

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

# DISPUTE SETTLEMENT

WORLD TRADE ORGANIZATION

3.14 TRIPS



**UNITED NATIONS**  
New York and Geneva, 2003

## NOTE

**The Course on Dispute Settlement in International Trade, Investment and Intellectual Property** consists of forty modules.

This Module has been prepared by Mr. F. Abbott at the request of the United Nations Conference on Trade and Development (UNCTAD). The views and opinions expressed are those of the author and not necessarily those of the United Nations, WTO, WIPO, ICSID, UNCITRAL or the Advisory Centre on WTO Law.

The designations employed and the presentation of the material do not imply an expression of any opinion whatsoever on the part of the United Nations concerning the legal status of any country, territory, city or areas or of its authorities, or concerning the delimitations of its frontiers or boundaries. In quotations from the official documents and the jurisprudence of international organizations and tribunals countries are designated as reported.

The United Nations holds copyright to this document. The course is also available in electronic format on the UNCTAD website ([www.unctad.org](http://www.unctad.org)). Copies may be downloaded free of charge on the understanding that they will be used for teaching or study and not for a commercial purpose. Appropriate acknowledgement of the source is requested.

UNCTAD/EDM/Misc.232/Add.18

Copyright © United Nations, 2003  
All rights reserved

## TABLE OF CONTENTS

<b>Note</b>	<b>ii</b>
<b>What you will learn</b>	<b>1</b>
<b>1 General Principles of the TRIPS Agreement</b>	<b>3</b>
<b>1.1 Rights and Obligations</b>	<b>3</b>
1.1.1 Structure of the Agreement	3
1.1.2 Discretion and Flexibility	4
1.1.3 Implementation into National Law and the Question of Direct Effect	5
1.1.4 Mandatory and Discretionary Rules	5
<b>1.2 General Principles</b>	<b>6</b>
1.2.1 National and Most Favoured Nation Treatment	6
1.2.2 Exhaustion of Rights	7
1.2.3 Objectives and Principles	8
1.2.4 The Relationship of the TRIPS Agreement to the WIPO Conventions and Treaties	9
1.2.5 The Doha Declaration on the TRIPS Agreement and Public Health	9
<b>1.3 Approaching WTO Dispute Settlement</b>	<b>10</b>
<b>1.4 Test Your Understanding</b>	<b>10</b>
<b>2 The TRIPS Agreement as a Body of Substantive Rules</b>	<b>11</b>
<b>2.1 The Establishment of Substantive Norms</b>	<b>11</b>
2.1.1 Express Provision and Incorporation	11
2.1.2 Scope of Subject Matter Coverage	11
2.1.3 Subject Matter Areas	12
<b>2.2 Copyright and Related Rights</b>	<b>12</b>
2.2.1 Incorporation of Berne	12
2.2.2 Idea-expression Dichotomy	12
2.2.3 Supplements to Berne	13
2.2.4 Specificity	13
2.2.5 Options, Including Fair Use	13
2.2.6 The National Constitution and Copyright	14
<b>2.3 Trademark</b>	<b>14</b>
2.3.1 Incorporation of the Paris Convention	14
2.3.2 The Subject Matter of Trademark Protection	14
2.3.3 Trademark ownership	15
2.3.4 The Scope of Trademark Protection	15
2.3.5 Exceptions and Fair Use	16
2.3.6 Duration and Other Aspects	16

<b>2.4</b>	<b>Geographical Indications</b>	<b>16</b>
	2.4.1 Subject Matter	16
	2.4.2 Wines and Spirits	17
	2.4.3 Negotiations	17
	2.4.4 Potential Disputes	17
<b>2.5</b>	<b>Industrial Designs</b>	<b>18</b>
	2.5.1 Subject Matter	18
	2.5.2 Methods of Protection	18
	2.5.3 Scope and Duration	18
<b>2.6</b>	<b>Patent</b>	<b>19</b>
	2.6.1 The Paris Convention	19
	2.6.2 Differences in Perspective	19
	2.6.3 Subject Matter Scope	19
	2.6.4 Scope of Protection	21
	2.6.5 Disclosure	21
	2.6.6 Exceptions	21
	2.6.7 Other Uses	22
	2.6.8 Term of Protection and Other Aspects	23
<b>2.7</b>	<b>Lay-out Design of Integrated Circuits</b>	<b>23</b>
<b>2.8</b>	<b>Undisclosed Information</b>	<b>24</b>
	2.8.1 Relationship to Paris Convention	24
	2.8.2 Trade Secret	24
	2.8.3 Test and Regulatory Data	24
<b>2.9</b>	<b>Competition Rules</b>	<b>25</b>
<b>2.10</b>	<b>Approaching WTO Dispute Settlement</b>	<b>26</b>
<b>2.11</b>	<b>Test Your Understanding</b>	<b>27</b>
<b>3</b>	<b>TRIPS Agreement Rules on Enforcement</b>	<b>29</b>
	3.1 General Provisions	29
	3.2 Civil and Administrative Procedures and Remedies	30
	3.3 Provisional Measures	30
	3.4 Special Requirements Related to Border Measures	31
	3.5 Criminal Procedures	31
	3.6 Acquisition and Maintenance	32
	3.7 Issues for Dispute Settlement	32
	3.8 Approaching Dispute Settlement	33
	3.9 Test Your Understanding	34
<b>4</b>	<b>The Dispute Settlement System of the TRIPS Agreement</b>	<b>35</b>
	4.1 Transparency	35
	4.2 Dispute Settlement	35
	4.3 Non-violation in TRIPS	36
	4.4 Proceedings	38
	4.4.1 General application of DSU	38
	4.4.2 Expert Consultation and Negotiating History	38
	4.4.3 Claim and counterclaim	39

---

4.4.4 <i>Customary International Law and TRIPS</i>	39
4.5 <i>Approaching Dispute Settlement</i>	40
4.6 <i>Test Your Understanding</i>	41
<b>5 Jurisprudence Under the TRIPS Agreement</b>	<b>43</b>
5.1 <i>India – Patent Protection</i>	43
5.2 <i>Canada – Pharmaceutical Patents</i>	44
5.3 <i>United States Section 110(5) Copyright Act</i>	46
5.4 <i>Canada – Patent Term</i>	47
5.5 <i>United States Section 211 Appropriations Act</i>	47
5.6 <i>United States’ Claims Regarding Brazil’s Compulsory         Licensing Legislations</i>	49
5.7 <i>Approaching WTO Dispute Settlement</i>	50
5.8 <i>Test Your Understanding</i>	50
<b>6 Case Study</b>	<b>51</b>
<b>7 Further Reading</b>	<b>53</b>
7.1 <i>Books and Articles</i>	53
7.2 <i>Dispute Settlement Reports</i>	53
7.3 <i>Documents and Information</i>	53



## WHAT YOU WILL LEARN

---

The *Agreement on Trade-Related Aspects of Intellectual Property Rights* (“TRIPS Agreement”) is the first WTO agreement requiring Members to establish a relatively detailed set of substantive norms within their national legal systems, as well as requiring them to establish enforcement measures and procedures meeting minimum standards. The *TRIPS Agreement* is sometimes referred to as the first WTO agreement that prescribes “positive law”. This factor alone might account for a more than typical level of controversy as Members deal, in many cases, with adopting rather far-reaching changes to their national legal systems.

However, added to the uniquely “positive” aspect of the *TRIPS Agreement* is a negotiating history that for a long time was highly contentious, particularly as between developed and developing Members, and the fact that the *TRIPS Agreement* touches upon sensitive and important social issues. In the final analysis, it should not be surprising that the TRIPS Agreement has generated a considerable amount of controversy among WTO Members, even if to date much of that controversy has not resulted in formal dispute settlement proceedings.

The TRIPS Agreement addresses a wide range of intellectual property subject matter areas (copyright, trademark, patent, and so forth). It also covers competitive markets, enforcement measures, dispute settlement, and transitional arrangements. This Module provides an introduction to these various aspects of the TRIPS Agreement, and seeks to focus on the kinds of questions that should be asked when approaching dispute settlement. In some areas, the questions are answered, but the entire field of intellectual property rights protection, including enforcement measures, cannot be covered in a single Module or short course. Moreover, the questions will change along with the technologies that form the subject matter of intellectual property rights protection. The objective of this Module is to provide sufficient background so that as specific issues arise, the diplomat or lawyer understands how to approach them.

This Module begins by discussing some general principles or concepts applicable to the field of TRIPS dispute settlement. It then deals with the various substantive subject matter areas covered by the agreement. It turns to enforcement measures, and afterwards to specific aspects of the WTO dispute settlement process. Finally, the existing WTO jurisprudence is described.





# 1. GENERAL PRINCIPLES OF THE TRIPS AGREEMENT

---

## Objectives

**On completion of this section, the reader will be able:**

- **to identify the basic concepts and principles of the TRIPS Agreement.**
- **to recognize the flexibility inherent in its rules, the prescription of minimum substantive standards of protection, and the possibility of direct application in national law.**
- **to discuss the concept of exhaustion of intellectual property right that underlies parallel trade, and the principles of national and most favoured nation treatment as they apply to TRIPS.**
- **to review the objectives and principles of the TRIPS Agreement and understand its relationship to the WIPO Conventions.**

## 1.1 Rights and Obligations

The TRIPS Agreement does not only impose obligations or duties on WTO Members, but also grants them an important set of rights. In approaching a dispute, a diplomat or lawyer should ask, “What are my government’s rights under the Agreement”? This is critically important because a dispute settlement claim under the TRIPS Agreement will usually be framed in terms of obligations that a Member is failing to fulfil.

The TRIPS Agreement and incorporated WIPO Conventions are often drafted in general terms. Members are not bound to follow a rigid set of rules in implementing them. Members have the right to implement the TRIPS Agreement in the manner they consider appropriate. Intellectual property (“IP”) law contains much inherent flexibility. Members have the “right” to use the flexibility inherent in the Agreement, as well the “obligation” to meet its minimum requirements.

### 1.1.1 Structure of the Agreement

The TRIPS Agreement consists of seven Parts. The first two parts are concerned with substantive rules that WTO Members are expected to implement and apply in their national (or regional) legal systems.<sup>1</sup> The third Part establishes the enforcement obligations of Members, and the fourth addresses the means for acquiring and maintaining intellectual property rights (“IPRs”). The fifth Part is directed specifically to dispute settlement under the TRIPS Agreement, though of course the other Parts of the Agreement will form the subject matter of disputes. The sixth Part concerns transitional arrangements, and the seventh concerns various institutional and other matters.

<sup>1</sup> *The European Communities are a Member of the WTO and TRIPS Agreement, and have developed an extensive body of IP laws and court decisions. Other regional groups, such as the Andean Pact and Mercosul/r, also have adopted or contemplate the adoption of regional IP law. In this Module, reference to national rights and obligations should be understood to include regional rights and obligations, except where the context expressly indicates otherwise.*

On 14 November 2001, the WTO Ministerial Conference in Doha adopted a Ministerial Declaration on the TRIPS Agreement and Public Health. This Declaration is important to interpretation of the Agreement, and has relevance beyond the field of public health.

The TRIPS Agreement establishes the Council for Trade-Related Aspects of Intellectual Property Rights (“TRIPS Council”) that plays an important role in the review of national legislation and in ongoing negotiations under its “built-in agenda”, as well as in other negotiations.

#### Preamble TRIPS

The TRIPS Agreement obligates WTO Members to establish a set of minimum standards that will permit parties to obtain and enforce certain rights in IP. The preamble of the TRIPS Agreement recognizes that IPRs are “private rights”. This means that “holders” of IPRs, not government authorities, are generally responsible for pursuing the enforcement of IPRs. On the other hand, governments may be (and often are) “holders” of IPRs, and the reference to IPRs as private rights should not be understood as a limitation on government ownership.

The preamble of the TRIPS Agreement was heavily negotiated during the Uruguay Round, and forms an important part of the context of its interpretation.<sup>2</sup>

### 1.1.2 Discretion and Flexibility

#### Article 1.1 TRIPS

Article 1:1 of the TRIPS Agreement obligates Members to “give effect” to the provisions of the Agreement. It also provides that Members “shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice.”

Article 1:1 provides flexibility for Members to implement the TRIPS Agreement in the manner of their own choosing, provided that the specific requirements of the Agreement are met. This is an extremely important principle for the purposes of dispute settlement because the implementation of IP law in national legal systems involves choosing between different approaches.

For example, copyright law typically allows the “fair use” of authors’ and artists’ works for certain categories of acts, such as for criticism or parody. Rights of fair use are acknowledged under the terms of the Berne Convention on Literary and Artistic Works (see Berne Convention, Articles 9(2), 10 & 10*bis*) that are incorporated in the TRIPS Agreement (see TRIPS Agreement, Article 9:1), as well as by Article 13 of the TRIPS Agreement. The approaches that Members take to the scope of fair use rights differ, and often depend on how courts choose to interpret local rules in specific cases. When a government is challenged regarding the scope of its fair use provisions in dispute settlement, it may rely on the flexibility inherent in Article 1:1 of the TRIPS Agreement, as well as the relevant provisions of the Berne Convention and other parts of

<sup>2</sup> See Chapter 1.5, *UNCTAD TRIPS and Development: Resource Book*.

the TRIPS Agreement. The Panel Report in *US – Section 110(5) Copyright Act*<sup>3</sup> shows that there are limits to this flexibility or discretion

### **1.1.3 Implementation into National Law and the Question of Direct Effect**

As noted above, Members are obligated to “give effect” to the TRIPS Agreement in national law. The question of “giving effect” is more complex than might first appear. Members may, of course, choose to give effect to the rules of the TRIPS Agreement by the adoption of national legislation or administrative rules that specifically implement its provisions. However, not all legal systems require that the rules of treaties (or international agreements) be transformed into national law by the adoption of specific legislation. In some national legal systems, the constitution provides that treaties may be given “direct effect” by the regulatory authorities and courts.<sup>4</sup>

The question whether a particular national legal system recognizes the possibility of direct effect may be important in WTO dispute settlement. Consider the case in which a Member is challenged for an alleged failure to “give effect” to a provision of the TRIPS Agreement in national law. If the constitution of that Member allows for the possibility of direct effect, that Member may defend against the claim of non-implementation by pointing out that its national legal system does not require that TRIPS provisions be transformed by a separate legislative act into national law, but rather the Agreement itself becomes part of national law. There is thus no failure in implementation.

