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ADMINISTRATIVE AND LEGAL COMMITTEE

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THE REVIEW, IN 1999, OF ARTICLE 27.3(b) OF THE AGREEMENT ON TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS BY THE COUNCIL FOR TRIPS

Document prepared by the Office of the Union

Introduction

1. The Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement) constitutes Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization (hereinafter referred to as the "WTO Agreement"), which was concluded on April 15, 1994, and entered into force on January 1, 1995. The TRIPS Agreement is an integral part of the WTO Agreement and binds all Members of the WTO (see Article II.2 of the WTO Agreement).

2. The TRIPS Agreement requires the member States of the WTO to protect intellectual property (this expression is defined in Article 1.2 of the Agreement) in accordance with the provisions of the Agreement. Section 5 of the Agreement (which includes Articles 27 to 34) relates to patents. The full text of Article 27 is reproduced in Annex I.

3. Article 27.3(b) permits members to exclude from patentability certain plants and animals and certain essentially biological processes for the production of plants and animals but, notwithstanding any such exclusions, requires members of the WTO to "provide for the protection of plant varieties either by patents or by an effective *sui generis* system or by any combination thereof." This particular requirement is subsequently referred to in this

document as "the proviso." The provisions of subparagraph (b) are expressly made subject to review four years after the date of entry into force of the WTO Agreement, that is to say, after January 1, 1999. Subparagraph (b) is one of only two provisions of the TRIPS Agreement that is specifically made subject to review. The other such provision is in Article 24.2 and concerns geographical indications.

4. More general provisions concerning review are set out in Article 71 of the TRIPS Agreement. The text of this Article is reproduced in Annex II. The transitional period referred to in Article 71 ends on January 1, 2000, at which time there will be a general review of the *implementation* of the TRIPS Agreement.

5. Article 27.3(b) of the TRIPS Agreement calls for "review." If proposals for amendment of the TRIPS Agreement were to result from the review process, the procedure for amendment would be that contained in Article X of the WTO Agreement.

6. The full text of Article X of the WTO Agreement is set out in Annex III. The provisions are complex. It would seem, however, that for an amendment to Article 27.3(b) to take effect, the following requirements must be satisfied:

(a) A member of the WTO or the TRIPS Council must submit the proposed amendment to the Ministerial Conference (which meets at least once every two years).

(b) The proposal will be submitted to the members of WTO for acceptance if there is consensus or a two-thirds majority in favor of doing so in the Ministerial Conference.

(c) (i) If the proposed amendment does not alter "the rights and obligations" of WTO members, it will take effect for *all* members upon acceptance by two thirds of the members;

(ii) if the proposed amendment is of a nature that would alter such rights and obligations,

1. it will take effect for the members that have accepted it upon acceptance by two thirds of the members and thereafter for each other member upon acceptance by it, or

2. [possibly], a three-fourths majority of the WTO Ministerial Conference may decide that "it shall take effect for all Members upon acceptance by two thirds of the Members" (see the last sentence of Article X.1).

7. It is clear from the above that it would require the support of a considerable majority of the members of WTO before any amendment of Article 27.3(b) could be adopted as a result of the review. It would also take time since the Ministerial Conference meets infrequently. Any specific review proposal for Article 27.3(b) seems likely to run into the general review of the implementation of the TRIPS Agreement which commences on January 1, 2000. Given the general nature of the WTO in providing a forum for wide-ranging negotiations on trade, it seems unlikely that an amendment to Article 27.3(b) would ever be agreed in isolation from other issues.

Possible Amendments to Article 27.3(b)

8. Article 27.3(b) is concerned with patents, and only incidentally with the protection of plant varieties. Indeed, there is no consensus on the question whether plant variety protection is a form of intellectual property for the purposes of the TRIPS Agreement (see documents CAJ/34/3 and CAJ/34/5 at paragraphs 78 to 105 for a discussion of the subject). However, almost any proposed amendment to Article 27.3(b) would seem to have some potential impact upon the UPOV plant variety protection system.

9. The fact that Article 27.3(b) was made subject to review suggests that the provision was agreed with difficulty. If it was originally agreed with difficulty, it seems unlikely that the underlying issues have become easier to resolve in the interim. The following paragraphs note with comments some of the possible amendments to Article 27.3(b) that might be proposed. The list of such amendments is not, and cannot be, exhaustive. The possible amendments are put forward as a basis for discussion.

