

Intellectual Property Rights in Preferential Trade Agreements: The Comparison of KORUS FTA and EU-South Korea FTA¹

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Abstract

The EU-Korea Free Trade Agreement (FTA) entered into force in July 2011 and the adequate and efficient protection of IPRs was included among its objectives. The bilateral obligations of the parties are described in detail in Chapter 10 thereof.

The US-Korea (KORUS) FTA became effective on 15th March 2012. The provisions addressing Intellectual Property Rights constitute the extensive Chapter 18 thereof. Both FTAs were referred to as a milestone in negotiating preferential trade agreements in signatories' trade policies.

As oppose to the GATT and the GATS Agreements, the TRIPS Agreement does not allow for exceptions from the non-discrimination principle. Therefore, parties to preferential trade agreements are in accordance with the most-favoured nation (MFN) principle bound by all provisions governing the IPRs towards all Members of the WTO.

The aim of this paper is to analyse, compare and contrast the provisions of both FTAs – EU-Korea and the KORUS – governing the IPRs, foremost in comparison with the TRIPS Agreement as well as, complementarily, with other PTAs concluded by the signatories, with regard to the most-favoured nation principle.

Consequently, this comparison serves as a basis for the following debate concerning the differences as well as shared interests of the EU and the USA in the field of IPRs in the ongoing negotiations of preferential trade treaties and, potentially, also in the field of the multilateral trading system. Therefore, it constitutes a stepping stone for the analysis of shared or potentially controversial issues in the ongoing negotiations of the TTIP Agreement.

Key words: Preferential Trade Agreements, PTAs, Free Trade Agreement, FTAs, Trade Policy, EU, USA, South Korea, Intellectual Property Rights. Non-discrimination principle, Most-favoured nation principle, MFN.

Introduction

The intellectually property rights (IPRs) represent a means to protect innovative achievements of entrepreneurs. They cover the following categories: copyright, including copyright in computer programs and in databases, and related rights; the rights related to patents; trademarks; service marks; designs; layout-designs (topographies) of integrated circuits; geographical indications; plant varieties; and protection of undisclosed information.² This article focuses on industrial rights. Industrial rights constitute a subcategory to intellectual property rights and include patents, utility models, industrial designs, trademarks, service marks, trade names, indications of source or appellation of origin, and the repression

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² There are various systems of classifying the intellectual property rights, for the purpose of this article, the classification used in the EU-Korea FTA (Article 10.2) has been used.

of unfair competition.³ The legal regulation of intellectual property rights is incorporated in the TRIPS Agreement, which represents one of founding documents of the World Trade Organisation (WTO), providing for the minimum standard of protection of trade-related aspects of intellectual property rights (Štěrbová, L. et al., 2013). Generally, IPRs are conceived as an incentive to produce socially desirable new innovations (Greenhalgh, Ch.; Rogers, M., 2010). However, protecting IPRs also may also lead important costs, including for example public health, food security and agriculture, biodiversity, traditional knowledge, access to information or costs resulting from creating a monopoly on knowledge (UNCTAD, 2010). The IPRs protection is based on a principle of territoriality. Therefore, the protection and application of specific legal conditions are limited by borders of a sovereign country. As IPRs serve as a business tool which shall promote innovation across boundaries, there is an aim to approximate the protection by means of multilateral treaties – the TRIPS Agreement devoted to the trade-related aspects of IPR protection and treaties administered by the World Intellectual Property Organisation (WIPO)⁴. At the same time, IPRs have become increasingly included also in Preferential Trade Agreements (PTAs; *in R. Valdes and R. Tavengwa, 2012*).

South Korea has not been actively engaged in bilateral or regional trading arrangements until the 1990s (Y. Lee, 2007). In 2003 the South Korean government launched its Free Trade Agreement (FTA) Roadmap. Consequently, as of May 2013, Korea has concluded FTAs with Chile, Singapore, EFTA, ASEAN, India, Peru, the EU and the USA (MOFA, 2013).

The EU-Korea Free Trade Agreement (FTA) entered into force in July 2011. It is described as the first of the new generation agreements concluded under the EU's 2020 Strategy, which govern complex aspects of bilateral trade including, *inter alia*, the issue of intellectual property rights (IPRs). Adequate and efficient protection of IPRs was included among the objectives of the EU-Korea FTA. The bilateral obligations of the parties are described in detail in Chapter 10 thereof.

The US-Korea (KORUS) FTA became effective on 15th March 2012. The provisions addressing Intellectual Property Rights constitute the extensive Chapter 18 thereof. Similarly, this FTA was referred to as a milestone in negotiating preferential trade agreements in the US trade policy. Consequently, both treaties concluded between these leaders in high-tech industry, have been described as a significant milestone providing for inspiration for possible future PTAs, including ongoing negotiations of the Transatlantic Trade and Investment Partnership (TTIP) between the EU and USA.

