TOWARDS A CONCEPTUAL CASE FOR HARMONISATION OF INTELLECTUAL PROPERTY LAWS WITHIN THE EAST AFRICAN COMMUNITY

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ABSTRACT

This article attempts to build a conceptual justification for harmonisation of intellectual property laws within the East African Community (EAC). In this regard, the article establishes the conceptual link between IP and regional integration to provide a general context regarding the place of IP in regional economic integration. To establish and expound on the linkages, several claims and arguments are made in the article. First, that there exists a critical role for the law in establishing and developing regional economic integration. Second, that since IP rights are principally constructs of the law, it follows that such rights and their principles are equally vital for regional economic integration. Third, and as a consequence of the foregoing general linkages, IP rights are indeed relevant for the attainment of the four freedoms of the EAC Common Market, namely, the free movement of capital, labour, goods and services. Fourth, considering their character as notions of law, legal and institutional differences in IP rights frameworks are in fact legal barriers to the realisation of the EAC Common Market objectives. This creates the need for harmonisation of such laws.

Key Words: Harmonisation, Intellectual Property, Regional Economic Integration, East African Community.

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1. INTRODUCTION

The nexus between regional economic integration and the law is that of intricate mutual influence. The mutual influence arises because law influences and is influenced by regional economic integration in a *continuum*. Regional economic integration works optimally if it is anchored within rules, customs and institutions. The rules, customs and institutions governing regional economic integration often have their basis in the law. In this regard, the law serves five critical purposes. One, the law regulates the conduct of persons whose actions may, invariably, fall within the mandate of a Regional Economic Community (REC)[1] such as the EAC.[2] Two, the law establishes legal structures and relationships through which States agree to implement regional economic integration.[3] The organs of a regional integration arrangement and how they inter-relate form the legal structures. Three, the law makes provision for processes of legislation to ensure its own relevance and continuity.[4] Four, the law provides for implementation programmes and mechanisms.[5] The mechanisms are apparent in the various RECs pillars of economic integration such as customs unions, common markets and monetary unions while the programmes are manifest in various RECs sequencing the

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[1] Oppong, R.F., *Legal Aspects of Economic Integration in Africa,* New York: Cambridge University Press, 2011, at p. 37.

[2] The EAC is a REC comprising six States, namely, Burundi, Kenya, Rwanda, South Sudan, Uganda and the United Republic of Tanzania with its headquarters in Arusha, Tanzania. It came into being upon the entry into force of the Treaty of the Establishment of the East African Community on 7 July 2000 (having been signed on 30 November 2000).

[3] Joerges, C., "Taking Law Seriously: On Political Science and the Role of Law in the Process of European Integration," 2(2) *European Law Journal*, 1996, p. 105, at p. 105.

[4] See Riesenfeld, S.A., "Legal Systems of Regional Economic Integration," 22(3) *The American Journal of Comparative Law*, 1974, p. 415, at pp. 416-417.

[5] El-Agraa, A.M., *Regional Integration: Experience, Theory and Measurement* (2nd Edition), London: Macmillan Press, 1999, at p. 5.

establishment of such pillars in their legal instruments.[6] Five, law provides for sanctions against its breach.[7] This is generally safeguarded through enforcement and dispute settlement mechanisms.[8]

As regards the influence of regional economic integration on the law, regional economic integration generally expands the geographical limits of economic and social activity by reducing obstacles to trade and investment between States. The reduction of the obstacles affects the political, economic, social and cultural configuration of the integrating States. Since the resulting political, economic, social and cultural reorganisation within and among cooperating States defines the context of the law, regional economic integration fundamentally influences the evolution of the law and legal principles. The sum total of the general nexus between law and regional economic integration, apparent in the ensuing discussion, is that the law - including intellectual property law - defines and regulates market relationships found within a REC. Consequently, any imbalance caused in the law by divergences between different State's laws is likely to distabilise regional economic integration hence the necessity of harmonisation that is viewed as offering a solution.

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6 El-Agraa, A.M., *ibid.*, at pp.1-2.

7 *ibid*, at p. 5.

8 Davidson argues that "A legal system and laws provide a mechanism for settling disputes that arise among members of a society concerning the rules established by that society, and for interpreting those rules." See Davidson, P.J., "The ASEAN Way and the Role of Law in ASEAN Economic Cooperation," 8 *Singapore Year Book of International Law*, 2004, p.165, at p. 167.

2. CONCEPTUALISING HARMONISATION OF LAWS IN REGIONAL INTEGRATION

Evidence from various international trade arrangements suggest that harmonisation of laws can facilitate free movement of goods, services and associated capital and labour between States.[9] This is true for the case of Intellectual Property (IP) rights[10] regimes as these rights are at the core of laws governing the flow of goods and services. This can increase economic growth for the respective countries. Harmonisation of law results in the significant reduction of enforcement complexities, legal uncertainties and transactional costs because it reduces conflict of laws. In this respect Oppong has said:

> Harmonisation … of laws is an important part of the legal infrastructure of integrated economies…. Harmonisation promotes certainty. It subjects trans-boundary transactions to the same, or similar, substantive or procedural laws. It engenders equality of legal treatment, and potentially reduces transaction costs.[11]

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9 Ecorys Nederland BV, "Non-Tariff Measures in EU-US Trade and Investment – An Economic Analysis," (Final Report prepared for the European Commission, Directorate-General for Trade, 11th December 2009).

10 IP comprises a bundle of rights designed to reward intellectual activity and its physical manifestations through exclusive rights enforceable against any unauthorized use by third parties. See Mbote, P.K., "Monsanto v. Schmeiser: Implications for Land Rights of Farmers in Kenya," in Wekesa, M. and B. Sihanya, (eds) *Intellectual Property Rights in Kenya*, Konrad Adenauer Stiftung and SportsLink Limited, Nairobi, 2009, p. 109, at p. 115. The generally accepted forms of IP, are patents, trademarks, utility models, industrial designs, copyright and related rights, traditional knowledge, integrated circuit layouts, traditional cultural expressions, geographical indications, and new plant varieties and their attendant breeders rights, and trade secrets.

11 Oppong, R.F., *Legal Aspects of Economic Integration in Africa*, above note 1, at p. 108.

The foregoing position is likely to apply for the EAC if the Partner States harmonise their IP laws, although empirical evidence specific to EAC in this respect is currently largely absent.

Despite providing for obligations in respect of harmonisation of laws and policy, neither the EAC Treaty nor the Common Market Protocol has defined the concept of harmonisation. Consequently, this article has had to look to other RECs for definitional elements of harmonisation. In that regard, the EU defines harmonisation as "the process whereby national policies and standards are brought more closely in line with one another."[12] While defining harmonisation within the context of EU, Vos has said:

> It may be defined as, the creation of rules, by an act of a Community institution or by an international agreement accorded in the framework of the Community, which aim, or result in, the changing or supplementing of national legislation, as necessary, for the achievement of a common purpose.[13]

On his part, Andreadakis has defined harmonisation in the following terms:

> Harmonisation, nowadays, means minimising the degree of variation and reducing the number of significant underlying differences in order to achieve similarity between systems. As far as law is concerned, harmonisation implies that different

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12 Id, at p.105.

13 Vos, E., "Differentiation, Harmonisation and Governance," in De Witte, B., Hanf, D. and Vos, E. (eds), *The Many Faces of Differentiation in EU Law*, Antwerpen: Intersensia, 2001, p. 145, at pp. 147-148.

> legal provisions or systems are coordinated and the outcome is a set of minimum requirements or standards.[14]

Oppong, while largely reflecting Andreadakis' meaning, defines harmonisation as follows:

> Harmonisation involves synchronising the laws in the member countries. It reduces differences in laws to the barest minimum, but it does not eliminate them. Harmonisation allows countries to take account of their diverse national needs when implementing the harmonised laws.[15]

The foregoing definitions focus on the removal or reduction of differences and setting of common rules, which form the focal elements shared between harmonisation and other like concepts such as approximation.[16]

An additional element indicative of the impact of the differences is thus necessary to distinguish harmonisation from the other like concepts. The implication of the differences is found in the friction that such disparities may cause within the functioning body of law. It is as a result of this that Tadic has defined harmonisation as "the process of (re)ordering the relationship between diverse elements in accordance with a prefixed standard so as to avoid or eliminate

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[14] Andreakadis, S., "Regulatory Competition or Harmonisation: the Dilemma, the Alternatives and the Prospects of Reflexive Harmonisation," in Andenas, M. and Andersen, C.B. (eds), *Theory and Practice of Harmonisation,* Cheltenham: Edward Elgar, 2011, p. 52, at p. 57.

[15] Oppong, R.F., *Legal Aspects of Economic Integration in Africa*, above note 1, at p. 110.

