent industry on the respective national economies (see WIPO studies on Canada, the United States, Latvia, and Hungary).

### Business action

To fully exploit the possibilities of the digital revolution to the benefit of all parties while respecting the underlying rights to intellectual property, business will intensify its work towards the common interest of promoting the protection of intellectual property in electronic commerce.

Business should make use of all opportunities available to communicate its concerns to lawmakers to provide for a legal framework that encourages creativity in the information society. Business encourages the implementation of the WIPO Internet Treaties, which take into account the legitimate interests of all stakeholders involved, while fostering creativity and investment in the relevant industry sectors. Business should continue to monitor the implementation of these treaties in order to ensure that the stated goals are fulfilled.

### Government action

Governments should update copyright protection both in substance (by implementation of WIPO Internet Treaties) and in terms of enforcement mechanisms (by, at a minimum, implementing the terms of the TRIPS Agreement). The goal must be the establishment of a balanced and effective framework of accountability that respects international obligations, provides incentives for increased inter-industry cooperation to deter and respond to infringements, promotes responsible business practices, does not impose unreasonable burdens on intermediaries, and preserves an appropriate role for courts.

Any legislation that deals with the applicability of copyright infringement liability rules should examine carefully how these rules apply to all stakeholders in the digital networked environment as part of ensuring the effectiveness of the overall copyright protection framework.

**Business action** (continued)

Business should continue to seek the appropriate application of existing copyright legislation to enforce the rights granted to rightsholders. At the same time, business should seek consensus on how copyright enforcement can be made more efficient and effective, and less costly, in the face of new forms of infringement, in compliance with the WIPO Internet Treaties, under such national legislation as the DMCA or the EU's Copyright and E-Commerce Directives, or under new agreements such as ACTA. Business welcomes research at the national level to identify the contribution of copyright-related activities to the national economy.

**Government action** (continued)

Any framework that provides for limitations on liability for service providers should be restricted to damages and other monetary relief. Injunctive relief and other forms of equitable relief should be available subject to the evolving laws governing such relief.

**1. Collective administration and licensing**

New media and technology create new ways for rightsholders to distribute and exploit their works, including on-line, thus potentially creating additional opportunities for direct licensing. Digital rights management systems are being designed to better distribute and protect the rightsholder's investment while allowing an increased variety of terms and conditions for use of those works. It is expected that increased market implementation of such systems will increase consumer choice and availability of copyright works such as software and entertainment products in digital format and permit price points better suited to increasing the options of the consumer.

**Business action**

Business supports emerging new technologies that commercialize, protect and distribute works, to the equal benefit of all interested parties. Business also supports the continuing availability of collective licensing on a voluntary basis, provided the principles of efficiency, transparency, accountability and good governance are respected. Business will continue to promote, where feasible and appropriate, the opportunities for direct licensing and non-exclusive mandates and the opportunities opened by new technologies.

**Government action**

Governments should continue to allow, while not mandating, collective licensing and administration of copyright in appropriate cases.

**2. Legal protection of technological measures assisting in protecting and licensing works**

The WIPO Internet Treaties require signatories to provide adequate legal protection for technological measures and effective legal remedies when they are circumvented which rightsholders may employ in connection with the exercise of their rights. Such measures are necessary not only to protect against digital piracy, but also to expand consumer choices by differentiating between offerings and services. For instance, technological measures allow consumers to choose how and where they wish to experience legitimate copyright content in a secure manner, at different price points. There are many examples of this, such as downloading software for a free trial. Other examples include the ability to make several copies of downloaded audiovisual and music content for use on a number of devices, or online video-on-demand services which provide access to content for limited time periods. The market continues to experiment with these innovative business models made possible by technological

measures. As of 2008, WIPO had identified 102 countries with legislation on anti-circumvention provisions of the WIPO Internet Treaties (or committed themselves to doing so), the vast majority of which also prohibit the act of trafficking in circumvention devices.

There is a need for multi-faceted means to commercialize and distribute copyrighted works. Systems should not be allowed to be taken over by illegal activities. Effective and balanced actions are necessary to stop international illegal exploitation of copyrighted works.

#### **Business action**

Business should intensify their efforts towards the adoption and practical implementation of technical protection measures and their regular updating to face new challenges to legitimate interests of rightsholders. *(See also Section B.I, Enforcement priorities).*

#### **Government action**

Governments should promptly and faithfully implement the WIPO Internet Treaties, including Article 11 of the WCT and Article 18 of the WPPT relating to technological protection measures and anti-circumvention. Governments should refrain from intervening with the use and deployment of technical protection measures except in the case of market failure or to ensure compliance with industry-agreed standards, and permit industry agreements to be implemented.

### **3. Moral rights**

Creators and performing artists are seeking reassurances that their moral rights are respected, especially by third parties, and that their works and performances are not unduly manipulated in the digital-networked environment.

#### **Business action**

Business is working towards practical rules that allow for the efficient and customary exploitation of works, including the creation of derivative works, which will ultimately benefit both producers and performers/ authors.

#### **Government action**

Governments should take a reasonable approach to the issue of moral rights in a way that would prevent in particular the distortion of works and performances by third parties, while not undercutting the economic foundation and customary practices of the industry upon whose success both performers and authors depend.

### **4. Protection of audiovisual performers**

Audiovisual performers have been seeking an update of their rights at international level since negotiations began for the WIPO Internet Treaties. A WIPO Diplomatic Conference held in December 2000 was unsuccessful in achieving the adoption of such an instrument. The discussion within WIPO is ongoing; however, no further diplomatic conference is planned at this stage.

#### **Business action**

Business is actively participating in these negotiations so that any new rules, while updating the protection of performers, will still allow for the orderly exploitation of audiovisual productions to the benefit of all parties involved in creating and distributing such works.

#### **Government action**

Governments should recognize the particular needs of film-making and distribution and the huge investments involved. Issues such as the conditions for the application of transfer of rights to producers need to be addressed.

## 5. Protection of broadcasters

Broadcasters have been seeking an update of their rights in response to market changes and technological developments, currently embodied at an international level in the Rome Convention. Discussions and proposals for a Broadcasting Rights Treaty have been on-going at WIPO for a number of years. Despite a conditional resolution by the WIPO General Assembly in 2006 that a diplomatic conference be scheduled for late 2007, no consensus was achieved on the objectives, specific scope and object of protection, resulting in the failure to convene a diplomatic conference. Since then, the issue has remained on the agenda of the regular sessions of the WIPO expert committee with a view to convening a Diplomatic Conference only after agreement on the three issues mentioned has been achieved. To date, such agreement has not been achieved but the issue remains on the WIPO agenda.

### **Business action**

Business is participating in on-going discussions of this potential updating of broadcasters' rights.

### **Government action**

Governments, through their representation at WIPO, are engaged in on-going discussions regarding recognition and protection at the international level of updated rights of broadcasters in their broadcasts.

## V. GEOGRAPHICAL INDICATIONS

Improved protection of goods (and eventually services) other than wines and spirits is not only attractive for some developing countries, but also of interest for many agricultural and industrial sectors of developed countries wishing to protect local products, techniques and know-how.

### Business action

Some producers of products other than wines and spirits (e.g. agricultural and consumer goods) in both developed and developing countries have expressed an interest in using a system for the protection of geographical indications for their products. Business urges governments to carefully study the implications of such an extension, notably for the interests of trademark holders. These discussions are taking place in the TRIPS Council in order to take account of any bearing on other intellectual property rights, notably trademarks. Integration into negotiations on agricultural issues would lead to an isolated view and a risk of undue interference with established rights.

### ICC action

ICC issued “Initial Views on the post-Doha Agenda of the Council on TRIPS” (24 June 2002), including geographical indications (GIs), and “Further Views on Geographical Indications” (25 June 2003) and is continuing to follow WTO discussions on GIs.

### Government action

Pursuant to the Doha Declaration, the WTO is discussing both the establishment of a multilateral system of notification and registration of geographical indications for wines and spirits, and the extension of the stronger protection accorded to wines and spirits to other products. Governments should keep discussions of the extension of the protection for geographical indications separate from the negotiations of the Special Negotiating Session on the notification and registration system for wines and spirits. The negotiations will be continued in multilateral fora such as the WTO and WIPO. If the Doha Round negotiations continue to stall, bilateral and other forms of multilateral treaties will become more important.

## VI. PLANT VARIETY RIGHTS

A continuous supply of new varieties of agricultural crops is essential to combat evolving pests and improve yield. The uncertainties of climate change require ever greater effort to adapt crops to new circumstances. Plant variety rights (PVR) protect new varieties of plants, for a term of up to 25 years. They were designed in the 1950's to enable the breeders of successful varieties to control their reproduction, and by direct exploitation or licensing to obtain a return on the substantial investments of time and resources needed to produce them. The rights are designed to fit the needs of breeders and farmers and may coexist easily with patent rights on plant biotech inventions.

TRIPS provisions require member countries to protect plant varieties either by utility patents or by an effective sui generis system. UPOV (the international treaty regulating plant variety protection) is the most popular sui generis system of plant variety protection with 68 countries now as members.

The Convention on Biological Diversity (CBD) requires all access to national genetic resources to be individually negotiated. Such negotiations may impede use of genetic resources vital to the development of new crop varieties. The International Treaty on Plant Genetic Resources for Food and Agriculture has been negotiated as a specific exception to the CBD. It provides for genetic material of listed major crops to be exchanged freely, under provisions for sharing benefits arising from the commercial exploitation of resulting products. Exchange is subject to a standard Materials Transfer Agreement (sMTA).

### Business action

Business was constructively involved in discussions leading to the International Treaty. Business helped to negotiate an sMTA that is believed to be both fair and practicable. Business must now demonstrate the benefits of the arrangement by accepting and exploiting genetic resources under the sMTA.

### Government action

Governments will implement the International Treaty and monitor its effects, together with those of the sMTA. If all goes well, they should seek to add further crops to the agreement. If not, the Treaty and the sMTA must be reviewed.

## VII. DATA EXCLUSIVITY

The WTO TRIPS Agreement Article 39.3 obligates WTO members to provide a period of data exclusivity for safety and efficacy studies submitted by the research-based pharmaceutical and plant science industries to obtain regulatory clearance. During the period of data exclusivity, all proprietary information submitted to the regulatory body shall be protected from unfair commercial use. Once this period has expired, the competent national authority may grant registration through summary approval procedures but shall always protect the studies against disclosure. All WTO members, with the exception of its least developed country members, have been obligated since 1 January 2000 to implement these provisions and many WTO members, including some developing countries, have already done so. Several other WTO members, however have failed to do so and continue to debate the issue.

### **Business action**

Business urges all members of the WTO to implement their obligations pursuant to TRIPS Article 39.3.

### **Government action**

WTO member countries should implement their obligations pursuant to TRIPS Article 39 if they have not already done so.

## VIII. OTHER FORMS OF INTELLECTUAL PROPERTY AND TECHNOLOGIES

### 1. Information products, e.g. databases

Electronic databases are an integral part of a worldwide information market. The ever-increasing growth of information collected, processed and distributed by business is a valuable investment in new products and services. In certain countries, copyright protection does not protect all kinds of databases such as non-original databases. The EU has provided sui generis protection (the “Database Directive”) prohibiting unauthorized extraction or re-utilization of substantial parts of a database in which the owner has made a substantial investment. The scope of “substantial investment” in the EU has come under close scrutiny in the European Court of Justice. The EU sui generis right does not affect the rights of creators of works incorporated in the contents of the database. The EU example has been implemented by all EU countries.

Other jurisdictions are exploring different approaches to database protection. In the US, for example, compilations of data or facts are accorded a degree of copyright protection if their arrangement meets minimum requirements of originality, or if the misappropriation of certain time-sensitive data constitutes unfair competition given the investment of the compiler and the unfair advantage to the user. Legislation has been introduced in the US to provide for EU-type sui generis protection, but has so far failed to gain sufficient support to become law.