The recognition of “direct effect” for the TRIPS Agreement is a potential “two-edged sword” however, and this is one of the reasons that the European Communities and the United States have each taken steps to deny direct effect, even though the constitutional systems of both the EC and the United States allow for its possibility. If a Member allows the TRIPS Agreement direct effect, this generally means that private parties may directly rely on its terms before national courts. If the parliament or the executive of a Member prefers to implement the TRIPS Agreement in a particular way – taking advantage of the flexibility referred to earlier – it may lose some of its options in turning the task of interpreting the Agreement over to the courts.

### **1.1.4 Mandatory and Discretionary Rules**

One of the critical questions to ask in any WTO dispute settlement context is whether a law or regulation being challenged has a mandatory or discretionary character. In the TRIPS context, a mandatory rule is one that implementing authorities “must” apply with regard to IPRs holders or those challenging

<sup>3</sup> Panel Report, *United States – Section 110(5) of the US Copyright Act* (“*US – Section 110(5) Copyright Act*”), WT/DS160/R, adopted 27 July 2000.

<sup>4</sup> In the United States, treaties that are given direct effect are referred to as “self-executing” treaties, but this terminology is specific to the United States.

them. A discretionary rule is one that executive authorities or courts “may” apply in these settings. Although there may be certain limits on this principle, it has long been recognized under GATT-WTO dispute settlement practice that only mandatory rules may be challenged in dispute settlement, and that discretionary rules may not be challenged until a Member uses discretionary authority in a way inconsistent with WTO obligations.<sup>5</sup>

If a Member adopts an IP law or regulation that allows its executive authorities or courts to exercise broad discretion with regard to a particular subject matter, the grant of discretion alone is unlikely to be inconsistent with TRIPS obligations until it is abused in practice.

## 1.2 General Principles

### 1.2.1 National and Most Favoured Nation Treatment

Part I of the TRIPS Agreement also incorporates certain general principles, including national and most favoured nation (MFN) treatment.

#### Article 3 TRIPS

The national and MFN treatment principles should be familiar from the study of GATT 1994 and GATS. While these principles have their own special characteristics in application to IPRs, the general idea is the same. Pursuant to the national treatment principle, a Member should treat foreign nationals in a manner equivalent to local nationals for the purpose of obtaining and enforcing rights in IPRs, as well as in defending against allegations of abuse. Pursuant to the MFN principle, a Member should treat nationals of different Members in the same manner, and should not grant special privileges to nationals of particular Members. Both the national and MFN principles are subject to certain limitations and exceptions.

#### Article 4 TRIPS

For example, under the national treatment principle, rules with regard to securing protection may vary to take into account the foreign character of a registrant, provided that the formal difference does not result in discrimination. Perhaps the major exception for MFN treatment is one that applies to international agreements regarding intellectual property existing prior to entry into force of the TRIPS Agreement. This exception may arguably be understood to refer to the intellectual property regimes of certain regional arrangements, such as the European Communities.

<sup>5</sup> The Panel in the *US – Section 301 Trade Act* case identified a discretionary rule it considered to obligate the United States to act in manner that created uncertainty regarding its WTO obligations, and found that in such circumstance even a discretionary rule might violate WTO obligations. This panel report was not appealed (see Panel Report, *United States – Sections 301-310 of the Trade Act of 1974 (“US – Section 301 Trade Act”), WT/DS152/R*, adopted 27 January 2000.) In a subsequent ruling, the Appellate Body affirmed that the mandatory-discretionary distinction forms part of WTO jurisprudence noting, without expressing an opinion on the matter, that the Panel in the *US – Section 301* case had “found that even discretionary obligations may violate certain WTO obligations” (Appellate Body Report, *United States – Anti-Dumping Act of 1916, WT/DS136/AB/R, DS162/AB/R*, adopted 26 September 2000, at footnote 59).

## 1.2.2 Exhaustion of Rights

### Article 4 TRIPS

Article 6 of the TRIPS Agreement provides that nothing in the Agreement will be considered to address the subject of exhaustion of IPRs for purposes of dispute settlement. Although virtually all Members understood Article 6 to allow each of them to adopt its own policies and rules on the subject of national and international exhaustion, there was sufficient concern over interpretative questions raised by certain Members that the Doha Declaration on the TRIPS Agreement and Public Health made clear that each Member is allowed to adopt its own policies with respect to exhaustion, without being subject to dispute settlement.

### Doha Declaration

The concept of “exhaustion” of IPRs may not be well known to those who are not familiar with IP law. The concept exists because of a fundamental difference between intellectual “property” and tangible (or physical) property. That is, IP is embodied in goods and services, but it is not the goods and services themselves. Generally speaking, when a tangible product (such as a can of soda) is sold and transferred, the seller has no further claim on the product, and the buyer can dispose of it as he or she wishes. The holder of an IP right (such as a trademark), on the other hand, generally does not give up his or her right to the IP when a product that embodies it is sold and transferred. The IP holder continues to hold the IP right. The “exhaustion” question concerns whether that right can be used to control the further disposition of the product.

*Consider the famous “Coca-Cola” trademark displayed on a can of soda. When you purchase a can of Coca-Cola, you do not buy the Coca-Cola trademark itself. You buy the can with the soda inside it. That soda has been identified by the trademark as the product of a particular enterprise. The Coca-Cola Company has not given up its interest in its trademark such that you can begin to produce your own Coca-Cola. Conversely, the fact that the Coca-Cola trademark remains on the can after you have purchased the soda does not give the Coca-Cola Company the right to prevent you from selling the can you have purchased to someone else, or the right to prevent you from drinking the soda. When Coca-Cola sells the can of soda to you, it “exhausts” its rights in the trademark such that it may no longer control the subsequent disposition of the product. All national IPRs regimes recognize some doctrine of exhaustion; otherwise, IPRs holders would control virtually all aspects of economic activity by maintaining control over goods and services after they had been “first sold” and transferred.*

WTO Members have not agreed on uniform rules regarding whether exhaustion of IPRs should have a “national” or “international” character. Under a doctrine of international exhaustion, if a product is lawfully placed on the market in one WTO Member, the holder of a “parallel” IP right in another Member is not able to control its importation or resale based on that parallel IPR. Under a doctrine of national exhaustion, the lawful marketing of the product in one WTO Member does not affect the rights of a “parallel” IP holder in another Member, and the IP holder in the other Member may use its parallel IPR to

block the importation and further disposition of the product. Some WTO Members follow a rule of international exhaustion, and some a rule of national exhaustion. It is not uncommon for Members to have different exhaustion rules with respect to different types of IPR.

While Article 6 and the Doha Declaration establish beyond doubt that each Member is entitled to allow international exhaustion and so-called “parallel importation” of IPRs protected goods, this does not mean that an exhaustion policy will never be challenged in WTO dispute settlement. This is because the term “exhaustion” is not self-defining, and a Member might bring a claim against another Member asserting that it has adopted an unreasonable definition of the concept of exhaustion. Thus a panel and the Appellate Body (AB) might be called upon at some point to determine what the limits on the scope of the exhaustion principle are.

### **1.2.3 Objectives and Principles**

#### **Article 7 TRIPS**

Articles 7 and 8 of the TRIPS Agreement refer to the objectives of the Agreement and to principles that generally apply to its interpretation and application. Article 7 confirms that the IPRs are intended to reflect a balance between the interests of private stakeholders that are relying on IP protection to provide an incentive for creativity and invention (and investment in those activities), and society that is expected to benefit from access to creations and the transfer and dissemination of technology. Article 8:1 indicates that Members may adopt, *inter alia*, measures necessary to protect public health and nutrition, provided that those measures are consistent with the Agreement. The Article 8:1 formulation may assist in the defence of so-called non-violation nullification or impairment claims, if these are eventually permitted under the Agreement. In more general terms, the usefulness of Article 8:1 in dispute settlement is limited by the requirement that measures be consistent with the Agreement, in contrast to the formulation of Article XX of GATT 1994 and Article XIV of GATS, each of which makes provision for measures that are necessary and otherwise “inconsistent” with the Agreement. The formula set forth in Article 8:1 is controversial.

#### **Article 8:1 TRIPS**

#### **Article 8:2 TRIPS**

Article 8:2 acknowledges the *right* of Members to take action against anticompetitive practices relating to IP, also with the proviso that such action must be consistent with the Agreement.

The role of Articles 7 and 8 in dispute settlement has so far been limited. These provisions have been invoked as an aid in interpretation, but have not exercised an identifiable influence on the outcome of cases.



### 1.2.4 *The Relationship of the TRIPS Agreement to the WIPO Conventions and Treaties*

#### Article 2 TRIPS

The TRIPS Agreement is unique among the WTO agreements in that it incorporates provisions of various pre-existing Conventions into its body of rules, the most important of which are the *Paris Convention on the Protection of Industrial Property* and the *Berne Convention on Literary and Artistic Works*.<sup>6</sup> Article 2 of the TRIPS Agreement generally defines the relationship with the WIPO Conventions. It requires Members to comply with the relevant provisions of the Conventions, and also provides that nothing in the TRIPS Agreement will be deemed to derogate from the obligations of parties to the Conventions. In the latter respect, it should be noted that while the TRIPS Agreement may not interfere with “obligations” under the Paris and Berne Conventions, it is theoretically capable of modifying “rights” that Members may have under those Conventions.

Because the WIPO Conventions have been in force far longer than the TRIPS Agreement, some interesting issues of international treaty law are raised regarding the relationship of state practice under the Conventions with interpretation of the TRIPS Agreement. Assume, for example, that a question arises in TRIPS dispute settlement regarding the interpretation of a provision of the TRIPS Agreement that is established by incorporation of a provision of the Berne Convention. Assume further that over the course of the Berne Convention’s history, a number of national courts have interpreted that provision to have a particular meaning. Is a WTO panel bound by the interpretation derived from prior state practice under the Berne Convention? What if one of the Members party to the TRIPS Agreement was not party to the Berne Convention at the time the earlier national court decisions were adopted?

We have already seen the Appellate Body and panels relying on documents produced by the WIPO Secretariat (the “International Bureau”) as a source for interpreting the relevant Conventions.

### 1.2.5 *The Doha Declaration on the TRIPS Agreement and Public Health*

#### Doha Declaration

On 14 November 2001, the WTO Ministerial Conference in Doha adopted the *Ministerial Declaration on the TRIPS Agreement and Public Health*. Though there is some debate about the precise legal character of this Declaration, it is clear that it will be used as a source of interpretation of the *TRIPS Agreement* in future dispute settlement.<sup>7</sup> The Doha Declaration will have very specific application in the field of public health later. In a more

<sup>6</sup>Also incorporated are the *Rome Convention and Treaty on Intellectual Property in Respect of Integrated Circuits*

<sup>7</sup>This author is inclined to view the Declaration as a “decision” of WTO Members on the interpretation of the Agreement since it is framed in terms of “We agree” (see para. 4). Some view the declaration as a “statement” of the Ministers.

general sense, the Doha Declaration affirms the right of Members to take advantage of the flexibility inherent in the *TRIPS Agreement*, and affirms and clarifies the meaning of provisions relating to compulsory licensing and parallel importation. The Doha Declaration authorizes an extension to least developed Members regarding the implementation and enforcement of pharmaceutical patent protection, the scope of which may well become the subject of dispute settlement. Pursuant to paragraph 6 of the Doha Declaration, by the end of 2002 there should be a recommendation from the TRIPS Council to deal with the issue of compulsory licensing predominantly to meet export demand in the field of medicines.

### **1.3 Approaching WTO Dispute Settlement**

The general provisions of the *TRIPS Agreement* referred to above suggest certain questions that should be asked by diplomats and lawyers when facing a claim of non-compliance with its terms.

- Does the complaint involve a very precise rule, or is it one where there is substantial flexibility? If the latter, have other WTO Members implemented the rule in a way that is similar to the practice being challenged?
- Is the challenge based on an alleged failure to adopt or implement a TRIPS rule? If it is, does the Member being challenged recognize a doctrine of direct effect of treaties so that the *TRIPS Agreement* may itself be considered as part of national law.
- Is the challenged rule mandatory or discretionary? Has the government actually acted in a way inconsistent with TRIPS obligations, or has it only been granted powers wide enough to allow it to do so?

### **1.4 Test Your Understanding**

1. **What is the doctrine of “direct effect” of treaties in international law? How might this doctrine be important in the TRIPS dispute settlement context?**
2. **What is the doctrine of exhaustion of intellectual property rights and how does it affect so-called “parallel importation”?**
3. **Does the *TRIPS Agreement* include a general exemption provision similar to Article XX of the GATT 1994? If there are differences between the approach of these two agreements to the question of exceptions, what do you think might account for this?**



## 2. THE TRIPS AGREEMENT AS A BODY OF SUBSTANTIVE RULES

---

### Objectives

On completion of this section, the reader will be able:

- to identify the forms of intellectual property addressed by the *TRIPS Agreement*, and the basic rules that are generally applicable to them. This includes copyright, trademark, geographical indication of origin, industrial design, patent, layout-design of integrated circuits and protection of undisclosed information.
- to explain that the *TRIPS Agreement* incorporates rules of WIPO Conventions which address its subject matter.
- to appreciate that obligations to protect IPRs are subject to important exceptions.