(i) Delete Article 27.3(b)

The deletion of this provision would mean that members of WTO would be obligated to grant patents for plants and animals with no exclusion; there would be no specific reference to the protection of plant varieties.

(ii) Amend Article 27.3(b) so as to permit only the exclusion of "plant varieties and animal breeds" rather than "plants and animals"

Under this possible amendment, members of WTO would then be required to grant patents for inventions relating to "plants" and "animals." This would come close to reproducing the substance of Article 53(b) of the European Patent Convention. If the proviso were retained, members would still be required to provide protection for plant varieties.

(iii) Define "plant," "animal," "micro-organisms" and "essentially biological processes"

Some countries may be interested to widen the permitted exclusion of plants by excluding the cell lines or DNA sequences of some categories of plants from "micro-organism." Definitions could be used to widen or to narrow the permitted exclusion from patenting.

(iv) Delete the proviso

If the proviso were deleted, countries would be able to exclude certain plants and animals from patenting and would have no obligation to protect plant varieties.

(v) Define the elements of an effective *sui generis* system of plant variety protection

Any definition could be established *de novo* or could seek to incorporate the provisions of an existing widely adopted convention.

(vi) Confirm that plant variety protection is a form of intellectual property protection so as to require the application of the general provisions of the TRIPS Agreement

10. Of this non-exhaustive list of possible amendments, (v) and (vi) seem by far the most likely to command widespread support. The absence of any reference to the UPOV Convention in the TRIPS Agreement, as opposed to the express references to, for example, the Paris Convention (1967), the Berne Convention (1971) and certain other intellectual property conventions is conspicuous. This absence of an express reference to the UPOV Convention has prompted some circles to suggest not only that *sui generis* systems other than that of the UPOV Convention may satisfy the proviso but also that "farmers' rights," or some systems for the protection of landraces or genetic resources could constitute an effective *sui generis* system for the purposes of the TRIPS Agreement. Most suggestions of this kind are far-fetched and fail to take into account that the provisions of Article 27.3(b) relate to the protection of *plant varieties* and that the proviso must be interpreted in the context of an Agreement concerned with intellectual property rights and an Article calling for the grant of patents in all fields of technology. Once it is accepted that an effective *sui generis* system must provide protection in the form of an intellectual property right to persons creating new plant varieties, the attraction of defining the essential elements of an effective *sui generis* system by an appropriate reference to the UPOV Convention is considerable.

11. A frequent question addressed to the Office of the Union concerns the meaning of "an effective *sui generis* system." Does a system complying with the 1978 Act of the UPOV Convention constitute such a system or has the 1991 Act established a new international standard? If UPOV were to establish a position on this question, could it accept the 1978 Act as embodying the essence of an effective *sui generis* system? (see in this context Part II of document CC/51/3). As long as the 1978 Act is open to accessions, it is hardly possible for UPOV to take the position that the 1978 Act does not constitute an effective *sui generis* system, nor should UPOV be interested to do so since it is clear that when the text of Article 27.3(b) was settled, many of the main parties involved in the TRIPS negotiations were member States of UPOV and parties only to the 1978 Act. On the other hand, it must be recognized that the absolute minimum requirements of both the 1978 and 1991 Acts, so far as protected plant genera and species are concerned (a minimum of five plant genera or species initially raising progressively to twenty-four within eight years in the case of the 1978 Act and a minimum of fifteen plant genera and species on accession in the case of the 1991 Act), could not be considered to constitute an effective *sui generis* system. How can any system be said to be completely effective if it fails to provide protection for breeders of any species?

12. It must be emphasized that acknowledging the obvious fact that a plant variety protection system must provide protection for all plant genera and species of importance in order to be "effective" does not in any sense mean that the UPOV system is not effective. The UPOV Convention in all its Acts makes provision for the possibility of protecting all plant genera and species. Where a State failed to make provision for the protection of plant genera and species of economic importance, it would be the implementation of that State that would be ineffective, and not the UPOV Convention.