Some have raised concerns that certain kinds of database protection may be so broad as to stifle the flow of and trade in information, but proponents believe that these fears can be addressed through legislation which provides appropriate access to non-original information while protecting and incentivising the investment of data compilers and disseminators.

#### Business action

While ICC does not have a position on the need for such protection, businesses should closely follow the development of the discussion of protection of databases at the international and national level to secure adequate legal protection of databases that, at the same time, safeguards the legitimate interests of users, compilers and disseminators.

#### Government action

When the WIPO Internet Treaties on Copyright, Performances and Phonograms were adopted in 1996, an international instrument on the protection of non-original databases was proposed as one of the pillars of a future international framework on content protection in the information society. Nothing further has progressed in this regard, despite initial discussions on the possibility of an international agreement on the protection of databases within the relevant WIPO Standing Committee.

### 2. Indigenous/ community/ traditional rights

Commercial interest in plant and animal species in industrializing countries, and in traditional knowledge and remedies, has raised questions of ownership of such resources, previously assumed to be in the public domain. The existing system of intellectual property rights has been criticized for allowing individuals or entities to appropriate commercially valuable resources such as plant varieties, etc. At the same time, the holders of these resources have themselves started exploring the concept of communal intellectual property rights. To what extent can existing intellectual property rights provide an appropriate framework for the exploitation of traditional and biological resources? Is a new (sui generis) type of intellectual property right necessary? Or, is the most suitable solution to these issues found outside of the intellectual property system?

Access and benefit-sharing (ABS) are twin principles of the Convention on Biological Diversity (CBD), which recognizes the sovereign right of states over genetic resources. The CBD encourages bioprospectors to consult with concerned indigenous and local communities in any bio-prospecting and to agree terms with them for access to genetic resources. However, even when such consultations are pursued in good faith, new groups may subsequently emerge and challenge the authority of the groups initially consulted. More legal certainty is needed. Otherwise, the increased risk will result in lower benefits, and will discourage the access to resources that the CBD is intended to promote.

### **Business action**

Business is willingly participating in appropriate processes to define the relationship between traditional knowledge (TK) and intellectual property rights (IPR). The form of any new sui generis right would be largely determined by its objectives, which were not yet agreed at the start of 2010. Business is open to practical proposals for the protection of communal and indigenous intellectual property, and is engaging in constructive discussion. Any sui generis system for TK must be designed to coexist effectively with conventional IP rights such as patents.

### **ICC action**

ICC is participating in dialogue with other stakeholders, especially at the WIPO Intergovernmental Committee and the Convention on Biological Diversity. ICC issued “Protecting Traditional Knowledge” (12 January 2006), which sets out the advantages to be obtained and the difficulties to be faced in any sui generis system for protecting indigenous knowledge. ICC has participated in key WIPO and CBD meetings and acts as the focal point for business for the CBD ABS negotiations. It has issued several papers for these negotiations: “Nature, Traditional Knowledge and Capacity Building” (18 September 2009); “Pathogens and the International Regime on Access and Benefit-sharing” (11 September 2009); “Traditional Knowledge Associated with Genetic Resources” (30 April 2009); “Objective, Scope, Fair and Equitable Benefit Sharing, Access and Compliance” (15 December 2008); “Access and Benefit Sharing: Priority Issues for the Compliance TEG” (28 November 2008); “Access and Benefit Sharing: Sectoral Approaches, Concepts, Terms, Working Definitions” (17 October 2008); “Access and Benefit Sharing for Genetic Resources” (29 October 2004); and “Access and Benefit Sharing: Special Disclosure Requirements in Patent Applications” (25 May 2005).

### **Government action**

Following the Convention on Biological Diversity, several national governments have passed, or are considering passing, legislation regulating access to biological resources. There is an urgent need for more to do so. Until national legislation is in place, access to national genetic resources is hampered - an unintended and most unfortunate consequence of the CBD. National regimes must not only articulate national standards for ABS, but must also provide guidance and more legal certainty regarding appropriate consultation with indigenous and local communities. More governments should implement the Bonn Guidelines and should also ensure that any such legislation having an impact on IPR is compatible with TRIPS.

WIPO has concluded its issue-identification and assessment of the needs of the different stakeholders in the field of traditional knowledge, and is now actively engaged in exploring how the demands in this area should best be met – in particular through meetings of the Intergovernmental Committee (IGC) on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore.

The work of the IGC is to continue with added urgency. Some countries have been understandably irked by slow progress, but developing consensus requires agreeing objectives and appreciating difficulties.

### 3. Biotechnology and new genetic advances

Biotechnology is a complex collection of cumulative technologies that use cellular and bio-molecular processes to solve problems in human health, agriculture, food, industrial processes and the environment. It thereby creates new products, services and information with economic and societal value. Biotechnology increasingly serves as an economic and societal driver through a set of platform technologies that depends heavily on intellectual property protection for its vitality and continued growth. Its complexity, however, also poses new sets of intellectual property challenges. For example, there is an increasing need to balance maintaining access to genetic data and cumulative research technologies (in order to encourage the diffusion of research results and the development of new technologies) with the commercial need to protect genetic inventions and tools (in order to promote innovation and capital formation, create revenue from risky R&D investments, and permit market-oriented exchanges of rights).

As new commercial and clinical applications develop rapidly in multiple directions, some of the key, current intellectual property issues in biotechnology will include i) adequate and effective international standards and procedures for determining patentable subject matter; ii) appropriate standards for protection, including sufficiency of the disclosure for both enablement and written description; iii) terms of access, particularly to deposited microorganisms and genetic material; iv) new techniques for technology diffusion; v) research exemptions and freedom to operate; vi) licensing practices, including compulsory licenses and national working requirements; vii) standards and procedures for generic biologics and follow-on biologics, including the role of data exclusivity; and, viii) public-private partnership issues, including appropriate innovation incentives for new research collaborations between basic or fundamental research and clinical/development applications.

#### Business action

Business will continue to support a broad societal understanding that the realization of economic growth and the promise of significant improvements in the environment and quality of human life made possible by biotechnology depends critically on a transparent, balanced and effectively enforced intellectual property framework, including both IP rights and effective mechanisms for access and diffusion.

Such a framework is needed:

- (i) To stimulate the very costly and risky investment of resources needed to research and develop these beneficial innovations from the laboratory through clinical or field trials to the market;
- (ii) To disseminate widely the new technologies - and related products, services and information - as a means to spur incremental improvements and new breakthroughs;
- (iii) To provide a market-oriented framework for the exchange of rights and the creation of capital; and
- (iv) To create social and economic value from intellectual assets beyond the intellectual property rights themselves.

#### Government action

Governments must recognize that strong, predictable and timely intellectual property protection - by stimulating research, knowledge flows and the entry of new technology into markets - is a key factor for economic growth and R&D in the biotechnology sector.

Strong intellectual property protection is essential to the success and, in many instances, the survival of the growing number of biotechnology companies, many of which are small and medium-sized start-up companies or spin-offs from universities and non-profit laboratories.

The role of government policy should be to create a legal and policy framework for intellectual property in biotechnology that:

- (i) Stimulates innovation and economic growth;
- (ii) Focuses renewed attention on specific policies concerning scope, quality, diffusion, access and effectiveness; and
- (iii) Comprehends the intersection and interaction of intellectual property with other government tools such as competition policy, R&D infrastructure, tax and capital formation, and government regulatory regimes for biotechnology. Governments, therefore, must consider carefully the appropriate balance to be achieved in the policy mechanisms and intellectual property policies needed to promote biotechnology innovation and to realize its enormous promise for society.

## B. Issues common to various intellectual property rights

### I. ENFORCEMENT PRIORITIES

#### 1. Litigating IP rights

Most registered intellectual property rights are country-based rights: national authorities and laws govern their grant, scope, enforcement and validity within the national territory. Regional IPR regimes, as in the EU, are often superimposed on existing national rights.

Infringements of intellectual property rights by third parties are generally considered as torts. The general principle of international private law on torts is that jurisdiction and applicable law should be determined by reference to the place of the wrongdoing and/or the damage, which raise complex issues for infringements of intellectual property rights. International cooperation is underway to clarify these rules and to create maximum legal certainty as well as to improve coordination of national enforcement authorities. (*See, in particular, Section B. III below, Counterfeiting and piracy*).

Inconsistency in national approaches to IP protection and the lack of recognition of other national rights and systems have resulted in forum shopping and uncertainty. Manifestations of inconsistency include:

- Differences in the presentation, admissibility and formalities of evidence (e.g. with or without cross-examination, electronic discovery, court powers to compel supply of information, proof of standing, role of experts, authentication of documentary evidence);
- Differences in the interrelationship between protection of exclusive IP rights and competition laws;
- The availability of interlocutory relief – injunctions – seizure orders, etc.;
- Differences in available procedures (civil, criminal, customs), their costs and recoverability, length and outcome;
- Differences in rules and case law to claim and be awarded damages for IPR infringement;
- Differences in claim construction.

One important issue in litigating patent infringement, which also concern other IPRS, is the extent to which discovery or disclosure of communication between clients and their legal advisers worldwide is possible in the course of court proceedings. (*See section B. VII below*).

There are still important differences worldwide concerning damages claims for IP infringement. It is still debated if they must be claimed and awarded at the time the infringement is prosecuted and by the same authority, or in a separate litigation action after the violation of an IPR is committed. Additionally, there are several inconsistencies in the parameters to be considered when damages are awarded.

#### Business action

Business supports international activities aimed at designing a model system. In particular, business supported the adoption, at the 30 June 2005 session of the Hague Conference on Private International Law of the Convention on Choice of Court Agreements and its three key provisions :

(i) The court designated in an exclusive choice of court agreement has jurisdiction and must exercise it;

#### Government action

Governments should ratify and implement the Convention on Choice of Court Agreements.

The European Regulation on the law applicable to non contractual obligations, known as the “Rome II” Regulation, adopted on 11 July 2007, came into force on 11 January 2009. Pursuant to Article 8, the law applicable to infringement of an IP right will be the law of the country for which protection is claimed.

**Business action** (continued)

(ii) All other courts must decline jurisdiction; and  
(iii) Courts of contracting states must recognize and enforce judgments rendered by the designated court.

The Convention does not apply to validity and infringement of IP rights other than copyright and related rights, except with respect to infringement where proceedings are or could have been brought for breach of contract relating to such IP rights.

The Permanent Bureau of the Hague Conference, attentive to the real needs of international business operators, issued on March 2009, a feasibility study on the choice of law in international contracts proposing a possible work programme in view of a future non-binding instrument. Work on this matter is still in progress.

**ICC action**

ICC continues to closely cooperate with and to provide business expertise on the issues raised by the Convention to the Hague Conference through the coordinated efforts of the ICC's Commissions on Commercial Law and Practice, Intellectual Property, and E-Business, Information Technology and Telecoms.

**Government action** (continued)

When a unitary Community IPR is involved, the law of the country in which the infringement was committed will apply to questions not governed by the relevant Community instrument.

“Rome I” Regulation on the law applicable to contractual obligations will apply from 17 December 2009. With Rome II n°864/2007, Rome I n°593/2008 and the Brussels Regulation n°44/2001 on jurisdiction, and enforcement of judgments in civil and commercial matters, there will be a uniform body of rules on conflicts of law and of jurisdiction applicable by the courts of the EU member states.

Governments should provide support to initiatives to harmonize court procedures (e.g. standards for disclosure), and to develop existing concepts (e.g. Brussels/Lugano Regulations/Conventions), taking into account business concerns.

Governments should promote greater use of information technology to facilitate rapid exchange of information and files, consolidation and mutual recognition of “methods of proof”, e.g. use of independent expert witnesses. They should also ensure the availability of interim relief to provide effective emergency IP protection.