[16] Boodman, M., "The Myth of Harmonization of Laws," 39(4) *The American Journal of Comparative Law* Volume 39, Number 4, 1991, at p. 704.

friction."[17] Flowing from this perspective, harmonisation of IP law should not merely target removal of differences among legal systems. Rather it should target the removal or reduction of frictions to make the different systems more aligned to each other.[18]Calderoni, while noting that the ultimate aim of harmonisation or the removal of frictions among different systems to achieve legal harmony, argues:

> Indeed, harmonisation should intervene only when frictions exist and need to be removed. This idea should drive policymakers when deciding whether to harmonise … law. Evidence of frictions should support the decision to harmonise legislation.[19]

For the purposes of this article, the concept of harmonisation of IP law is used in a more liberal sense. It means the process of (re-)adjusting different IP legislation to improve their consistency and reduce differences that may result in frictions among them through a common (minimum) legal standard. In this way, harmonisation is broad enough to include horizontal and vertical elements that are useful in distinguishing and clarifying the meaning of the concept *vis-à-vis* similar concepts or those used in a similar way as seen in the EAC IP harmonisation clause(s) discussed elsewhere in this

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[17] Tadic, F.M., "How Harmonious Can Harmonisation Be? A Theoretical Approach Towards Harmonisation of (Criminal) Law," in Klip, A.H. and van der Wilt, H.G., (eds) *Harmonisation and Harmonising Measures in Criminal Law*, Amsterdam: Royal Netherlands Academy of Science, 2002, p. 1, at p. 16.

[18] Nelles, U., "Definitions of Harmonisation," in Klip, A.H. and van der Wilt, H.G., (eds) *Harmonisation and Harmonising Measures in Criminal Law*, Amsterdam: Royal Netherlands Academy of Science, 2002, p. 23, at p. 34.

[19] Calderoni, F., *Organised Crime Legislation in the European Union: Harmonisation and Approximation of Criminal law, National Legislation and the EU Framework Decision on the Fight Against Organised Crime*, Berlin Heidelberg: Springer-Verlag, 2010, at p. 3.

article.[20] This conceptualisation also brings out the centrality of differences, including in IP law, as a justification for harmonisation of laws.

3. CONCEPTUALISING DIFFERENCES IN IP LAWS AS TRADE BARRIERS

A conceptual understanding of different IP laws as trade barriers requires an appreciation of IP rights within a REC generally and the Common Market context in particular.

3.1 IP Rights and Markets

IP rights are "intimately related to markets" as they are central in constituting markets.[21] The intimate relationship between IP rights and markets is a reciprocal one. On the one hand, the market poses certain risks to the concept of IP that determines the optimality or otherwise of the IP's functioning. One the other hand, IP in its unfettered scope is a limitation to the concept of a free market. Sihanya aptly captures the essentials of this intimate relationship thus:

> Intellectual property (IP) is usually regarded as a limitation to the concept of a perfect market and free trade. In neo-liberal economics, perfect markets and free trade are characterised by freedom of contract and free movement of goods, technologies and services. IP, on the other hand, is regarded as conferring on the owner the right and power to control and restrict access to information or

[20] See discussion under Part 5 of this article.

[21] See, for instance, Drahos, P., *A Philosophy of Intellectual Property*, Hants UK: Dartmouth Publishing Company Ltd, 1996, at p. 5.

> innovation…. The major justification or rationale for IP is that the creators or innovators need incentives, which unfortunately, they cannot get because of market failure, market distortions or market imperfections.[22]

The two limbs of the relationship are worth considering in a bit more detail to provide a backdrop for the linkages between IP principles and regional economic integration.

Concerning the first limb on how markets affect IP rights, the phenomenon of market failure arises as the critical determinant. Within the context of IP intensive goods and services, markets ordinarily fail due to several reasons. First, markets fail due to abuse of market power. Possession of market power is not a problem *per se*. Rather, it is its abuse that is the problem. Market power would be deemed existent, for instance, in scenarios of monopolies[23] and monopolies.[24] Second, information asymmetry can cause market failure. The utopian notion in this regard is that for a market to operate optimally, both the provider of an IP good or service, and the consumer ought to be at par insofar as having fair information about the good or service is concerned.[25]This is

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[22] Sihanya, B., *Intellectual Property and Innovation Law in Kenya and Africa: Transferring Technology for Sustainable Development,* Nairobi: Sihanya Mentoring and Innovative Lawyering, 2016, at p. 43.

[23] *Ibid*. A monopoly arises where market structures consist of a single dominant supplier or provider of a particular good or service.

[24] A monopsony ordinary arises where market structures consist of a single dominant consumer or buyer of a particular good or service. See Sihanya, B., *Intellectual Property and Innovation Law*, above note 22, at p.43.

[25] See Guellec, D., Pottelsberghe, B., and Zeebroeck, N., "Patent as a Market Instrument," in Guellec, D., and Pottelsberghe, B. (eds.), *The Economics of the European Patent System: IP Policy for Innovation and Competition*, Oxford: Oxford University Press, 2007, p. 85, at p. 88-89.

often not the case in reality. It has been argued that "innovation is subject to information asymmetry that creates moral hazard" resulting in trading difficulties.[26] Third, negative externalities would also lead to market distortions to the detriment of IP goods and services. Negative externalities arise in instances where a consumer fails to internalise or pay for the cost of a product. Sihanya argues, for instance, that a consumer of a book, film or software may not easily appreciate costs of producing the work and resort to photocopying and distributing such works in a commercial scale.[27] Fourth, is the perception of IP as public goods. Public goods are non-excludable and non-rivalrous.[28] Public goods are non-excludable because once a public good is provided, one cannot exclude individuals from its benefits. They are deemed non-rivalrous because several individuals can consume a public good simultaneously without reducing their marginal benefits.[29] The public-goods perception, even though it does not dove-tail with IP rights fully due to the exclusive nature of IP rights, tends to justify infringement and general free riding. This distorts markets for IP goods and associated services.

The second limb of the relationship is on the limits that IP rights impose on the concept of a perfect market. So as to guarantee

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[26] Id, at p. 88.

[27] Sihanya, B., *Intellectual Property and Innovation Law*, above note 22, at p.45.

[28] See Maskus, K.E. and Reichman, J.H., "The Globalisation of Private Knowledge Goods and the Privatization of Global Public Goods," in Maskus, K.E. and Reichman, J.H. (eds) *International Public Goods and Transfer of Technology Under a Globalized Intellectual Property Regime,* Cambridge: Cambridge University Press, 2005, p. 3, at pp. 8-11. See also Berith, R., "European Public Goods in the Neo-Medieval Model of Governance," in Collignon, S. (ed) *The Governance of European Public Goods: Towards a Republican Paradigm of European Integration*, Cham: Palgrave Macmillan, 2017, p. 9, at p. 13.

[29] See Stiglitz, J.E., "Knowledge as a Global Public Good," in Kaul, I., Grunberg, I. and Stern, M.A. (eds) *Global Public Goods: International Cooperation In The 21st Century,* New York: Oxford University Press, 1999, p. 308, at pp. 308-310.

proper recompense for the intellectual investment and effort, IP rules provide mechanisms excluding others from making, using, selling or otherwise dealing in the products unless certain conditions are met.[30] The market, especially a market adopting the architectural formation of a Common Market, on its part, aims at challenging limitations to the free movement of goods.[31]Both objectives of IP and market are legitimate, yet conflicting hence necessitating a balance.[32] As Tudor argues:

> …international trade law is an evolving body of law … and one of the most compelling issues within international trade law is the balance between the assertion of intellectual property rights, on the one hand, and undistorted competition and the free movement of goods, on the other hand.[33]

The foregoing relationship is crucial to understanding the significance that IP rights have for common markets such as the EAC Common Market that is the focus of this article.

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30 Ginter, C., "Free Movement of Goods and Parallel Imports in the Internal Market of the EU," VII(3/4) *European Journal of Law Reform*, 2006, p. 505, at p. 506.

31 *Ibid.*

32 *Ibid.*

33 Tudor, J., "Intellectual Property, the Free Movement of Goods and Trade Restraint in the European Union," 6(1) *Journal of Business Entrepreneurship and Law*, 2012, p.46, at p.47.

3.2 Significance of IP Rights for the EAC Common Market

The relationship between IP and regional integration has already been established above. It is, therefore, important that the specific significance of IP is established for the EAC Common Market at this stage to locate the relational issues in a specific context. The fundamental aspects of the common market as espoused in the EAC Common Market Protocol that provide an appropriate entry point are the four freedoms of the common market, and a number of their related and consequential areas of cooperation that are largely doctrinal.

Conceptually, the common market requires certain inputs to generate its desired outputs. Whereas labour and capital as means of production form the core elements of the input, goods and services remain the key outputs. Consequently, the free movement of the aforesaid has been termed collectively as the four freedoms of the common market.[34] Within the EAC Common Market, the four freedoms derive their legal foundation from Articles 7(1) (c)[35] and 76(1)[36] of the EAC Treaty. This part considers the common market the freedoms of movement of capital and labour (inputs) on the one hand, and then proceeds to consider freedoms of movement of goods and services (outputs) on the other hand in that order. This order enables an

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[34] This has traditionally been used within the context of the EU Single Market and its predecessor EU Internal Market. See generally, for instance, Oliver, P. and Roth, W., "The Internal Market and the Four Freedoms," 41 *Common Market Law Review*, 2004, p. 407, at pp. 407-441.