Methodology

This paper is based on the comparison of the wordings of the KORUS FTA signed by the USA and South Korea with the EU-Korea FTA. Both treaties are further reflected towards the TRIPS Agreement. The analysis also considers the related background materials of the European Commission referring to motivation and efforts of the EU, as well as background materials of the Office of the United States Trade Representative and the Ministry of Foreign Affairs of South Korea. The treaties were chosen based on the significance of the given signatories in international trade and due to the fact that they all provide for an extensive regulation of the IPRs.

The aim of this paper is to scrutinize and classify IPRs provisions incorporated in the stated preferential trade agreements (PTAs) which will, based on the reflection of the TRIPS Agreement, serve as a basis for a discussion of the role of IPRs in further negotiations of PTAs.

³ This classification follows the Art.1(2) of the Paris Convention.

⁴ The overview of the WIPO-Administered Treaties is available at the WIPO website, cited in the Resources: WIPO, 2014.

The paper is divided into three parts. The first part provides for a theoretical background focusing on the non-discrimination principle in the WTO law and, specifically, the TRIPS Agreement. The second part scrutinises and compares the relevant specific provisions of the given FTAs. As in R. Valdes and R. Tavengwa (2012), IPRs provisions are divided based on their subject-matter. Therefore, the article focuses separately on the following categories: trademarks, patents, geographical indications, pharmaceutical products and medical devices, enforcement and other provisions (referral to other multilateral agreements, plant breeders' rights and new plant varieties and traditional knowledge, folklore and genetic resources). The concluding part aims to assess the potential impact of the scrutinized agreements on current and future negotiations of PTAs, including the ongoing negotiations of the TTIP Agreement between the EU and the USA.

Non-discrimination principle

The non-discrimination principle is the underlying principle in multilateral trading system and in the World Trade Organisation (WTO) legal system. It consists of two parts: national treatment and most-favoured nation (MFN) clause, reflected also in the TRIPS Agreement (Art. 3, resp. Art. 4 TRIPS). If a member of the WTO concludes a preferential trade agreement (PTA), they depart from the MFN principle, as they allow for a better treatment of the signatory/signatories compared to other WTO members. This departure from the underlying non-discrimination principle is possible due to exceptions incorporated in the General Agreement on Tariff and Trade (Art. XXIV GATT) and the General Agreement on Trade in Services (Art. V GATS). Similarly, discriminatory treatment is allowed under the so called Enabling Clause⁵. However, as oppose to the GATT and GATS, the TRIPS Agreement fails to provide for exceptions for PTAs.

Both the KORUS Agreement and the EU-Korea Agreement include a separate chapter devoted to IPRs incorporating an extensive regulation of the topic, confirming the observation made by R. Valdés and R. Tavengwa (2012), specific IPRs are more common in PTAs involving developed economies.

EU – South Korea Free Trade Agreement

On 23rd April 2007 the Council authorised the European Commission to negotiate an FTA with the Republic of Korea (also referred to as “Korea” or “South Korea”). The EU-Korea FTA was signed on 6th October 2010 (Horng Der-Chin, 2012) and entered into force in July 2011 (EC Trade, 2014). It is considered to be the first FTA among the so called new generation of FTA initiated by the EU after the entry into the force of the Lisbon Treaty. The Lisbon Treaty, which came into effect on 1st December 2009, resulted in significant changes in the European Common Commercial Policy (CCP). Prior to 1st December 2009, the trade policy was under the so called mixed competences, which required ratification of all Member States (Štěrbová, L.; 2011), nowadays the CCP, including the topic of trade-related aspects of IPRs, falls among exclusive policies. Simultaneously, it is for the EU the first FTA concluded with an Asian country.

The EU-South Korea FTA involves elimination of tariffs in a step-by-step manner on both industrial and agricultural goods (even though some of the agricultural products are excluded), as well as elimination of non-tariff measures. Nevertheless, the Agreement also governs provisions on services, investment, competition, government procurement as well as IPRs (EC Trade, 2014). The aim to adequately and effectively protect IPRs is also mentioned among the objectives of the EU-Korea FTA enumerated in Art. 1.1. According to the European Commission (EC), protection and enforcement of IPRs are crucial for the EU's

⁵ Decision on Differential and More Favourable Treatment Reciprocity and Fuller Participation of Developing Countries; in WTO, 2014.

ability to stimulate innovation and to compete in the global economy (EC Trade: Intellectual Property, 2013).