### 2.1 The Establishment of Substantive Norms

---

#### 2.1.1 Express Provision and Incorporation

One of the principal motivations for negotiation of the *TRIPS Agreement* was the perception among developed country contracting parties of GATT 1947 that the substantive standards for IP protection established in the WIPO Conventions were inadequate to address the needs of their business sectors in the “post-industrial era” or “information age”. The perception of weakness on substantive protection grounds was mainly directed to the Paris Convention rules on patents, though other areas of concern were raised. Because the legal regimes established by the WIPO Conventions embody a high level of technical detail, and had evolved over the course of a century through implementation in national legislation, court decision and so forth, it was considered unnecessary and inefficient to attempt to entirely replace the WIPO Conventions with a new body of international legal rules.

The *TRIPS Agreement* thus frames its substantive rules both by expressly stating applicable rules in certain subject matter areas, and by incorporating provisions of the WIPO Conventions with modifications and supplementary provisions in other areas. In many instances, the *TRIPS Agreement* may only be understood when read in conjunction with a related WIPO Convention.

#### 2.1.2 Scope of Subject Matter Coverage

### Article 1:2 TRIPS

The *TRIPS Agreement* provides in Article 1:2 that “[f]or the purposes of this Agreement, the term ‘intellectual property’ refers to all categories of intellectual property that are the subject of Sections 1 through 7 of Part II”. This definition appears to constitute a deliberate effort on the part of the negotiators to limit the applicability of *TRIPS Agreement* rules to specific forms of IP addressed in the Agreement. New forms of IP, or “marginal” forms of IP (such as sui

generis “database” protection), would not automatically be brought within the scope of the Agreement. However, as with most aspects of the *TRIPS Agreement*, matters are not so clear cut. For example, the Appellate Body decided in the *US – Section 211 Appropriations Act* case that “trade names” are within the scope of the Agreement even though not expressly addressed, principally on grounds that trade names are the subject of a provision of the Paris Convention (Article 8) that is incorporated by reference in Article 2:1 of the TRIPS. This is not to suggest disagreement with the Appellate Body on this account, but rather to indicate that what is within and outside the scope of the *TRIPS Agreement* may not always be easily determined.

### 2.1.3 Subject Matter Areas

Part II of the *TRIPS Agreement* expressly addresses the fields of copyright, trademark, geographical indication, industrial design, patent, lay-out design of integrated circuits, undisclosed information and control of anticompetitive practices. For each subject matter area, the *TRIPS Agreement* elaborates the basic substantive standards that Members are expected to implement and apply within their legal systems.

## 2.2 Copyright and Related Rights

### 2.2.1 Incorporation of Berne

#### Article 9:1 TRIPS

The *TRIPS Agreement* substantive provisions on copyright primarily involve incorporated provisions of the Berne Convention (Articles 1 through 21, and the Appendix). As such, in a dispute settlement proceeding, a panel or the Appellate Body will be called upon to interpret the relevant provisions of the Berne Convention within the framework of the *TRIPS Agreement*.

### 2.2.2 Idea-expression Dichotomy

#### Article 9:2 TRIPS

Copyright protects the interests of authors and artists in their literary and artistic works and concerns the “expression” of the author or artist, in contrast to his or her “idea”. Article 9:2 of the *TRIPS Agreement* acknowledges the so-called “idea-expression dichotomy” that has evolved through a long history of legislative and judicial interpretation of the Berne Convention and national copyright law.

To illustrate the distinction, the idea of writing a book about wizards and witches probably is as old as book writing itself. Yet in the past several years, an author has earned a great deal of money by writing a popular series of children’s books concerning a young man’s coming of age in a school for wizards and witches. The author of this series cannot through copyright protection of her books prevent other authors from writing new books about wizards and witches. That would represent an attempt to control the use of an idea. What the author may be able to prevent is the use by others of a particular

way of expressing an idea, such as describing specific individuals or the details in a storyline.

### **2.2.3**     *Supplements to Berne*

#### **Article 11 and 14** **TRIPS**

The *TRIPS Agreement* adds certain new elements to the rules of the Berne Convention (as well as to rules of the Rome Convention on Performances, Phonograms and Broadcasts) in areas such as rental rights, and performance and broadcast rights. Therefore, WTO Members that are parties to the Berne Convention and that implemented its requirements in national law must still adopt new rules to take into account the TRIPS copyright provisions that supplement the Berne Convention.

### **2.2.4**     *Specificity*

The Berne Convention contains rules of varying levels of specificity. Some rules, such as those describing the subject matter of copyright, are rather detailed. Even then, there is substantial room for interpretation because technology is rapidly evolving, and this outmodes the terminology of the Convention. Other rules, such as those establishing permissible exceptions that may be accorded to copyright protection, are drafted very generally, and are therefore capable of flexible implementation.

### **2.2.5**     *Options, Including Fair Use*

The Berne Convention by its express terms provides Members with choices as to whether to apply protection and what form of protection to apply. For example, Article 2(4) of the Berne Convention authorizes each Member to decide whether it will provide copyright protection “to official texts of a legislative, administrative and legal nature”, and to what extent. Since there is a substantial publishing industry built around supplying legislative texts to the public, it is easy to imagine a complaint from that industry that a Member is failing to adequately protect legislative texts against copying. But neither the *TRIPS Agreement* nor the Berne Convention requires such protection, and this is part of the flexibility reserved to Members. This illustrates the importance of recognizing that the *TRIPS Agreement* provides rights to Members, and not only obligations.

The most controversial copyright provisions of the *TRIPS Agreement* and Berne Convention are likely to be those addressing the “fair use” of copyrighted works, principally Article 13 of the *TRIPS Agreement* and Articles 9(2), 10 and 10*bis* of the Berne Convention, incorporated by reference in the *TRIPS Agreement*. This hypothesis is based on the fact that the rights of fair use are among the most heavily litigated within national legal systems, including within the OECD countries.<sup>8</sup>

<sup>8</sup> For example, the well-known “Napster” case involving the provision of digital recordings over the Internet involved a “fair use” defence by Napster.

### 2.2.6 The National Constitution and Copyright

Another important set of questions that may provoke WTO dispute settlement involves the relationship between “free speech” and copyright as a matter of national constitutional law. Many countries recognize freedom of speech in their national constitutions (and this right is reflected in various human rights instruments). Copyright protection almost by definition operates as a constraint on free speech. The *TRIPS Agreement* does not address the extent to which freedom of speech as a constitutionally protected right may take precedence over the interests of copyright holders. It is not so difficult to foresee a Member defending a TRIPS copyright claim by invoking its constitution and the freedom of speech. In the *India – Patents (US)* case the Panel and Appellate Body addressed certain questions of Indian constitutional law as they affected the administration of patents, and indicated that the substance of national constitutional rules might be a question of fact in WTO dispute settlement.<sup>9</sup> The question of the range of constitutional protections a Member might offer its citizens is of a different character, and it remains to be seen whether the WTO dispute settlement system might attempt to constrain a Member’s basic constitutional choices.

## 2.3 Trademark

### 2.3.1 Incorporation of Paris Convention

The Paris Convention addresses the subject of trademark. Relevant provisions of that convention are incorporated in the *TRIPS Agreement* (noting that several Paris Convention provisions are common to patent and trademark). *TRIPS Agreement* provisions on trademark, however, expand considerably on the rules of the Paris Convention that were primarily (though not exclusively) directed at the procedures for securing registrations, rather than at substantive aspects of trademark protection. As noted earlier, the incorporation of Article 8 of the Paris Convention in the *TRIPS Agreement* has led the Appellate Body to conclude (in the *US – Section 211 Appropriations Act* case) that trade names are regulated by the *TRIPS Agreement*.

### 2.3.2 The Subject Matter of Trademark Protection

#### Article 15:1 TRIPS

Article 15 of the *TRIPS Agreement* is the first multilateral effort to define the nature of the trademark; that is, any sign capable of distinguishing the goods or services of one enterprise from another. Article 15:1 includes a non-exhaustive listing of such signs, including letters, numbers, figurative elements and combinations of colours. When such signs are not inherently distinctive, a Member may make registrability dependent on use.

#### Article 15:3 TRIPS

Traditionally, a broad range of signs and symbols has been accepted for registration and protection by national governments, though there are borderline

<sup>9</sup> *India – Patent Protection for Pharmaceutical and Agricultural Chemical Products, complaint by the United States*, WT/DS50/AB/R (“*India – Patents (US)*”).

areas such as single colours and fragrances that continue to draw different results.

**Article 15 and 16  
TRIPS**

Articles 15 and 16 of the *TRIPS Agreement* provide that “service marks” and trademarks will essentially be given equivalent regulatory treatment, which was not required by the Paris Convention. “Service marks” have long been in common use, for example, in connexion with banking and financial services, tourism and transport, professional services and so forth.

**Article 15:5 TRIPS**

Article 15:5 of the *TRIPS Agreement* requires that Members provide for publication and the availability of procedures for the cancellation of trademark registration.

### **2.3.3 Trademark ownership**

**Article 15:2 TRIPS**

Article 15:2 of the *TRIPS Agreement* provides that Members may deny trademark registration on other grounds than those of failure to meet the criteria of constituting a distinctive sign, so long as those grounds are not precluded by the Paris Convention. This provision was interpreted in the context of the *Section 211 Appropriations Act* case, in which the Appellate Body decided that the United States could deny the registration of a trademark when it determined that the party asserting a right to registration was not the legitimate owner of the mark. This case establishes a very important principle for the implementation of the *TRIPS Agreement* that is, it is up to Members to decide who are the legitimate owners of IPRs. In *US – Section 211 Appropriations Act* the United States had denied ownership of an IPR on public policy grounds.

### **2.3.4 The Scope of Trademark Protection**

**Article 15:2 TRIPS**

Article 16 of the *TRIPS Agreement* defines the scope of protection, to allow the holder to oppose the use without its consent in the course of trade of an identical or similar sign on identical or similar goods or services, where such use would result in a likelihood of confusion. The use of an identical sign on identical goods or services raises a presumption of likelihood of confusion.

The definition of the scope of trademark protection in Article 16 allows Members a considerable degree of flexibility regarding the level of protection that will be provided. For example, the basic requirement is that a “similar” sign may not be used on “similar” goods. This might be construed strictly, such that signs and goods must be nearly identical to justify protection, or this might be construed liberally, such that signs and goods need only be within a category or class to justify protection. In fact, different legal systems, and different courts within the same legal system, may differ on the way these concepts are applied. There are other flexibilities built into Article 16.

Article 16 of the *TRIPS Agreement* supplements Paris Convention rules on “well known” marks, essentially limiting the class of persons to whom a trademark or service mark must be well known in order to qualify for protection.

### 2.3.5 Exceptions and Fair Use

#### Article 17 TRIPS

There are a variety of circumstances under which it may be necessary or useful to permit the use of a trademark or service mark outside the specific context of the marketing of the particular good or service on which it is used by its holder. These circumstances are addressed in a broad way by Article 17 of the *TRIPS Agreement* which permits limited exceptions, such as the fair use of descriptive terms.

The writer of a news story regarding a company and its products may refer to the products by their trademark since there is a public interest in this type of reference. The writer of a satire or parody might refer to a trademarked product in the interests of promoting freedom of expression. There are important public health issues in fair use of trademarks. For example, generic drug producers may consider it important to mimic the colour of branded medicines so as to avoid confusion among consumers. The flexible character of Article 17 would appear to permit each WTO Member the scope to decide whether a limited exception for this type of use should be provided, though there is debate over the extent to which fair use of such colours is permitted. By restricting the extent to which a single colour may constitute a trademark, Members might provide a basic flexibility for generic drug manufacturers.

### 2.3.6 Duration and Other Aspects

#### Article 18 TRIPS

Article 18, *TRIPS Agreement*, establishes that trademark protection is not limited in duration, provided the relevant criteria for maintaining rights in a mark are met, although Members may require that registrations be renewed not more frequently than each seven (7) years. Articles 19 through 21 of the *TRIPS Agreement* provide rules on the requirement of use and other special requirements that might affect the grant and maintenance of trademark protection, and the limitations that might be imposed on the assignment of marks.

## 2.4 Geographical Indications

### 2.4.1 Subject Matter

#### Article 22 TRIPS

Although Article 10*bis* of the Paris Convention (on unfair competition) may deal with the protection of geographical indications in a general sense, the *TRIPS Agreement* is the first multilateral agreement to expressly address this subject matter. Article 22 of the *TRIPS Agreement* defines geographical indication as the name of a territory or locality that identifies a good as coming from that place and where the “quality, reputation or other characteristic of the good is essentially attributable to its geographical origin”.

The legitimacy of a geographical indication is not dependent on an objective demonstration that a good in fact is different or better because it comes from a particular place, though such a demonstration may well be useful in



establishing entitlement to a geographic indication. Instead, the legitimacy of a claim may derive from the “reputation” or “goodwill” that a place has built up for making a good.