**2. Enforcement on the Internet**

The ease and speed of reproduction and transmission of digital content on the Internet have made it difficult for rightsholders to control the unauthorized distribution of their copyrighted works, consequently raising the risks and costs of rolling out legitimate on-line services. Most rightsholders suffer substantial losses as a result of digital piracy. In response, such rightsholders have taken a broad range of measures, including the roll-out of legitimate services, public awareness campaigns, the use of technological protection measures, and legal enforcement action against the most detrimental infringements of their rights. Governments are also considering how to ensure more effective enforcement of IP rights on the Internet. For example, as part of the Anti-Counterfeiting Trade Agreement (ACTA), governments are considering how they might address some of the special challenges that new technologies pose for enforcement of intellectual property rights.

A number of countries are looking at new laws to enhance enforcement against online infringement. France, Taiwan and Korea have passed and implemented laws that require Internet Service Providers (ISPs) to forward notices to alleged infringers identified by rightsholders and the termination/suspension of Internet access of persistent repeat infringers. The UK Government, through its Digital Britain report has proposed a regime whereby ISPs forward notices to their subscribers, maintain identifying information on serious repeat infringers and provide it to rightsholders upon receipt of a court order; which empowers the Secretary of State to require the implementation of technical measures to deal with repeat infringement, including suspension of subscriber accounts. In New Zealand, there is an on-going consultation on legislative measures against repeat infringement, including account termination.

Still, infringers are resourceful and have tried to structure their services in such a way so as to make it more difficult for rightsholders to enforce their rights, for example by using remote servers to avoid jurisdiction, or structuring their services in an attempt to legally insulate themselves from liability, even where they actively promote and induce infringement. The importance of websites as a communication and trading interface with consumers and business partners has also provided new opportunities for abuses of trademark rights (through misuse of domain names, meta-tagging, etc.).

The global nature of the Internet also exacerbates issues of jurisdiction and enforcement because Internet activity, due to its worldwide reach, may expose parties to litigation in any country of the world where arguably the tort occurs or the injury is suffered. Infringement of IPR on the Internet raises complex issues of localization of the components of the infringing acts. In addition to jurisdictional issues, rightsholders have difficulties in tracing infringers operating on the Internet, because of the lack of reliable information on the identity of persons operating websites or holding domain names. Moreover, the transient nature of the bulk of the content circulating on the Internet renders evidence collection more difficult. The *Internet Corporation for Assigned Names and Numbers* is currently considering a proposal to introduce new generic top level domains (gTLDs), which will exacerbate the enforcement issues identified above. The Implementation Recommendation Team (IRT) was formed by ICANN's Intellectual Property Constituency in accordance with the 6 March, 2009 ICANN Board resolution to find solutions for potential issues for trademark holders in the implementation of new gTLDs. The resulting Recommendations Report on Trademark Protection Issues is still under review by ICANN.

Also, with the growing number of electronic documents that may be needed or discoverable in litigation, questions of admissibility of digital evidence raise complex issues, such as authentication of identity, content and time, confidentiality, and archival policy including deleted files.

### **Business action**

Several private sector initiatives have been launched to work on technical solutions to limit infringements and assist in enforcing intellectual property rights on the Internet. Business will closely monitor and, where appropriate, support these initiatives. In the area of domain names, business will continue to support ICANN's Uniform Dispute Resolution Policy (UDRP) while calling for better consistency of decisions being rendered. Business notes that a consensus could not be reached on the extension of the UDRP to business identifiers beyond trademarks, but supports continued efforts to improve the operation of the UDRP or like procedures for blatant violations of IPR on the Internet. Business welcomes WIPO's actions to make available databases on trademarks, UDRP decisions and ccTLD registrations, which should facilitate searches of prior rights or precedents. Business will press for appropriate access to information sufficient to identify and locate IPR infringers and providers of unlawful content in order to facilitate criminal investigations and legitimate law enforcement activities. (*See also Section A. II, Trademarks and Section A. IV, Copyright*).

### **ICC action**

ICC is working through the ICANN Business and Commercial Users Constituency (BCUC) to advocate business needs in ICANN with respect to the formulation of policies on domain names, including registration conditions. The ICC Counterfeiting Intelligence Bureau and Cybercrime Unit also carry out data gathering and enforcement activities.

### **Government action**

Governments should promptly and faithfully implement the 1996 WIPO Treaties, both in force, including appropriate legal frameworks for effective technological protection measures and providing effective legal remedies against circumvention, related activities and devices (*See Section A. IV, Copyright*). Governments should encourage ICANN to allow for reasonable access, through an accurate WHOIS database, to information sufficient to identify alleged intellectual property rights infringers and providers of unlawful content in order to facilitate criminal investigations and legitimate law enforcement activities and ensure meaningful protections of brands and trademarks as part of any agreement to expand the gTLD space. At EU level, a European Network and Information Security Agency was established in 2004 to enhance the ability of the European Union and the member states to respond to network and information security problems (*See also Section A. II, Trademarks and Section A. IV, Copyright*).

## II. RESOLUTION OF INTELLECTUAL PROPERTY DISPUTES BY ARBITRATION OR MEDIATION

With the expansion of international trade in recent years, there has been a proliferation of disputes involving a variety of intellectual property rights. To protect these rights effectively, dispute resolution mechanisms must be adapted to the special characteristics of international intellectual property disputes. Intellectual property disputes are not fundamentally different from other disputes. There are, however, special characteristics that need to be taken into consideration in view of the unique character of each type of intellectual property. Both arbitration and mediation offer advantages which make these mechanisms particularly appropriate for the resolution of intellectual property disputes.

### 1. Arbitration

Arbitration has notably four fundamental features: (i) it is a private mechanism for dispute resolution; (ii) it is an alternative to national courts; (iii) it is selected and controlled by the parties; and, (iv) it is the final and binding determination by an impartial tribunal of the parties' rights and obligations.

Parties choose to go to arbitration rather than to a national court for various reasons. First, due to its international nature, arbitration provides the parties with the possibility of choosing a neutral forum as well as the rules of procedure and the language to be applied by the tribunal. Second, as the arbitration award is final and binding, there should be no appeals and the award will be directly enforceable under the New York Convention in over 140 countries. The mechanisms for enforcing arbitration awards are more sophisticated and internationally regulated than the enforcement of national court judgments. Third, the autonomous nature of the arbitration process allows the parties and arbitrators the flexibility to freely determine the procedure best suited for the particular case, without being bound to detailed and rigid national court procedures. Fourth, the parties may select arbitrators with expert knowledge and from certain legal backgrounds. Another advantage of arbitration, is the private and confidential nature of arbitration and the award, which is particularly pertinent for disputes involving secret intellectual property processes and rights.

Disputes concerning intellectual property typically involve the ownership, validity, enforcement, infringement or misappropriation of an intellectual property right. There are many situations where arbitration may be appropriate, such as disputes involving intellectual property licences, agreements for the transfer of intellectual property (e.g. in the context of a business or company acquisition) or agreements pursuant to which intellectual property is developed (e.g. research or employment contracts).

Where there is no pre-existing agreement containing an arbitration clause, arbitration is not possible unless the parties agree, after a dispute has arisen, to submit the dispute to arbitration. Arbitration of intellectual property disputes may be inappropriate in situations where immediate injunctive relief is needed or where legal precedent is necessary.

Even where an arbitration agreement exists, some intellectual property disputes may not be referred to arbitration, because the dispute is not "arbitrable". This means that the dispute is not legally capable of being resolved by arbitration because it involves a subject matter that cannot be removed from the normal national court jurisdiction and submitted to arbitration.

In some countries, there are restrictions as to whether certain types of intellectual property can be referred to arbitration. This is because the existence of an intellectual property right often requires intellectual property owners to register with a governmental or quasi governmental agency which has the sole power to grant, amend or revoke the right and determine its scope. Therefore, disputes directly affecting the existence or validity of an

intellectual property right may not be arbitrable. This is most obviously the case with the validity of a patent which is issued by a national or European patent office, the only competent authority in which to challenge the patent's validity. On the other hand, disputes concerning the exercise of an intellectual property right are generally considered to be arbitrable. Even where validity is in question, the contractual rights between the parties can be referred to arbitration but the determinations reached cannot bind third parties.

Today, intellectual property disputes are arbitrable in most countries. The general acceptance of the arbitrability of intellectual property rights is also evidenced by the significant number of cases submitted to the ICC International Court of Arbitration principally involving intellectual property disputes. There are also many disputes where the intellectual property issue may be important but only a peripheral element to the principal dispute, e.g. the value of intellectual property rights after the sale and purchase of a business, or in the context of a contract for the supply of buildings and machinery including the right to use certain intellectual property. Further, certain organizations have created specific intellectual property arbitration procedures and have established lists of potential arbitrators.

One generally recognized problem relates to the use of injunctive interim or conservatory relief where there is an arbitration agreement. It is now well recognized, in most legal systems, that national courts retain the right to intervene in a dispute to grant interim relief despite an arbitration agreement. Where intellectual property rights exist and need to be protected pending determination of the parties' substantive rights, until the arbitral tribunal is fully established, the parties are generally free to seek this relief in an appropriate national court. Frequently, national courts will grant interim relief pending the establishment of the arbitral tribunal which will have to decide whether to maintain or release the specific relief ordered by the national court. After the arbitral tribunal is established, it should understand the nature of the overall dispute best and should be the principal forum in which interim relief is sought. Relief provided by a national court constitutes a support for the arbitration process and the arbitration agreement.

### **Business action**

Businesses should take the following points into account when considering arbitration of intellectual property disputes:

- To facilitate enforcement and to help to obviate the problems created by arbitrability, it may be useful to add a clause whereby the parties agree to enforcement;
- Parties should be careful to expressly select a country which has legal framework that is supportive of arbitration and is party to the New York Convention on Recognition and Enforcement of Arbitral Awards as the place of arbitration;
- Whilst arbitration will often have advantages over national courts, especially in international cases, parties should carefully consider whether the otherwise appropriate national court would be better in the specific circumstances of a particular case;
- Where parties consider expertise in intellectual property issues to be essential, they should provide in the dispute resolution provision for the appointment of a neutral expert, such as are available under the ICC rules for expertise, and/or that the arbitrators have suitable qualifications and/or experience;
- In situations where interim relief (frequently required in intellectual property cases) is sought from the arbitral tribunal, it is preferable for the arbitrators to make these orders rather than the courts. However, the support of the courts will be necessary in extreme cases, or where parties are unwilling to recognize the authority of arbitral tribunal;

### **Government action**

While intellectual property disputes are arbitrable in most countries today, some countries are more liberal than others. Switzerland and the United States accept the arbitrability of almost all intellectual property disputes. In most other countries, a distinction is drawn between intellectual property rights which have to be registered (e.g. patents and trademarks) and those which exist independently of any national or international registration (e.g. copyrights). Intellectual property rights belonging to the former category may be arbitrable, but an award rendered may not affect the rights of third parties. Intellectual property rights which are not subject to any registration are freely arbitrable.

The reduction in the number of countries applying a strict or even restrictive approach to arbitrability is to be welcomed and encouraged. Continuing support from international institutions with specialist knowledge including UNCITRAL with its Model Law, and ICC, WIPO, and WTO, will greatly facilitate the final resolution of this problem.

Governments should take the following actions:

**Business action (continued)**

- National laws concerning confidentiality - of great importance in intellectual property cases - are not uniform, and there is no certainty of complete confidentiality of papers in arbitration;
- Secrecy provisions in the underlying substantive contract will hold well for the arbitration procedure, subject always to matters which may be referred to the court. Both parties and arbitrators need to make specific provisions to ensure secrecy as appropriate. This may be in the form of additional contract clauses or a procedural order by the tribunal or in the terms of reference.