13. While it might not be appropriate for UPOV to take a position on patent aspects of Article 27.3(b), it would seem entirely appropriate for UPOV to support an amendment to the proviso which deals only with plant variety protection. A revised proviso on the following lines might command quite wide support:

> "However, Members shall provide for the protection of plant varieties either by patents or by a *sui generis* system of protection conforming with Articles 5 to 14 and 38 of the 1978 Act of the UPOV Convention or by any combination thereof. Members shall provide such protection for all plant genera and species that are of economic importance in their territories. The provisions of Parts I, II (Article 40 only), III, IV, V, VI and VII shall apply to such *sui generis* systems as if they were a category of intellectual property specified in Sections 1 through 7 of Part II of this Agreement."

14. The amended proviso refers to the substantive provisions of the 1978 Act (that is, to the provisions which define the "UPOV system") with the exception of Articles 2, 3 and 4. It would be inappropriate to include in such an amended proviso references

(a) to Article 2 which limits the permitted forms of protection since the TRIPS Agreement envisages the possibility of protecting plant varieties by normal utility/industrial patents;

(b) to Article 3 since the national treatment provisions of the 1978 Act differ from and are more limited than the corresponding provisions of Article 3 of the TRIPS Agreement;

(c) to Article 4, which although requiring the progressive application of the provisions of the Convention to the largest possible number of botanical genera and species, expressly permits the protection of a limited number of plant genera and species and might be thought to allow economically important plant genera and species to remain unprotected.

15. If it were considered that the minimum level of protection for the purposes of the TRIPS Agreement should be that provided by the 1991 Act, the suggested text of the first sentence would, on the basis of the same principle as those suggested above, read as follows:

> "However, Members shall provide for the protection of plant varieties either by patent or by a *sui generis* system of protection conforming with Articles 1, 2 and 5 to 22 of the 1991 Act of the UPOV Convention or by any combination thereof."

The remainder of the proviso would be the same as in the example suggested in relation to the 1978 Act.

Other Considerations

16. The view has been expressed that the inclusion of a reference to the UPOV Convention in the TRIPS Agreement would, in some way, give jurisdiction to the TRIPS Council in matters involving the protection of plant varieties. The reality, however, is that the WTO and the Council for TRIPS have already established a certain standard-setting role by virtue of Article 27.3(b). It can only be in the interest of UPOV for the future if that standard-setting role is linked to the UPOV Convention.

[Three Annexes follow]

ANNEX I

TRIPS AGREEMENT

Article 27

Patentable Subject Matter

1. Subject to the provisions of paragraphs 2 and 3, patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application.* Subject to Article 65(4), Article 70(8) and paragraph 3 of this Article, patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced.

2. Members may exclude from patentability inventions, the prevention within their territory of the commercial exploitation of which is necessary to protect *ordre public* or morality, including to protect human, animal or plant life or health or to avoid serious prejudice to the environment, provided that such exclusion is not made merely because the exploitation is prohibited by their law.

3. Members may also exclude from patentability:

   (a) diagnostic, therapeutic and surgical methods for the treatment of humans or animals;

   (b) plants and animals other than micro-organisms, and essentially biological processes for the production of plants or animals other than non-biological and microbiological processes. However, Members shall provide for the protection of plant varieties either by patents or by an effective *sui generis* system or by any combination thereof. The provisions of this subparagraph shall be reviewed four years after the date of entry into force of the WTO Agreement.

[Annex II follows]

* For the purposes of this Article, the terms "inventive step" and "capable of industrial application" may be deemed by a Member to be synonymous with the terms "non-obvious" and "useful" respectively.

ANNEX II

TRIPS AGREEMENT

Article 71

Review and Amendment

1. The Council for TRIPS shall review the implementation of this Agreement after the expiration of the transitional period referred to in Article 65(2). The Council shall, having regard to the experience gained in its implementation, review it two years after that date, and at identical intervals thereafter. The Council may also undertake reviews in the light of any relevant new developments which might warrant modification or amendment of this Agreement.

2. Amendments merely serving the purpose of adjusting to higher levels of protection of intellectual property rights achieved, and in force, in other multilateral agreements and accepted under those agreements by all Members of the WTO may be referred to the Ministerial Conference for action in accordance with Article X(6) of the WTO Agreement on the basis of a consensus proposal from the Council for TRIPS.