[35] This Article provides that: "The principles that shall govern the practical achievement of the objectives of the Community shall include … the establishment of an export oriented economy for the Partner States in which there shall be free movement of goods, persons, labour, services, capital…."

[36] The Article provides that: "There shall be established a Common Market among the Partner States. Within the Common Market … there shall be free movement of labour, goods, services, capital, and the right of establishment."

understanding not only of the relationship between inputs and the outputs, but also the linkages between the freedoms and IP. These relationships lay a basis for a better exposition of the possible implications of the differences in the selected IP legislation.

3.2.1 IP Rights and Movement of Capital

To begin with, economists have, over time, defined capital to mean the infrastructure required for production.[37] Such infrastructure may assume the form of physical infrastructure such as tools, equipment, machinery and even factories required for the production of goods or provision of services. The infrastructure, even more critically, includes the means of acquiring the physical infrastructure and this takes the form of financial infrastructure. These economic conceptions have informed the legal prescriptions on capital, especially within common market frameworks.

Within the EAC Common Market, and as relevant to IP, capital (and related payments) is defined under Article 28 of the Common Market Protocol to include direct investment and various payments related to investment. Cross-border investments, which include all the above-mentioned categories of investments, are then entitled to protection under Article 29. More relevant to IP is the definition of investments under Article 29(4) of the same Protocol that has defined investments to include IP rights that are then protected especially from restrictions as per Article 24 of the Common Market Protocol.

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[37] See, for instance, Clayton, G.E., *Economics: Principles and Practice,* Columbus: Glencoe McGraw Hill, 2001, at p. 7.

Conceptually, therefore, IP and capital are interrelated within the context of the EAC in at least two respects. One, in an IP-oriented perspective, IP is deemed to require capital for its generation and commercialisation. Two, from a capital-oriented view, IP is deemed as a form of capital. While in both senses, IP related capital movements ought to be accorded protection from proscribed restrictions, IP in its latter sense raises the fundamental question of what forms of movement ought to be unrestricted within the context of Part G of the Protocol.[38] In this regard, Maskus gives an indication of the movement of IP as capital in the following interposed terms:

> This complex subject allows few clear conclusions. A firm with a [knowledge-based asset] has numerous options in servicing a particular foreign market. It could export the good through standard channels. It could produce locally within the firm through FDI, thereby directly controlling the production process. It could license or franchise its asset to an unrelated firm and allow local production in return for royalties and fees. Finally, it could enter into a joint venture involving some common production or technology-sharing agreement. These

[38] According to Alper, Chen, Dridi, Joly and Yang have stated that: "Article 24 of the [EAC Common Market] protocol eliminates capital flow restrictions among the member States based on nationality, place of residence, current payments, and where capital is invested based on securities, credit, direct investment operations as well as personal capital transactions. These are intended to help mobilise capital, bolster competition, facilitate information flows, and improve corporate governance among member States." See Alper, C.E., Chen, W., Dridi, J., Joly, H., and Yang, F., *A Work In Progress: Integrating Markets For Goods, Labor, And Capital In The East African Community*, Washington, DC: International Monetary Fund, 2016, at p. 25.

> decisions are jointly determined and more than one mode of supply could emerge.[39]

The foregoing provides indicative trade routes an IP rights holder can explore to market an IP right. Indeed, considering that IP requires capital for its generation and commercialisation, and considering that IP is capital *per se,* IP remains critical for the Common Market pillar of free movement of capital.

3.2.2 IP Rights and the Movement of Labour

Labour and IP are conceptually intertwined at the theoretical and practical levels. Theoretically, as noted in part 2.3.1 in the natural rights and utilitarian conceptions of IP, IP rights are legal rewards in recognition of intellectual labour that a person invests.[40] As such, labour is a critical element in the creation and recognition of IP rights.[41]

At the practical level, for any regional economic set up, is the impact of labour mobility. Ogalo details the implications as follows:

> On the supply side, free movement of labour increases the supply of workers in the receiving country. In the short-run, this increase in the supply of a particular type of labour will lead to a fall in its wage, which will in turn reduce the cost of production of the goods and services using that

[39] Maskus, K.E., "Intellectual Property Rights and Foreign Direct Investment," (Policy Discussion Paper No. 0022, Centre for International Economic Studies (CIES), University of Adelaide, Australia, 2000), at p. 3.
[40] See, for instance, Drahos, P., *A Philosophy of Intellectual Property*, above note 21, at p. 24.
[41] *Ibid*.

> kind of labour. As a result of reduced cost of production, the affected firms and" "industries will increase their output of goods and services as well as adopt technologies that use the labour more intensively. The prices of goods and services may also fall thereby benefitting the final consumers through increased affordability of goods and services…. On the demand side, an influx of workers from neighbouring countries will lead to an increase in the demand for goods and services.[42]

Article 10 of the Common Market Protocol guarantees free movement of workers within the EAC.[43]Article 10 of the Protocol grants workers the right to apply for employment. The Article also guarantees the workers unrestricted movement within the partner states and non-discrimination in national labor markets. It also provides for workers' entitlements within Partner States' jurisdictions. According to Alper, Chen, Dridi, Joly, and Yang:

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[42] Ogalo, V., *Achievements and Challenges of Implementation of the EAC Common Market Protocol in Kenya: Case of Free Movement of Labor - Research Report*, Nairobi: Friedrich Ebert Stiftung, 2012, at p. 18.

[43] However, Annex II of the Protocol – which details the implementation framework for Article 10 –reduces its scope in the first phase of implementation. In this regard, Annex II of the Common Market Protocol is more restrictive because under its schedule for the free movement of workers, for instance, the free movement of highly skilled workers, for which partner states committed to remove barriers by end-2015 As per Alper*et al*, "the following are Partner States commitments to remove barriers by end-2015: Burundi – Professionals – by 1st July 2010; Kenya – Managers, Professionals, Technicians and Associate Professionals, and Craft and Related Trades Workers – by 1st July 2010; Rwanda – Professionals and Technicians and Associate Professionals – by 1st July 2010; Tanzania – Professionals and Technicians and Associate Professionals – ranging from by 1st July 2010 to 2015; Uganda – Managers, Professionals and Craft and Related Trades Workers – by 1st July 2010." SeeAlper, C.E., Chen, W., Dridi, J., Joly, H., and Yang, F., *A Work In Progress,* above note 38, at p. 16.

> It gives the workers the right to stay in the country of a member state for employment, in agreement with the national laws and administrative measures governing the employment of workers of that member State, and to enjoy the freedom of association and collective bargaining for better working conditions and pay in accordance with the countrywide laws of the receiving state.[44]

Article 10 also reflects partner states' binding commitment to facilitate EAC citizens' movement for the purposes of service provision. Services that workers provide are instrumental in the creation and commercialisation of IP and IP related goods. Services relevant to IP vary and may include legal services,[45] research and development and engineering.

3.2.3 IP Rights and the Movement of Goods and Services in the EAC

While tradable goods and services form the basic core element of both customs unions and common markets as stages of regional economic integration,[46] IP rights make economic sense for any market only if they are embodied in tradable goods (and

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[44] *Ibid*.

[45] Free-movement of legal services across EAC Partner States borders remains an unresolved and, indeed contentious, issue despite efforts to put measures such as negotiation of a Mutual Recognition Agreement and the East African Community Cross-Border Bill, 2014 (both of which have made minimal progress in the recent years). One of the obstacles is the resistance by practitioners (and not government) to the opening of national borders to competition from across the border.

[46] See El-Agraa, A.M., *Regional Integration: Experience, Theory and Measurement* (2nd Edition), London: Macmillan Press, 1999, at p. 1. See also Articles See Article 1(1) of the EAC Treaty and Articles 4(2) and 5(1) of the Common Market Protocol for the centrality of goods and services.

services).[47] It is noteworthy that the peculiarity of goods embodying IP rights is that most of them invariably attract certain services. Such services are ordinarily found across the value chain for the goods, that is, from product design, manufacturing and marketing.

As such, goods and services embodying IP rights form the core subject matter of cross-border trade dragging along with them the IP rights. According to Otieno-Odek, the impact of this cross-border movement of IP necessitates a level of cooperation or coordination of rules. He says:

> Goods and services created by the intellectual property system form a distribution market extending beyond national boundaries. Most goods containing trademarks, patented products, music and artistic works do not respect national boundaries. A single country's intellectual property regime cannot deal with IP issues related to cross-border trade. So long as countries engage in trade, intellectual property assets continue to cross national boundaries. This by itself necessitates a system whereby countries adopt mutual recognition and enforcement of their citizens IP rights. Combating piracy and counterfeit is more effective under a regional cooperation system than the national approach.[48]

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[47] See Otieno-Odek, J., "Situational Analysis of Legal and Policy Framework for Intellectual Property Rights in EAC, SADC and COMESA," 2013, available at <http://new.trapca.org/wp-content/uploads/2016/04/TWP1306-Situational-Analysis-of-Legal-and-Policy-Framework-for-Intellectual-Property-Rights-in-EAC-SADC-and-COMESA.pdf>(accessed on 7 December 2016).