Initially, the EU and South Korea signed the Framework Agreement on 10th May 2010, which covers not only economic, but also political, social or cultural cooperation, thereby launching a strategic partnership. It is an overarching political agreement which is linked to the FTA concluded in 2011 (EC Trade, 2014). For a broader context of the contractual relations of the EU and South Korea, J. Harrison et al. (2013) provide for an overview of all relevant treaties concluded by these partners. The implementation of the EU-Korea FTA is overseen by committees which report to a Joint Trade Committee chaired by the EU Commissioner for Trade and the Korean Minister for Trade (EU External Action, 2014).

IPRs are governed by the separate Chapter 10 of the EU-Korea Agreement. As highlighted by L. Štěrbová (2011), concerning the IPRs, the EU-South Korea FTA reflects the EU interests, as it contains e.g. extension of the patent protection period for pharmaceuticals by means of Supplementary Protection Certificates, and protection of so called undisclosed information (see further below).

Pursuant to Article 6.11 g) EU-Korea FTA, both signatories undertake to commit to promoting strong and efficient intellectual property rights enforcement by customs authorities, regarding imports, exports, re-exports, transit, transshipments and other customs procedures, and in particular as regards counterfeit goods. The FTA expressly refers to the TRIPS Agreement, as the provisions of the concluded FTA shall complement and specify the rights and obligations between the Parties under the TRIPS Agreement (Art. 10.2).

As outlined above, this paper focuses on the analysis of industrial rights. However, the EU-Korea FTA has also reached agreement on important provisions regarding copyright. It provides for example for protection of authors' work for duration of 70 years after the death of the author and the right to a single equitable remuneration for performers and producers of phonograms (EC: The EU-Korea Free Trade Agreement in practice, 2011).

The USA – South Korea Free Trade Agreement

The FTA concluded between the USA and South Korea is often referred to as the KORUS FTA (J. Robertson, 2012). It was viewed as a significant milestone in not only economic, but also political and security aspects of the US-South Korean relationship. The negotiations started in 2004 in Chile (Y. Lee, 2007). The deal was concluded on 30th June 2007 in a time press caused by the deadline of the “Fast-track” trade promotion authority at the U.S. side (Robertson, 2012). Afterwards, it was renegotiated, as the USA requested to re-open some of the chapters. On 3rd December 2010, a supplementary agreement was reached (U.S.-Korea Connect, 2010). It entered into force on 15th March 2012.

The FTA process has become for the US government “*the principal process which the IPR-based industries are able to ensure that the standards of protection and enforcement keep pace with new developments.*” (ITAC-15, 2007) As expressly mentioned in the Report of the Industry Trade Advisory Committee on Intellectual Property Rights, the FTAs are generally considered by the USA as a means to raise a level of protection and enforcement nationally as well as globally. More specifically, the USA aims to incorporate into the FTAs not only the substantive but also enforcement obligations (ITAC-15, 2007).

According to the U.S. department of Commerce, intellectual property accounts for more than half of all U.S. exports, helping drive 40 percent of U.S. growth (U.S.-Korea Connect, 2010). As far as IPRs provisions are concerned, the FTAs negotiations of the USA are based on a model FTA intellectual property text, which has been developed through the course of negotiations of eleven previous FTAs (ITAC-15, 27th April 2007). Within the organisational pattern of the U.S. trade policy, the Industry Trade Advisory Committee on

Intellectual Property Rights (ITAC-15) is mandated to provide policy and technical advice, information and recommendations on trade-related IPRs matters. It continues with this practice after its predecessor committee IFAC-3 (ITAC-15, 27th April 2007). Its *Report to the President, the Congress and the US Trade Representative on the U.S. – Korea Free Trade Agreement* offers an assessment of the results negotiated between the USA and South Korea.⁶ Generally, the Committee was of the opinion that the intellectual property provisions of this agreement were very strong. Moreover, the Advisory Committee considered the agreed deal as broadly consistent with the negotiating goals and objectives contained in the Trade Act of 2002. On the other hand, ITAC-15 in its Report stressed the importance to observe whether South Korea implemented its obligations in its national legislation, emphasizing the critical need to carefully review it to ensure that no FTA enters into force until full compliance is achieved. Accordingly, it is of the opinion that the entry into force might be even postponed until the full compliance of national legislation with obligations in a given FTA is achieved.

The FTAs have become the most important tool for trade policy with regard to trade-related aspects of intellectual property rights. That is related also to a current failure of the ACTA Agreement. The ACTA (Anti-Counterfeiting Trade Agreement) is a multilateral trade agreement. The wording was concluded in 2010 between the following parties: Australia, Canada, the EU, Japan, South Korea, Mexico, Morocco, New Zealand, Singapore, Switzerland and the USA. The ratification of the ACTA Agreement has not been successful yet.⁷ It was rejected by the European Parliament in July 2012 (EC Trade: Intellectual Property, 2013). The EU, USA and South Korea were all potential parties to the contract. Consequently, there was an understanding between these partners concerning a higher level of protection also in terms of enforcement (Štěrbová, L., 2012).

