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INTELLECTUAL PROPERTY

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## FOREWORD

This report is one in a series of publications dealing with the European Single Market being released by the Government of Canada. It reflects the research and analysis of one of the Government's Interdepartmental Working Groups on Europe 1992, established at the request of External Affairs and International Trade Canada (EAITC), to assess the measures put into place by the European Community to complete its internal market.

The working groups were asked to analyze the EC legislation pertaining to their area of expertise and assess the potential impact that this legislation will have on the Canadian economy. To complete this task, they have been working in consultation with the Sectoral Advisory Groups on International Trade and with industry associations.

The working groups' reports do not represent the final position of the Canadian Government. They are working documents published to facilitate the Government's consultation with the provinces and the private sector and to disseminate technical information on the European Single Market. Their purpose is to assist Canadian businesses in preparing their own responses to the challenge of 1992.

This report was prepared under the direction of the Europe 1992 Working Group on Intellectual Property chaired by Jim Keon, Director of the Intellectual Property Review Branch, Consumer and Corporate Affairs Canada. The principal author of the report was Sean Boyd, a research consultant with the European Community Division of EAITC, with significant contribution from Patrice Lemyre of the Intellectual Property Review Branch of CCAC.

Readers should note that developments are occurring very quickly as the European Community moves to complete the Europe 1992 initiative. This report reflects available information as of May 1991.

For further information, please contact (613) 996-2727. For more copies of this or other Working Group Reports, please contact 1-800-267-8376.

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## EXECUTIVE SUMMARY

With the European Community's (EC) plan to complete the single market after 1992, the need to harmonize the various member states' legislation concerning the protection of intellectual property (IP) is all the more important if the market is to function freely. Differences in protection among the member states will have a negative impact on the operation of the single market as the creators of knowledge-based goods/services attempt to prevent the unlawful exploitation of their innovations. The EC has been an active supporter of multilateral initiatives aimed at strengthening IP rights. The same basic approach has been adopted in its scheme for a Community regime whereby the EC is attempting to strike a balance between effective IP protection on the one hand and the need to ensure competition on the other.

The objective of the EC's IP initiatives is to achieve greater uniformity in the granting and enforcing of proprietary rights throughout the Community. To this end, national provisions concerning patents, trademarks, copyrights and layout designs for computer chips are being harmonized. Similarly, the proposed Community Patent and Community Trademark will, with the convenience of a single application, offer an alternative method of protection which is governed by Community law and valid in all member states. Geographical indications and plant breeders' rights are also to become subject to Community law with uniform application throughout the Community. The result will be greater certainty for the owners of IP and the increasing ability of the EC to speak with a single voice in IP matters in international fora.

The Canadian and EC positions with regard to IP are broadly similar to the extent that they are striving for adequate protection for owners of intellectual property, non-discriminatory enforcement of rights and effective dispute-settlement mechanisms. As a party to the principal multilateral treaties covering IP, Canada is assured non-discriminatory treatment in so far as EC member states are required to grant national treatment as provided under these treaties. Furthermore, Canadian owners of IP will benefit from a strengthened Community regime to the extent that it provides greater uniformity throughout the EC and administrative simplification.

## INTRODUCTION

The European Community (EC) is proposing to establish an expanded and strengthened regime for the protection of intellectual property (IP), the aim of which is to grant certain proprietary rights to the creators of knowledge-based goods and to protect the trade identities of producers. This position is fully in line with EC guidelines on industrial policy, as presented in an October 1990 paper entitled "Industrial Policy in an Open and Competitive Environment". It is mentioned that "solutions to problems of industrial competitiveness must increasingly be sought at the Community level and that quick and effective IP protection promotes the internationalization of business and provides a powerful incentive for innovation". Canada has an interest in this initiative on two principal grounds. On the one hand, Canadian interests centre on whether or not EC measures improve or impede access to the Community market for Canadian goods and services embodying intellectual property. Canadian exporters should benefit from greater consistency in IP laws throughout the EC. Similarly, Canadian access to EC-produced intellectual property (i.e. technology transfer) is also of interest. On the other hand, to the extent that Canada is a producer of intellectual property, we can make common cause with the EC in protecting such property against third parties. While EC initiatives do not appear to be discriminatory towards Canada, bilateral and multilateral consultation and collaboration could serve to safeguard Canadian interests.