.[48] *Ibid.*

According to Kur and Dreier "the goal to ensure free movement of goods over national borders within the common market is liable to clash with the principle of territoriality governing intellectual property law."[49] Territoriality and its variant principles of independence and exhaustion of rights present room for discrimination of goods and services bearing IP rights. It is within the context of this implication that Article 43 of the Common Market Protocol of the cooperation in IP ought to be viewed. More particularly, the recognition of this context necessitates the non-discrimination clause for IP to be included in the Common Market Protocol.[50]

3.3 Utility of IP Rights *vis-à-vis* Areas of Co-operation

The conceptual relationship between IP and the four freedoms of the EAC Common Market have certain practical aspects. The practical aspects, which include the protection of cross-border investments, consumer welfare, research and technological development, industrial development as well as agriculture and food security, generally feed into the attainment of the four freedoms of the EAC Common Market. Stated differently, the above-mentioned areas or aspects are measures intended to facilitate the attainment of the four freedoms of the EAC Common Market. At the same time, IP rights such as patents, industrial designs and copyright, play a central role in the attainment of these practical measures. This role is captured in the broad objective of co-operation in the field of IP. This objective is provided in Article 43(1)(a) of the EAC Common Market Protocol,

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[49] Kur, A., and Dreier, T., *European Intellectual Property Law: Text, Cases and Materials*, Cheltenham: Edward Elgar, 2013, at p. 45.

[50] See Article 43(5)(b) of the EAC Common Market Protocol. The provision states that: "The Council shall issue directives for … the elimination of discriminatory practices in the administration of intellectual property rights amongst Partner States."

which states that the role of IP is to "promote and protect creativity and innovation for economic, technological, social and cultural development in the Community."

3.4 Different IP Laws as Trade Barriers

The preceding discussions have established the conceptual centrality of IP rights within regional economic integration in general, and the EAC Common Market in particular. Common markets as formations of regional integration are formed to remove trade barriers to facilitate free movement of goods, services, capital and labour.[51] Barriers to trade have been categorised as tariff barriers that largely relate to traditional customs duties and non-tariff barriers (NTBs) that relate to all obstacles, "other than tariffs that restrict or otherwise distort trade flows."[52] The United Nations Conference on Trade and Development (UNCTAD) defines NTBs as "policy measures other than ordinary customs tariffs that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both."[53] Whereas significant successes have been recorded in the reduction of tariff barriers, NTBs still persist thus presenting a continuous challenge to the achievement of common market freedoms.[54] The EAC Common

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[51] Odhiambo, W., "The Distribution of Costs and Benefits in Trade in the Context of the East African Regional Integration Process," in Society for International Development (SID), *East African Integration, Dynamics of Equity in Trade, Education and Media*, Nairobi: SID, 2011, p. 1, at pp. 11 and 31.

[52] Shumba, T., *Harmonising Regional Trade Law in the Southern African Development Community (SADC): A Critical Analysis of the CISG, OHADA and CESL,* Baden-Baden, Germany, Nomos Verlagsgellschaft, 2015, at p. 11. Section 2 of the East African Community Elimination of Non-Tariff Barriers Act, 2017 defines NTBs in as "laws, regulations, administrative and technical requirements other than tariffs imposed by a Partner State, whose effect is to impede trade."

[53] UNCTAD, *International Classification of Non-Tariff Measures*, Geneva: UNCTAD, 2012, at p. 1.

[54] Fliess, B., and Lejarraga, I., "Non-tariff Barriers of Concern to Developing Countries," in Organisation for Economic Co-operation and Development, *Looking*

Market is not an exception to this generally acknowledged challenge. In fact, Consumer Unity and Trust Society (CUTS) has argued that "despite having decided to remove NTBs… for example, the EAC member States are still struggling with them."[55] In corroborating the argument, Nganga has observed that:

> … in spite of the comments made by the partner states to remove NTBs, they remain a serious obstacle to trade within the region. They continue to increase the cost of doing business in the region and have negatively impacted on trade and cooperation.[56]

Challenges posed by NTBs are attributable to the rationale often given by states for such barriers like health, security, standardisation requirements and state sovereignty.[57]

Although government's deliberate acts often create NTBs, there are exceptional cases where NTBs are not necessarily outcomes of positive state action, but rather its inaction. Shumba has argued that: "[i]t is also possible that government measures, which do not have the restriction of international trade as their object, can impede the flow of goods and services."[58]

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*Beyond Tariffs: The Role of Non-Tariff Barriers in World Trade***,** Paris: OECD, 2005, at p. 228.

[55] Consumer Unity and Trust Society, *Taking East African Regional Integration Forward: A Civil Society Perspective*, Geneva: CUTS Resource Centre, 2010, at pp. 4-7.

[56] Nganga, T.K., "Barriers to Trade: the Case of Kenya," in Jansen, M., M. Jallab, and M. Smeets, (eds) *Connecting Global Markets Challenges and Opportunities: Case Studies Presented by WTO Chair-holders,* World Trade Organisation, Geneva, 2014, p. 57, at p. 59.

[57] Shumba, T., *Harmonising Regional Trade Law*, above note 52.

[58] Id, at p. 11.

Legislation can be cited as an appropriate example in such a scenario. As a general practice, governments do not develop laws to restrict international trade. They develop laws to facilitate trade (including cross-border trade) through regulation. Disparities in different countries' laws are obstacles to free flow of goods, services, capital and labour, which can distort trade flows. As Mancuso observes:

> The problem of diversity of laws has been an important (even if indirect) obstacle to the African economic development that, for a long time, has not been taken into proper consideration by the African States.[59]

On this account, disparate legislation governing movement of goods, services, capital and labour can be considered as NTBs. Deductively, differences in IP laws of two or more international or regional trading partners are therefore obstacles to the free movement of goods and services as well as the attendant capital and labour.

Legal and institutional differences in national IP laws of the EAC Partner States are measures with effect equivalent to other conventional NTBs. IP rights are designed to govern core aspects of the free movement of goods and services as well as capital and labour. IP rights as rights conferred to reward people's intellectual innovation and creativity consist of a bundle of rights. In the bundle exists the owner's "right to sell the fruits of intellectual work in whatever form they can be embodied, packaged and

[59] Mancuso, S., "Trends on the Harmonization of Contract Law in Africa," 13(1) *Annual Survey of International and Comparative Law*, 2007, p. 157, at p. 161.

transmitted…"[60] and the "…the power of producers of ideas to control how their products are used."[61] As such, IP rights go into the root of ownership and control of usage, sale, production, and distribution (including importation and exportation) of goods, services, capital and labour.[62] The 'NTB effect' of disparate IP laws is substantially fuelled by the territoriality principle, independence of rights principle and the exhaustion of rights principle[63] in IP law. These principles are applicable to trade as well. In this regard, Sideri notes that:

> … the substantive content of the intellectual property rights (IPRs) and their enforcement influence the conditions of trade, hence most IP issues are bound to be trade related….[64]

Perhaps this explains why UNCTAD has classified intellectual property as a non-tariff measure (NTM).[65] Within the context of the EU and United States of America, for instance, it has been noted that: "IP rights NTM is characterised by a number of different provisions that cause divergence between national laws."[66]The problem came out the EU industrial property case of *Parke Davis & Co. v. Probel* where the European Court of Justice stated that:

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[60] Zirnstein, E., "Harmonization and Unification of Intellectual Property in the EU." *Journal of Intellectual Capital and Knowledge Management,* (2005), p. 293, at p. 293

[61] Ibid.

[62] Ibid.

[63] Ibid.

[64] Sideri, S., "The Harmonisation of the Protection of Intellectual Property: Impact on Third World Countries," (The United Nations University/Institute for New Technologies Working Paper No. 14, 1994), at p. 1.

[65] UNCTAD, *International Classification of Non-Tariff Measures*, Geneva, UNCTAD, 2012, at p.1.

[66] Ecorys Nederland BV, "Non-Tariff Measures in EU-US Trade and Investment – An Economic Analysis," (Final Report prepared for the European Commission, Directorate-General for Trade, Rotterdam, The Netherlands, 2009), at p. 197.

> "The national rules relating to the protection of industrial property have not yet been unified within the Community. In the absence of such unification, the national character of the protection of industrial property and the variations between the different legislative systems on this subject are capable of creating obstacles both to the free movement of the patented products and to competition within the common market."[67]

The NTB effect of disparate IP laws conflicts with the goals of common markets such as increase in trade volumes in several ways.[68] The three broad problems the disparities have for the common market include enforcement complexities and consequences thereof, legal uncertainty and unpredictability and increased transactional costs.