**ICC action**

The Commission on Arbitration issued a report on intellectual property disputes and arbitration (ICC International Court of Arbitration Bulletin (1998) 9:1 ICC IC Arb.Bull.37)

**Government action (cont.)**

- Ratify the New York Convention on Recognition and Enforcement of Arbitral Awards 1958. Over 140 countries have already done so and efforts should be made to persuade the remaining states to ratify; and
- Adopt the UNCITRAL Model Law on International Commercial Arbitration 1985 or a modern arbitration law. It has already been adopted as the basis of the national arbitration law in more than 60 countries.

**2. Mediation**

Mediation may be defined as “a process whereby a mediator, i.e. a neutral third party, works with the parties to resolve their dispute by agreement, rather than imposing a solution”. The mediator assists the parties in isolating points of agreement and disagreement, exploring alternative solutions and considering compromises in order to find a mutually satisfactory settlement of their dispute. Mediators cannot make binding adjudicatory decisions. They assist the parties in reaching a compromise that is contractually binding.

The strength of mediation is that it allows the parties to negotiate the resolution of their dispute, rather than be the recipients of a third party’s solution. The parties may negotiate a solution based on their future needs and interests. The mediator, unlike a judge or arbitrator, is not limited to applying a certain set of rules to past facts in order to determine the legal situation between the parties. Other advantages are that mediation is confidential and that the mediator may assist the parties to achieve any type of solution which they consider acceptable, whereas arbitrators and judges are limited to remedies available at law.

Like arbitration, mediation is consensual. Only intellectual property disputes covered by a mediation agreement can be submitted to mediation. Further, as the purpose of mediation is the negotiation of a compromise, situations where no negotiation and cooperation between the parties is possible (e.g. cases of deliberate counterfeiting or piracy) are inappropriate for mediation.

On the other hand, mediation of intellectual property disputes may be particularly appropriate in situations where the maintenance of confidentiality of the dispute, or facts pertinent to the parties, the intellectual property right or the parties’ relationship, or the preservation or development of business relationships between the parties is important.

**Business action**

The International Trademark Association is promoting the use of mediation to resolve international trademark disputes. ICC ADR Rules are available and suited to intellectual property disputes. Technical intellectual property disputes can also be referred to the ICC Centre for Expertise which can propose and appoint experts, and administer proceedings relating to such disputes. ICC encourages cooling-off periods in contracts with an ADR clause.

**Government action**

The Federal Courts of the US and the German Patent Court have both recently set up mediation schemes and judges in the US are increasingly referring parties in patent disputes to mediation before taking a decision on such cases.

### III. COUNTERFEITING AND PIRACY

Once a problem associated with CDs and luxury goods, piracy and counterfeiting today are seriously damaging an enormous range of industries. From food and drink, pharmaceuticals, electronics and textiles to software, music, television, and film sectors, piracy and counterfeiting are a drain on virtually every industry. This illegal trade, valued in the hundreds of billions of dollars annually, is stripping economies of much-needed investment, resulting in substantial job losses across many sectors. Moreover, piracy and counterfeiting are a serious risk to public health, particularly with fake medicines, unsafe toys or faulty spare parts for cars or airplanes. The theft of intellectual property on the scale being witnessed today is stifling the innovation and creativity at the heart of today's knowledge-based economy. Piracy and counterfeiting are undermining the livelihood of creators and innovators, as well as millions of other people working in intellectual property-related sectors. This illegal activity is robbing governments of millions of dollars in tax revenues needed to provide essential services. The international police agency, Interpol, has also warned how organized crime syndicates are using piracy to bankroll other illegal activities such as drugs and arms trafficking.

Both developed and developing countries are affected by mass-scale piracy and counterfeiting. Up to 60 per cent of drugs in developing countries are counterfeit, according to estimates from the World Health Organization (WHO). According to recent research, a number of G20 economies may be missing out on higher FDI as a result of concerns over IPR enforcement. That lost investment could give rise to additional tax losses of more than €5 billion across the G20.

Statistics can give an idea of the scale of the problem, but cannot convey the full extent of the damage done to both the world economy and society. International industries are less likely to invest in production or transfer advanced technology to countries where they are likely to have their products copied or technology stolen. Local business trying to manufacture and market legitimate products in developing countries see their efforts undercut by piracy and counterfeiting. Competition in the marketplace is distorted as legitimate business cannot "compete" with pirates who take a free-ride on the work of others, without contributing to research, development, or social costs for their workers.

Piracy and counterfeiting interfere with the virtuous cycle of investment, whereby revenues from existing products are re-invested in developing new creativity and innovation. This widespread illegal activity ultimately reduces the diversity and quality of creative products and other goods available for consumers.

#### Business action

Industries based on intellectual property have been proactively working to combat piracy and counterfeiting in all its forms. Many sectors have been working closely with law enforcement agencies to investigate and prosecute the theft of intellectual property.

Collaboration between Internet intermediaries and the content sector is developing to offer legitimate online content services meeting users' expectations and needs, and address the issue of piracy. In addition, several sectors are also actively educating governments and the public regarding the otherwise legal role of intermediaries, applicable liability limitations, and the legal processes necessary for their effective assistance in piracy investigations.

#### Government action

A 2005 ICC/Ifo study revealed that more than 70% of corporate and academic economists polled in 90 countries agree or strongly agree that theft of intellectual property is among the most pressing problems in the country. No less than 94% of the experts considered that governments should make greater efforts to prosecute theft of intellectual property. Yet government resources allocated to combating piracy and counterfeiting are often woefully inadequate compared to the scale of the problem.

Specifically, ICC's BASCAP initiative has called for governments to:

**Business action** (continued)

There are also on-going efforts on the part of businesses to educate the public and raise awareness about the damage done by this illegal activity. Such is the enormity of the problem, it has brought together diverse industries to pool resources, exchange information and jointly press for greater government commitment to combating piracy and counterfeiting.

Such efforts must include exchanging information among stakeholders to target those who initiate illegal piracy and counterfeiting activities, while recognizing the legitimate business interests, rights and responsibilities of infrastructure builders, system developers, service providers, and information providers in the networked economy.

**ICC action**

Recognizing that the protection of intellectual property rights (IPR) is vital to sound economies and the health and safety of consumers, ICC established BASCAP (“Business Action to Stop Counterfeiting and Piracy”) to take a leading role in the fight against counterfeiting and piracy. BASCAP unites the global business community to more effectively identify and address intellectual property rights issues and petition for greater commitments by local, national and international officials in the enforcement and protection of IPR.

BASCAP, led by its Global Leadership Group, a high-profile group of CEOs and business leaders from a wide range of sectors and several different continents, aims to:

- Increase awareness and understanding of counterfeiting and piracy activities and the associated economic and social harm;
- Compel government action and the allocation of resources towards improved IPR enforcement;
- Create a culture change to ensure intellectual property is respected and protected.

BASCAP works to improve national intellectual property enforcement regimes by creating BASCAP country-level action plans and coalitions, leveraging existing local business voices to push for tangible and measurable results. It also works with Intergovernmental Organizations to develop guidance for stronger IP enforcement in Free Trade Zones and where counterfeiting and piracy cause health and safety problems. In an effort to address the demand for fakes, BASCAP has developed a global awareness campaign to educate consumers on the harms of counterfeiting and piracy and to provide business associations with a toolkit of media and education materials for local dissemination.

**Government action** (continued)

- Strengthen and/or create legal frameworks to ensure implementation and effective enforcement measures against copyright piracy and trademark counterfeiting;
- Promptly accede to and implement current WIPO, WTO and other multi-lateral agreements relating to the protection and enforcement of intellectual property rights;
- Allocate significant financial and human resources to enforcement activities commensurate with the scale of damage caused by intellectual property theft;
- Make combating piracy and counterfeiting a political priority;
- Coordinate with industry to sponsor educational programmes combined with media coverage to help raise public awareness of the benefits of IP protection and the enormous social and economic harm caused by piracy and counterfeiting;
- Ensure adequate training of law enforcement authorities on IPR issues.

The ACTA initiative, launched by the United States, the European Union, Japan, Switzerland and Mexico in October 2007, is intended to establish, among the signatories, agreed standards for the enforcement of intellectual property rights that address today’s challenges by increasing international cooperation, strengthening the framework of practices that contribute to effective enforcement of intellectual property rights, and strengthening relevant enforcement measures. The agreement will call for better international coordination, consensus on best enforcement practices and alignment of parties’ legal frameworks to ensure that adequate criminal, civil and border protection measures are in place. ACTA, while not pursued under the auspices of an international organization, will be consistent with the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), and will establish a free-standing agreement that can be joined by countries on a voluntary basis.

The fifth round of negotiations on ACTA was held in Rabat in July 2009.

**Business action** (continued)

BASCAP also seeks to encourage a better understanding of the problem, by developing and promoting tools for more effective IP management, including the IP Guidelines for Business, best practices for supply chain intermediaries, and cost-benefit assessments of effective IP theft deterrents. In addition, ICC has called upon G8 leaders to act on a short list of concrete recommendations, including:

- Abolishing known counterfeiting markets;
- Prohibiting transshipment of counterfeits through free trade zones;
- Endorsing the World Customs Organization framework standards;
- Assessing the capabilities to stem counterfeiting and piracy of G8 and key developing country governments and allocating indicated resources; and
- Fortifying criminal sanctions.

ICC has pointed out to G20 leaders that their efforts to stabilize the economy and stimulate economic growth, trade and employment must include the critical and pervasive role that intellectual property (IP) protection plays in driving innovation, development and jobs.

ICC has supported OECD's work in connection with its landmark 2007 study, 'The Economic Impact of Counterfeiting and Piracy', which looked at data provided by customs authorities around the world to quantify the economic effects of counterfeiting and piracy in international trade.

In addition to collaborating with the OECD to promote the findings of the 2007 study, ICC has contributed to the OECD's continuing engagement on the problem, in particular, by (a) updating the results of the 2007 study and supplementing OECD research with private sector research on the extended costs of counterfeiting and piracy; and (b) supporting the development of an OECD Recommendation regarding counterfeiting and piracy.

ICC has joined the International Trademark Association (INTA) in providing support and specific recommendations to the group of governments embarking on the negotiation of an Anti-Counterfeiting Trade Agreement (ACTA) and formed a 'global business' voice of some 20 national anti-counterfeiting associations supporting ACTA.

ICC has provided expertise and comment on areas addressed by ACTA, particularly related to civil enforcement, criminal enforcement, border measures, digital parameters and international coordination necessary to move ACTA into an effective implementation stage after national ratification.

#### IV. EXHAUSTION OF INTELLECTUAL PROPERTY RIGHTS

The issue of how IPR should be used to control distribution of products put on the market by the intellectual property owner or with its consent, through the doctrine of exhaustion of rights (parallel imports), becomes more acute with the globalization of the economy and the development of Internet commerce. While many believe that international exhaustion would severely undermine IPR and distribution networks, some argue that international exhaustion is a necessary and logical result of globalization, trade liberalization and electronic commerce. Views on this topic vary according to the type of right in question and the business sector involved. It is nevertheless relatively clear that in countries that encourage local working of patents, international exhaustion operates contrary to this goal, insofar as it affects the ability of patentees to control the importation of legitimate goods by third parties in direct competition with a local licensee or exclusive distributor. There are also arguments that consumers would not be better off in terms of availability or prices of goods under a regime of international exhaustion. The issue of parallel imports has also been raised recently in the context of discussions on access to medicines.

##### **Business action**

Business will continue to contribute its views and experience to the debate on the exhaustion of rights which is of interest to many countries and regions, and is also discussed in international fora. However, legitimate rights should not be undermined by the facilitation of parallel importation.

Businesses have a legitimate interest – for reasons relating to commercial strategy, local (re)investment and employment, quality control, brand reputation, safety, etc. – in controlling the distribution of their goods across different markets to ensure that products tailored for one market are not sold in another.