Trademarks

With regard to trademarks, the EU-Korea FTA focuses on registration procedure and exceptions to the rights conferred by a trademark. Both parties shall establish a publicly available electronic database of trademark applications and trademark registrations. Additionally, the reasons for refusal shall be communicated in writing. All limited exceptions to the rights conferred by a trademark – such as descriptive terms – shall be used in a fair manner (Art. 10.17 EU-Korea FTA). Additionally, it refers to other multilateral agreements – under the FTA both parties are bound to comply with the Trademark Law Treaty (1994), in case of the Singapore Treaty on the Law of Trademarks (2006) the parties shall make all reasonable efforts to comply with it.

Compared to the above described trademark provisions in the EU-Korea FTA, the regulation of trademarks in the KORUS FTA is more extensive. It allows for trademarks which are not visually perceptible – sound and scent marks – to be registered (Art. 18.2.1)⁸.

The relationship between trademarks and geographical indications (GIs) represents a crucial conceptual question. In this context, the U.S. trade policy gives preference to trademark protection, availing the owner of a registered trademark a right prevent all third parties, including GIs right holders, from using identical or similar signs, where such use

⁶ The Report, issued on 27th April 2007, is based on the first agreed wording of the FTA. Afterwards, there were modifications with regard to the numbering.

⁷ On October 5, 2012, Japan was the first signatory to the ACTA who deposited its instrument of acceptance. The ACTA shall enter into force 30 days following the deposit of the sixth instrument of ratification, acceptance of approval (for those signatories that deposit such an instrument, in 2014 Special 301 Report).

⁸ This is an example of a renegotiated provision, as the Report on the initial wording (ITAC-15) of the KORUS expresses regrets that the registration of scent and sound trademark is not expressly stated, as in the case of the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) signed in 2004 (USTR: CAFTA-DR, 2014). That shows the importance that the USA attaches to this topic.

would result in a likelihood of confusion. In case of identical signs, confusion is presumed – also in case of GIs (Art. 18.2.4).

Secondly, the KORUS FTA regulates well-known trademarks. According to the ITAC-15, the KORUS Agreement provides for the highest level of protection of well-known trademarks among the FTAs concluded prior to the Korean agreement. The well-known marks are not required to be registered, included in a list or somehow qualify as well-known trademarks. Moreover, if identical with or similar to well-known trademarks, both trademarks' and GIs' registration might be cancelled (Art. 18.2.8).

Patents

With regard to patents, the EU-Korea FTA at first refers to articles 1 through 16 of the Patent Law Treaty (2000), stating that both parties shall make all reasonable efforts to comply with them. At second, the FTA also refers to the TRIPS documents related to the topic of patents and public health. Additionally, the FTA expressly regulates the topics of extension of the duration of the rights conferred by patent, protection of data submitted to obtain a marketing authorisation for pharmaceutical products as well as plant protection products.

Generally speaking, patent regulation in the KORUS FTA is meant to serve as clarification as well as provision of additional protection beyond the minimum standards set in the TRIPS Agreement (ITAC-15). It confirms that patents are available for both products and processes. Neither the EU-Korea nor KORUS govern the topic of compulsory licences. The majority of patent-related provisions concern pharmaceutical products that are further discussed below.

Geographical indications

Geographical indications (GIs) identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin (Article 22 TRIPS). They are meant to create value for local communities through products that are deeply rooted in tradition, culture and geography (EC Trade, 28.6.2013). The TRIPS Agreement provides for two levels of protection: standard protection for agricultural products and foodstuff pursuant to Art. 22 and enhanced – so called “Additional” protection for wines and spirits pursuant to Art. 23 TRIPS. As highlighted by the EC, the general protection under Art. 22, from the EU's point of view, provide insufficient protection, as it there is a need to show evidence of consumer confusion to prevent the use of a GI term, which might be difficult when the true origin is indicated or when additional expressions such as “*like*”, “*style*” or “*kind*” are used together with the protected indication (EC: Agriculture, 25.6.2012).