3.4.1 Enforcement Complexities and their Consequences

Conceptually, not only do differences and inconsistencies in IP laws hamper free movement of goods, services and associated capital and labour, but they also have spillover effects that arise from weakened legal regime and a fragmented market.[69] Variations in national laws result in enforcement loopholes, lapses and difficulties across the border. As a spillover effect, disparate laws contribute to resource constraints and inefficiencies that can otherwise be resolved through pooling of sovereignty and resources, as well as streamlining operations for IP administration

[67]Case 24/67: [1968] ECR 55.

[68] Zirnstein, E., *Harmonization and Unification*, above note 60.

[69] As the Preamble of the EU Directive 2004/48/EC on the Enforcement of Intellectual Property Rights, at paragraph (9) suggests: "The current disparities also lead to a weakening of the substantive law on intellectual property and to a fragmentation of the internal market in this field."

and management.[70]Inadequate quality control measures and safeguards necessary to ensure that only IP rights that meet the requirements of protections are conferred with ownership rights further confirms this.[71] In addition, inadequate infrastructure necessary for the administration and management of IP in such nascent systems is further evidence of the problem.[72] Weak IP rights protection, administration and enforcement systems result from this position. The consequences of the arising weaknesses include infringement of IP rights, loss of confidence in the regulatory function of the market, and "a consequent reduction in investment in innovation and creation."[73]Enforcement complexities, being products of legal processes, invariably (among other factors) impact on the certainty and predictability of the law.

3.4.2 Legal Uncertainty and Unpredictability

Legal uncertainty and unpredictability of the law in cross-border movement of goods and services poses a threat to the importers and exporters in trade.[74] For entities exporting goods and services embodying IP, such threats may include uncertainty in the systems and processes necessary to ensure importers' or third parties' respect for the relevant IP rights. Another challenge may

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[70] Mgbeoji, I., "African Patent Offices Not Fit for Purpose," in De Beer, J., Armstrong, C., Oguamanam, C., and Schonwetter, T., (eds), *Innovation & Intellectual Property: Collaborative Dynamics in Africa*Cape Town: UCT Press, 2014, p. 234, at p. 234-247.

[71] *Ibid*, at p. 240.

[72] Mgbeoji, I., *African Patent Offices*, above note 70 at p. 240.

[73] Preamble of the EU Directive 2004/48/EC on the Enforcement of Intellectual Property Rights, at paragraph (9)

[74] See Bamodu, G., "Transnational Law, Unification and Harmonization of International Commercial Law in Africa" 38 *Journal of African Law*, 1994, p.125, at p. 125. See also Mancuso, S., "The New African Law: Beyond the Difference between Common Law and Civil Law" 14 *Annual Survey of International and Comparative Law*, 2008, p. 39, at p. 40.

arise in instances where the content of the law is certain, but the outcome of a dispute arising from exporter-importer conflicts is unpredictable.[75] For the importer, "the question whether the law protects him from non-delivery or defective performance…"[76] is fundamental. Defective performance in the context of IP-embodying goods and services may include, *inter alia,* misrepresentation on the components or quality of a technological product or even sale of a product without an IP right holder's authorisation where the exporter or importer does not own the relevant IP in a particular product.

Uncertainty and unpredictability in the law creates a situation where either an exporter or an importer transacts without full information on the legal risks and opportunities regarding cross border movement (and even manufacture) of goods and services.[77] Where nationals of States "transact in circumstances of legal uncertainty, the consequences are sometimes protracted legal battles and forum shopping which increase transactional costs."[78] These legal risks are likely to emerge is IP law between States is uncertain and unpredictable

[75] For this kind of scenario, see for example Norrgård, M., "The European Principles of Intellectual Property Enforcement: Harmonisation through Communication," in Ohly, A. (eds), *Common Principles of European Intellectual Property*, Tübingen: Mohr Siebeck, 2012, p. 203, at pp. 220-221.

[76] Shumba, T., *Harmonising Regional Trade Law*, above note 52, at p. 95.

[77] See Ndulo, M., "The Promotion of Intra-African Trade and the Harmonization of Laws in the African Economic Community: Prospects and Problems" in Ajomo M.A. and Dewale, O., (eds) *African Economic Community Treaty: Issues, Problems and Prospects,* Lagos: Nigerian Institute of Advanced Legal Studies, 1993, p. 107, at pp. 111-113.

[78] Shumba, T., *Harmonising Regional Trade Law*, above note 52, at p. 95.

3.4.3 The Question of Transactional Costs

Cross-border trading involves a large number of transactional costs.[79] According to Schmidtchen, Kirstein and Neunzig, transaction costs include:

> … the costs of negotiating, drafting and enforcing contracts. They include search and information costs, bargaining and decision costs, policing and enforcement costs and, moreover, the efficiency losses that result when conflicts are not perfectly resolved.[80]

Differences in IP laws generate conflict of laws and consequently forum shopping that increase these transactional costs.[81] These costs are often passed on to the consumers in the pricing of goods and services. An increase in any of the transactional costs can result in increased prices of the goods and services to levels most target consumers may not afford as these costs are often passed on to them.[82] In addition, and as an offshoot of the increased prices, an increase in transactional costs may also result in reduced foreign direct investment into the region since the transaction costs increase the costs of doing business. In relation to patents Miyamoto suggests,

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[79] Ibid, at p. 94.

[80] Schmidtchen, D., Kirstein, R., and Neunzig, A., "Conflict of Laws and International Trade: A Transaction Costs Approach," (Centre for the Study of Law and Economics, Discussion Paper 2004-01, 2004), at p. 2.

[81] Mistelis, L., "Is Harmonisation a Necessary Evil? The Future of Harmonisation and New Sources of International Trade Law" in Fletcher, I., Mistelis, L. & Cremona, M., (eds) *Foundations and Perspectives of International Trade Law*, Sweet and Maxwell, London, 2001, p. 3, at p. 21.

[82] Yakubu J.A., "Community Laws in International Business Transactions" in CM Dickerson (ed) *Unified Business Laws for Africa: Common law Perfectives on OHADA* (2nd edition), 2012, p. 1, at pp. 3-5.

> … this implies a higher cost of obtaining, maintaining and enforcing patents in each country in which patent protection is required. The higher cost of obtaining patent protection abroad stems, at least in part, from differences among national laws.[83]

These effects are detrimental to enhancing trade within a REC such as the EAC, and thus call for concerted remedial mechanisms, the main of which is harmonisation of laws.

3.4.4 Divergences in the EAC Partner States' IP laws and the Role of Harmonisation

While a discussion on individual divergences between EAC Partner States' IP laws generally fall outside the scope of this article, it is crucial to highlight generally the areas of divergence for context purposes. In this regard, a textual review of the patent, industrial design and copyright laws in Partner States such as Kenya, Rwanda and Tanzania shows substantive differences and inconsistencies within the legislation concerning the said areas of IP in the respective EAC Partner States.

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[83] Miyamoto, T., "International Treaties and Patent Law Harmonization: Today and Beyond," in Takenaka, T. (ed.), *Patent Law and Theory: A Handbook of Contemporary Research*, Cheltenham: Edward Elgar, 2008, p. 154, at p. 173. Similar arguments have been advanced for copyright. For instance, while noting one of the concerns regional intervention in copyright in the EU as being the protection of copyright against misappropriation, Eechoud signals disparate copyright laws and fragmented enforcement as a challenge in copyright enforcement. See Eechoud, M. van, Hugenholtz, P.B., Gompel, S. van, Guibault, L., and Helberger, N., *Harmonizing European Copyright Law: The Challenges of Better Lawmaking*, Alphen aan den Rijn: Kluwer Law International, 2009, at p. 5. See also, Tharani, A., "Harmonization in the EAC," in Ugirashebuja, E., Ruhangisa, J.E., Ottervanger, T. and Cuvyers, A., *East African Community Law: Institutional, Substantive and Comparative EU Aspects*, Leiden: Brill Nijhoff, 2017, p. 486, at pp. 486-487.

In patents,[84] several differences are noticeable. These include the subject matter of protection, exclusions from patent protection, variations in ownership. Other aspects include exceptions and limitations, infringement, remedies as well as registration procedures. With respect to industrial designs,[85] at least three sets of differences exist. These include variations in the existence (or otherwise) of industrial design law, reinstatement or restoration of industrial designs, and opposition to applications for registration. As concerns copyright,[86]the subject matter of protection, exclusions, rights arising out of copyright, assignment and licensing, exceptions and limitations, as well as publishing contracts are salient as disparities, Other differences in copyright include CMOs' models, the copyright offices and quasi-judicial appeal systems and processes. Differences associated with judicial tribunals and constitutional configurations also raise significant challenges.