## BACKGROUND

Intellectual property rights (IPR) include patents, copyright, geographical indications, trademarks, neighbouring rights, industrial designs, layout designs for semiconductor chips, plant breeders' rights and trade secrets. Rights are granted to the creators of innovations to reward them for their creative efforts and to prevent others from wrongfully exploiting the benefits of their labour. For the most part, these rights are obtained/protected through the national laws of the member states, and thus subject to territorial limitation. This results in individuals/firms undergoing the lengthy and expensive process of applying for protection in each jurisdiction, subsequently achieving differing rights throughout the Community. Such distinct national rights/legislation, seen by the Commission as a hinderance to competition and the free flow of goods, are considered inconsistent with the completion of the single market. As part of the 1992 programme, the EC is promoting the creation of a Community regime for intellectual property that will ensure adequate protection for EC products. Such Community-level protection will co-exist with national measures. However, it should be noted that in case of conflict, EC laws take precedence over those of member

states. The Treaty of Rome (the EC's constitution) provides that "regulations" have direct effect and require no further act of implementation on the part of member states. On the other hand, "directives" generally only set out broad EC policy objectives, leaving the manner of implementation to the discretion of the member states.

Articles 36, 85 and 86 of the Treaty of Rome have the effect of ensuring that intellectual property laws cannot serve as a barrier to the free flow of goods between member states, nor used for anti-competitive purposes. In a 1971 decision (*Deutsche Grammophon Case*), the European Court of Justice (ECJ) held that granting exclusive rights would conflict with provisions for the free movement of goods. Rather, once goods have been first put into the market by the owner, or with the owners' expressed consent, the intellectual property rights with respect to further distribution are said to be "exhausted". This is the so-called doctrine of exhaustion. Under case law, however, the application of the exhaustion doctrine is limited to cases where equivalent rights exist in the member states involved (i.e. a patent holder in one member state may block the importation of products manufactured in another member state where no patent protection is available). Furthermore, goods originating outside of the Community maybe denied entry into the EC on the basis of intellectual property law in some cases. In practice, however, the rules on exhaustion, as enforced by the courts, have tended to favour the interests of competition over the owners of IPR within the EC.

#### **THE MULTILATERAL CONTEXT**

The EC has been an active supporter of multilateral initiatives in protecting IPR, particularly in negotiations of the General Agreement on Tariffs and Trade (GATT). In the Uruguay Round of the GATT, the EC is advocating the application of trade-related principles to IPR: non-discrimination; national treatment; lower barriers; transparency; consultation; and dispute settlement. Under the trade-related aspects of intellectual property (TRIPs) negotiations, the EC has proposed a framework for the enforcement of IPR that would include national treatment and the non-discriminatory application of national regimes; entitle rights holders with redress procedures in cases of infringement; and the application of suitable penalties. Furthermore, the Community has stressed its desire to have all Contracting Parties join existing major international conventions administered by the World Intellectual Property Organization (WIPO) (i.e. Paris Convention on patents, trademarks and design; Berne Convention on copyright), and expressed its support for the extension of GATT protection to patents, trademarks, copyright, appellations of origin, industrial designs, layout designs for semiconductor chips, and trade/

manufacturing secrets. Sharing similar views with other industrialized countries, the EC regards improved protection of IPR as essential to secure export markets, and to limit piracy and counterfeiting which now result in billions of dollars of annual losses. For instance, strong protection for appellations was identified by the EC as a condition to the Community signing a GATT/TRIPS agreement.

The EC also played a role in negotiating the draft Treaty on Intellectual Property in respect of Integrated Circuits, adopted in Washington D.C. in 1989. While the member states voted in favour of the Treaty (it was a 'mixed agreement' whereby the provisions included both EC and member state competencies), the US and Japan voted against it on the grounds that it did not afford sufficient protection. The EC reserved the right to sign the Washington Treaty after the completion of the GATT negotiations. During these negotiations, the EC has tabled a proposal that would strengthen the existing level of protection afforded by the Treaty.

#### **CREATING A COMMUNITY REGIME**

Initiatives in establishing a Community regime in IPR are consistent with, or complementary to, the EC's multilateral approach. The objective is to ensure that sufficient protection exists for IPR so as to encourage continued investment in research and innovation. At the same time, the EC is attempting to bring IPR in line with the objectives of the single market. To this end, establishing Community-level rules offers the benefit of administrative simplification (one application for EC-wide protection), promoting large scale operations in manufacturing and distribution (due to uniform protection), general benefits associated with an open market, and increased control over counterfeit and pirated goods. The Community approach is one of maintaining an appropriate balance between the protection of IPR on the one hand and ensuring the free flow of goods and know-how on the other.