*To give a well-known illustration, the makers of sparkling wine in the Champagne region of France depend on the name of their region to distinguish their product from those of sparkling wine makers in other places. The makers of German “sekt” may use the same fermentation process, and an expert panel of wine tasters in a “blind test” might not be able to accurately distinguish between the product of the Champagne region and that of Germany. Nonetheless, because the wine producers in Champagne have built up an international reputation for their products, the term “Champagne” has been protected as a geographical indication.*

A geographical indication is distinguished from an indication of origin – such as “Made in China” – that only connotes the place of production of a good, and is not intended to denote any particular characteristic of the good. The indication of origin is used by customs and other trade regulatory authorities for various purposes.

### 2.4.2 Wines and Spirits

#### Article 23 TRIPS

The *TRIPS Agreement* includes specific rules regarding geographical indications for wine, and to a lesser extent, spirits. This includes a limitation on using terms such as “like” and “type” to distinguish products from outside the place ordinarily attributed to the geographical indication. The rules on wines provide for the establishment of a registry of indications. There are rules regarding the “grandfathering” of pre-existing identical uses of the names of wines as well.

### 2.4.3 Negotiations

Outside the area of wines and spirits, the *TRIPS Agreement* put off the negotiation of rules for additional subject matter areas until a later date. These negotiations have been commenced in the TRIPS Council, and will continue pursuant to the Doha mandate.

### 2.4.4 Potential Disputes

The field of geographical indications is one which might reasonably be foreseen to lead to disputes among developing WTO Members. There are competing claims to entitlement to the names of strains of rice and varieties of tea that are popular among consumers around the world, and which originated in particular geographic regions. One of the objectives of the ongoing TRIPS Council negotiations is to develop more precise rules to sort out these competing claims.

## 2.5 Industrial Designs

### 2.5.1 *Subject Matter*

#### Article 25 TRIPS

Industrial design has long been one of the most problematic areas of IP law. Countries have differed regarding how such design should be protected, and the scope of protection that should be accorded.

Article 25 of the *TRIPS Agreement* defines industrial design by reference to “independent” creation and “new or original” character, but allows for exclusion if such designs are essentially dictated by technical or functional considerations. If the design of an aircraft wing, for example, is dictated by the need for an aircraft to stay aloft, the design can be excluded from industrial design protection, though it might be protected by patent if the relevant criteria are met.

### 2.5.2 *Methods of Protection*

Countries have protected designs through copyright, design patent and design registration, or through a combination of these methods. An industrial design might be protected by copyright because it is an expressive work. Yet copyright does not protect function, and it may be difficult to differentiate between the expressive and functional elements of a design. Design patent is distinguished from the patent on invention (or “utility patent”) by the requirement that a new design should be aesthetic, and not useful or functional. As with copyright, it is often difficult to separate the aesthetic characteristics of a product from its usefulness. Registration systems are typically characterized by the relative ease by which parties can list their designs, though the registration creates only a presumption in favour of the registrant that may be challenged in administrative or court proceedings.

Article 25:2, *TRIPS Agreement*, obligates Members to facilitate the protection of textile designs.

### 2.5.3 *Scope and Duration*

#### Article 26 TRIPS

Article 26:1 of the *TRIPS Agreement* requires that design right holders have the right to prevent others without consent from making, selling or importing articles bearing copied or substantially copied designs, for commercial purposes. Article 26:2 allows for limited exceptions, along the lines of the provisions regulating exceptions in copyright, trademark and patent. This again provides substantial flexibility.

Members must provide a minimum ten (10) years protection for industrial designs.



## 2.6 Patent

### 2.6.1 *The Paris Convention*

The Paris Convention was adopted in 1893 to establish a potentially worldwide mechanism for allowing patents to be obtained, and prescribing the basic requirements for registration systems, including the rule of national treatment for patent applicants. However, the Paris Convention did not prescribe substantive rules for many aspects of patenting, such as the scope of subject matter protection, the criterion for entitlement to protection, or the duration of protection. When the Uruguay Round and TRIPS negotiations began in 1986, there was wide variation among nations regarding the nature and scope of patent protection.

The *TRIPS Agreement* incorporates the provisions of the Paris Convention regulating patents, and supplements those provisions with substantive and procedural rules. As noted earlier, Article 2:1 of the *TRIPS Agreement* obligates compliance with relevant provisions of the Paris Convention, while Article 2:2 precludes derogation from existing obligations under that agreement.

### 2.6.2 *Differences in Perspective*

The TRIPS negotiations on patents were the most contentious, with developing Members for the most part taking a decidedly different view from the developed Members regarding the merits of extending high levels of patent protection to economies with limited resources to purchase higher priced goods, and with more limited research and development capacity. Despite an agreement on patent protection in the *TRIPS Agreement*, there remain important differences in perspective on the benefits of extensive patent protection. These differences were evident in the negotiations that led to adoption of the *Doha Declaration on the TRIPS Agreement and Public Health*, and continue to be discussed in the TRIPS Council.

### 2.6.3 *Subject Matter Scope*

#### Article 27:1 TRIPS

Article 27:1 of the *TRIPS Agreement* provides broad subject matter scope for patent protection, extending it to products and processes in all fields of technology. It also provides that Members will not “discriminate” with respect to the enjoyment of patent rights based on the place of invention, field of technology, or whether products are imported or locally produced. The non-discrimination provisions in Article 27:1 are the subject of a WTO panel report in the *Canada – Pharmaceutical Patents* case that is discussed in more detail later on.<sup>10</sup> However, it might be noted here that the Panel in that case made clear that “discrimination” in Article 27:1 is a pejorative or negative term that means something other than “differentiation”. Members may treat different

<sup>10</sup> *Canada – Patent Protection of Pharmaceutical Products, complaint by the European Communities, WT/DS114 (“Canada – Pharmaceutical Patents”).*

fields of patent protection differently if they do so for a legitimate regulatory purpose.

The question whether Members may impose “local working” requirements for patents depends to a certain extent on how Article 27:1 is interpreted. That is, while requiring patent holders to produce their products within a particular territory, a Member may create a distinction between imported products and locally produced products. There is debate, however, as to whether that distinction amounts to discrimination, or whether it may be justified on policy grounds. The local working question also ties in to Article 5.A of the Paris Convention that regulates compulsory licensing. The United States initiated a complaint in WTO dispute settlement against Brazil alleging a violation of the patent provisions of the *TRIPS Agreement* based on a local working requirement, but the United States later withdrew its complaint. Since other Members maintain or are adopting local working requirements, it is likely that this issue will be raised again in dispute settlement.

Article 27:1 of the *TRIPS Agreement* also sets out the basic criteria for the grant of patents; that is, inventions must be new, capable of industrial application, and involve an inventive step. These criteria were common to the major patent systems prior to the *TRIPS Agreement*, but the meaning of each of the criterion is the subject of extensive administrative rule-making, judicial decision and scholarly debate. Inherent in any decision whether to grant or deny patent protection to a claimed invention are numerous judgments by patent examiners. This feature of patent protection provides considerable flexibility to national legal systems.

#### **Article 27:2 TRIPS**

Article 27:2 and 27:3 permit exclusions from the subject matter scope of patent protection. Article 27:2 speaks broadly in the context of exclusions necessary to protect ordre public, public health and the environment, arising out of commercialization of the invention. Although there are commentators that suggest these exclusions are to be construed narrowly, it is not clear from the text that this is required. There is the potential for dispute inherent in these broadly formulated grounds for exclusion.

#### **Article 27:3 TRIPS**

The exclusions in Article 27:3 are framed more narrowly, yet again leave substantial room for interpretation. For example, Article 27:3(a) permits the exclusion of “therapeutic methods” for the treatment of humans. The use of pharmaceuticals is a method of therapy for treating human health conditions, and so arguably (and no doubt controversially) a Member could exclude the use of drugs for medical treatment from patent protection. Article 27:3(b) allows for the exclusion of animals and plants from patent protection, but does not allow this exclusion for certain “microbiological” products and processes. This language is highly ambiguous. Article 27:3(b) requires Members to provide plant variety protection either through patent or a sui generis form of protection. This provision is subject to further negotiations in the TRIPS Council.

### 2.6.4    Scope of Protection

#### Article 28 TRIPS

Article 28:1 of the *TRIPS Agreement* establishes basic rights of the patent holder, which is to preclude others without consent from the acts of making, using, selling, offering for sale or importing the patented product, or using the patented process (including importing products made with the process). Article 28:1 is cross-referenced by footnote to Article 6 of the *TRIPS Agreement* that precludes *TRIPS Agreement* dispute settlement on the question of exhaustion of rights.

The rights to preclude others from making, using, selling, offering for sale and importing are commonly referred to as the “enumerated” rights of patent holders since they are expressly provided for in Article 28. By way of contrast, Article 28 does not expressly confer a right to “export” patented products, though since a product may need to be “made” or “sold” to be exported, it might be difficult to undertake export of a patented product without contravening one of the enumerated rights.

Within each of the enumerated patent holder rights there are interpretative questions. For example, at what point is a patented invention “made”? If a person builds the various component parts of an invention, but does not assemble them, does that constitute “making”?

### 2.6.5    Disclosure

#### Article 29 TRIPS

Part of the bargain between the patent holder and society is that the patent applicant undertakes to disclose the invention in a manner that will allow others to carry out the invention. Article 29 of the *TRIPS Agreement* requires that patent applicants undertake sufficient disclosure.

### 2.6.6    Exceptions

#### Article 30 TRIPS

In light of the intensive debate concerning the appropriate scope of patent protection, it should not be surprising that the scope of permitted exceptions to such protection under Article 30 would likewise be the subject of controversy. The Paris Convention did not prescribe the scope of patent subject matter coverage, and in that context a provision on permitted exceptions was not required. After failing to agree on a list of permitted exceptions, the negotiators of the *TRIPS Agreement* borrowed the exceptions formula used in the Berne Convention, with some modifications. The Article 30 text leaves considerable scope for interpretation, and while a WTO panel in the *Canada – Pharmaceutical Patents* case provided one such interpretation, it certainly did not resolve the many questions surrounding the meaning of Article 30.

Article 30 employs a three-pronged test for evaluating exceptions. The exceptions should be “limited”, they should not unreasonably interfere with the normal exploitation of the patent, and they should not unreasonably prejudice the rights of the patent holder, taking into account the legitimate interests of third parties.

The ordinary meaning of the terms in Article 30 would appear to allow considerable flexibility to Members in adopting exceptions to the rights of patent holders. In the discussion of the *Canada –Pharmaceuticals Patents* case the text of Article 30 will be explored.

### 2.6.7 Other Uses

#### Article 31 TRIPS

Article 31 of the *TRIPS Agreement* addresses authorization of third parties to use patents without the consent of patent holders. This authorization is ordinarily understood to refer to the practice of “compulsory licensing”. However, since Article 31 also covers government use of patents for non-commercial purposes, the terminology of Article 31 is not specifically addressed to compulsory licensing.

Article 31 does not limit the grounds upon which compulsory licenses may be granted. It provides procedures that should be followed in granting such licenses, and requires that certain minimum obligations be fulfilled:

- each licence should be considered on its own merits (Article 31(a));
- there should be prior negotiations for a reasonable commercial licence with the patent holder, except in the case of national emergency, extreme urgency, or public non-commercial use (Article 31(b));
- the patent holder is entitled to adequate remuneration in the circumstances of the case (Article 31(h));
- the licence should be granted predominantly for the supply of the local market (Article 31(f))
- the licence should be non-exclusive (Article 31(d)); and
- there should be opportunity for review by independent authority of the grant of the licence and the terms of remuneration (Articles 31(i) & (j)).

When a compulsory license is granted to remedy anticompetitive practices, the restriction on predominant supply of the domestic market does not apply, and remuneration may take into account the remedial nature of the licence (Article 31(k)).

The instrument of compulsory licensing provides a critical tool for Members in seeking to balance the interests of the public and those of patent holders. There are a variety of circumstances in which allowing a patent monopoly to persist would injure the public interest to the extent that providing exclusive market access to the patent holder cannot be justified. A maker of electronic equipment might find itself unable to compete in international markets if its access to a single technological component is denied by patent protection, and it might be in a Member’s interest to grant a licence assuring access to the protected technology in order to ensure the survival of local industry. In the public health sector, patent protection may restrict access to medicines among a large segment of the population by preventing competition from generic

medicines, and it may be antithetical to a wide public interest to permit such a situation to persist. In these cases, compulsory licensing is available to provide an effective remedy. Often, the mere threat of a compulsory licence will cause a patent holder to re-evaluate its access or pricing strategy.

#### Doha Declaration

The *Doha Declaration on the TRIPS Agreement and Public Health* expressly recognized that the *TRIPS Agreement* does not limit the grounds on which compulsory licences may be granted, and acknowledged the right of each Member to determine when a national emergency or circumstance of extreme urgency exists. It also directed the TRIPS Council to seek an expeditious solution to the problem facing Members with insufficient or no manufacturing capacity for pharmaceuticals. The TRIPS Council is to provide a recommendation to the General Council on this subject before the end of 2002. This is a critical issue for developing Members since the world supply of low price generic medicines will undergo a significant contraction after January 1, 2005 when developing countries are required to implement pharmaceutical patent protection, and when drugs within the so-called “mailbox pipeline” are brought under patent protection.

Although developing Members have so far rarely granted compulsory licences, as they gain experience in the implementation of patent laws this practice will almost certainly become more prevalent. It may reasonably be anticipated that the laws and practices surrounding compulsory licensing will be the subject of TRIPS dispute settlement. In this regard, it is essential to attend to the facts that many developed country Members of the WTO have very broad compulsory licensing powers, and that the terms of Article 31 of the *TRIPS Agreement* and Article 5 of the Paris Convention provide a great deal of flexibility in the way these systems are administered.