##### **Government action**

When determining their policy on the exhaustion of intellectual property rights, policy makers should take into account the absence of a true single global market. This means that a regime of international exhaustion is on balance more harmful than beneficial to international trade and investment, and to innovation in the long term.

## V. VALUING, TRADING AND SECURITIZING INTELLECTUAL PROPERTY RIGHTS

Intellectual property rights (IPR) are now recognized as valuable assets in businesses. In principle, their valuation can help businesses to better exploit their intellectual property through licensing and other means of trading (e.g. in the form of securities), to increase their asset value, to obtain financing and to take informed investment and marketing decisions. Company reporting requirements and assessment for taxation may also require such valuation.

Different methods have been used for valuing IPR including industry standards, ratings or rankings, discounted cash flow, use of rules of thumb, real options and Monte-Carlo analysis, and auctions. Due to the unique nature of IPR, the method for IPR valuation is typically selected on a case-by-case basis, and a combination of methods is sometimes used in an effort to show a fair range of values for a particular IPR. Therefore, it is doubtful whether a single universal method for valuation can be developed to apply in all cases to best determine the fair range of values for a particular IPR. Regardless of the selected method or methods, the aim of the valuation is to identify and quantify the economic benefits that IPR are likely to generate, and ultimately the likely cash flow from those economic benefits.

Recent efforts to find general market-based approaches to valuation include objective ratings models now offered in US, Europe and Japan, live multi-lot IPR auctions, stock equity indexes and Exchange Traded Funds based on the value of corporate IPR (NYSE: OTP and NYSE: OTR, and an IP Exchange in Chicago) designed to enable investor and company participation in a spectrum of IPR-related financial products.

In conducting due diligence studies of IPR, businesses and the financial community need to recognise that because patents are unique, their value cannot be determined without proper legal analysis, considering issues such as validity, enforceability, scope of IP rights, potential revenue from infringement by others, and potential liability from infringing the IPR of others. Such studies provide more reliable information about the financial value of the IPR, as well as information useful in setting business direction and strategy, than do automatic techniques such as “citation analysis”, which at best provide only a rough guide to patent value, and may be quite misleading.

In 2007, the German Institute for Standardization, DIN, published PAS 1070 “General Principles of Proper Patent Valuation” (SAB) to assess the quality of valuation reports and expert appraisals. DIN initiated an international standardization project on patent valuation at the International Organization for Standardization, ISO, which will appoint a committee to develop an ISO-standard for patent valuation if all relevant and concerned groups express interest to ISO through their national standardization bodies.

### Business action

There are now an increasing number of professionals specializing in IPR valuation, especially of brands and patents, who use different valuation methodologies. A new international accounting standard will lead to brands being recognized in balance sheets in more countries.

Concerns have been raised by business and intellectual property organizations that some of the provisions concerning IP assets in the UN Commission on International Trade Related Laws (UNCITRAL) draft Legislative Guide on Secured Transactions – adopted in January 2009 – might have negative unintended consequences on IP licensing practices and trade.

### Government action

An increasing number of governments have established programmes to encourage their enterprises to exploit their intellectual property assets. The valuation of intellectual property is seen as an important tool for enterprises in this context. Government bodies in several countries now provide services to help companies to raise funds based on IPR.

**Business action (continued)**

UNCITRAL will add an IP Annex to clarify certain areas of the Guide in its application to IP. This is in response to concerns that the Guide does not adequately differentiate between IP and other kinds of property, such as tangible property.

**Government action (continued)**

To increase transparency for financial and technological markets, several governments including Denmark, Germany and Japan, as well as the European Commission, are also encouraging companies to report their intellectual assets through guidelines and recommendations.

Intergovernmental organizations such as WIPO, the OECD and the UN Economic Commission for Europe organize seminars and compile resources on this issue. UNCITRAL has included IP assets in the scope of its draft Legislative Guide on Secured Transactions. This will make recommendations as to how country laws can be harmonized internationally to cut across legal restrictions on the availability of low cost finance and credit.

UNCITRAL has been attentive to concerns raised by business and IP organizations that the current language of the Guide might be counterproductive with regard to the availability of IP financing and is now finalizing an IP Annex to the Guide.

Accounting rules relating to cost can cause assets developed internally to appear to be worth "less" than their fair market value, which in turn lowers the company's market value. This does not seem to be a general problem, as most countries allow the asset to be revalued and marked-to-market in subsequent years.

However, in some countries, such as Brazil, it is a problem because revaluation is subject to restrictions. Therefore, governments should consider whether their accounting standards for IPR unfairly value assets developed within a company, and revise those standards on a need basis.

Brand value is recognized in the WIPO Joint Recommendation on Provisions on the Protection of Well-Known Marks as a criterion for determining whether a mark is well known and therefore subject to special protection. The recommendation requires a solid and transparent methodology to give reliable information to trademark authorities.

## VI. DIVERSION OF INTELLECTUAL PROPERTY REGISTRATION FEES

Although this is apparently a declining problem in some countries, a substantial portion of the fees collected by the local intellectual property office is diverted or retained by governmental authorities for purposes which have no relation to the operation of the office, raising the following concerns:

- This jeopardizes the operation of the office and the quality of its services, and forces it to work on a reduced budget; and
- It undermines all the international efforts currently directed towards reducing the costs of intellectual property protection.

### **Business action**

The apparent decline in some countries in the traditional practice of diverting Intellectual Property Offices' (IPOs) fees in recent years does not seem to be a result of consistent changes in the laws that govern the allocation of such fees, but from decisions taken by relevant authorities based on short term policies aiming at allowing IPOs to operate properly. Users of the IP system should monitor the situation in order to ensure that this policy is maintained, and where the problem of deviation still exists, to coordinate efforts through relevant associations to make authorities aware of the deterioration in the quality of patent examination, caused to a large extent by an insufficient budget and the lack of autonomy of patent offices to take appropriate action.

To take into account the desire of the governments of some developing countries to integrate the development dimension into intellectual property discussions, business supports the use of part of the revenues from intellectual property offices - particularly in developing countries - to help local companies and persons make better use of the intellectual property system and/or facilitate the transfer of technology.

### **ICC action**

ICC issued "The Use of Intellectual Property Registration Fees" (12 September 2002) and will seek to implement this by coordinating its efforts with other international associations.

### **Government action**

Considering the existing significant backlogs in patent examination, governments must ensure the allocation of the appropriate budget to national offices. Where this is not the case, governments should also consider allowing their IPOs full independence to administer the fees they collect from applicants.

## VII. CLIENT PRIVILEGE AND IP PROFESSIONAL ADVISORS

In common-law countries, courts frequently exercise the power to order a party to a trial to disclose confidential documents if these are relevant to the trial. This process (most commonly called “discovery”) can include communications between the party and non-legal professional advisers such as accountants, surveyors, and doctors. However, communications between the party and locally-regulated legal advisers are in general “privileged”, i.e. excepted, from “discovery”, even if they occurred before the trial was contemplated. Unfortunately, the law on how to treat communications with foreign legal advisers has not developed coherently or consistently in the common-law countries. This is of particular significance for intellectual property trials, because many such trials involve parties one or both of whom has taken legal advice related to the subject of the trial in numerous territories.

In particular,

- IP owners risk losing confidentiality in advice they obtain from IP advisers in the course of seeking protection through patent, design, and trade mark applications; and
- Businesses defending themselves against IP infringement actions risk losing confidentiality in the advice they obtained before commencing the alleged infringing act.

If privilege is not recognized in one country, a party may be required to make that advice public in that country. Consequently, privilege will also be lost through this publication in another country where it would otherwise have existed. This will – in the long run – inevitably lead to problems for all innovators, whether IP owners or not.

The companies most at risk are those involved in litigation outside their home country in a common-law jurisdiction, especially those whose home country is a civil-law jurisdiction.

A paper produced by AIPPI in July 2005 prompted WIPO, in May 2008, to hold an informal symposium on privilege in IP advice. Both government representatives and NGOs attended. Authoritative speakers from various regions of the world reported the problems that were being encountered.

At the symposium and in a submission, ICC discussed the problems for international business and proposed a specific solution, that is an international instrument which would:

- Require each country to specify those local legal advisers whose clients would benefit from the international instrument; and
- (So far as intellectual property disputes are concerned) require each country, to the extent it has a doctrine of discovery and privilege, to apply its existing doctrine of privilege equally to the clients of legal advisers nominated by itself and to the clients of legal advisers nominated by any other country.

### **Business action**

Business should continue to press governments to make this issue a priority.

### **ICC action**

ICC issued “Client Privilege in Intellectual Property Advice” (24 November 2008), which outlines its proposal for an international instrument, and “Client Attorney Privilege in Intellectual Property Matters: Additional Observations” (27 August 2009), which was submitted to WIPO. ICC will continue to follow and provide input into the WIPO’s Standing Committee on Patents.

### **Government action**

WIPO is continuing work on this subject in the Standing Committee on Patents. In March 2009, numerous national delegations supported need for action, while others sought reassurance on certain points.

WIPO should continue to work on this subject, satisfying all national governments of its importance and dealing with concerns in a way that does not delay action.

## C. Interaction between intellectual property and other policy areas

Previously confined to the technical domain, intellectual property issues have become increasingly politicized, due in part to the increasing economic importance of intellectual property, the inclusion of a number of intellectual property-related issues in the WTO Doha Development Agenda, the introduction of intellectual property concepts in communities and countries previously unfamiliar with them, and misunderstandings over the use of intellectual property rights in connection with culturally and socially sensitive material previously assumed to be in the public domain (e.g. genetic material, traditional remedies, etc.). A tension between the commercial interests of the proprietor of the intellectual property and the public interest in sensitive areas such as health, ethics, development, the environment and consumer protection has also been perceived in certain communities.

### Business action

Business will need to focus on communicating effectively on intellectual property issues to defuse political opposition and obtain public support for IPR. A dialogue should be developed, where possible, between rightsholders and the various communities hostile to IPR. Business is supporting initiatives by intergovernmental organizations, such as WIPO, WTO, and the UN Economic Commission for Europe, to raise awareness of the benefits of IPR in different parts of the world.

The Business and Industry Advisory Committee to the OECD (BIAC) prepared a discussion paper entitled “Creativity, Innovation, and Economic Growth in the 21st Century: An Affirmative Case for Intellectual Property Rights”, for the OECD Committee for Scientific and Technological Policy, held in January 2004.

### ICC action

ICC issued “Intellectual Property: Source of Innovation, Creativity, Growth and Progress” (15 July 2005) to explain the rationale behind IP protection. ICC developed a dialogue with delegates to WIPO on how the intellectual property system can be used to help countries achieve their developmental goals.

### Government action

Governments must develop their own understanding of the issues, in particular through coordination between departments. Consistency should be ensured between the objectives of intellectual property policy and policies in other areas, such as health, agriculture, the environment, trade and industry.

Governments should ensure consistency between their own efforts devoting resources to the development of local knowledge and innovation on the one hand, and intellectual property protection on the other.

## I. PROPER USE OF INTELLECTUAL PROPERTY RIGHTS FOR ECONOMIC DEVELOPMENT

While not new, the argument that intellectual property rights systems only benefit developed countries and foreign companies - and indeed may counteract economic development for developing and least developed countries and prevent access by local populations to technology - continues to resonate in certain countries and among some groups. This was in particular manifested in the discussions on a Development Agenda for WIPO.