#### **Patents**

Natural and legal persons seeking patent protection in the EC are faced with two options: apply for national patents in individual countries, a lengthy and expensive process, or, alternatively, apply for protection in those countries designated on a single application under the European Patent Convention. In either case, however, the protection received is not uniform across the EC.

The 1973 European Patent Convention (Munich Convention) entered into force in 1978, and created a European Patent



Office (EPO) in Munich. Under this Convention, inventors can make a single application to the EPO for patent protection in any/all signatory members designated on the application. While including other Western European countries, this Convention has not been ratified by all EC member states.<sup>1</sup> Although the Convention has harmonized and centralized the process for obtaining patents (eg. filing, search reports), the result is essentially a 'bundle' of patents/rights which are governed by the national law of the applicable countries (i.e. the European patent is treated like a national patent). Consequently, the same product is subject to disparate treatment (eg. patent cancellation, infringement procedures) among countries.

The different treatment afforded by the Munich Convention conflicts with the objective of creating an open market. In 1975, the EC drafted the Community Patent Convention (Luxembourg Convention), as an extension to the Munich Convention, with the aim of establishing Community-wide patent rights for European patents which would be subject to a uniform system of rules. Under the Luxembourg Convention, persons could apply to the EPO for a patent valid in all EC member states which would be adjudicated under the same rules throughout the Community. With common enforcement of patent rights, the freer movement of goods will be enhanced. The Luxembourg Convention, however, was never ratified.

As part of the 1992 programme, the EC renewed efforts to secure the establishment of a Community Patent (CP). At a conference in December 1989, the Luxembourg Convention was revised and re-opened for ratification. A language issue which had previously delayed ratification was resolved with the requirement that patents must be translated into all nine official Community languages. Similarly, a dispute over the allocation of fees was resolved with the decision that the national patent offices of all member states would receive a share of Community patent fees. The deadline for ratification was set at December 31, 1991. Constitutional problems, however, hamper its ratification in Denmark and Ireland. Nevertheless, if the Convention has not entered into force on December 15, 1991, a conference will be held at that time to determine the number of ratifications necessary for implementation. There is indication that, failing unanimous ratification, the Convention will be implemented among the ratifying member states.

The Luxembourg Convention will be administered through the EPO

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<sup>1</sup> Denmark, Ireland and Portugal are not members.

which will be vested with sole responsibility for the validity and revoking of patents. Revocation proceedings are appealable to a revocation appeal board, with further appeal to the European Court of Justice (ECJ). Concerning infringement actions, litigation will proceed in national courts which maintain sole jurisdiction, except as regards the question of validity of a European patent. The national courts will rule on the basis of Community law, subject to the preliminary rulings of the ECJ in matters of validity or interpretation of Convention provisions. In this way, the uniform application of patent protection in the Community will be assured. Consequently, once a CP has been granted, goods can move freely within the EC (where ratified), without further application for protection. Nevertheless, the CP offers an alternative option; local patents and those obtained under the present Munich Convention procedure may still be granted and litigated under national law.

Even before the advent of the single market project, establishing an appropriate balance between patent protection and preserving competition within the EC necessitated provisions dealing with license agreements. Under Article 85 of the Treaty of Rome, restrictive agreements that may distort trade are prohibited. With broad interpretation, this clause would effectively constrain the practice of licensing technology and production between firms. In 1984, the Council passed a Regulation on Patent Licensing Agreements (2349/84/EEC). This Regulation provides block exemptions for permissible license agreements, with provisions allowing for exclusivity and export bans (under certain conditions). Agreements containing "black list" clauses, however, are not eligible for block exemption; individual exemption is required. These include no challenge clauses (which prevent licensees from involvement with competing products), agreements of indefinite duration, non-competition clauses, and quantity and price restrictions (price-fixing). The Regulation, however, does not cover patent pools, reciprocal licensing agreements or agreements concerning jointly owned subsidiaries.