### 2.6.8 Term of Protection and Other Aspects

#### Articles 32 – 34 TRIPS

The *TRIPS Agreement* provides for a minimum patent term of 20 years from the filing date of a patent application (Article 33). It also provides for judicial review of forfeiture and revocation decisions (Article 32) and regulates the burden of proof in process patent proceedings (Article 34).

## 2.7 Lay-out Design of Integrated Circuits

#### Article 35 TRIPS

The subject of the lay-out design of integrated circuits was proposed to be addressed in a WIPO Treaty on Intellectual Property in Respect of Integrated Circuits. However, certain provisions of that agreement did not satisfy the interests of the United States and Japan, in particular. The approach taken in the *TRIPS Agreement* was to incorporate most of the provisions of the Treaty by reference, but to alter and supplement the rules that were deemed inadequate by some Members.

#### Article 36 TRIPS

The lay-out design of an integrated circuit (IC) or computer chip is typically embodied in a “mask work” that essentially provides a map to guide the

sophisticated computerized equipment that etches circuits on silicon wafers to create the various types of chips used in computers. The *TRIPS Agreement* allows the right holder to prevent the unauthorized reproduction of a protected lay-out design, and the selling or importation of an IC in which that design is incorporated. In order to qualify for protection, a lay-out design must be “original”, that is, different from prior designs, and need not be “novel” in the patent sense of not having been anticipated by prior art. Most Members grant lay-out protection on the basis of registration, but registration is not required by the *TRIPS Agreement* or the WIPO Treaty. The minimum duration for lay-out design protection is ten (10) years from the filing date for registration or the first commercial exploitation wherever in the world it occurs.

**Article 38 TRIPS**

## **2.8 Undisclosed Information**

### **2.8.1 Relationship to Paris Convention**

**Article 39:1 TRIPS**

Prior to the *TRIPS Agreement*, there was no multilateral agreement specifically addressing “trade secret” and other protected undisclosed information, although the Paris Convention provision on unfair competition generally encompassed this subject matter. Article 39:1 of the *TRIPS Agreement* acknowledges the applicability of Article 10*bis* of the Paris Convention on unfair competition, and provides specific guidance for its application.

### **2.8.2 Trade Secret**

**Article 39:2 TRIPS**

Although not referred to by this term, Article 39:2 establishes the requirements for protection of what is commonly referred to as “trade secret”, that is, commercially valuable confidential information. Members are to provide protection against such information being obtained “contrary to honest commercial practices”. Information will be protected if it is not generally known in its precise configuration by those in the relevant sector, if it has commercial value because it is secret, and if the holder has taken reasonable steps to keep it secret. So far, the subject of trade secret protection has not been especially controversial, particularly in light of the fact that most legal systems provided some form of trade secret protection well prior to entry into force of the *TRIPS Agreement*.

### **2.8.3 Test and Regulatory Data**

**Article 39:3 TRIPS**

Article 39:3 of the *TRIPS Agreement* is among the most controversial provisions of the agreement. It provides that, when Members require the submission for marketing approval of test data regarding new pharmaceutical or agricultural chemical entities that involved considerable effort, Members will take steps to protect such data against “unfair commercial use”. Since generic pharmaceutical manufacturers and compulsory licensees may rely on prior regulatory approval of new chemical entities as the basis for their own regulatory submissions, it would significantly restrict public access to generic medicines if such producers could not rely on these approvals as the basis for their own submissions. There



is an ongoing struggle between research-based pharmaceutical companies and generic producers over the issue of access to and use of test data, and that struggle carries over into the intergovernmental TRIPS arena. The debate over the scope of application of Article 39:3 of the *TRIPS Agreement* is likely to be the subject of dispute settlement, presumably addressing the question of what constitutes “unfair commercial use”.

## 2.9 Competition Rules

### Article 40 TRIPS

IPRs by their nature inhibit competition by according holders the right to exclude others from the market. Developed Members with experience in the implementation of IPRs have long used competition (or antitrust) laws to address problems associated with uses of IPRs that unreasonably restrain competition. Article 40:2 of the *TRIPS Agreement* acknowledges the legitimate interest of Members in addressing “licensing practices or conditions that may in particular cases constitute an abuse of intellectual property rights having an adverse effect on competition in the relevant market”. A non-exhaustive illustrative list of such practices includes “for example exclusive grantback conditions, conditions preventing challenges to validity and coercive package licensing, in the light of the relevant laws and regulations of that Member”.

Article 40 does not obligate Members to address conditions affecting competition. It provides for sympathetic consideration to consultation requests among Members intended to secure cooperation in investigating alleged anticompetitive practices. The only obligation imposed on a Member from which cooperation is sought is to provide publicly available non-confidential information, and other information subject to the conclusion of mutually satisfactory agreements to safeguard confidentiality.

While most developed Members maintain vigorous competition law agencies with broad and effective enforcement powers, this type of enforcement agency is not common in developing Members. This creates the possibility of an imbalance between the market power of IPRs holders in developing Members and the interests of the general public in those Members in the maintenance of competitive markets.

Competition laws are an extremely powerful tool for correcting market failures, and as developing Members increase their capacity to use these tools conflicts may arise over the extent to which Members may use competition laws to address IPRs-related market failures. It is again important to stress that the *TRIPS Agreement* provides only general guidance regarding the application of competition law, leaving to the discretion of each Member the level at which it will choose to intervene to protect the public interest in competitive markets. Ongoing negotiations regarding the relationship between trade and competition rules may result in further WTO agreements or decisions regarding implementation and application of Article 40.

## 2.10 Approaching WTO Dispute Settlement

The *TRIPS Agreement* establishes minimum substantive standards for the establishment of rights to IP. However, it is addressing a subject matter of very broad scope with rules that are deliberately designed to provide Members with substantial flexibility in their implementation. Predicting the specific issues that will be raised in dispute settlement would be rather difficult in light of the broad scope of potential subject matter. However, based on experience under the *TRIPS Agreement* so far, a few basic points are worth making:

- Some industries are very aggressive about asserting rights in IPRs, and also exercise substantial influence over external commercial relations agencies in their home countries. Claims are made by some Members regarding inadequate IPRs protection that are not well-founded under the terms of the *TRIPS Agreement*. However, the lack of experience in many Members in addressing IPRs issues leads to a high level of concern regarding the potential for being drawn into a WTO dispute settlement proceeding. When a claim is brought to the attention of government, it should be examined very carefully to determine whether it does in fact involve a potential violation of substantive TRIPS standards. If there are doubts on this question, the advice of independent IPRs experts should be sought. It is critical to recognize that even among legal systems in the technologically most advanced Members, there are substantial differences in approach to substantive regulation of IPRs. There is rarely a single correct answer to an IPRs question.
- It is always useful to look for precedents among Members that is, how other Members have implemented and applied rules. In addition to examining statutes and regulations, it is important to review judicial decisions that provide insight into the subtleties of statutory language. There is a very substantial body of academic texts that explain the nature of IPRs and address the different approaches that may be taken in applying them.
- Legal regimes are typically framed in terms of rules and exceptions to them, and the *TRIPS Agreement* is typical in this respect. The *TRIPS Agreement* rules on copyright, trademark and patent each include an exception provision that permits Members to carve out certain practices from the scope of protection. Since the exception provisions in trademark and patent are without precedent in the Paris Convention, the scope of permissible exceptions is not well settled. It is important to recognize that merely because a certain kind of exception has not traditionally been used by particular Members, this does not mean that the WTO Dispute Settlement Body would refuse to accept it as legitimate.



## **2.11 Test Your Understanding**

---

- 1. What kinds of subject matter are protected by copyright? What kinds of subject matter are excluded from copyright protection?**
- 2. What is the function of a trademark? Is the “fair use” of a trademark permitted?**
- 3. What is a geographical indication of origin? How is it distinguished from a trademark?**
- 4. What exceptions to the rights of patent holder’s does the *TRIPS Agreement* allow? Under what articles are these exceptions found?**



## 3. TRIPS AGREEMENT RULES ON ENFORCEMENT

### Objectives

On completion of this section, the reader will:

- be able to recognize the *TRIPS Agreement* is minimum standards for the enforcement of IPRs that generally allow right holders to protect their legitimate interests through civil court or administrative proceedings. Those who are challenged also are to enjoy the protection of due process of law.
- To appreciate that the *TRIPS Agreement* does not require a WTO Member to establish special or separate courts for IPRs, and that Members are not required to specially allocate resources to IPRs enforcement.

### 3.1 General Provisions

#### Part III TRIPS

The proponents of the *TRIPS Agreement* in the Uruguay Round were concerned not only that minimum substantive IPRs standards be adopted, but also that they be capable of application. As noted earlier, the *TRIPS Agreement* preamble characterizes IPRs as private rights, and this implies that private right holders are responsible for seeking the enforcement of those rights. The *TRIPS Agreement* Part III on Enforcement of IPRs takes the approach of obligating Members to establish administrative and judicial mechanisms through which private IPRs holders can seek effective protection of their interests.

It is implicit in all international agreements that their parties will undertake to implement them in good faith.<sup>11</sup> The Paris Convention includes obligations regarding the enforcement, among others, of trademark rights with respect to infringing imports (Articles 9-10). The *TRIPS Agreement* may nonetheless be characterized as the first multilateral effort to regulate the internal administrative and judicial mechanisms that countries are obligated to maintain with respect to the application of a set of agreed upon legal rules. Because of the novelty of this endeavour, there are few readily available answers regarding how the requirements of *TRIPS Agreement* Part III will be interpreted or applied.

#### Article 41 TRIPS

The general obligation of Members to provide enforcement mechanisms requires that enforcement procedures “are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements”.<sup>12</sup> Members are obligated to ensure that enforcement procedures are “fair and equitable”, and “not unnecessarily complicated or costly, or entail unreasonable time limits or unwarranted delays”. There is additional provision on written decisions, opportunities to present evidence, and obligation to provide judicial review for administrative decision in particular

<sup>11</sup> Vienna Convention on the Law of Treaties, Article 26.

<sup>12</sup> Article 41:1 of the *TRIPS Agreement*.

contexts.<sup>13</sup> Article 41:5 establishes two important principles. First, Members are not required to establish separate judicial systems for the enforcement of IPRs, as distinct from general law enforcement. Second, there is no “obligation with respect to the distribution of resources as between enforcement of intellectual property rights and the enforcement of law generally”. The latter point is relevant to the question under what conditions a Member may be subject to dispute settlement, not for failing to adopt adequate enforcement rules, but rather for failing to “effectively” apply them. If a Member generally does not have adequate resources or capacity in the administration of its civil legal system, it should be under no special obligation to focus its attention on TRIPS enforcement matters.

### 3.2 Civil and Administrative Procedures and Remedies

#### Article 42 - 49 TRIPS

Articles 42 through 49 of the *TRIPS Agreement* establish basic principles for the conduct of civil proceedings to enforce IPRs, such as through actions brought by right holders to enjoin infringement. The rules are largely common among developed legal systems, and include rights in favour of defendants as well as complaining parties. The rules provide that parties should have the opportunity to present and contest evidence, and that adequate remedial measures should be available. There is flexibility inherent in these civil enforcement rules, such as in the area of calculating damages for infringement, as to which there is substantial existing jurisprudence that does not follow a uniform line.

It is of particular interest to note that Article 44:2 of the *TRIPS Agreement* permits Members to exclude the grant of injunctions in circumstances involving compulsory licenses and “other uses”. This provision was adopted to take account of the United States government use provision (28 U.S.C. § 1498) that excludes the possibility of obtaining a civil injunction against government use of a patent, and should be taken into account in the drafting and implementation of compulsory licensing and government use measures in other Members.

### 3.3 Provisional Measures

#### Article 50 TRIPS

Article 50:1 of the *TRIPS Agreement* obligates Members to make provision for the ordering of “prompt and effective provisional measures” to prevent entry of infringing goods into channels of commerce and preserve evidence. Article 50:2 requires that judicial authorities have the power to adopt provisional measures “*inaudita altera parte*” (outside the hearing of the other party) where delay may cause irreparable harm. This means that the IPRs holder should be entitled to seek a prompt order whether or not the party alleged to be acting in an infringing manner can be notified and given opportunity to be heard. In this event, the affected party should be notified promptly, and be given an opportunity to be heard and contest the measures that have been taken.

<sup>13</sup> Articles 41:2 – 41:4 of the *TRIPS Agreement*.

Judicial authorities may require complaining parties to post security in the event that their actions are without merit and damage defendants.

Article 50:6 of the *TRIPS Agreement* requires that, if requested by a defendant, a proceeding on the merits of the action be initiated within a reasonable period, with time limits set forth if not decided by a judge under the law of the Member. The question whether this provision is directly applicable in European Community law was the subject of a referral from the Netherlands to the *European Court of Justice* in *Parfums Christian Dior v. Tuk Consultancy*.<sup>14</sup> The ECJ put the question in the hands of the Netherlands courts since the procedural rule was not within the competence of the EC.

### 3.4 Special Requirements Related to Border Measures

#### Articles 51 - 60 TRIPS

Articles 51 through 60, *TRIPS Agreement*, address measures that a Member must adopt to allow certain right holders to prevent release by customs authorities of infringing goods into circulation. Pursuant to Article 51:1 of the *TRIPS Agreement* these procedures need only be established in respect to suspected “counterfeit trademark or pirated copyright goods”, and specifically excludes parallel import goods (that is, according to footnote 13, “imports of goods put on the market in another country by or with the consent of the right holder”). Article 58 provides that equivalent rules should be followed when customs authorities are granted the authority to act against suspected infringing goods on their own initiative.