The value of the TRIPS Agreement for developing and least-developed countries has been questioned in the context of this debate. Issues raised include: the availability of medicines at reasonable prices linked with compulsory licensing, protection of data submitted to obtain marketing approval, and pharmaceutical product

patent protection; enforcement of intellectual property rights; the availability of copyrighted material in textbooks and journals for education and research; access to, use of and protection for genetic resources, traditional knowledge and folklore; effects of IPR on transfer of technology from developed countries; and the extension of protection relating to geographical indications to sectors other than wines and spirits. By earlier WTO decisions, the least-developed countries have been given an extension until January 1, 2016, for providing patent protection for pharmaceuticals and an extension until July 1, 2013, to implement all other parts of the TRIPS Agreement.

An important facet of the relationship between intellectual property and development - which has received much less media attention - is the positive role that the intellectual property system can play as a tool to stimulate economic development.

An example of this is the role of intellectual property in modern sports. Since the early eighties, the use of IP to finance sporting events has been growing substantially in both developed and developing countries, leading to economic benefits in such countries. Major sporting events such as the Olympic Games, the Football World Cup, regional games, the America's Cup, and tennis and golf tournaments, among others, have moved substantial amounts of money. The last twenty-five years have shown that IP in sports is a fundamental element of economic development, being used by all countries regardless of their level of development. IP issues arising out of marketing, merchandising, licensing and franchising in the field of sports include trademarks, service marks, designs, copyright, domain names, image protection, counterfeiting and piracy and ambush marketing.

#### **Business action**

Business will continue to develop and put forward the case that strong intellectual property rights will encourage research and development and business development in local communities, and that intellectual property rights are a key factor for promoting trade and FDI also for developing and least-developed countries. Business will continue to promote the full and effective implementation of TRIPS.

Business should take an active part in the discussions in WIPO, especially in the newly set up WIPO committee to implement the agreed proposals in the Development Agenda, and should follow ongoing studies in the OECD and in WIPO on linkage between developments in IPR and developments in trade, FDI and economic performance.

Businesses should avoid taking a confrontational stand on these issues, particularly with governments of developing nations, but instead try to comprehend these issues and create "win-win" situations wherever possible.

#### **ICC action**

ICC is contributing to discussions on the relationship between intellectual property protection and development related issues and took an active part in WIPO meetings in 2006 and 2007 on the Development Agenda for WIPO. To help negotiators better understand how the intellectual property system can be used in practice to stimulate development, ICC organized a series of panel discussions in Geneva between 2005 and 2007

#### **Government action**

Governments should recall that the Doha Ministerial Declaration on Implementation-related issues reaffirmed the importance of TRIPS provisions for developed countries to provide incentives for technology transfer to least developed countries.

Technical assistance should continue to be provided by WTO, WIPO and individual countries to facilitate TRIPS implementation in all countries. Technical assistance should be focused on development areas, training of technical and legal persons to translate good ideas into patentable inventions, and at the same time promoting and respecting the traditional knowledge of nations.

Governments and relevant intergovernmental organizations should coordinate with industry organizations to help local businesses better understand and use the intellectual property system to improve their competitiveness.

Governments should put measures into place that improve the innovative potential of enterprises and their capacity to recognize and integrate new technologies. Governments must also raise awareness that the future of a country and the well-being of its population are greatly determined by those who invent and innovate.

**Business action** (continued)

to demonstrate how developing countries can harness the intellectual property (IP) system for development. ICC papers issued include “Preliminary Views on the Proposal for a Development Agenda for WIPO” (4 April 2005), “Making Intellectual Property Work for Developing Countries” (19 July 2005), and “Recommendations on the Implementation of the WIPO Development Agenda” (29 November 2007), as well as presentations and other information from the panel discussions. ICC continues to participate in the work of the WIPO Committee on Development and Intellectual Property and will organize a discussion on the use of IP to promote a sports economy in April 2010.

ICC, with its chamber of commerce network worldwide, has developed a toolkit to help chambers of commerce and other business organizations to educate local businesses about using the intellectual property system to develop their businesses.

ICC and WIPO held their first joint IP workshop for chambers of commerce and other business support organizations during September 2008.

## II. ENVIRONMENT

### 1. Biological diversity

Increasingly, the world community acknowledges the importance of the natural environment, for many reasons, both moral and economic. The Convention on Biological Diversity (CBD) is one consequence. The objects of this treaty are to conserve biodiversity, to promote its sustainable use, and to share fairly the benefits of this use. The CBD recognizes the sovereignty of member countries over genetic resources found within their boundaries, and sets out principles upon which access to genetic resources are to be provided.

A total of 193 countries, and the European Union, are now Parties to the CBD. The US is the only significant country that has not ratified it. However, few parties have so far passed laws on access and benefit-sharing requirements. Those seeking access are not clear how to obtain it, or with whom they should negotiate (particularly when indigenous peoples are involved). This inhibits the access that the CBD seeks to promote.

All countries are both users and providers of genetic resources. Some perceive the patenting of inventions based on such resources as undermining national sovereignty, and as encouraging unsustainable use and “biopiracy”. These perceptions, aggravated by profound differences in history and culture, have led to allegations that intellectual property rights are both unjust and incompatible with the protection of the environment. TRIPS, it has been said, conflicts with the CBD, and must therefore be amended.

In particular, there is pressure to provide in patent specifications more information about genetic resources (and perhaps also other biological materials) which they use and to make patentability of such inventions dependent on such information: both information about the source of these materials, and confirmation that the resources have been obtained legally under the CBD (i.e. with Prior Informed Consent (PIC)).

In the WTO, different proposals have been tabled seeking negotiations to amend the TRIPS Agreement to mandate the disclosure of origin of biological materials referred to in patent applications. Ministers at the WTO Hong Kong Ministerial Meeting in December 2005 agreed to intensive discussions on the issue and set a timetable; however, little progress has been made. A group of developing countries suggested in 2006 an amendment to the TRIPS Agreement including a sanction that failure to disclose might invalidate the patent. In July 2008, a group of countries led by Brazil, EU, India and Switzerland proposed negotiations in the WTO on a disclosure requirement in combination with negotiations on issues relating to geographical indications. While international agreement on disclosure requirements seems far off, many national laws are being adopted. Countries having disclosure requirements either mandatory or voluntary, or considering them, include not only developing countries such as the Andean Pact, India, China, Egypt and South Africa, but also developed countries including Norway, Switzerland, New Zealand and some EU member states. The European Union has proposed that WIPO should introduce a mandatory international disclosure requirement for genetic resources.

Another way proposed within the CBD context for dealing with these concerns is by a system of “certificates”. The idea is that all biological materials should have certificates, which would serve like passports as evidence that the materials they related to had been obtained legally (or at least in conformity with CBD provisions). The implications of any such scheme are unclear, but could be far-reaching, and potentially damaging to business and society at large. A current goal of the CBD is to conclude an International Regime on Access and Benefit-Sharing (ABS) for genetic resources in 2010, and intensive negotiations are under way.

### Business action

Business will continue to contend that intellectual property rights are compatible with the protection of the environment and can promote the objectives of the CBD, such as sustainable use of genetic resources and equitable sharing of benefits. Business will also continue to attempt to defuse emotional issues, reduce inflated expectations and rationalize the debate, especially in the media. Business will seek to comment constructively on proposals for special disclosure requirements in patent applications and compliance certificates.

Business supports suitable compensation for use of genetic resources, in line with the CBD. On disclosure of origin, business generally opposes using the patent system to enforce unrelated obligations. Business particularly deplores the proliferation of inconsistent requirements in this area. These will increase costs and deter development of sustainable uses of biodiversity. Business will argue against requirements for the disclosure of the origin of biological materials in patent applications. These will increase legal uncertainty. They are neither effective as a tracking mechanism for access and benefit sharing nor workable in practice as the origin of genetic resources is often impossible to determine.

### ICC action

ICC issued “TRIPS and the Biodiversity Convention: what conflict?” (28 June 1999), which argues that TRIPS and the CBD are mutually supportive rather than in conflict. ICC acts as a focal point for businesses in the CBD/ABS negotiations, contributes to the discussions in WIPO and the WTO, and has issued several papers on related issues. ICC will seek to propose practical solutions to these problems, being sensitive to cultural differences. ICC submissions to the CBD/ABS negotiations include: “Nature, Traditional Knowledge and Capacity Building” (18 September 2009); “Pathogens and the International Regime on Access and Benefit-sharing” (11 September 2009); “Traditional Knowledge Associated with Genetic Resources” (30 April 2009); “Objective, Scope, Fair and Equitable Benefit Sharing, Access and Compliance” (15 December 2008); “Access and Benefit Sharing: Priority Issues for the Compliance TEG” (28 November 2008); “Access and Benefit Sharing: Sectoral Approaches, Concepts, Terms, Working Definitions” (17 October 2008); “Access and Benefit Sharing for Genetic Resources” (29 October 2004); and “Access and Benefit Sharing: Special Disclosure Requirements in Patent Applications” (25 May 2005).

### Government action

Governments should ensure coordination between their policies on the environment and on intellectual property, as well as on trade. Policy makers should carefully consider the evidence and consult fully with business and intellectual property circles before introducing any legislation intended to protect the environment that could undermine intellectual property rights. In particular, governments should deal with the issue of disclosure of origin in patent applications in a sensible way: promoting the specific objectives of the CBD without imposing unreasonable burdens on innovators.

Parties to the CBD must promptly put in place effective and transparent access legislation, making it clear who has the right to grant access, and who must be consulted, how and in what circumstances. Without such laws, users are confused, access is inhibited and respect for the CBD is undermined.

The 2002 CBD Bonn Guidelines on Access to Genetic Resources and Fair and Equitable Sharing of the Benefits Arising from their Utilisation are an important tool to aid countries in thinking through the task of framing national regimes.

In addition, the WIPO Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore is developing Intellectual Property Guidelines for Access and Benefit Sharing Contracts as another tool for countries that may contribute to R&D and ultimately to the perfecting of intellectual property rights dependent in part on such resources.

## 2. Climate change

Climate change is a global problem that requires a global solution, particularly given the wide range of impacts and interconnectivity of solutions required.

Both mitigation and adaptation to climate change will require major changes in business operations and lifestyles. For both, innovation will be vital. The role of technology development and deployment is crucial to meet this challenge.

### Business action

Business has been an active player in the push to lower the cost of emissions reduction and search for innovative solutions towards a low-carbon economy. Business can help accelerate the necessary technology research, mobilize funding, and implement present and future clean energy technologies.

Business is actively contributing to discussions within the United Nations Framework Convention for Climate Change (UNFCCC), including those relating to technology dissemination and IP.

### ICC action

ICC is the coordinating umbrella body for business in the UNFCCC negotiations. In this context, ICC has issued papers relating to technology development and dissemination including “Technology Development and Deployment to Address Climate Change” (31 November 2008) to the UNFCCC 14th Conference of the Parties (COP) meeting in Poznan, Poland, (31 November 2008) and “Climate Change and Intellectual Property Rights Protection” (10 September 2009) highlighting the important role of intellectual property.

### Government action

Governments have a critical responsibility to react appropriately to the challenges of climate change. This will require great prudence and political skill. In planning their actions they must balance great uncertainties and the need to retain flexibility in the face of the unknown. Technical advances are a promising route to reduce anticipated ill-effects; and the more varied the approaches that are tried, the faster and greater the chances of success. Governments should be wary of inhibiting the creation or development of such advances. Accordingly they should resist proposals for special rules (such as compulsory licensing) for such inventions. These would be unlikely to promote wider application of such inventions, and quite likely to inhibit their production in the first place.

### III. TECHNOLOGY DEVELOPMENT AND TRANSFER

ICC believes that the availability of economically feasible options to address global challenges – including to health, the environment, and food security – will depend on the development, commercialization and widespread dissemination of effective existing technologies and new, currently non-commercial technologies. The private sector has been, and will continue to be, responsible for the vast majority of investments and the development and diffusion of the new and improved technologies that will be essential to meet these challenges. The ability to amortize these investments and assure a return to those who supply the necessary capital is secured by intellectual property protection of the inventions that will result from the private sector research and development effort.