The GIs constitute an important topic in the EU Trade Policy. The EU not only strives to include the topic into the FTAs, it also negotiates stand-alone agreements focusing exclusively on GIs – for example with China (EC Trade, 27.5.2014).⁹ The GIs are also mentioned in the Doha mandate for the current Doha Development round of negotiations within WTO: creating a multilateral register for wines and spirits; and extending the higher (Art. 23) level of protection beyond wines and spirits (WTO: TRIPS GIs, 2008). Consequently, to summarize the objectives of the EU's FTA negotiations regarding GIs: to establish a list of GIs to be directly and indefinitely protected in the given third country, to obtain protection of GIs under Art. 23 to other products than wines and spirits, to allow co-existence with prior trademarks registered in good faith which also ensures that a prior trade mark should not preclude later registration and protection of a GI. Importantly, the EU

⁹ Apart from the EU-Korea FTA, GIs are also included into the EU's recently concluded FTAs with Singapore, Colombia and Peru, in the Deep and Comprehensive FTA with Ukraine or with Comprehensive Association Agreement between the EU and Central America (EC Trade: Geographical indications, 28.6.2013).

considers GIs as a right of use – as oppose to trademark licence system. (EC: Agriculture, 25.6.2012).

Interestingly, the GIs are, according to R. Valdes and R. Tavengwa (2012), the most commonly included IPR in PTAs under their study. The EU-Korea FTA expressly stipulates that the recognition of geographical indications for agricultural products and foodstuffs and wines shall lie on six fundamental elements (Art. 10.18 Par. 6): a register of GIs, an administrative process verifying the origin of a given GI, control provisions, connection of a name with a specific product or products, possibility of any operator to use a given GI for marketing a given product and last but not least an objection procedure. Both parties have mutually declared that their respective provisions governing GIs¹⁰ are in compliance with these elements listed above. Afterwards, both parties undertake to protect a list of GIs enumerated in the Annexes 10-A and 10-B thereto. This Annex consists of two separate lists – one for agricultural products and foodstuffs and the second one for wines, aromatised wines and spirits. The express enumeration covers both name as well as its transcription into Korean alphabet (or transcription into the Latin alphabet in case of Korean GIs). The first list include 60 European GIs, e.g.: Prosciutto di Parma, Szegedi szalámi, Gorgonzola, Feta, Tiroler Speck or Bayerisches Bier and České pivo¹¹ and 63 Korean GIs ranging from types of tea, apples, garlic or seasoning to specific types of meat. The Annex 10-B focuses on GIs for wines, aromatised wines and spirits and anchors protection for 25 EU GIs (e.g. and for one Korean spirit (Jindo Hongju). The list does not include all GIs protected in the EU. According to the EC, the EU strives to include into the FTAs those GI's names, which are likely to be usurped on a specific market and/or for which there is evidence of an economic interest or potential development (EC: Agriculture, 25.6.2012).

As highlighted by W. H. Cooper (2010), the provisions on GIs in the EU-Korea FTA have spurred concern among the U.S. dairy producers, who were afraid that the EU's GIs on various cheeses in the South Korean market could undercut the sale of the U.S. generically-labelled cheeses. Afterwards, the members of the U.S. congress urged the USTR to investigate whether implementation of the provisions of the EU-Korea may impede rights arising out of the KORUS Agreement (Cooper, W. H., 2010).

The KORUS FTA offers only a limit interest to this topic, geographical indications are eligible for protection as trademarks (TM), which reflects the U.S. system. The consequences of the GI – TM relation have been discussed above in the part devoted to Trademarks.

Pharmaceutical products and medical devices

Both FTAs stress the importance of pharmaceutical products and medical devices and thus devote express provisions to this topic. As highlighted by the EC, the pharmaceuticals products and medical devices are two of the EU's most important and competitive exporting industries, generating a yearly trade surplus of over € 60 billion and employing more than one million workers in the EU (EC: The EU-Korea Free Trade Agreement in practice, 2011). Trade-related aspects of patent and trademark protection of pharmaceuticals and medical devices are therefore crucial for the European industry. Consequently, the EU-Korea FTA provides for express provisions covering the Transparency provisions for setting in particular pricing and reimbursement policies in Annex 2-D.

¹⁰ Agricultural Products Quality Control Act in South Korea and Council Regulation (EC) No 510/2006, with its implementing rules, for the registration, control and protection of geographical indications of agricultural products and foodstuffs in the European Union, and Council Regulation (EC) No 1234/2007 on the common organisation of the market in wine.

¹¹ As for Czech GIs, those include four kinds of beer (České pivo, Budějovické pivo, Budějovický měšťanský var, Českobudějovické pivo) and one name of hops (Žatecký chmel).

In the field of intellectual property rights, the EU-Korea FTA provides for the extension of the duration of the rights conferred by patent protection for pharmaceutical products and plant protection products (Article 10.36) and for supplementary protection certificates (10.35). Those are meant to compensate patentees for the time spent on obtaining marketing approval of pharmaceuticals and is awarded for a period of five years in extension of the patent above the twenty-year patent duration. The undisclosed information, also important to the pharmaceutical industry, ensures the protection for ten years for results of clinical trials.