Generally, the specified right holder should be permitted to lodge an application with the relevant authorities that describes with sufficient particularity the allegedly infringing goods, along with information sufficient to establish a prima facie case of infringement. The applicant may be required to post security sufficient to compensate for potential injury to the importer for abuse, and the importer must also have a right to be compensated in cases of abuse of process. There is provision for notification of the suspension to the importer, and provision for the release of suspended goods by the relevant authorities if a suspension has not been followed by appropriate legal action. The right holder is to be granted a right to inspect allegedly infringing goods, although the authorities may protect confidential information. Competent authorities are to have the power to order destruction or disposal of infringing goods, and a presumption against allowing re-exportation is established.

### 3.5 Criminal Procedures

#### Article 61 TRIPS

Article 61 of the *TRIPS Agreement* obligates Members to provide criminal penalties for trademark counterfeiting and copyright piracy on a commercial scale, allowing for the possibility of imprisonment and/or fines “sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of corresponding gravity”.

<sup>14</sup> ECJ *Joined Cases C-300/98 and C-392/98, Dec. 14, 2000.*

### 3.6 Acquisition and Maintenance

#### Article 62 TRIPS

The *TRIPS Agreement* includes a separate Part IV regarding the “Acquisition and Maintenance of Intellectual Property Rights and Related Inter-Partes Procedures”. This Part consists solely of Article 62. It provides that Members may apply reasonable procedures and formalities in connexion with the grant or maintenance of IPRs, that registrations will be undertaken within a reasonable period of time, and that service mark registrations will be subject to the same basic Paris Convention procedures as trademark registrations. It also provides that administrative and *inter partes* (that is, between parties) proceedings relating to the grant or revocation of rights will be subject to similar due process protections as those applicable to enforcement proceedings. Finally, there is provision for judicial or “quasi-judicial” review of grant and revocation proceedings, except in cases of unsuccessful opposition claims.

The procedures by which IPRs are granted or denied are of great interest to applicants, those opposing applications and the public. The *TRIPS Agreement* provides limited guidance in this area, leaving Members with considerable discretion with respect to the manner in which their grant and revocation systems are designed. However, this must be understood within the context of the various WIPO treaties that address these types of procedures and proceedings in more detail than the substantive rules that were the primary focus of the TRIPS negotiations.

### 3.7 Issues for Dispute Settlement

There are two basic types of claims regarding the enforcement provisions of the *TRIPS Agreement* that are foreseeable. The first are claims that Members have failed to adopt laws and establish administrative mechanisms that satisfy the basic requirements of Part III of the Agreement. The second are claims that while Members may have adopted the relevant laws and mechanisms, they are failing to operate them in a manner that is “effective”.

Because the enforcement rules of the *TRIPS Agreement* are unique in the multilateral context, there is little prior international experience to rely on for guidance regarding how these two basic types of claims will be addressed by panels and/or the Appellate Body. The characteristics of legal systems around the world as regards procedure in civil enforcement matters are rather different, stemming from various cultural and legal traditions. In this sense, uniform methods of implementing the enforcement provisions should not be expected. One of the principal questions that panels and/or the Appellate Body will face is how much discretion will be accorded to each Member to follow its own traditions in matters of enforcement.

Even more difficult to predict is how panels and/or the Appellate Body will evaluate claims that Members are failing to “effectively” implement their civil IPRs enforcement systems. The requirement of providing an effective system of enforcement would not appear to be directed at the process or outcome in a single case or controversy, but rather to be more concerned with repeated or

systematic deficiencies. The question is, what quantum of deficiency would constitute TRIPS-inconsistent conduct, and how would this be measured? Also, since Article 41:5 expressly acknowledges that Members need not provide special attention to IPRs enforcement as compared with their general civil legal enforcement regime, there is by definition more leeway in TRIPS enforcement matters allowable to Members with less capacity within their general legal systems.

There have as yet been no TRIPS dispute settlement decisions involving Part III of the agreement.

### **3.8 Approaching Dispute Settlement**

As with the substantive subject matter of the *TRIPS Agreement*, a claim involving the enforcement provisions should be approached with the flexible nature of the relevant provisions in view. A Member is clearly permitted to approach civil enforcement within its own legal traditions, and to implement the enforcement provisions in a way compatible with its existing constitutional and regulatory framework. Throughout their histories, the most technologically advanced countries have gone through periods in which legal attitudes towards intellectual property regimes have differed. As recently as the 1970s, in the United States there was substantial judicial scepticism concerning IPRs and their market restricting characteristics. In the late 1990s, the pendulum had swung towards viewing the market restricting characteristics of IPRs with less concern. As this pendulum swings back and forth, IPRs holders have had less and more success with pursuing civil enforcement claims in the courts. In sum, the legal system and judiciary are entitled to strike an appropriate balance among the various national stakeholders regarding the enforcement of IPRs, provided that basic protections are effectively provided within the provisions of the *TRIPS Agreement*.

- IPRs holders are required to have access to courts or appropriate administrative authorities, and to be afforded basic due process protections. It is not required that right holders be placed in a special category outside the normal civil legal channels. While certain specific requirements must be met, e.g., in respect to the availability of provisional measures, these measures may be those applicable in all civil proceedings. It is mainly in the case of border measures (and customs authorities) that special measures may be required that are distinct from the treatment of other subject matters.
- Developing Members with limited enforcement capacity need not specially allocate resources to IPRs enforcement compared to general law enforcement.

### **3.9 Test Your Understanding**

- 1. Are WTO Members obligated to establish courts or administrative tribunals that specialize in the enforcement of IPRs, such as patent courts?**
- 2. What are “provisional measures” in the context of IPRs enforcement?**
- 3. Are WTO Members obliged to provide for injunctive relief when a compulsory licence is successfully challenged?**



## 4. THE DISPUTE SETTLEMENT SYSTEM OF THE TRIPS AGREEMENT

### Objectives

On completion of this section, the reader will be able:

- to appreciate that the *TRIPS Agreement* dispute settlement system generally relies on the rules of the WTO Dispute Settlement Understanding.
- to explain that non-violation nullification or impairment causes of action were not permitted during the first five years of the *TRIPS Agreement*, and the explicit limitation on such actions was extended by Ministers at least until the Cancun Ministerial in 2003.
- to realize that WIPO has routinely been requested by dispute settlement panels to provide factual information concerning the negotiating history of the WIPO Conventions.
- To appreciate national court decisions interpreting the various WIPO Conventions may be relevant in TRIPS dispute settlement.

### 4.1 Transparency

#### Article 63 TRIPS

Article 63 of the *TRIPS Agreement* establishes transparency requirements, which include obligations to publish or otherwise make available legal texts such as laws and judicial decisions. This article establishes an obligation to notify laws and regulations to the TRIPS Council or to WIPO for the common register should that be decided upon. Members are obligated to furnish applicable rules or decisions, or sufficient details about them, at the request of Members who reasonably believe their rights may be affected. Confidential information is entitled to protection.

Absence of transparency is a common problem affecting legal systems, not only in countries with limited capacity. The *India – Patents (US)* case, included a claim of lack of transparency for India's alleged failure to publish the details of its system for receiving and holding patent applications. The Panel found that India failed to meet its transparency obligations, though this finding was reversed by the Appellate Body on DSU procedural grounds.

### 4.2 Dispute Settlement

#### Article 64:1 TRIPS

Article 64:1 of the *TRIPS Agreement* provides that the rules of Articles XXII and XIII of GATT 1994, as elaborated by the Dispute Settlement Understanding (DSU), will apply to consultations and dispute settlement under the *TRIPS Agreement*, except as expressly provided in the Agreement. Before turning to the general applicability of the DSU, it is notable that Articles 64:2 and 64:3 address the subject of non-violation nullification or impairment and situation complaints.

### 4.3 Non-violation in TRIPS

Article XXIII of the GATT 1994 provides for three types of causes of action in GATT dispute settlement: “violation”, “non-violation” and “situation”. The “violation” cause of action is that which is familiar to most lawyers and diplomats. A complained against Member is alleged to have violated a rule set forth in the agreement, resulting in some harm (nullification or impairment of benefits) to a complaining Member. However, since its outset GATT dispute settlement also has included a less typical kind of action based on an allegation that, although a complained against Member has not violated a specific rule, it has acted in a way that deprives the complaining Member of benefits it expected to obtain when it entered into the agreement. This kind of complaint involves a “non-violation” that nonetheless has resulted in a “nullification or impairment of benefits”. The so-called “situation” cause of action has rarely been argued, and has never formed the basis of a decision.

#### Article 26 DSU

The DSU limits the remedies available in non-violation causes of action such that a Member may not be required to amend or withdraw a non-conforming measure, but may instead face the withdrawal of concessions.<sup>15</sup> Special rules apply to situation complaints that include making adoption of panel reports subject to a rule of consensus.<sup>16</sup>

The non-violation cause of action was developed to take into account the circumstance in which a first Member granted a tariff concession to a second Member that presumably would make it easier for the second Member to undertake exports to the first Member. However, after the tariff concession was granted, the first Member grants a subsidy to its local producers that lowers the effective cost and price of their product, and thereby makes it difficult again for exporters to penetrate the local market. Although the first (concession-granting) Member may not have violated the GATT by providing a domestic subsidy, by doing so it deprived the second Member of the benefits of the original concession. Since the GATT was based on reciprocal bargaining and concessions between Members, there was a belief that remedies against indirectly tampering with concessions was needed.

#### Article 64:2 TRIPS

#### Article 64:3 TRIPS

Article 64:2 of the *TRIPS Agreement* provided that non-violation and situation complaints could not be brought for five years following entry into force of the Agreement. Article 64:3 directed the TRIPS Council to examine these types of action and make a recommendation to the Ministerial Conference. It provided that acceptance of a recommendation or extension of the five-year moratorium would only be done by consensus. In the Doha Ministerial Decision on Implementation and Related Concerns adopted on 14 November 2001, Ministers directed the TRIPS Council to continue work on a recommendation to be considered at the Fifth Ministerial Conference, and agreed that non-violation and situation complaints could not be initiated prior to that meeting.

<sup>15</sup> Article 26.1(b) of the DSU.

<sup>16</sup> Article 26.2 of the DSU.

During the Uruguay Round negotiations, incorporation of non-violation causes of action in TRIPS dispute settlement was resisted not only by many developing Members, but also by the European Communities. EC negotiators were concerned that the United States might attempt to challenge certain of its market access restrictions in the audio-visual sector using non-violation complaints. Today, many developing Members continue to be concerned that introducing non-violation causes of action into TRIPS dispute settlement will expand the range of complaints that may be brought against them, and they have largely opposed this extension. If non-violation causes of action are introduced in TRIPS dispute settlement, the range of potential complaints will certainly expand, and complex new questions will be brought into the dispute settlement arena.

IPRs are typically framed as negative rights; that is, they grant the holder the right to exclude others from undertaking certain acts. An IPR is not a positive “market access” right in the sense that granting an IPR does not authorize its holder to enter a market. The fact that a person has a copyright in a book or newspaper, and may thereby prevent another person from reproducing or distributing it, does not give the copyright holder the right to sell the book or newspaper in any market.

IPRs holders may attempt to argue that “property” rights are meaningless unless they are accompanied by rights to use them. So, for example, what is the benefit of holding a patent on an invention if the holder is not permitted to sell it? To frame this in the context of a hypothetical non-violation complaint, the patent holder’s rights in the invention are nullified or impaired by the failure to grant market access, even if the patent holder maintains its right to exclude others from the market.

To put this kind of claim into more concrete perspective, consider price controls in the area of patented pharmaceuticals. If a Member recognizes pharmaceutical patents, but imposes regulations that severely limit the price at which patent holders may sell their products, could this theoretically deprive patent holders of benefits they (or their governments) expected when entering into the *TRIPS Agreement*? Since many governments imposed pharmaceutical price controls when the *TRIPS Agreement* was negotiated, and since the Agreement does not address such controls, it seems very unlikely that such a claim might succeed if non-violation causes of action are permitted. That is, no Member could reasonably have expected that price controls would not be used in respect to patented pharmaceuticals. Nonetheless, there are other areas that raise similar questions, and where answers may not be so clear.

In the Panel and Appellate Body Reports in the *EC – Asbestos* case, and in the Panel Report in the *Japan – Film* case, legal and evidentiary issues involving the establishment of a non-violation claim were considered (though these cases were outside the TRIPS context).<sup>17</sup> Yet the law in this area remains unsettled,

<sup>17</sup> *Japan - Measures Affecting Consumer Photographic Film and Paper, Report of the Panel, WT/DS44/R, 31 Mar. 1998, at Section X.E.1-2, and European Communities – Measures Affecting Asbestos and Asbestos-Containing Products, AB-2000-11, WT/DS135/AB/R, 12 Mar. 2001, at paras. 182 et seq.*

and Members would benefit from a clear decision by the Ministerial Conference as to the scope and modalities of non-violation (or situation) complaints in TRIPS dispute settlement.

## 4.4 Proceedings

### 4.4.1 *General application of DSU*

The *TRIPS Agreement* incorporates the general consultation and dispute settlement mechanism of Articles XXII and XIII of the GATT 1994, and the DSU, and from that standpoint the same procedural considerations apply in the TRIPS context as in the GATT and GATS contexts. There are familiar procedures for initiation of consultations, consultations, request for the establishment of a panel, third party participation, establishment of a panel, establishment of terms of reference, submission of pleadings and evidence, proceedings before the panels, possibilities for expert consultation, and so forth.<sup>18</sup>

### 4.4.2 *Expert Consultation and Negotiating History*

Some features of TRIPS dispute settlement procedure that are relatively distinct to the TRIPS context are emerging as more or less common, based on experience so far.