Also crucial within the context of the differences are the implications that each of the differences have for the EAC Common Market. The implications include enforcement

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84 Municipal patent laws applicable to the above-referenced Partner States are: Kenya's Industrial Property Act, 2001 (Act No. 3 of 2001) (Rev. 2016); Rwanda's Law No. 31/2009 of 26/10/2009 on the Protection of Intellectual Property, Tanzania Mainland's Patents (Registration) Act, Cap. 217 [R.E. 2002] and Zanzibar Industrial Property Act, 2008(Act No. 4 of 2008).

85 Municipal patent laws applicable to the above-referenced Partner States are: Kenya's Copyright Act, 2001 (Act No. 12 of 2001); Rwanda's Law No. 31/2009 of 26/10/2009 on the Protection of Intellectual Property, Tanzania Mainland's Copyright and Neighbouring Rights Act, Cap. 218 [R.E. 2002] and Zanzibar Zanzibar Copyright Act, 2003.

86 Municipal patent laws applicable to the above-referenced Partner States are: Kenya's Industrial Property Act, 2001 (Act No. 3 of 2001) (Rev. 2016); Rwanda's Law No. 31/2009 of 26/10/2009 on the Protection of Intellectual Property, Tanzania Mainland's Patents (Registration) Act, Cap. 217 [R.E. 2002] and Zanzibar Industrial Property Act, 2008(Act No. 4 of 2008).

complexities, legal uncertainty and unpredictability as well as the transaction costs associated with cross-border movement of goods and services embodying any of the IP rights cited as examples above. The implications of the differences, which generate frictions within the four freedoms of the EAC Common Market, provoke the need for a solution. Harmonisation, which is conceptualised in the preceding section, offers one such solution. This is so because harmonisation, if optimally pursued, reduces the frictions through mechanisms of common policy, legal and institutional frameworks.

4. IP PRINCIPLES AS FOUNDATIONS OF THE DIFFERENCES IN IP LAWS

Conceptually, the differences in IP laws as barriers to trade calls into question the role of various IP principles as enhances of the implications that the differences have for free movement of goods and services. In this regard, three fundamental IP principles that may constitute limitations on the free movement of goods and services have to be considered. Such principles include territoriality, independence of protection, and the exhaustion of rights. Understanding these principles is useful in discussing the legal issues relating to harmonisation of IP laws within a regional economic integration framework because they inherently relate to the exclusivity of IP owners' rights.

4.1 Principle of Territoriality of IP Rights and Regional Integration

The principle of territoriality limits the effects of IP rights to the geographical territory where such rights have been granted protection under the national laws. This means that IP rights are effective only in the country or territory where they are registered,

and, as a consequence, each country determines the scope of IP protection and enforcement. WIPO notes:

> Each country determines, for its own territory and independently from any other country, what it is to be protected as intellectual property, who should benefit from such protection, for how long and how protection should be enforced.[87]

Goldstein has adopted three precepts of modern territoriality doctrine in the following terms:

> (1) A State's laws have force within the state's boundaries; (2) anyone found within the state's boundaries is subject to the state's authority; (3) comity will discipline one sovereign's exercise of authority to respect the territorial competence of other sovereigns.[88]

Therefore, according to the territoriality principle, the protection of IP rights is limited only within and under the legal rules of the jurisdiction where they have been granted.[89]

Territoriality is originally derived from foundational international legal instruments such as the Paris Convention for the Protection of Industrial Property of 1883 and the Berne Convention for the

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[87] WIPO, *Intellectual Property on the Internet: A Survey of Issues*, Geneva: WIPO, 2003, at p. 119.

[88] Goldstein, P., *International Copyright: Principles, Law, and Practice*, New York: Oxford University Press, 2001, at p. 64.

[89] Chun, D., "Patent Law Harmonization in the Age of Globalization: The Necessity and Strategy for A Pragmatic Outcome," (Cornell Law School Inter-University Graduate Student Conference Papers. Paper 45, 2011), at p. 5.

Protection of Literary and Artistic Property of 1886. According to Dinwoodie, territoriality "…informs rules regarding the scope of rights, applicable legal norms, and the acquisition and enforcement of rights."[90] The principle of territoriality of IP rights therefore has at least three aspects, which find expression within the body of IP law. First, the laws and "legal norms that determine the availability and scope of…rights are largely territorial."[91]National legislatures enact IP laws and, in common law contexts, courts develop the law. The territoriality of laws as an aspect of the principle of territoriality leads to the second aspect, that is, the territoriality of rights' acquisition mechanisms. In this regard, IP rights are ultimately acquired through national legal and administrative mechanisms. Territoriality requires an IP rights applicant to obtain separate rights for each country in which protection is desired through separate applications to each national office directly or, indirectly, through reliance on international and regional registration systems.[92] The third aspect of territoriality is that of jurisdiction and enforcement of IP rights. IP rights only have effect and are enforceable nationally. This implies that acts committed exclusively abroad cannot infringe a national

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90 Dinwoodie, G.B., "Trademarks and Territory: Detaching Trademark Law from the Nation-State," 41 *Houston Law Review*, 2005, p. 885, at p. 895.

91 *Ibid*, at p. 901.

92 For instance, the right of priority under Article 4 of the Paris Convention enables applicants for industrial property registration in one country to benefit from an earlier date of filing (priority date) of an application for the same industrial property in another country. This is conditional upon filing the later application within period prescribed in the Convention. The effect of the right of priority is that prior art, for purposes of novelty, is considered only up to the priority date. The *tellequelle* principle in Article 6*quinquies* of the Paris Convention also attempts to mitigate against effects of territoriality. The *tellequelle*principle permits registration of a trademark in a second country if that trademark is registered in the country of origin. This is subject to limitations requiring eligibility under national law rendering the principle largely self-defeating. Other examples are the PCT, Madrid and Hague systems that were designed to facilitate multiple acquisition of national rights through a single desgination-based application. See Dinwoodie, G.B., *Trademarks and Territory*, at p. 903.

IP. Such acts can therefore only be prohibited under the laws of the country in which they are committed.

One of the practical effects of the principle of territoriality is the independence of protection. Independence of protection deems protection for an IP right obtained in one country as being independent of protection obtained for the same IP in other countries. In industrial property that requires registration, independence means that registration in a country does not oblige any other country to register the same industrial property.[93] Independence of protection also means that an industrial property application cannot be refused or invalidated in one country because of its refusal or invalidation in another country.[94] In this respect, the fate of a particular industrial property in one country does not determine its fate in any other country. In copyright and neighbouring rights, the principle means that "enjoyment and exercise of the rights granted is independent of the existence of protection in the country of origin of the work."[95]

The territoriality Principle seems to contradict the main objective of the Common Market because it affects "free movement of goods in that an IP owner can only assert rights within the member state that grants the rights, but not beyond that member State's borders."[96] The EAC Common Market envisages a single market

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93 See Article 4*bis* of the Paris Convention of 1883 for the rule concerning the independence of patents for invention. Even though there is no express provision concerning independence of rights in industrial designs, the principle has often been extended to designs *in toto*.

94 WIPO, *WIPO Intellectual Property Handbook,* Geneva: WIPO, 2004, at p. 245.

95 See Article 5(2) of the Berne Convention of 1886. See also Sihanya, B., *Intellectual Property and Innovation Law*, above note 22, at pp. 187-188.

96 Westkamp, G., "Intellectual Property, Competition Rules, and the Emerging Internal Market: Some Thoughts on the European Exhaustion Doctrine," 11 *Marquire*

integrating Partner States' respective markets.[97]In this sense, therefore, territoriality may be deemed to have negative overall results on common market goals in instances where laws differ from one state to another as it implies independence of national rights and systems from one another. As Bently and Sherman put it, the "territorial nature of intellectual property rights has long been a problem to rights holders whose works, inventions, and brands are the subject of transnational trade."[98] As a consequence, at least three sets of Principles have emerged to mitigate against the territorial reach of IP rights, namely, exhaustion of rights, and non-discrimination (comprising the twin-Principles of national treatment and the most-favoured-nation treatment).

4.2 Territoriality, the Non-Discrimination Principle and Regional Integration

Territoriality Principle, if misapplied, inherently poses the risk of entrenching discrimination in the manner in which a country treats its nationals compared to foreigners, and the preferential treatment is may give its trading partners or their nationals. Discrimination on the basis of the foregoing is not only contrary to common market principles, but also harmful to common market objectives. It is for this reason that Article 75(6) of the EAC Treaty requires Partner States to "refrain from enacting legislation or applying administrative measures which directly or indirectly discriminate against the same or like products of other Partner States." Consequent to the risks posed by and general prohibition of discrimination, two principles have thus emerged in IP to mitigate

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Intellectual Property Law Review, 2007, at pp. 292-293. See also Tudor, J., *Intellectual Property, the Free Movement of Goods*, above note 33, at p. 56.

[97] See Article 1(1) of the EAC Treaty.

[98] Bently L. and B. Sherman, *Intellectual Property Law* (3rd Edition), New York: Oxford University Press, 2009, at p. 5.

against harmful effects of misapplied territoriality; namely, the principle of national treatment and that of the most-favoured-nation. Both are discussed below.