Similarly, the KORUS FTA provides for patent term restoration (Art. 18.8.6), data exclusivity for five years for pharmaceuticals and ten years for agricultural products (Art. 18.9.1) and patent linkage (Art. 18.9.5). With regard to patent term restoration, the KORUS FTA differentiates between compensation for unreasonable delays that occur in granting the patent and a specific case of pharmaceuticals, where the patent term might be restored as a compensation for unreasonable curtailment as a result of marketing approval process. The patent linkage links market approvals for generic drugs to the status of patents corresponding to the originator's product. Based on the KORUS FTA, market approval for generics shall only be granted upon the consent of the patentee (EPO, 2012). Therefore, the Korea Food and Drug Administration (KFDA) published a so called "green list" of patents associated to drug products (EPO, 2012). It is similar to the "Orange Book" in the USA (U.S. FDA, 2013).

Other provisions

a. Exhaustion

Concerning the exhaustion of rights, the EU-Korea FTA expressly repeats what has been already agreed in the TRIPS Agreement: The Parties shall be free to establish their own regime for the exhaustion of intellectual property rights (Art. 10.4). The KORUS Agreement does not include a provision devoted to the exhaustion of rights.

b. Plant breeders' rights and new plant varieties

The EU-Korea FTA regulates only the issue of new plant varieties (Art. 10.39). Each Party undertakes to provide for the protection of plant varieties and to comply with the International Convention for the Protection of New Varieties of Plants (UPOV, 1991). The UPOV has currently 71 signatories; the EU, South Korea as well as the USA have acceded thereto (WIPO: UPOV Signatories). The KORUS Agreement does not include a specific provision on either plant breeders' rights or new plant varieties. However, among the general obligations, the signatories undertook to accede to the above mentioned international convention that both parties comply with.

c. Traditional knowledge, folklore and genetic resources

Traditional knowledge, folklore and genetic resources represent a category which is not regulated by the TRIPS Agreement. Even though they constitute three distinct topics, they are often referred to together (Valdes, R. and Tavengwa, R., 2012). The EU-Korea agreement expressly regulates all three topics in the Article 10.40. The content of the article is rather subnormal. At first, parties undertake to respect, preserve and maintain knowledge, innovations and practices of indigenous and local communities embodying traditional lifestyles, however, this obligation is stated subject to their respective legislation. Afterwards, the parties refer to the ongoing discussion on the topic in both the WTO and the WIPO and with regard to the Convention on Biological Diversity (CBD). In conclusion, they undertake, upon the conclusion of above referred discussions and upon a request of any party, to review this particular article in the Trade Committee. The provisions of the EU-Korea on this issue correspond with the EU's endeavours on the multilateral platform within the WTO (WTO:

TN/C/W/52, 19.7.2008). On the other hand, the KORUS FTA does not mention any of these topics. Expressing folklore is only included in the definition of a performer with regard to rights related to copyright (Art. 18.6.5.d), proving that these topics do not represent a priority to the U.S. Trade Policy.

Referral to Other International Treaties

As obvious from the above mentioned facts, bilateral FTAs often refer to previous multilateral international agreements concluded prior to the given FTA. They either stress or reaffirm that both parties are obliged to comply with an agreement they have already become parties to or they expressly provide for an obligation to ratify an agreement or basically to comply with the provisions. Understandably, the TRIPS Agreement is the most commonly mentioned agreement.¹²

The KORUS FTA states in the beginning of the Chapter 18 (Art. 18.1) that the signatories are obliged to ratify or accede to the list of enumerated ten multilateral IPR treaties. Additionally, three agreements are stated which the parties shall take all reasonable efforts to ratify or accede to.¹³ Also the EU-Korea FTA often refers to other multinational treaties, however, it does not include one introductory list, rather referring to separate treaties based on their subject-matter. Therefore, for example the chapter on Patents is rather short, stating the obligation to comply with articles 1 through 16 of the Patent Law Treaty (2000, *in* Art. 10.33).

Enforcement of intellectual property rights

As highlighted above, one of two main objectives of the EU-Korea FTA is to achieve an adequate and effective level of protection and enforcement of IPRs (Art. 10.1 b). The protection of intellectual property rights itself is not a sufficient tool for entrepreneurs, should there be insufficient means to enforce their rights. Similarly, as the Doha Development round of negotiations does not cover the topic of IPRs enforcement, the USA explicitly considers the FTA process generally suitable to improve and strengthen enforcement obligations with a goal of having them adopted on a global basis. However, the question of enforcement is rather controversial among the general public as well as among governments who are generally reluctant to accept specific obligations in this field (ITAC-15).