First, either at the request of a party or on the panel's own initiative, the WIPO International Bureau is likely to be consulted regarding the negotiating history and other factual information regarding WIPO Conventions that are incorporated in the *TRIPS Agreement*. WIPO provided information to the Panel in the *US – Section 110(5) Copyright Act* and *US – Section 211 Appropriations Act* cases.

Second, the negotiating history of the *TRIPS Agreement* and the WIPO Conventions appear to play perhaps a more substantial role in TRIPS dispute settlement than in other subject matter areas. Negotiating history played a prominent role in the decisions of the panels in the *Canada - Pharmaceutical Patents*, *US – Section 110(5) Copyright Act* and *US – Section 211 Appropriations Act* cases, and a somewhat lesser role in the *India – Patents (US)* and *Canada – Patent Term* cases.<sup>19</sup>

Third, even in the absence of direct consultation of the WIPO International Bureau, panels and the Appellate Body have made consistent reference to the work product of WIPO in the form of guides to the implementation of the Conventions and related works. The influence of WIPO in this respect has been more substantial than that of national courts in interpreting the Conventions, although that may be the result of the particular subject matter of the disputes rather than a preference regarding sources.

<sup>18</sup> See Modules 3.2, 3.3 and 3.4 of this Course.

<sup>19</sup> *Canada – Term of Patent Protection, complaint by the United States, WT/DS170* (“Canada – Patent Term”).

The foregoing observations suggest that Members preparing for TRIPS dispute settlement will be well-advised to look into the negotiating history of the *TRIPS Agreement* and the WIPO Conventions, as well as the guidance regarding the Conventions furnished by the International Bureau.

#### **4.4.3** *Claim and counterclaim*

A particularly interesting feature of Brazil's response to the United States request for consultations and statement of claims regarding Brazil's compulsory licensing law was Brazil's counterclaims. Essentially, Brazil prepared to argue that features of United States patent law involving licenses granted with respect to government-funded patents included some of the same elements that the United States alleged to represent TRIPS-inconsistencies in the Brazilian legislation. Since the United States claim was withdrawn, it is difficult to draw conclusions regarding the usefulness of Brazil's approach. Yet the very act of withdrawal by the United States might suggest that there is some value in seeking to identify TRIPS-inconsistent provisions of the law of a complaining Member as a responsive tactic.

#### **4.4.4** *Customary International Law and TRIPS*

The Appellate Body has indicated that the rules on interpretation of the *Vienna Convention on the Law of Treaties* apply in WTO dispute settlement. This is an unremarkable proposition in light of the text of the DSU and the role of the Vienna Convention as mainly an effort to codify customary international law rules.

There is however, another aspect of customary law that may play a different role, and for which it may be useful to be prepared. In quite a number of areas involving IPRs, courts in developed countries have rendered numerous decisions that interpret and apply national IP laws. There is an evident tendency among trade negotiators from the developed countries to refer to the results of these decisions as the accepted rules governing IPRs. Yet these references may not accurately capture the nature of customary international law and the establishment of rules outside the boundaries of treaty or conventional law. Customary international law represents the practice of states combined with their belief that such practice is required as a matter of law or obligation (the latter being referred to as *opinio juris*). It is long understood that states are bound to customary international law rules only to the extent that they have implicitly or explicitly accepted them. A state is not bound by a customary rule to which it has objected. Only in the relatively rare circumstance of a rule of *jus cogens* (or a peremptory norm of international law) (e.g., the norms prohibiting slavery and torture) is a state bound without its consent. Developed Members may well argue before panels and the Appellate Body that a particular IPR norm should be implemented and applied in a certain way because that is "customary practice" as evidenced by decisions of their own courts or legislatures. These types of claims must be examined with great care. In some cases, it may be that the practice is interpreting a WIPO Convention to which

all or virtually all WTO Members are party, and this may in fact shed some authoritative light on the interpretation of the Convention (as a matter of state practice under the Convention). In other cases, however, the decisions of developed Member courts and legislatures may merely represent wishful thinking in regard to developing WTO Members. What may be a customary practice among some Members, may not have been followed by a second group of Members, and may not have been given systematic attention by a third group of Members.

In short, developing Members of the WTO should be prepared to stake their own claims regarding accepted or customary practices that need not mirror those practices followed by developed Members with different economic and social interests. The *TRIPS Agreement* provides considerable flexibility in this regard.

## 4.5 Approaching Dispute Settlement

TRIPS dispute settlement claims may of course take many forms. They may involve an alleged failure to implement a substantive norm or rule for the grant of an IPR, or they may involve an allegation of failure to provide adequate enforcement.

- If the allegation is that the Member has failed to adopt a substantive standard, does the *TRIPS Agreement* explicitly lay out the precise contours of the rule that is required, or is the requirement framed in a more general way? If the requirement is framed more generally, on what basis is the complaining party demanding adoption of a specific norm?
- What do the incorporated WIPO Conventions provide? What is the negotiating history of the relevant provisions in the WIPO context, and in the WTO Uruguay Round?
- Does the complaining Member have rules on the same subject matter? What do those rules look like? How have their courts interpreted those rules? Are there other areas of TRIPS in which the complaining Member may be out of compliance? Is there a potential counterclaim?
- Is the alleged non-compliance potentially within the range of permissible exceptions?
- If the question relates to enforcement, is it directed to a particular case or controversy, or is a more systematic deficiency in the legal system alleged? If the former, is this symptomatic of a larger problem? If the latter, is the deficiency one relating to the amount of resources available for the national legal system as a whole?

## **4.6** Test Your Understanding

- 1. What does the “transparency” obligation in the *TRIPS Agreement* entail?**
- 2. What is the difference between a “violation” complaint and a “non violation” complaint? What are the differences in the potential remedies?**
- 3. If non-violation nullification or impairment complaints are eventually allowed under the *TRIPS Agreement*, what types of claims might be brought?**





## 5. JURISPRUDENCE UNDER THE TRIPS AGREEMENT

### Objectives

Upon completion of this section, the reader will be able:

- to discuss the decisions that have been rendered by panels and the Appellate Body under the *TRIPS Agreement*.
- To appreciate that a substantial body of jurisprudence has been developed on issues such as the extent of a Member's obligation to demonstrate implementation of TRIPS obligations, the scope of exceptions to patent and copyright protection, and the nature of the national and most favoured nation treatment obligations.

There have been a number of cases decided by WTO panels and the Appellate Body under the terms of the *TRIPS Agreement*, and other dispute settlement claims initiated and withdrawn. Below is a summary of the cases decided so far, and a summary of one important claim that was withdrawn.

### 5.1 India – Patents (US)

*India - Patent Protection for Pharmaceutical and Agricultural Chemical Products*, WT/DS50 (“*India – Patents (US)*”) was the first WTO dispute under the *TRIPS Agreement* that resulted in a decision by a panel, and subsequently by the Appellate Body. The complaining party was the United States, which alleged that India had failed to adequately implement *TRIPS Agreement* requirements under Articles 70:8 and 70:9 to establish a so-called “mailbox” to receive and preserve patent applications, and to adopt legislation authorizing the grant of exclusive marketing rights (EMRs).

The first part of the decision of the Appellate Body in this dispute concerned a difference over jurisprudence with the panel. The panel said that the United States and its patent holders had “legitimate expectations” concerning the implementation by India of a mailbox system that would eliminate “any reasonable doubts” concerning the future grant of patents. The Appellate Body said that that panel had mistakenly applied the doctrine of non-violation nullification or impairment in formulating its approach to interpretation, and pointed out that non-violation complaints could not yet be brought under the *TRIPS Agreement*. The Appellate Body said that the proper means for interpreting the *TRIPS Agreement* was by application of the rules of the *Vienna Convention on the Law of Treaties*, which provides that treaties shall be interpreted based on their express terms and context, in light of their object and purpose. India was required to comply with the terms of the *TRIPS Agreement*, no more, no less. This meant that India would be required to provide a “sound legal basis” for the treatment of mailbox applications.

The Appellate Body went on to examine India's claim that an administrative order allegedly given by the executive to the patent office was an adequate means to implement the mailbox requirement. India had not furnished the text

of such an order to the Panel or Appellate Body. The Indian Patents Act required the patent office to reject applications that concerned subject matter for which patent protection could not be granted, including for pharmaceutical products. There was substantial evidence that under the Indian Constitution, the statutory Patents Act requirement to reject a patent application on subject matter grounds could not be modified by an executive administrative order. The Appellate Body agreed with the Panel that India had in fact failed to provide a sound legal basis for receiving and preserving mailbox applications.

Another aspect of the case involved India's alleged failure to adopt legislation authorizing the grant of EMRs. India argued that since no party had yet to qualify for the grant of EMRs, it had no need for legislative authority which could be provided as the circumstances warranted. The Appellate Body disagreed on the basis of the express text of the *TRIPS Agreement* which it held to require the adoption of legislation authorizing the grant of EMRs from the entry into force of the agreement.

The Appellate Body also rejected a Panel determination under Article 63 of the *TRIPS Agreement* that India also had failed to comply with transparency obligations. The Appellate Body's rejection was based solely on grounds that the Panel had permitted the United States to add a cause of action to its complaint outside the Panel's terms of reference.

## 5.2 Canada – Pharmaceutical Patents

*Canada – Patent Protection of Pharmaceutical Products*, WT/DS114 (“*Canada – Pharmaceutical Patents*”) involved a complaint brought by the European Communities (EC) against Canada alleging that provisions of Canadian patent law that allowed the stockpiling of products prior to the expiration of a patent term, and that authorized the use of patented inventions for the purposes of preparing and pursuing regulatory submissions prior to the expiration of a patent term, violated TRIPS obligations. The focus of the EC's complaint was the generic pharmaceutical sector. The EC claimed that the relevant provisions of Canada's Patent Act, when read in connexion with its drug regulatory rules, allowed generic producers to obtain approval for and stockpile patented medicines contrary to TRIPS patent rules.

Canada conceded that the relevant provision of its Patent Act contravened the rights of patent holders under Article 28:1 of the *TRIPS Agreement*. It invoked Article 30, asserting that it was providing limited exceptions to the rights of patent holders within the scope of that provision.

The Panel devoted a considerable portion of its decision to interpreting the meaning of the three elements of Article 30; that is, “limited exception”, not unreasonably interfering with the normal exploitation of the patent, and not unreasonably prejudicing the interests of the patent holder, taking into account the legitimate interests of third parties. In the Panel's view, a “limited exception” refers to a narrow derogation, with reference to the range of rights provided

to the patent holder. The element of “normal exploitation” is used to address the way that patents are ordinarily used. The test of the patent holder’s interests is used to consider the potential economic impact on the patent holder. The legitimate interests of third parties are not limited to legal interests in the patent relation, but include public social interests.

The Panel determined that Canada’s stockpiling exception was not sufficiently “limited” because it potentially allowed an unlimited quantity of patented products to be made during the patent term. It therefore did not qualify as a limited exception under Article 30. Having made this determination, the panel did not address the other two elements that must be satisfied to support an Article 30 exception.

Canada’s regulatory review exception allows third parties to use patented inventions during the term of the patent to develop submissions for approval, such as in the case of marketing approval for a generic pharmaceutical product. Canada does not extend the term of patents to take into account the period of time during which an invention is subject to regulatory review.

Regarding the first criteria under Article 30, that an exception must be limited, the Panel determined that Canada’s regulatory review exception was limited because it addressed only a small part of the patent right, and was reasonably closely circumscribed.

Regarding the second criteria, that there is not unreasonable interference with normal patent exploitation, the Panel found it was not generally accepted that patent rights must be exploited without being subject to limited exceptions, such as use by third parties for regulatory review purposes. It was not an unreasonable interference with the normal exploitation of patents to subject them to this type of exception.

Regarding the third criteria, that there not be unreasonable prejudice to the patent holder (taking into account third party interests), the Panel considered the EC’s argument that Canada’s regulatory review exception should have been combined with a “patent term extension” to take into account the period during which the patent holder awaited marketing approval for its drug. In the EC’s view, the failure to provide an extension meant that the patent holder suffered economically because its patent term was effectively reduced by the period during which it awaited marketing approval, while the generic producer was enabled to begin marketing promptly upon the expiration of the patent. The Panel rejected the EC contention, finding that governments took account of the interests of the patent holder in adopting their regulatory review procedures, and that there was no requirement that the patent holder effectively be compensated because it had to subject its product to regulatory review.

The Panel finally considered whether Canada’s regulatory review exception was inconsistent with Article 27:1 of the *TRIPS Agreement* in the sense of discriminating with respect to field of technology. The Panel began by holding that Article 30 exceptions are subject to Article 27:1, even though there is no

language in Article 30 suggesting that exceptions that may be granted are restricted to a certain kind or class. However, it pointed out that Article 27:1 refers to “discrimination” regarding field of technology, which is a pejorative term. The fact that Members may not “discriminate” regarding a field of technology does not imply that they may not “differentiate” among fields of technology for legitimate purposes. Having made these determinations, the Panel found that Canada’s patent legislation neither differentiated nor discriminated since it was, by its terms and application, neutral as to field of technology.

### 5.3 US – Section 110(5) Copyright Act

*United States – Section 110(5) of the US Copyright Act*, WT/DS160/ (“US – Section 110(5) Copyright Act”) involved a claim by the EC against the United States alleging that exceptions in the U.S. Copyright Act that permitted commercial establishments to provide radio and television entertainment to customers without payment of remuneration to copyright holders was TRIPS-inconsistent. The EC’s claims were based on Articles 11bis and 11 of the Berne Convention that establish rights in favour of authors and artists with respect to the broadcast and communication to the public of their works. The United States defended its exemptions on the basis of Article 13 of the *TRIPS Agreement*, that largely incorporates the exception provision found in Article 9(2) of the Berne Convention.

