

## Appendix B

### DIPLOMATIC CONFERENCE ON THE PROTECTION OF INTELLECTUAL PROPERTY WITH RESPECT TO INTEGRATED CIRCUITS

On May 26, 1989, participants at a Diplomatic Conference in Washington, D.C. sponsored by the World Intellectual Property Organization ("WIPO") reached agreement on a treaty on the protection of lay-out designs for integrated circuits (chips). Unfortunately, neither the United States nor Japan (the world's major producers and consumers of chips) could accept the treaty.

The United States believes that the treaty does not provide an adequate and effective standard for the protection of chips. The United States has strongly supported a balanced treaty that would encourage creativity and protect U.S. interests. We believe that the U.S. Semiconductor Chip Protection Act sets an appropriate level of protection for chips, and many other countries' laws provide equivalent levels of protection.

The treaty concluded today permits countries to provide significantly less protection than the United States and other countries currently provide. For example, the treaty permits countries to provide too short a term of protection; allows them to issue compulsory licenses in a broad range of circumstances; and does not require that purchasers of infringing chips pay a royalty on the chip after the purchaser knows the chips are infringing. In addition, the mechanism for settling disputes between governments that join the treaty, though a step in the right direction, may be unworkable.

During the negotiations, the United States tried repeatedly to reach compromise solutions that would result in adequate protection, while permitting the flexibility that other countries demanded. U.S. efforts at compromise were rejected.

The U.S. Government continues to support the many efforts of the WIPO to improve the standards of protection for intellectual property. We will continue to strive for that objective in the WIPO and other fora.