Other recent patent initiatives have applied to pharmaceuticals and biotechnology. In May 1990, a draft regulation was presented to the Council to establish a Supplementary Protection Certificate (SPC) that would essentially increase the basic term of patent protection for pharmaceuticals by ten years. Currently, the 10-14 years required to get new products approved for market results in substantial reduction of the standard twenty years protection offered by patents. The adoption of this regulation would mean that pharmaceutical manufacturers can obtain effective protection comparable to that granted in the USA and Japan.

In this way, the EC hopes to encourage further pharmaceutical research within the Community. Acceptance of this draft regulation would place increased pressure on Canada to implement a similar measure, due mainly to the multinational nature of the Canadian pharmaceutical sector. The proposal, however, has encountered opposition, particularly from Spain, Portugal and Greece, as well as Germany and the UK. Among the issues being addressed are the question of the legal incompatibility between the proposed SPC and prolonging the period of patent protection beyond the twenty years authorised by the Munich Convention, and the impact on consumers. As a possible solution, the Commission has invited member states to call for a revision of the Munich Convention.

In the field of biotechnology, the Commission submitted a proposal in 1988 for a directive that would enhance legal certainty vis-a-vis biotech patents and prevent national rules from serving as barriers to the flow of goods. While the proposed directive specifies what material/processes are patentable, and the scope of the protection, there is a lack of consensus over how to deal with developments in this field. The patentability of higher life forms, the breadth of biotechnology patent claims and the criteria by which to assess non-obviousness are some of the more contentious biotech patent issues in the EC. The dominant U.S. position in the biotech sector may affect EC patent policy in this area. The Commission has proposed a compromise to address the overlap between such patents and plant breeders' rights (see below). It is likely that progress will be slow, although the proposal may receive new impetus following the recent conclusion of multilateral negotiations to amend the convention on plant breeders' rights - the International Union for the Protection of New Varieties of Plants (UPOV).

### Trademarks

Currently, companies wishing to sell their goods and services in the EC are required to register trademarks in each member state where protection is desired, resulting in a variety of different procedures and rights. With the aim of addressing those features which have an impact on the function of the market and prevent the free flow of goods, the Council adopted a Directive on the Approximation of Laws relating to Trademarks (89/104/EEC). By requiring member states to enact identical provisions, the Directive harmonizes the conditions for obtaining/maintaining registered trademarks (eg. defining what is registrable) and provides for uniform protection in all member states. Member states, however, may prohibit the use of certain marks, and remain free to determine the procedures for registration, revocation and/or invalidity.

The Directive also defines the proprietary exclusive rights which include preventing third parties from using the same or similar mark without consent. This Directive is to be implemented by 1 January 1992.

In addition to the harmonization of national systems, the Commission has put forward a proposal, originally proposed in 1980, for a regulation that would establish a Community Trade Mark (CTM). This regulation would allow persons to file one trademark application which would be valid throughout the Community, based on a single set of procedures and legislation. As is the case with the Directive, under the CTM, proprietors are granted the right to prevent third parties from using marks similar to their own, including signs, names, letters, figures or the shape of packaging. The CTM will be open to non-nationals resident or operating a place of business within the EC; third party nationals from any state party to the Paris Convention for the Protection of Industrial Property; and/or on the basis of reciprocal treatment. The CTM would only cover trademark rights acquired through registration and not those that may be acquired through use, as is possible in some member states. Litigation will take place in national courts, subject to preliminary rulings of the ECJ on the interpretation of trademark regulations.

The CTM would be administered by a Community Trademark Office, possessing the legal, financial and administrative autonomy to conduct searches and register marks. Spain is lobbying hard for the new office to be located in Madrid.<sup>2</sup> A Board of Appeals would also be established with decisions open to review by the ECJ. Progress in adopting the regulation has been hampered largely by technical problems. The prospects for the regulation passing, however, were improved with a proposal that would allow registrations, unlike patents, to be filed in the choice of two EC languages rather than all.

In an effort to combat the growth of counterfeit goods, and the subsequent economic losses, the Council adopted a regulation implementing border measures against the importation of counterfeit goods (Reg. 3842/86/EEC). The Regulation provides for the prevention of imports from third countries that allow the illicit use of trademarks registered in Community member states. The Commission intends to expand

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<sup>2</sup> Spain has indicated that its ratification of the Community Patent Convention and possible support for the pharmaceutical SPC are both linked to the decision to locate the trademark office in Madrid.

the Regulation to cover the infringement of copyright laws. A recent internal Commission progress report identified the weaknesses in the legislation which may prompt the Commission to toughen the provisions and call for increased international discipline.