In particular, IP encourages innovation and creates a favourable environment for foreign direct investment and international trade in goods and services. IP also performs an important development function in providing a basis for the transfer of technology and the development of local industry. All of the foregoing is essential for sustainable economic growth and to yield concomitant benefits in areas affecting the public interest, including health, the environment, and food security. The role that IP plays in economic growth and development is not, however, fully realized or appreciated in some sectors and in some countries – in particular in some developing countries. This is due to a low awareness of the importance of innovation and IP rights in business and academic communities, as well as government.

In a world of increasingly complex technology, new product development—and even progress itself—depends on the ability to pull together ideas, expertise and innovations from multiple disciplines and often from multiple entities (both public and private) and multiple countries. To create new products and services in a fast-changing marketplace, many companies find it crucial to be able to share ideas and work closely with partners, academics and even competitors. This approach is often called “open innovation”. There is growing recognition that IP is an effective tool to enable companies to collaborate in an open manner.

Business is the primary source of innovation and when provided with the right environment, is a critical actor in the development, demonstration, commercialization and dissemination of technology. The “right environment” includes not only enforceable intellectual property rights and supporting institutions, but also incentives for research and development including tax incentives and direct government investment. It should also be understood that business does not engage in research, development and commercialization in isolation. Rather, business often forms partnerships with governments, academic and other non-profit research organizations to leverage resources and benefits to mutual advantage. However, government and academic contributions to innovation frequently are in the area of basic research and demonstration and it often requires large investments of private capital to make the fruits of this research available to the marketplace. Generally, the most efficient means of rapidly moving government and academic research to market is the transfer of patents or the licensing of patents and related know how to the private sector thereby creating an incentive for the private partner to invest the necessary capital in the joint enterprise.

When governments consider potential mechanisms to foster the transfer of technology, they should not resort to solutions that might jeopardize the essential role of patents by creating additional burdens on intellectual property owners. In particular, the restrictions on the use of mechanisms such as compulsory licensing contained in the TRIPS Agreement, should be respected when technologies are transferred from one national market to another. Any limitations on free market licensing of technology should be limited to extremely rare short-term situations involving true national emergencies in which there is no alternative. Compulsory licensing should never be used to obtain commercial advantage for the country receiving the technology. To do otherwise would jeopardize all transfer of technology across national boundaries and prevent the transnational cooperation essential to addressing issues that transcend national borders.

### Business action

Business will need to work to ensure that actions by governments and by international organizations focus on how to make effective use of intellectual property rights to address issues of economic and technological development. The goal is to focus on solving practical, real-world problems, while maintaining the incentives and technology-transfer capabilities inherent in the global intellectual property system.

Business participates in a number of public private partnerships as well as in private sector initiatives for researching and supplying needed technologies – including drugs and vaccines - to developing countries, which is discussed in the ICC paper “Further Views on Cross Border Compulsory Licensing” (21 November 2002).

Business is also providing free or affordable access to biomedical products and to scientific and technological information in the areas of health, food and agriculture, and the environment by institutions in low-income countries through public-private initiatives such as HINARI (Health InterNetwork Access to Research Initiative), AGORA (Access to Global Online in Agriculture) and OARE (Online Access to Research in the Environment).

Business will also continue to promote awareness in international organizations and in all countries of the essential role of IP protection in stimulating research and innovation generally.

Additionally, business needs to improve its efforts with governments and enterprises of all countries to promote the idea that respecting IP rights through efficient and balanced processes for the grant and enforcement of intellectual property rights is a key element of competitiveness, and promotes research and development.

The role of compulsory licensing in connection with technology development and transfer continues to be a difficult and complex issue. Compulsory licensing of patents is specifically provided for under international law – including the TRIPS Agreement – subject to certain conditions. Business notes with concern, however, that broad and aggressive use (or the threat of use) of compulsory licensing has a negative effect on decisions to invest in the development of new technologies and the transfer of new technologies to countries that use (or threaten to use) compulsory licensing in that way. Business will continue to follow closely the implementation, use, and threat of use of compulsory licensing and urge government action to guard against compulsory licensing that threatens the development and transfer of technology. In particular, business will continue to urge that compulsory licensing be done strictly in accordance with international law.

### Government action

Business would like to see coherence and coordination between strategic sectors, such as healthcare, environment, energy and food, and IP policies. Governments must recognize that issues of development are complex and varied and must be tackled with different means adapted to the particular context of each situation. Many factors other than patented products should play a role in defining a core strategy for government programs to address development generally and in specific areas including health, nutrition and the environment.

Governments should work towards building local innovative capacity and implement policies which support technology development and transfer. These include developing a well-trained and educated workforce, providing suitable tax incentives, ensuring effective protection of intellectual property rights, providing a legal framework to support market-based licensing of those rights, putting in place regulations favouring investment and trade, providing funding incentives to research, developing and cataloguing genetic resources, and implementing appropriate policies in other areas.

When formulating policies which affect intellectual property rights, international organizations in particular fields (such as the WHO in the field of health, and UNFCCC and the CBD in the field of the environment) should work more closely with and seek the direction of WIPO and WTO.

Governments must work, at the national level as well as in the TRIPS Council, to ensure that the national and regional implementation of the 2005 WTO Decision on an amendment of TRIPS to introduce cross-border compulsory licensing will be done in good faith and to the benefit of patients in need in developing countries. Governments should also maintain the safeguards for the rightsholders provided in the WTO Decision.

Further, governments should understand that loosening of the conditions for compulsory licensing places the incentivising effect of patents at risk, including for individual inventors and small businesses in developing countries because such measures would have to apply to all rightsholders, including domestic rightsholders.

**Business action** (continued)

Business will continue to follow and contribute to the work of the intergovernmental organizations addressing technology transfer related issues, including health, the environment and food security.

This includes contributions to:

- (i) The implementation of the global strategy and plan of action on public health, innovation and intellectual property at the WHO;
- (ii) The implementation of the development agenda at WIPO;
- (iii) Discussions on IP and climate change under the UN Framework Convention on Climate Change;
- (iv) Discussions on technology transfer within the Convention on Biological Diversity; and
- (v) Discussion on technology transfer within the WTO.

**ICC action**

ICC has taken active part in debates on technology development and transfer generally and in certain sectors of technology. In the health sciences area, ICC has submitted an Issues Paper to the CIPIH (Commission on Intellectual Property Rights, Innovation and Public Health): “The Importance of Incremental Innovation for Development” (27 May 2005) and “Intellectual Property and Medical Innovation” (28 September 2007) to the WHO in connection with the IGWG consultation process. In relation to IP and the WIPO Development Agenda, ICC has submitted the following documents: “Making Intellectual Property Work for Developing countries” (19 July 2005) and “Recommendations on the Implementation of the WIPO Development Agenda Proposals” (29 November 2007). In the area of IP and climate change, ICC submitted the following documents to the UNFCCC: “Technology Development and Deployment to Address Climate Change” (31 November 2008) and “Climate Change and Intellectual Property Rights Protection” (10 September 2009) In the context of the Convention on Biological Diversity, ICC has made a submission on “Nature, Traditional Knowledge and Capacity Building” (18 September 2009) including a discussion on technology transfer.

**Government action** (continued)

Governments should continue with their efforts to provide incentives for technology transfer to least-developed countries under Article 66(2) in the TRIPS Agreement.

Governments must also work at the national level in connection with the negotiations of a post-2012 agreement under the UNFCCC, the WHO’s global strategy and plan of action on public health, innovation and intellectual property, and the ongoing implementation by WIPO of the Development Agenda to ensure that the negotiations do not lead to a weakening of IP rights.

## IV. COMPETITION POLICY

### 1. General issues

Tensions naturally exist between competition law (“antitrust law” in the US) and intellectual property rights. TRIPS Articles 8.2 and 40 allow WTO members to adopt measures to control anti-competitive practices based on intellectual property rights. WTO, OECD and UNCTAD have set up groups to study such practices but the major activity has been in the US and the EU as described below.

Competition authorities have identified over the years three distinct ways in which intellectual property may prove anticompetitive:

- (i) A dominant position resulting from ownership of intellectual property may be abused by its owner.
- (ii) A licensor may impose restrictive licensing terms on his licensee which secure inappropriate reward for his intellectual property (for instance by licensing a patented process on the condition that an unpatented starting material is purchased from him – so-called “tying”).
- (iii) If a Patent Office grants patents of low quality (even though the patents are later challengeable in court) and if the law is generally uncertain, competitors of patentees may choose to respect them rather than to ignore or challenge them.

In the US, issue (i) was addressed in a preliminary way by an October 2003 report of the Federal Trade Commission and at more length in an April 2007 report of the Federal Trade Commission jointly with the other US agency enforcing anti-trust law, namely the US Department of Justice through its Antitrust Division. The view taken was that intellectual property rights only rarely create monopolies in the antitrust sense. European Commission officials have historically taken a less relaxed view and over the last few years have actively sought to use competition law enforcement procedures in relation to perceived abuses of dominant position by enforcement of intellectual property rights.

Issue (ii) is addressed in the US by Guidelines, and has been discussed further in the 2003 and 2007 reports. The reports took a relaxed “rule of reason” approach. In the case of tying and bundling, the FTC and the DoJ suggested that they would not pursue the use of tying and bundling by “businesses lacking in market power” if their use resulted in economic efficiencies. However, anti-competitive cases of their use would be pursued. In Europe, there is a voluminous and complex Technology Transfer Block Exemption Regulation, together with a related but not clearly compatible Regulation on research and development cooperation. These Regulations might be difficult for national courts to apply consistently, especially where some rather low market share thresholds in the Regulation were exceeded.

Issue (iii) was raised in the 2003 US report. This recommended specific changes to US patent law and procedure. The proposal presently before Congress would move US patent law from “first-to-invent” to “first-to-file”, would improve opportunities to challenge granted patents, and would codify the conditions under which triple damages for infringement would be awarded.

All three issues (i) to (iii) arose in the recent European Commission inquiry into the pharmaceutical sector referred to below under Special Situations. Even though the sector is indeed “special”, some of the conclusions, with adaptation, could apply in other sectors.

**Business action**

Business will provide input to discussions on the interface between intellectual property and competition at OECD, UNCTAD and WIPO as appropriate. Business will review US developments as they occur and comment. Business will monitor the practical effect of the EU Regulations.

**Government action**

Key patent legislation is still before the US Congress. The EU regulation on research and development cooperation expires at the end of 2010, and will require revision and/or renewal.

**2. Special situations**

In the European Union, the European Commission has limited, or sought to limit, the exercise of intellectual property rights in special market situations: listings of television programmes; structuring of market research results; and waste recycling. A concern for business is that special cases may be decided in such a way as inappropriately to prejudice the exercise of intellectual property rights in other contexts. The licensing of the use of technical information has been a major issue in the European Commission's proceedings against Microsoft in recent years.

As described in Section 6 of "Developments having an impact on intellectual property protection", participants in standards-setting bodies must be prepared to grant licences under patents if those patents would cover implementation of a proposed standard. In 2005, the European Commission expressed concern that the rules of the key European telecommunications standards-setting body might allow participants to behave anti-competitively (in particular by "patent ambush" through inadequate disclosure of existing patent positions). Responding to the Commission, this body (the European Telecommunications Standards Institute, "ETSI") revised its IPR policy in the same year and later set up an IPR Special Committee which continues to advise ETSI of necessary changes in ETSI procedure.

The pharmaceutical sector's business model relies on patents to an exceptional degree. The European Commission, in its inquiry into the pharmaceutical sector in 2008, sought to examine whether "originator" companies had used the patent system and agreements on patents, as well as other regulatory/administrative procedures, so as to delay the entry of generic competition after patent expiry. It also sought to examine whether use of patent system had reduced the number of novel medicines reaching the market.