[Annex III follows]

ANNEX III

AGREEMENT ESTABLISHING THE WORLD TRADE ORGANIZATION

Article X

Amendments

1. Any Member of the WTO may initiate a proposal to amend the provisions of this Agreement or the Multilateral Trade Agreements in Annex 1 by submitting such proposal to the Ministerial Conference. The Councils listed in Article IV(5) may also submit to the Ministerial Conference proposals to amend the provisions of the corresponding Multilateral Trade Agreements in Annex 1 the functioning of which they oversee. Unless the Ministerial Conference decides on a longer period, for a period of 90 days after the proposal has been tabled formally at the Ministerial Conference any decision by the Ministerial Conference to submit the proposed amendment to the Members for acceptance shall be taken by consensus. Unless the provisions of paragraphs 2, 5 or 6 apply, that decision shall specify whether the provisions of paragraphs 3 or 4 shall apply. If consensus is reached, the Ministerial Conference shall forthwith submit the proposed amendment to the Members for acceptance. If consensus is not reached at a meeting of the Ministerial Conference within the established period, the Ministerial Conference shall decide by a two- thirds majority of the Members whether to submit the proposed amendment to the Members for acceptance. Except as provided in paragraphs 2, 5 and 6, the provisions of paragraph 3 shall apply to the proposed amendment, unless the Ministerial Conference decides by a three-fourths majority of the Members that the provisions of paragraph 4 shall apply.

2. Amendments to the provisions of this Article and to the provisions of the following Articles shall take effect only upon acceptance by all Members:

   Article IX of this Agreement;
   Articles I and II of GATT 1994;
   Article II:1 of GATS;
   Article 4 of the Agreement on TRIPS.

3. Amendments to provisions of this Agreement, or of the Multilateral Trade Agreements in Annex 1A and Annex 1C, other than those listed in paragraphs 2 and 6, of a nature that would alter the rights and obligations of the Members, shall take effect for the Members that have accepted them upon acceptance by two thirds of the Members and thereafter for each other Member upon acceptance by it. The Ministerial Conference may decide by a three-fourths majority of the Members that any amendment made effective under this paragraph is of such a nature that any Member which has not accepted it within a period specified by the Ministerial Conference in each case shall be free to withdraw from the WTO or to remain a Member with the consent of the Ministerial Conference.

4. Amendments to provisions of this Agreement or of the Multilateral Trade Agreements in Annex 1A and Annex 1C, other than those listed in paragraphs 2 and 6, of a nature that would not alter the rights and obligations of the Members, shall take effect for all Members upon acceptance by two thirds of the Members.

5. Except as provided in paragraph 2 above, amendments to Parts I, II and III of GATS and the respective annexes shall take effect for the Members that have accepted them upon acceptance by two thirds of the Members and thereafter for each Member upon acceptance by it. The Ministerial Conference may decide by a three-fourths majority of the Members that any amendment made effective under the preceding provision is of such a nature that any Member which has not accepted it within a period specified by the Ministerial Conference in each case shall be free to withdraw from the WTO or to remain a Member with the consent of the Ministerial Conference. Amendments to Parts IV, V and VI of GATS and the respective annexes shall take effect for all Members upon acceptance by two thirds of the Members.

6. Notwithstanding the other provisions of this Article, amendments to the Agreement on TRIPS meeting the requirements of Article 71(2) thereof may be adopted by the Ministerial Conference without further formal acceptance process.

7. Any Member accepting an amendment to this Agreement or to a Multilateral Trade Agreement in Annex 1 shall deposit an instrument of acceptance with the Director-General of the WTO within the period of acceptance specified by the Ministerial Conference.

8. Any Member of the WTO may initiate a proposal to amend the provisions of the Multilateral Trade Agreements in Annexes 2 and 3 by submitting such proposal to the Ministerial Conference. The decision to approve amendments to the Multilateral Trade Agreement in Annex 2 shall be made by consensus and these amendments shall take effect for all Members upon approval by the Ministerial Conference. Decisions to approve amendments to the Multilateral Trade Agreement in Annex 3 shall take effect for all Members upon approval by the Ministerial Conference.

9. The Ministerial Conference, upon the request of the Members parties to a trade agreement, may decide exclusively by consensus to add that agreement to Annex 4. The Ministerial Conference, upon the request of the Members parties to a Plurilateral Trade Agreement, may decide to delete that Agreement from Annex 4.

10. Amendments to a Plurilateral Trade Agreement shall be governed by the provisions of that Agreement.

[End of document]