### Copyright

Each EC member state maintains copyright legislation which results in disparities in scope and enforcement policies across the Community. Such disparities affect trade and make the piracy of materials easier, a situation exacerbated by the advance of new technologies. Case law of the ECJ has come to accept the existence of more extensive rights for authors, particularly as a result of differences between member states. Similarly, in the 1989 *Fima Patricia* case, the Court ruled that, given the discrepancies, member states can restrict imports from other member states that violate their own copyright standards. Consequently, the need for harmonization is reflected both in the aims of the single market and the need to provide encouragement, through protection, for investment in the development of new technologies. Although the EC has been exploring the basis for harmonizing copyright legislation since 1974, with little progress, the 1992 exercise has resulted in new impetus.

The most important initiative in this area was the 1988 Green Paper on Copyright and the Challenge of Technology (COM(88) 172). This discussion paper identified existing problem areas by addressing such issues as the commercial piracy of sound and video recordings, home copying, rental rights, computer software and databases. The Green Paper further noted that future directives would have to reconcile three conflicting interests: the economic interest of authors/creators; public access to information; and the value of creativity to the cultural identity of European nations.

The EC's first foray into copyright regulation was directed at computer software. Following almost two years of very heated debate and considerable lobbying, pitting large multinationals (largely American) against small and medium-sized firms (largely European), the Council adopted in May 1991 the Directive on the Legal Protection of Computer Programs (91/25/EEC). The Directive provides for the protection of computer programs as "literary works" within the meaning of the 1971 Berne Convention for the Protection of Literary and Artistic Works. As such, protection is to be granted for a minimum of 50 years and is based on the standard of "originality". This protection, however, is applied to the expression of the idea, but not the idea, principles,

logic, algorithms or programming language behind it. The rights holder is granted the exclusive right to authorize the reproduction, sale, rental and adaptation of the program. Concerning 'reverse engineering', whereby a program is decompiled so as to find out its base structure in order to design compatible programs,<sup>3</sup> the Directive makes the practice permissible when it is necessary to ensure the interoperability of programs, but not for developing a substantially similar product. In this way, the EC has attempted to achieve a balance between providing necessary copyright protection and promoting free competition in the market. The Directive is to be implemented by 1 January 1993.

A discussion paper entitled "Broadcasting and Copyright in the Internal Market" (III-F-5263-90-EN) was released in November 1990. As a step towards strengthening the legal framework laid out in the "Television Without Frontiers" Directive (89/552/EEC), the discussion paper addresses copyright issues in relation to satellite broadcasting and cable retransmission. The proposals put forward in this document are based on four general principles: i) retransmission by cable of a program from another member state is subject to copyright obligations, ii) authorization from the copyright owners must then be obtained through private contracts, iii) collective administration must be provided, and iv) a non-mandatory mediation process and mechanisms to prevent abuse of rights should be developed. The future content of a proposed directive will depend on the outcome of the discussions generated by this document.

In December 1990, the Commission unveiled a two year work program, as a follow-up to the 1988 Green Paper, aimed at establishing a 'level playing field' in the area of copyright and neighbouring rights legislation. One of the priorities of this program is reflected in the draft decision that all member states should, by the end of 1992, ratify and/or adhere to the Berne Convention and the 1961 Rome Convention on the Rights of Performers, Record Producers, and Radio and Television Broadcasters. This will provide a common base from which harmonization of Community legislation will be easier.

The first legislative proposal under the copyright program is the draft directive on rental and lending rights (COM(90) 586 final - SYN 319), tabled in December 1990. The directive would extend to authors, performers and producers of sound recordings (records, video/audio cassettes and compact discs)

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<sup>3</sup> This was the most contentious issue during debate on the proposed directive.

the right to authorize and/or prohibit the rental and lending of their copyrighted works for commercial purposes. While four member states currently grant rental rights (France, UK, Spain and Portugal), the creation of a single market in sound recordings, and the necessity of combatting piracy, require that such rights be extended throughout the Community.