Concerning IPRs enforcement, South Korea is expressly mentioned as an example of a positive advancement by the U.S. 301 Special Report 2014¹⁴. Korea was initially included in the first 301 Special Report from 1989, however, the country “*has transformed itself from a country in need of intellectual property rights enforcement into a country with a reputation for cutting-edge innovation as well as high-quality, high-tech manufacturing*” (2014 Special 301 Report). Additionally, South Korea is given as an example of a country with state-of-the-art standards of IPRs protection and enforcement.

The issue of enforcement of IPRs is to be divided into the following categories: general obligations, civil and administrative procedures and remedies, criminal procedures and remedies and special requirements related to boarder measures.

¹² For example, the Parties reaffirm their commitments under the TRIPS Agreement, and in particular Part III with regard to enforcement of intellectual property rights.

¹³ The Patent Law Treaty (2000) – USA ratified on September 18th 2013 and South Korea having not acceded yet, the Hague Agreement Concerning the International Registration of Industrial Designs (1999) – South Korea acceded on March 31st 2014, coming into force on July 1st and the USA having not acceded yet, and the Singapore Treaty on the Law of Trademarks (2006) – USA ratified on March 16th 2009 and South Korea having not acceded yet (WIPO-Administered Treaties, 2014).

¹⁴ The Report is prepared by the Office of the U.S. Trade Representative and serves as a tool to criticize those countries that lack sufficient IPRs protection and/or enforcement. The name of the Report refers to the Article of the Trade Act of 1974.

a. General obligations

Among the general enforcement provisions, the EU-Korea FTA focuses on the issue of evidence. The judge may order the submission of banking financial and commercial documents (Art. 10.43). Additionally, the FTA regulates provisional measures for preserving evidence (Art. 10.44).

The KORUS Agreement stipulates a presumption of trademark and patent validity in civil and administrative and also in criminal proceedings for trademarks. Additionally, patent claims are presumed to be valid independently of other patent claims (Art.18.10.3.). Last but not least, the KORUS highlights, among general provisions, the importance of publicity – both of judicial decisions and administrative rulings on the matter and statistical information on IPRs enforcement.

b. Civil and Administrative Procedures and Remedies

The provisions governing civil proceedings focus on damages. As for the compensation of trademark counterfeiting, the KORUS FTA states that the right holder shall be compensated for the damages suffered or for the infringer's profits (Art. 18.10.5.a). As stressed by the Report of ITAC-15, this provision is less robust compared to provisions agreed in the FTA of the USA and Oman which allow for both types of compensation at the same time. The EU-Korea FTA, however, focuses on statutory damages, stating that it remains a signatories' possibility to set pre-established damages which shall be available at the election of the right holder (Art. 10.50).

The KORUS Agreement is strict when it comes to disposal of counterfeited products. As oppose to the U.S.-Chile FTA or CAFTA, it does not allow donating trademarked goods to charity, giving preference to destruction (ITAC-15).¹⁵ Similarly, the EU-Korea agreement ensures, upon the other party's request, corrective measures in a form of destruction goods in order to definitely remove them from commercial channels (Art. 10.47). Additionally, the KORUS FTA regulates the payment of court costs and fees as well as reasonable attorney's fees in case of wilful trademark counterfeiting (Art. 18.10.7).

Concerning the procedural matters, the KORUS FTA mandates courts to order the infringer to identify other accomplices, suppliers and other third parties. Secondly, the judge is entitled to fine, detain or imprison a party to the litigation as well as a counsel, expert witness or other persons subject to the court's jurisdiction. With regard to international trade, the KORUS FTA entitles courts to order a party to stop infringing activity with regard to imports and exports.

c. Special Requirements Related to Border Measures

The EU-Korea FTA stresses the importance of border measures in enforcement of IPRs. A right holder shall be entitled to lodge an application in writing for the suspension by the custom authorities of suspected goods. Even prior to this application, custom authorities shall, if there is any suspicion at their side, suspend the release of the goods or detain them (Art. 10.67). The KORUS FTA provides for measures upon application as well as investigations ex officio (Art. 18.10.22). Following the EU-Korea FTA, the Korean Customs Act was amended, expanding the scope of boarder protection to prohibit export and import of goods infringing the GIs (applied as of July 1st 2011) and patent and design protection (as of July 1st 2013; *in Lee, J.J., 2011*).

d. Criminal enforcement of intellectual property rights

The criminal enforcement of IPRs was exempted from the provisional application of the EU-Korea FTA by the Union (Art. 3). Thereunder, the criminal punishment has to be applied

¹⁵ The simple removal of the trademark unlawfully affixed shall not be sufficient to permit the release of goods into the channels of commerce (18.10.9 c) KORUS).

at least in wilful trademark counterfeiting (Art. 10.54) which repeats the provisions of the TRIPS Agreement (Art. 61). With regard to GIs and designs, the EU and South Korea should only consider establishing criminal liability (Art. 10.55). Interestingly, the criminal liability is obligatorily applied also towards legal entities. Moreover, the criminal enforcement shall also apply to the case of aiding and abetting (Art. 10.57). Penalties shall include sentences of imprisonment and/or monetary fines (Art. 10.58) that again reflects the wording of the TRIPS (Art. 61). The EU-Korea further expressly states that the rights of third parties shall be duly protected and guaranteed.