To start with, Gurry, Abbott and Cottier have described national treatment in IP law in the following words:

> …the government of one country said to another, "We agree to treat your business people (and their products) in the same way we treat our own business people (and their products).[99]

WIPO has shared in the same view as Gurry, Abbott and Cottier when it observes that:

> This national treatment rule guarantees not only that foreigners will be protected, but also that they will not be discriminated against in any way. Without this, it would frequently be very difficult and sometimes even impossible to obtain adequate protection in foreign countries for inventions, trademarks and other subjects of industrial property.[100]

From the definitive aspects above, it can be inferred that the national treatment principle requires countries that are party to the Paris Convention, the Berne Convention and TRIPS Agreement to grant the same protection to nationals of the other member

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[99] Gurry, F., Abbott, F. and Cottier, T., *International Intellectual Property in an Integrated World Economy*, Aspen Publishers, Wolters Kluwer Law & Business, 2007, at p. 45.

[100] WIPO, *WIPO Intellectual Property Handbook*, above note 94, at p. 243.

countries of the said treaties as it grants to its own nationals.[101] Equally, the principle places an obligation on member countries to grant the same treatment to nationals of countries that are not party to the Paris Convention provided such nationals are domiciled or are habitual residents in a member country or if they have a "real and effective industrial or commercial establishment" in such a country.[102]

The foregoing general rule has, however, accommodated exceptional circumstances under which national treatment does not apply. In this regard, discrimination against foreign nationals seems to be permitted in procedures for acquiring or maintaining IP rights. The first exception is the national law relating to judicial and administrative procedure, meaning that foreigners may lawfully receive different treatment in respect of laws relating to judicial and administrative procedure.[103] An example of different treatment in judicial procedure may include the requirement in some jurisdictions that foreigners to deposit monies in court as security for the costs of litigation and damages, should a judgment be made against them.[104] With respect to administrative procedure, the example of mandatory requirement of local legal representation or agency as practised in most jurisdictions in the EAC is appropriate. Several other exceptions to the national treatment principle are in existence. Some of the key ones include differential treatment against non-reciprocal treatment by a

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[101] See Article 2 of the Paris Convention for the Protection of Industrial Property (called "the Paris Convention" in subsequent references) and Article 3(1) of the Berne Convention for the Protection of Literary and Artistic Works (called "the Berne Convention" in subsequent references) and Article 3 of Agreement on Trade-Related aspects of Intellectual Property, 1994 (TRIPS Agreement). The term "national" includes both natural persons and legal entities.

[102] See Article 3 of the Paris Convention and Article 3(2) of the Berne Convention.

[103] *Ibid.*

[104] See Id, Article 2 (3) of the Paris Convention.

country outside the Berne Union,[105] the protection of works of applied and industrial designs,[106] and the right of resale.[107]

As a result of its importance highlighted above, the national treatment principle is reflected in the EAC Common Market Protocol. Its basis can be found in Article 3(2) (a) of the Common Market Protocol through which Partner States have undertaken to "observe the principle of non-discrimination of nationals of Partner States on grounds of nationality." This broad undertaking is more specifically pronounced in Article 17 (1) of the same Protocol which states that:

> Each Partner State shall accord to services and service suppliers of other Partner States, treatment not less favourable than that accorded to similar services and service suppliers of the Partner State.

On its part, the most-favoured-nation (MFN) principle, which was a creation of the TRIPS Agreement, places an obligation on states requiring that:

> With regard to the protection of intellectual property, any advantage, favor, privilege or immunity granted by a Member to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other Members.[108]

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105 Article 6 of the Berne Convention.
106 *Ibid*, Article 2(7).
107 *Ibid*, Article 14ter (2).
108 See Article 4 of the TRIPS Agreement. See also WIPO, *WIPO Intellectual Property Handbook*, above note 94, at p. 348.

Under the MFN Principle, if a country gives a preferential treatment to a national of another country, then that country is bound to extend the same treatment to all other country members of the TRIPS Agreement. Like the national treatment principle, the MFN principle as provided for under Article 4 of the TRIPS Agreement, prohibits discrimination between the nationals of other Members.

Similar to national treatment, the TRIPS Agreement provides exceptions to the obligations imposed by the MFN principle. First, any advantage, immunity, advantage, favour or privilege arising out of "international agreements on judicial assistance or law enforcement of a general nature."[109] Second, any preferential treatment "authorizing that the treatment accorded to be a function not of national treatment but of treatment accorded in another country."[110] Third, any advantage, favour, privilege or immunity in respect of the neighbouring rights.[111] Fourth, any advantage, immunity, favour or privilege "deriving from international agreements related to the protection of intellectual property which entered into force prior to the entry into force of the WTO Agreement… and which do not constitute an arbitrary or unjustifiable discrimination against nationals of other Members."[112] Fifth, "procedures provided in multilateral agreements such as those concerning judicial and administrative procedures related to acquisition or maintenance of intellectual property rights."[113]

Again the EAC Common Market Protocol have made provisions for the MFN principle therefore underscoring the vital role of the

[109] Article 4(a).
[110] Id, Article 4(b).
[111] Id, Article 4(c).
[112] Id, Article 4(d).
[113] Id, Article 5.

principle to the objectives if the common market. In this regard, Article 3(2)(b) of the EAC Common Market Protocol binds Partner States to "accord treatment to nationals of other Partner States, not less favourable than the treatment accorded to third parties." Article 18 of the Protocol also provides for the MFN principle by requiring that:

> Each Partner State shall … accord unconditionally, to services and service suppliers of the other Partner States, treatment no less favourable than that it accords to like services and service suppliers of other Partner States or any third party or a customs territory.

The fact that the EAC Common Market Protocol sets national treatment and MFN as key principles in respect of the objects of the common market is an indicator that the common market is interested in mitigating against the possible negative effects of territoriality. The interest aims at enhancing free movement of goods and services including those embodying IP rights (which are rights premised on a similar principle for its optimal functioning). However, the exceptions to the said principles avail an opportunity for entrenchment of the subsisting differences as well as the creation of additional divergences between Partner States' IP legislation.

4.3 The Principle of Exhaustion of Rights and Regional Integration

IP rights generally permit right holders to exclude others from making, manufacturing, using, offering to sell, selling, or importing

products that IP cover without the right holder's authority.[114] These negative rights effectively allow their holders to make the first sale of the IP-protected goods to the exclusion of others. IP rights, if unlimited towards private gains, imply an IP right holder's absolute right to deal in an IP good.

However, the Principle of exhaustion of rights limitsthis right to exclude. The exhaustion of right Principle provides that the IP holder's control over goods containing the IP right is exhausted once IP right holder or persons he authorises first place goods embodying the IP on the market. Due to this, the doctrine has also been termed the "first sale doctrine".[115] The effect of the exhaustion is that "any further exploitation shall no longer be covered by the protection right."[116]The rationale of the Principle is to create a balance between public interest in free movement of goods and undistorted competition and private interest founded in protecting IP rights holders' ability to control movement of goods. The ability to control ordinarily includes determination of the extra-territorial extent IP.[117]

Ordinarily, four requirements characterise goods that can trigger the exhaustion of rights. First, the goods must be lawfully

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[114] Bently L. and B. Sherman, *Intellectual Property Law,* above note 98 at pp. 507-510.

[115] From a historical perspective, the US Courts had consistently held (since 1873) that intellectual property products were free for further distribution after the authorised first sale. German judges introduced the first sale doctrine in Europe where they referred to it as exhaustion of intellectual property rights in 1902. See, for instance, Yusuf, A.A. and Hase, A.M., "Intellectual Property Protection and International Trade: Exhaustion of Rights Revisited," 16 *World Competition Law and Economic Review,* 1992, p. 115, at p. 117.

[116] Pitz, J., "Exhaustion of Industrial Property Rights from the German Perspective," *Journal of World Intellectual Property*, 2001, p. 231, at pp. 231-241

[117] Tudor, J., *Intellectual Property, the Free Movement of Goods*, above note 33, at pp.46-101.

produced to claim the exhaustion principle. Secondly, the goods have to be initially placed in the market by the IP owner personally or with his consent. Third, the title in the goods has to pass to the purchaser to attract the exhaustion doctrine. Fourth, the IP rights holder ought to receive "a benefit to offset his investment before his right is exhausted."[118] First sale confers that benefit.

The exhaustion applies to the right to control resale and other activities such as repair of a product protected by IP rights after that product's first sale. In essence, with every first sale, the right holder's rights to control such resale are exhausted and other traders are therefore enabled to get into the trade in the product. Similarly, the right holder's rights to control repair are terminated and purchasers are thus allowed to access repair markets where the nature of the goods are such that they may need repair especially technology-related goods. The doctrine therefore entrenches the Principle of territoriality.