Expected in the near future are proposals for directives dealing with home copying and the duration of copyright protection. The Commission has recognized the importance of dealing with the matter of private/home copying of sound and audio-visual works by calling for a directive that would harmonize national systems of remuneration. For instance, some member states currently have systems whereby levies are placed on blank tapes in order to compensate copyright holders. Progress in this area will be slow, however, given the divergence of views among member states on whether an obligatory levy should be imposed at the Community level. As for the duration of copyright protection, the Berne and Rome conventions merely set out minimum periods of protection for rights holders: 50 years for copyright; 20 years for neighbouring rights. Consequently, the protection currently available for rights holders in the EC varies from zero to 75 years. The Commission is planning a directive aimed at creating uniformity in the duration of copyright protection for all rights holders.

Other activities in the Commission's work program will address the question of computer databases, and the rights of authors. Under authors' rights, a study has been undertaken concerning reprography - the photocopying of protected works. Further studies on the resale rights of authors, and on the moral rights of authors concerning the integrity of their work (eg. colourization of black and white films) are also proposed as a precursor to possible Community legislation. The Commission also plans to prepare an inventory of the intellectual property provisions of third countries with a view to identifying the effects on EC persons.

#### Geographical Indications

At present, there is no uniform regime in the EC for the protection of geographical indications, including appellations of origin. In preparation for the single market, the EC Commission presented, in December 1990, a proposed regulation on food quality standards which would include a detailed scheme of protection for geographic indications and geographic designations throughout the Community. To be a protected geographic indication (PGI) or a protected designation of origin (PDO), the group of producers seeking protection must

have established the link between the agricultural product or foodstuff and the geographical area indicated on the product. PGI and PDO describe an agricultural product or foodstuff originating in that region and possessing a quality or reputation which may be attributed to the geographical environment with its inherent natural and/or human factors. However, the link between the characteristics of the product and the area must be stronger in the case of geographic designations of origin than for geographic indications.

The proposed procedures provide that only a group, likely of producers, can file an application to obtain a PGI or PDO with the competent authority of a member state. If the claim is accepted at the national level, the indication would be sent to the other member states and to the Commission where it would then be published in the *Official Journal of the European Communities*. If no opposition were expressed within three months of the publication, the designation of the product would be entered into a "Registry of Protected Geographical Indications and Protected Designations of Origin", containing the names of the groups and the inspection bodies concerned. Under this system then, Community-wide protection can be obtained through the filing of a single application. The protected product would carry a label indicating PGI or PDO. In the event of disputes between member states, the Commission would play the role of arbitrator.

Under the draft proposal, protection in the EC could be extended to products from third countries to the extent that the indications meet the EC criteria and that equivalent protection is granted in third countries to EC indications. This may pose a problem for Canadian exporters because there is no specific protection of geographical indications in Canada. However, provisions in various federal statutes, including the Trade-marks Act, in common law and in the Quebec Civil Code offer some protection, primarily against use which is likely to deceive the public as to the true origin of the product.

#### Plant Breeders' Rights

In September 1990, the EC Commission submitted a proposal for a regulation on Community plant variety rights. Plant protection rights would be granted on the basis of distinctiveness, uniformity, stability and novelty of the variety. Should the proposal be adopted, a Community Plant Variety Office would be established to administer a system that would ensure that plant breeders can acquire, through a single decision, direct and uniform protection throughout the



Community.

The proposal strengthens existing IP rights and protection for new varieties afforded to EC plant breeders under national plant breeders' rights (PBR) laws and the UPOV Convention. It responds to new developments in plant breeding techniques and the higher level of patent protection granted to plant biotechnology inventions. The length of the PBR term is to be increased to 30 years for most varieties; 50 years for vine and tree varieties. While the controversial issue of farmers' rights to plant harvested seed on their own land ("farmers' privilege") has not been resolved in the EC, the Commission will determine the conditions under which farmers' rights can be granted in implementing the regulation's provisions. Furthermore, compulsory licensing is to be provided under certain conditions.

The EC proposal for Community plant variety rights (CPVRs) requires that varieties of all botanical taxa and hybrids of taxa in the patent classification system be protected. The term "variety" is defined as an entity, as traditionally and commonly understood by plant breeders, which does not equal a botanical taxon and does not extend to single cells, or parts thereof, nor to cell lines. This definition is not intended to alter other industrial property rights or to exclude plants and plant materials or processes from patentability. Thus, the variety and the level of inventiveness are the criteria used to differentiate between PBRs and plant patents.