The provisions on criminal enforcement of IPRs in the KORUS FTA are similar to those described above in the case of the EU. Therefore, the KORUS FTA also to a certain extent repeats the wording of the TRIPS Agreements. However, it expressly adds that wilful importation and exportation of counterfeit or pirated goods shall be treated as unlawful activities subject to criminal penalties (Art. 18.26). Additionally, there is no disjunctive relation between imprisonment and monetary fines, leaving signatories obliged to include both in their legislature. Moreover, the KORUS also requires criminal procedures and penalties to be applied in cases of knowing trafficking in counterfeit labels or illicit labels (Art. 18.27).

Conclusions

As for the beginning, the EU-Korea and the KORUS FTAs are, regarding the intellectual property rights, similar, as they both offer complex regulation on the topic going beyond the minimum standard of IPRs protection in the TRIPS Agreement. That is related to the fact that both the EU and the USA consider the FTA process as a crucial tool in enhancing IPR protection globally, once there has been no significant progress on the multilateral basis. The EU, USA and South Korea nowadays all represent developed countries that are willing to incorporate a high level of IPRs protection.

There are many overlapping provisions, such as those related to pharmaceutical products. Nevertheless, the detailed analysis showed some differences. Generally speaking, the KORUS Agreement is more complex, often not only repeating minimum provisions of the TRIPS, but also adding significant substantive as well as procedural details, such as in the case of criminal proceedings or patent regulation. As illustrated with the destiny of the ACTA Agreement, the issue of criminal proceedings is a controversial topic among general public especially in the European Union. As proved above, even though both KORUS and EU-Korea FTAs do not proceed far beyond the minimum standard set in Art. 61 TRIPS, the KORUS FTA is nevertheless more extensive.

Based on the subject-matter analysis in part two, it is obvious that the greatest differences lie within the category of geographical indications. Incorporation of an express list of EU's GIs protected on the South Korean market, with an extensive coverage of European types of cheese, has spurred inquiries of the U.S. Congress regarding the interests of U.S. dairy producers exporting generically-labelled products. This issue is related to the conceptual understanding of the GI – Trademark relationship. Whereas the EU strives to achieve complex protection for the EU's GIs, the USA give preference to trademarks.

The EU and the USA have been presently negotiating a trade and investment agreement between each other, referred to as the "*Transatlantic Trade and Investment Partnership*" or the "*TTIP*". Generally speaking, both countries strive to maintain a high level of protection of intellectual property rights. Therefore, there should not be any significant disagreement in this field of negotiations. Nevertheless, U.S. and EU companies are close competitors in a number of sectors and industries (Cooper, W.H., 2010) Thus, both negotiators should bear in mind the above discussed scope of the non-discrimination principle in the TRIPS Agreement.

As highlighted by the EC (EC, 14. 6. 2013), the EU and the USA do not intend to harmonise their legal systems; they rather aim to identify a number of specific issues where divergences will be addressed. From the EU's point of view, that concerns foremost the GIs. In the negotiations, the EU therefore "*intend[s] to present specific ideas for ensuring adequate protection of GIs*". That corresponds with the standpoint of the EU in the current Doha Development Round of negotiations within the WTO which is comprised in the document referred to as "*Draft Modalities for TRIPS related issues*" (WTO: TN/C/W/52, 19.7.2008). It proposes not only the register for GIs but also two additional topics: TRIPS/CBD disclosure – requiring that patent applicants disclose the origin of genetic material and traditional knowledge used in their inventions¹⁶ – and extension of special provision on GIs for wines and spirits on all products including the discussed register. The USA as well as South Korea are not among countries signed below the proposed Draft of Modalities.

Last but not least, what finally agreed in the TTIP, both partners would have to grant also to all other members of the WTO. That includes also for example the above discussed case of South Korea, or China or Russia or the case of Japan with whom the EU launched negotiations for a Free Trade Agreement on 25th March 2013 (EC Trade: Japan, 7.5.2014).

¹⁶ This topic is related to the UN Convention on Biological Diversity (CBD).

Resources:

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