The report, issued in 2009, did not find evidence of systematic abuse of the patent system or patent agreements by originator companies. It did, however, warn that the Commission was prepared to intervene using competition law in individual cases:

- (a) Where agreements (including litigation settlements) contained unlawful restrictions on entry of generic products, or
- (b) Where so-called "defensive patents" (i.e. patents in respect of which the owners were no longer pursuing relevant innovative efforts) were being used to block innovation by competitors.

The report also considered whether some features of the European Patent System had facilitated possible abuse. The report welcomed the European Patent Office's proposals to improve and accelerate its examination and opposition procedures, and particularly the new restrictions on the voluntary filing of divisional applications, all of which would in its view reduce uncertainty for competitors of the applicant. It welcomed the current attempts to establish a Community Patent and a unified patent litigation system across the European Union, believing that the present inconsistency of national courts in deciding on infringement and validity of essentially identical patents caused uncertainty for competitors of the patentee.

## V. INFORMATION SOCIETY

Digital high speed (broadband) networks enable the distribution of digital content and other cultural goods, both in streaming and on-demand formats. Content owners and authorized distributors are rapidly using high speed networks to provide services and content offerings on different delivery platforms using a variety of business models. However, the growth of such services is still challenged by difficulties in protecting the distribution of content in the high-risk digital environment. Despite a general recognition that intellectual property protection is an essential pillar for the development of electronic commerce and the integration of information and communication technologies, there is still the false perception by some that increased access to information, content and cultural products and services can only be secured through the limitation of intellectual property rights, primarily, in the case of the Internet, copyright and neighbouring rights, and trademark rights in the context of domain names.

At the heart of these arguments lies a fundamental misconception: that the free flow of ideas is inhibited by copyright protection, and hence to counter this, all information and content should be "free of charge". This is not correct. First, copyright protection does not apply to information, facts or ideas – only the particular form in which they happen to be expressed. Furthermore, granting copyright protection provides creators and producers the ability to obtain financing for their creative works and an incentive to distribute their works, which contain facts, ideas and original expression – since the creation, production and dissemination of content require time, skill, effort and investment. It is also important to note that copyright protection is not absolute – copyright is limited in time, and many exceptions to copyright protection already exist in most jurisdictions. Such exceptions are established in accordance with relevant international law and are determined at the level of national laws. Even with regard to uses where exceptions are not applicable, voluntary solutions – such as flexible licensing of new or pre-existing intellectual property rights – are evolving in forms that preserve the rights granted to the copyright holder while facilitating wider access to such works (e.g. licensing systems such as Creative Commons provide a range of standardized copyright licenses which specify what uses are permissible, and whether the content may be distributed or copied).

With this in mind, it is essential to recall that one of the primary purposes of copyright protection is actually to promote public availability of works that would otherwise not be shared with the public at large without a guarantee of the ability to protect them, and receive a return on the investment, time, effort and skill required for their production and distribution. While many have charged that “traditional” intellectual property laws should be adapted for the Internet through the implementation of additional exceptions and narrower rights, such a view is short-sighted. The Internet and technology in general have amplified the ways in which content, ideas and information can be disseminated, consumed and created. However, legislators and policy makers have always had to grapple with striking a balance between the rights of creators and the interests of users in the context of such new technological developments. Copyright law is inherently flexible to deal with such challenges, provided it is applied within a broader legislative framework that promotes the dissemination of content, recognizing that there are many factors beyond intellectual property protection that should be considered in promoting a balanced and productive information society.

Evolving issues in the area of copyright law have an impact on how content is distributed and made available to the public, and these are canvassed more fully in *Section A. IV, Copyright*.

### **Business action**

Business will continue to actively participate in the formulation of Internet policies that have an impact on intellectual property rights and promote the message that IPR protection fosters the creativity necessary for the development of the Internet, as well as the creation and dissemination of further works to the benefit of the public. Development of business models as well as reliable technical protection continues.

Businesses have engaged in numerous ventures to make significant amounts of content more widely available in a secure manner over the entire array of new media platforms. An example of this is the Automated Content Access Protocol (ACAP).

ACAP is a technical specification developed by a cross-sectoral industry group including publishers, other content industries and search engines that will inform search engines of the uses that they can make of content publicly available on websites and enable new business models. In the future more sophisticated machine-to-machine permissions transactions are anticipated, communicating usage permissions and policies electronically. ACAP was launched officially in New York on November 29, 2007. The “Robots Exclusion Protocol” (REP) is an existing protocol dating from the 1990s which provides ways to inform compliant search engines, either at site or page level, if they can crawl web pages on the Internet. ACAP allows for a broader range of access permissions beyond the capabilities of REP and beyond just search engines and has a formally governed ongoing process of development and extended implementation.

Business should continue to explore opportunities to increase safe and legal accessibility of materials. Business encourages a dialogue focusing on systems for technically secure on-line distribution of works, and digital rights management (DRM) technology to protect such distribution and foster innovation and creativity.

### **ICC action**

ICC launched the Business Action to Support the Information Society (BASIS) initiative in mid-2006 to represent business interests and provide business experience to global forums including the Internet Governance Forum (IGF), the Global Alliance for ICT and Development (GAID), the post-WSIS follow-up and implementation activities.

### **Government action**

Governments should adopt policies to foster innovation and creativity on the Internet that include the protection of intellectual property rights. A practical and effective way to achieve this is for governments to ratify/accede to the Berne Convention, TRIPS and the WIPO Internet Treaties and to implement and enforce the provisions of these instruments effectively.

The Government Advisory Committee to ICANN should encourage ICANN to adopt policies to foster electronic commerce, including furthering the protection of intellectual property. Governments should support effective enforcement of intellectual property rights and partnerships that permit secure and legal access to content on the Internet

## VI. USE OF OPEN SOURCE SOFTWARE

Open source software is software developed or licensed in such a way that its users have access to its source code and can execute, copy, distribute or modify it, provided they comply with the licence's terms and conditions. It is used by both private individuals and companies alongside proprietary, in-house and other types of software. Open source software, much of which is sold commercially, is one strand in a diverse software ecosystem encompassing a variety of licensing and business models. Indeed, companies in the software industry use a variety of development and licensing practices, recognizing that there is not a "one size fits all" approach to software development, licensing, and distribution.

### Business action

The IT marketplace is experiencing a growing level of collaboration between open source software and proprietary software schemes. Business urges the promotion of freedom of user choice as to whether to adopt open source software or use any other models, both in private and governmental sectors. Business also encourages policy and regulatory frameworks that promote technology neutrality with respect to user choice. This freedom should, however, entail respect for the copyrights and patents of third parties.

Business should continue to innovate in response to market demand, promote high standards of security in both proprietary and open source software, and continue to promote interoperability between products and services that need to share information.

### ICC action

ICC issued "Open Source Software" (27 December 2005), which presents a balanced view of the practical, pragmatic issues surrounding the emergence of this software development model in the marketplace, and the public policy implications.

### Government action

Governments should recognize the respective advantages and disadvantages of all software products and services, whether based on open source, proprietary or mixed models, and avoid policies which favour one model over another.

Many governments provide funding to government and academic institutions so they may undertake basic software research. The interest of these public institutions in research and development is often to use the created innovations for the benefit of society and is frequently the foundation of many commercial products.

Such public funding should not favour any particular model of software development. Software companies using any model of development should be able to continue to benefit from commercialization of publicly funded innovations.

## VII. DATA PRIVACY

In many countries and regional frameworks, rules on the protection of privacy - many of which are based on the consent of the individual to the collection, and/or use, and/or circulation of his personal data – permeate many aspects of business activity. Two examples are the OECD Guidelines on the Protection of Privacy and Transborder Data Flows of Personal Data and the EU directive on protection of personal data and privacy in the electronic communications sector. A more recent effort has been the creation of the Asia-Pacific Economic Cooperation (APEC) Privacy Framework. As raw information, personal data (i.e. any information that directly or indirectly allows the identification of individuals to which it refers) is not protected by intellectual property rights, but essentially by privacy laws.

The protection and licensing of IPRs are impacted by data protection and privacy regulation. This impact results from the fact that personal data may be processed in the context of the following activities:

- Creation of new IP-protected products and services (consumer rights software for instance);
- Incorporation in databases whose use is thereafter licensed, possibly as part of a broader IP package;
- Processing for research/study programmes (for instance in the medical field) whose results are expected to be protected by an IPR (patent or copyright mainly); and
- Development of new technologies and tools which may be protected by IPRs and which create new business opportunities.

Policies for data protection may also have the consequence of hampering efforts to enforce intellectual property rights. For example, in the European Union, there has been considerable controversy about the extent to which personal data, or data that may be considered to be personal under certain circumstances (such as Internet Protocol addresses), may be used to identify or track users who may be involved in IP violations. Tensions between data protection and intellectual property rights enforcement have also surfaced in debates and litigation over how much access should be allowed to ICANN's WHOIS database (which contains data on domain name registrants) and the extent of any obligations of technical intermediaries to supply data, such as Internet Protocol addresses, on alleged infringers.

### Business action

Business will work to ensure that present or future policies on privacy issues will appropriately respond to the needs of businesses to identify alleged infringers so as to enforce their IPR and to allow legitimate electronic collection and use of personal data. Business will continue to balance the interests of individuals, rightsholders and communication service providers in this area.

### ICC action

ICC endorsed the OECD 1980 Guidelines for the Protection of Privacy and Transborder Flows of Personal Data, and is committed to implementing fair information practices and transparent procedures consistent with these guidelines. ICC, with six other international business associations, also took part in the drafting of alternative standard contractual clauses for the transfer of personal data from the EU to third countries, which were approved by the European Commission in 2004.

ICC's Commission on E-Business, Information Technology and Telecoms has produced the ICC Privacy Toolkit which details the many advantages of a self-regulatory approach to data privacy.

### Government action

Governments should adopt a flexible and responsive approach to the protection of personal data, including the acceptance of self-regulatory solutions and technological innovations that empower the user, and balance those interests with other public policy objectives, such as the fight against cybercrime and counterfeiting and piracy.

Governments should work to ensure that data protection policy does not impede the legitimate protection of intellectual property rights. This should be achieved through a balanced approach that protects the rights of content providers and interests of individuals and other stakeholders in the digital-networked environment.

## The International Chamber of Commerce (ICC)

ICC is the world business organization, a representative body that speaks with authority on behalf of enterprises from all sectors in every part of the world.

The fundamental mission of ICC is to promote trade and investment across frontiers and help business corporations meet the challenges and opportunities of globalization. Its conviction that trade is a powerful force for peace and prosperity dates from the organization's origins early in the last century. The small group of far-sighted business leaders who founded ICC called themselves "the merchants of peace".

ICC has three main-activities: rules-setting, dispute resolution and policy. Because its member companies and associations are themselves engaged in international business, ICC has unrivalled authority in making rules that govern the conduct of business across borders. Although these rules are voluntary, they are observed in countless thousands of transactions every day and have become part of the fabric of international trade.

ICC also provides essential services, foremost among them the ICC International Court of Arbitration, the world's leading arbitral institution. Another service is the World Chambers Federation, ICC's worldwide network of chambers of commerce, fostering interaction and exchange of chamber best practice.

Business leaders and experts drawn from the ICC membership establish the business stance on broad issues of trade and investment policy as well as on vital technical and sectoral subjects. These include financial services, information technologies, telecommunications, marketing ethics, the environment, transportation, competition law and intellectual property, among others.

ICC enjoys a close working relationship with the United Nations and other intergovernmental organizations, including the World Trade Organization and the G8.

ICC was founded in 1919. Today it groups hundreds of thousands of member companies and associations from over 120 countries. National committees work with their members to address the concerns of business in their countries and convey to their governments the business views formulated by ICC.



**International Chamber of Commerce**

*The world business organization*

### **Policy and Business Practices**

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