The proposal, however, ensures that the full application of the principles of the CPVR system is not impaired by the effects of other IP systems. Varieties that are the subject matter of CPVRs shall not be the subject of national plant variety rights. Any IP rights granted in addition to the CPVR will be revoked for as long as the CPVR remains effective. Therefore, principles of the CPVR system such as farmers' privilege and research exemption would be unaffected by the patent system. The Commission's proposal, however, was drafted prior to the 1991 revision of the UPOV Convention, and may, therefore, be revised to reflect amendments to that Convention. Nevertheless, the various plant variety rights systems are complementary.

#### Layout Designs for Semi-conductor Chips

Protection for the creators of semi-conductor chips is afforded by the 1986 Directive on the Legal Protection of Topographies of Semi-conductor Products (87/54/EEC). The aim of this Directive was to harmonize regulations conferring upon

the creator, for a period of ten years, exclusive rights to authorize or prohibit the reproduction of chips, their commercial exploitation and/or products produced from them. The criteria for protection is on the basis of the creator's own intellectual effort; topographies created from 'reverse engineering' may be protected if there are sufficient "additions" in the design. The Directive required member states to implement laws banning unauthorized reproduction by November 1987, while granting administrative flexibility to the member states. Protection to third persons is extended on the basis of reciprocity. Interim protection was subsequently extended to the US, Hong Kong, Japan, EFTA countries<sup>4</sup> and French overseas territories. In October 1990, the Commission extended this protection. Under Commission Decision 90/511/EEC, indefinite and unconditional protection was granted to topographies from Austria, Australia, French overseas territories, Japan and Sweden in response to similar protection granted to EC topographies. A second Decision (90/512/EEC) extends interim protection for the US, Hong Kong, UK possessions, and the other EFTA countries until the end of 1992.

Canada's proposed Integrated Circuit Topography Act, when promulgated, will provide for the possible extension of full and permanent protection to EC countries. With the Act's entry into force, Canada will be seeking inclusion under Commission Decision 90/511/EEC, extending indefinite and unconditional protection to Canadian topographies. Furthermore, as EC extension of protection will, following conclusion of the treaty creating a European Economic Area (EEA) between the EC and EFTA, require reciprocal recognition of EEA topographies, Canada will be exploring the grounds for the mutual extension of protection with EFTA countries offering similar protection.

#### **IMPLICATIONS FOR CANADA**

Canadian concerns centre around the prospect that Community initiatives in the area of IPR might discriminate against Canadian interests. It would appear, however, that this is not likely to be the case. EC initiatives for 1992 are largely consistent with, or complementary to, the Community's approach in multilateral negotiations. Under these auspices, Canadian and EC positions are broadly similar in striving for adequate protection for owners of intellectual property, non-discriminatory enforcement of rights and

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<sup>4</sup> Sweden, Finland, Norway, Iceland, Austria, Switzerland and Liechtenstein.

effective dispute-settlement mechanisms. Furthermore, non-discriminatory treatment of Canadians is ensured in IP areas covered by the Paris, Berne and UPOV conventions, to which Canada belongs, to the extent that EC member states are members of these conventions and thus required to grant national treatment as provided under these treaties.

The question of reciprocity, however, raises some technical difficulties for Canada to the extent that the EC is not a "country". While the issue of plant breeders' rights serves as a case in point, similarities exist with planned efforts at greater multilateral patent and trademark harmonization under the auspices of the WIPO. In Canada, the Plant Breeders' Rights Act extends reciprocal protection to nationals of countries that provide protection substantially equal to the protection afforded by Canadian legislation. Technical problems, however, may exist in extending Canadian PBR protection to "EC nationals" on the basis of the EC eventually becoming a party to the UPOV Convention, given that some member states, namely Portugal, Luxembourg and Greece, are not parties to the Convention and do not have national PBR systems. Consequently, if Canadian PBR protection cannot be extended to "EC nationals", plant breeders in those EC countries without national PBR systems would be most affected.

Canadian owners of intellectual property will be able to benefit from the EC's efforts to create a Community intellectual property regime in preparation for the completion of the single market. The harmonization of member states' national systems and the creation of Community-level legislation will offer Canadian innovators greater certainty over the protection available for their intellectual property by establishing uniformity in the procedures, rights and remedies throughout the Community. Canadians will also benefit from the creation of Community instruments, such as the CP and CTM, to the extent that they offer the administrative simplification of "one-stop shopping". Nevertheless, the option of applying for national protection in a given member state(s) remains available should Canadians desire protection at the local, rather than Community, level.

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