4.3.1 Variations in the Scope of Exhaustion of Rights

Considering the doctrine's extension of territoriality, exhaustion of rights can take place at three levels, namely national, regional and international levels. Under national exhaustion, the IP holder's right to exclude terminates when his or her goods are put into the market in the national territory. The right holder can no longer control the resale of the goods within the specific country. National exhaustion presents a weak exhaustion regime that is beneficial to the IP right holder but not to the consumer because the right holder can control the distribution channels in respect of all

[118] Boonfueng, K.A., "Non-Harmonized Perspective on Parallel Imports: The Protection of Intellectual Property Rights and the Free Movement of Goods in International Trade," Ph.D Dissertation, The American University Washington College of Law, 2003, at p. 17.

imports into the country of exhaustion. Under regional exhaustion, the IP holder's right ends when the good is placed in a market within a country falling under a designated regional territory like the EAC. The right holder loses control over the resale of the goods within the region, but can control resale outside the regional markets. Under international exhaustion, the IP holder's right is extinguished when the good is placed in the market of any country in the world. International exhaustion presents a strong exhaustion regime that is beneficial to the consumers and the right holders to an extent. The consumer can obtain goods at fairly reasonable prices as the market benefits from numerous sources of the product.

The choice of policy on exhaustion of rights is left at the discretion of a country. Article 6 of the TRIPs Agreement implies this discretion and provides that:

> …settlement of dispute under this Agreement, subject to the provisions of Article 3 and 4 nothing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights.

Despite the discretion, it is apparent that exhaustion of rights is intended to regulate States' ability to limit free movement of goods through the exclusive elements of IP rights. Tudor states as follows in this regard:

> The exhaustion of rights doctrine is designed to limit the ability of member states to enact barriers to the free movement of goods, even in regard to intellectual property rights. The exhaustion of rights doctrine…seems to be an effective check against the

> ability of a member state to use domestic intellectual property rights to promote domestic sales.[119]

Exhaustion of rights, therefore, directly impacts on the movement of goods (and attendant services). Any variation in the exhaustion regimes may consequently mould the relevant IP right into a trade barrier.

5. THE EAC IP HARMONISATION CLAUSE(S)

In providing a foundational basis for harmonisation of IP laws within the EAC, Article 126(2)(b) of the EAC Treaty requires that "…the Partner States shall through their appropriate national institutions take all necessary steps to… harmonise all their national laws appertaining to the Community." Flowing from this generality, Article 103(1)(i) of the Treaty specifically provides as follows *in extenso*:

> Recognising the fundamental importance of science and technology in economic development, the Partner States undertake to promote co-operation in the development of science and technology within the Community through… the harmonisation of policies on commercialisation of technologies and promotion and protection of intellectual property rights.

Article 103(1)(i) of the EAC Treaty has recognized harmonisation of policies on protection of IP rights as a critical tool in promoting the development of science and technology, and therefore

[119]Tudor, J., *Intellectual Property, the Free Movement of Goods*, above note 33, at p. 63.

important for the realisation of the goals of the EAC. This provision creates a high-level policy position considering that it is derived from the Treaty, which is the constitutive instrument of the EAC. However, it does not specify the meaning and scope of IP harmonisation it envisages. The extent of harmonisation of the IP laws of the Partner States that will result in optimal protection and promotion of IP rights therefore remains moot and, indeed, subject of inquiry in this article. Besides, this provision narrows the viewpoint on applicability of IP to science and technology and as a result ignores IP applicability to issues that are of importance to the EAC such as trade and the arts.

In an attempt to mitigate the narrow application of the IP in the Treaty, the EAC Common Market Protocol, in Article 43, substantively attempts to expound on the broad Treaty provisions in mandating the Partner States to co-operate in the field of IP rights.[120] While expounding on the Treaty provisions, this provision

[120]Article 43 (1) provides that: "The Partner States undertake to co-operate in the field of intellectual property rights to: (a) promote and protect creativity and innovation for economic, technological, social and cultural development in the Community; and (b) enhance the protection of intellectual property rights." Article 43 (2) outlines the areas of IP where the Partner States shall cooperate. The inclusive list provides for "copyright and related rights; patents; layout designs of integrated circuits; industrial designs; new plant varieties; geographical indications; trade and service marks; trade secrets; utility models; traditional knowledge; genetic resources; traditional cultural expressions and folklore; and any other areas that may be determined by the Partner States." The Article at sub-article 3, lists activities that members shall undertake in ensuring "co-operation in intellectual property rights". The activities are:

(a) Putting in place measures to prevent infringement, misuse and abuse of intellectual property rights;
(b) Cooperating in fighting piracy and counterfeit activities;
(c) Exchanging information on matters relating to intellectual property rights;
(d) Promoting public awareness on intellectual property rights issues;
(e) Enhancing capacity in intellectual property;
(f) Increasing dissemination and use of patent documentation as a source of technological information;
(g) Adopting common positions in regional and international norm setting in the field of intellectual property; and

departs from Article 103 (1) (i) of the Treaty because it does not make reference to harmonisation at all. Instead, it uses the term 'co-operation'. This departure introduces further incongruity with Article 47 of the Common Market Protocol. Article 47 binds Partner States to "approximate their national laws and harmonise their policies and systems"[121] for purposes of implementing the Common Market Protocol. This position indicates ambiguity on the terminology because it introduces approximation. The confusion of terms has implications for degree of harmonisation. Equally problematic so far is lack of implementation most of the activities in the list under Article 43 of the Protocol to give effect to harmonisation under Article 103 of the EAC Treaty.[122]

From the foregoing, it is apparent that various terms such as approximation and cooperation have been introduced, and in fact confused with harmonisation of IP laws. It is within this

(h) Putting in place intellectual property policies that promote creativity, innovation and development of intellectual capital.
(i) Establishing mechanisms to ensure:
   a) The legal protection of the traditional cultural expressions, traditional knowledge, genetic resources and national heritage;
   b) The protection and promotion of cultural industries;
   c) The use of protected works for the benefits of the communities in the Partner States; and
   d) The cooperation in public health, food security, research and technological development."

[121] Article 47 (1) states that: "The Partner States undertake to approximate their national laws and to harmonise their policies and systems, for purposes of implementing this Protocol." Sub-article 2 states that: "The Council shall issue directives for purposes of implementing this Article."

[122] The list of activities under Article 43 suggests exclusivity yet there are other activities relevant to the harmonisation. The activities under Article are just but some of the provisions relevant to the formulation and implementation of a harmonised intellectual property framework under the EAC legal framework. Some of the activities listed under Articles 42, 44 and 45 are relevant to intellectual property harmonisation goals of the EAC.[122] The exclusive listing under Article 43 may be limiting hence the problem of inconclusive and uncoordinated harmonisation.

background that isolation and definition of the terms, otherwise used confusingly, becomes necessary. The necessity arises because these concepts are not necessarily the same as harmonisation, and are actually in a terminological battle that may dictate the degree and form of harmonisation.[123] Despite the battle of terminologies highlighted above, a case for harmonisation of IP laws supported conceptually and through the manifestation of legislation seems to exist if the conceptual linkages discussed above are anything to proceed from.

6. CONCLUSION

In the process of regional and international trade, "difficulties and conflicts between national systems"[124]arise. Key contributors to the difficulties and conflicts are the differences that may exist in national laws governing movement of goods and services that then result in barriers to regional economic integration.[125] IP laws are core in this scheme as they govern the movement of goods and services by deriving their utility "when embodied in tradable goods" and services.[126] As such, differences and inconsistencies in IP laws can be a challenge to regional trade, and therefore economic integration. This is because such differences largely render IP protection ineffective, inefficient and uncertain to the detriment of free movement of goods and services.[127]

The above referred-to challenge requires intervention through, *inter alia*, legal mechanisms for their redress. Harmonisation of IP

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[123] Disaggregation and definition of the terms generally fall outside the scope of this article.

[124] See Seville, C., *EU Intellectual Property Law and Policy*, Edward Elgar, Cheltenham, 2009, at p. 1.

[125] Mancuso, S., "Trends on the Harmonization of Contract Law in Africa," *Annual Survey of International and Comparative Law,* Vol.13, No. 1, 2007, p.161.

[126] Otieno-Odek, J., *Situational Analysis*, above note 47.

[127] Zirnstein, E., *Harmonization and Unification*, above note 60.

legal regimes has therefore been deemed as a suitable mechanism in this regard.[128] The preference for harmonisation is predicated on its potential to enhance predictability and certainty, efficiency and coordinated implementation of law.[129] These are factors crucial for free movement of goods and services. On this account, harmonisation of IP laws is necessary for the regional economic integration hence EAC's legal aspirations and requirements aimed at harmonisation of IP laws.

[128] See Ecorys Nederland B.V., "Non-Tariff Measures in EU-US Trade and Investment – An Economic Analysis," (Final Report prepared for the European Commission, Directorate-General for Trade, Rotterdam, The Netherlands, 2009), at p. 197.

[129] See Shumba, T., *Harmonising Regional Trade Law*, above note 52, at p.17.