The United States copyright exemptions basically covered two situations. The first (“homestyle exemption”) allowed broadcasts to be received and transmitted to the public by a single apparatus of a kind ordinarily used in private homes, and was not directed to a specific category of establishment. The second (“business exemption”) allowed general commercial establishments of a limited size, and bars and restaurants also of a limited (though larger) size, to receive and broadcast to the public through a specified range of equipment.

The Panel found that the United States business exemption did not fall within the exception for “certain special cases” within the meaning of Article 13 of the *TRIPS Agreement*. The range of establishments was too large, and the commercial significance to copyright holders was too great for this to be considered a minor exemption. Although it might have stopped here, the Panel went on to complete its analysis of the other exception factors in Article 13 of the *TRIPS Agreement* so as to provide a factually complete record for the Appellate Body. The Panel found that copyright holders had a normal expectation of compensation for broadcast to the public of their works, and that commercial establishments of a substantial size would reasonably be expected to bear the burden of furnishing compensation to them. Since the business exemption covered a broad range of United States commercial establishments, the lack of compensation unreasonably prejudiced the legitimate interests of the copyright holders.

The Panel found that the “homestyle exemption” was in fact of limited scope, because among other things it had been construed narrowly by United States courts. In respect to the normal exploitation of copyrighted works, the Panel found that there was a minimal market for single private receiver broadcasts, in particular since most small shop owners would not be willing to pay for a copyright licence. On similar grounds, the Panel found that the legitimate interests of copyright holders were not unreasonably prejudiced.

## **5.4 Canada – Patent Term**

*Canada – Term of Patent Protection*, WT/DS170 (“*Canada – Patent Term*”) involved a complaint by the United States against Canada for an alleged failure to apply the minimum twenty (20) year patent term requirement of Article 33 of the *TRIPS Agreement* to patents that were granted under pre-*TRIPS Agreement* patent legislation. This decision involved the interpretation of Articles 70:1 and 70:2 of the *TRIPS Agreement* that deal with application of the agreement to subject matter that existed prior to its entry into force.

Canada argued that it was not required to extend the term of patents that had been granted under an act that applied to patents granted up until 1989 (and remained in force when Article 33 became applicable), because Article 70:1 excluded application of the *TRIPS Agreement* to “acts” which occurred before the date of application. In Canada’s view, the grant of a patent was an “act” that occurred before Article 33 became applicable. Canada argued that Article 70:2, which establishes obligations regarding “subject matter existing at the date of application . . . and which is protected in that Member on the said date” referred to patents granted prior to application of the agreement, but did not require Canada specifically to undertake the act of extending the patent term, which was excluded under Article 70:1.

The decision of the Panel and Appellate Body in this case focused on the plain meaning of Articles 70:1 and 70:2. Neither the Panel nor the Appellate Body found Canada’s attempt to distinguish the act of setting out a patent term (as within Article 70:1), and the general “existing” nature of the patented invention under Article 70:2, persuasive. The Appellate Body found that Article 70:2 required the application of Article 33 to the term of existing patents based on the express language of the *TRIPS Agreement*.

## **5.5 US – Section 211 Appropriations Act**

*United States – Section 211 Omnibus Appropriations Act of 1998* (“*US – Section 211 Appropriations Act*”), WT/DS176, involved a claim by the EC against the United States alleging *TRIPS Agreement* inconsistency of United States legislation denying holders of trademarks confiscated by the government of Cuba without compensation the right to enforce those marks in United States courts, and denying permission to register those marks at the United States Patent and Trademark Office. The case involved a trademark (“Havana Club” for rum) that the government of Cuba took from Cuban national owners



following the revolution, and that became the subject of a Cuban-French joint venture some 40 years later. Federal courts in the United States had upheld the validity of the United States legislation and its application to the Cuban-French joint venture prior to the EC's initiation of the dispute at the WTO. The EC argued that the United States legislation was inconsistent with rules concerning trademark registration of the Paris Convention, interfered with the basic rights of trademark holders under the *TRIPS Agreement*, and was inconsistent with *TRIPS Agreement* national and most favoured nation treatment rules.

The Appellate Body decided (confirming the Panel's view) that the obligation in the Paris Convention Article 6 *quinquies telle quelle* (or "as is") rule is addressed to accepting trademarks for registration in the same form, and not to eliminating Member discretion to apply rules concerning other rights in marks. It found that Articles 15 and 16 of the *TRIPS Agreement* do not prevent each Member from making its own determination regarding the ownership of marks within the boundaries established by the Paris Convention. It decided that Article 42 regarding procedural rights does not obligate a Member to permit adjudication of each substantive claim regarding trade mark rights a party might assert, if that party is fairly determined *ab initio* not to be the holder of an interest in the subject mark. In sum, the Appellate Body confirmed the right of the United States to refuse registration and enforcement of trademarks it determines to have been confiscated in violation of strong public policy of the forum state.

The Appellate Body analyzed United States law relating to Cuba's alleged confiscation of trademarks in regard to national and most favored nation treatment obligations. It observed that as a matter of WTO law, these obligations are fundamental. It rejected the Panel's determination that, although certain minor discriminatory aspects of the United States legislation could be identified, those aspects were unlikely to have a practical effect, and so are not WTO-inconsistent. The Appellate Body, in a somewhat strained reliance on an earlier GATT panel report (*US - Section 337*),<sup>20</sup> found that even discriminatory aspects unlikely to have effect in practice were nonetheless inconsistent with the United States national treatment and MFN obligations.

The Appellate Body further held, contrary to the panel, that trade names are within the subject matter scope of the *TRIPS Agreement*.

Although the Appellate Body identified what it considered to be a minor procedural defect in the mechanism adopted by the United States Congress to effectuate its decision regarding the confiscated trademark, the Appellate Body

---

<sup>20</sup> Panel Report, *United States – Section 337 of the Tariff Act of 1930* ("US – Section 337"), adopted 7 November 1989, BISD 36S/345. The Appellate Body's reliance is strained because the Panel in the US – Section 337 case identified a number of differences between rules applicable to patent proceedings involving domestically-produced and imported goods, and found only a limited number inconsistent with United States national treatment obligations. Those found to constitute discrimination (such as the incapacity of an import-related patent holder to assert counterclaims in a 337 proceeding) were matters that in intellectual property rights enforcement had significant consequences.



affirmed in its entirety the authority of the Congress and Executive Branch to deny validity to a Cuban-French claim of trademark ownership.

## 5.6 United States Claims Regarding Brazil's Compulsory Licensing Legislation

On May 30, 2000, the United States requested consultations with Brazil under the WTO Dispute Settlement Understanding, stating:

*[The United States] request[s] consultations with the Government of Brazil ... concerning those provisions of Brazil's 1996 industrial property law (Law No. 9,279 of 14 May 1996; effective May 1997) and other related measures, which establish a 'local working' requirement for the enjoyability of exclusive patent rights that can only be satisfied by the local production – and not the importation – of the patented subject matter.*

*Specifically, Brazil's 'local working' requirement stipulates that a patent shall be subject to compulsory licensing if the subject matter of the patent is not 'worked' in the territory of Brazil. Brazil then explicitly defines 'failure to be worked' as 'failure to manufacture or incomplete manufacture of the product', or 'failure to make full use of the patented process'. The United States considers that such a requirement is inconsistent with Brazil's obligations under Articles 27 and 28 of the TRIPS Agreement, and Article III of the GATT 1994.*

The request for consultations was followed by a United States request for the establishment of a panel. The United States withdrew its complaint in this matter prior to the submission of written pleadings by either party. However, the request for consultations illustrates that provisions authorizing compulsory licensing for “non-work” may be subject to challenge under Article 27 of the TRIPS Agreement.

The Paris Convention authorizes the grant of compulsory licences for failure to work a patent. A major issue in a case such as that brought by the United States against Brazil is whether Article 27:1 of the *TRIPS Agreement* was intended to prohibit WTO Members from adopting and implementing local working requirements, and effectively to supersede the Paris Convention rule. The negotiating history of the *TRIPS Agreement* indicates that Members differed strongly on the issue of local working. Several delegations favoured a direct prohibition of local working requirements, but the *TRIPS Agreement* did not incorporate a direct prohibition. Instead, it says that patent rights shall be enjoyable without “discrimination” as to whether goods are locally produced or imported. Under the jurisprudence of the *Canada- Pharmaceutical Patents* case, this leaves room for local working requirements adopted for *bona fide* (i.e., non-discriminatory) purposes. A WTO Member might well argue that requiring production of certain defence-related inventions within the national territory is essential to national security, and therefore justifies a local working requirement. There are no doubt other justifiable grounds for requiring local working of a patent.

## 5.7 Approaching WTO Dispute Settlement

- When confronted with a *TRIPS Agreement* claim, it is certainly important to refer to the prior decisions of panels and the Appellate Body as a potential source of interpretative guidance. However, it is important to dissect these decisions with care, since small changes in the facts may result in a different outcome before the DSB.
- The Ministerial Conference and General Council are exclusively empowered to render interpretations of the WTO agreements, including the *TRIPS Agreement*. A decision of a panel or the Appellate Body does not constitute an interpretation that is binding in subsequent disputes.
- The Appellate Body has frequently disagreed with panels as to the proper interpretation of the WTO agreements. If the only decision regarding a particular subject matter is by a panel, it would not be prudent to strictly rely on the panel's interpretation of the legal rules.

## 5.8 Test Your Understanding

1. **What did the Appellate Body decide about the doctrine of “legitimate expectations” in the *India – Patents (US)* case?**
2. **What significance did the Panel in the *Canada – Pharmaceutical Patents* case ascribe to the term “discrimination” in Article 27:1 of the *TRIPS Agreement*?**
3. **Did the Appellate Body in the *US – Section 211 Appropriations Act* allow the United States to make determinations regarding ownership of trademarks rights and, if so, with what basic constraint?**

## 6. CASE STUDY

WTO Member “Alpha” has a large number of individuals who are HIV-positive. Without effective medical treatment, these individuals will die of AIDS and its complications within the next ten years. The government of Alpha has aggressively addressed its HIV-AIDS crisis by providing free access to antiretroviral drugs to all citizens who need them.

Alpha has adopted a new Industrial Property Law to implement its *TRIPS Agreement* obligations. It includes a section on compulsory licensing that provides, inter alia:

*“Article 7. The titleholder shall be subject to having the patent licensed on a compulsory basis if he exercises his rights derived therefrom in an abusive manner, or by means thereof engages in abuse of economic power, proven pursuant to law in an administrative or judicial decision.*

*Paragraph 1. The following also occasion a compulsory licence:*

*I – non-exploitation of the object of the patent within the Alpha territory for failure to manufacture or incomplete manufacture of the product, or also failure to make full use of the patented process, except cases where this is not economically feasible, when importation shall be permitted; or*

*II – commercialization that does not satisfy the needs of the market.*

*Paragraph 5. The compulsory licence that is the subject of Paragraph 1 shall only be required when 3 (three) years have elapsed since the patent was granted.*

*Article 8. A compulsory licence shall not be granted if, on the date of the application, the titleholder:*

*I – justifies the non-use based on legitimate reasons;*

*II – proves that serious and effective preparations for exploitation have been made;*

*III – justifies the failure to manufacture or to market on grounds of an obstacle of legal nature;*

*Article 9. In cases of national emergency or of public interest, as declared in an act of the Federal Executive Power, and provided the patentholder or his licensee does not fulfill such need, a temporary and non-exclusive compulsory licence for exploiting the patent may be granted, ex officio, without prejudice to the rights of the respective titleholder.*

*Sole Paragraph. The act of granting the licence shall establish its term and the possibility of extension.*

*Article 10. Compulsory licenses shall always be granted on a non-exclusive basis, and sublicensing shall not be permitted.*

*Article 11. The application for a compulsory licence shall be formulated upon indication of the conditions offered to the patentholder.”*

The Alpha government has made perfectly clear that it intends to address the HIV-AIDS crisis in that country by whatever means are necessary, while abiding by its international legal obligations. If a patented drug is more expensive than

the government considers warranted, it will not hesitate to grant a compulsory licence for local production of the drug.

WTO Member Beta has initiated a dispute settlement action in the WTO charging that Alpha's compulsory licensing legislation "establish[es] a 'local working' requirement for the enjoyability of exclusive patent rights that can only be satisfied by the local production – and not the importation – of the patented subject matter." According to Beta, Alpha's compulsory licensing legislation is inconsistent with Alpha's obligations under the *TRIPS Agreement*.

Alpha asks you to assist in defending against the WTO action initiated by Beta. Alpha observes that in the initial phase of WTO dispute settlement, the complaining party need only state its cause of action in a brief summary manner. Beta has provided very limited information concerning the basis for its action.

- 1. What legal arguments do you expect Beta to advance against Alpha's compulsory licensing legislation?**
- 2. How should Alpha respond to Beta's legal arguments?**
- 3. Given the relative strength of the two side's arguments, would you recommend that Alpha settle this dispute by agreeing to amend its legislation and, if so, with what changes?**

## 7. FURTHER READING

### 7.1 Books and Articles

- **UNCTAD**, *TRIPS and Development: Resource Book* (forthcoming)
- **Abbott, F., Cottier, T. and Gurry, F.**, *The International Intellectual Property System: Commentary and Materials* (1999) (Kluwer Law International)
- **Abbott, F.**, “The Doha Declaration on the *TRIPS Agreement* and Public Health: Lighting a Dark Corner at the WTO”, *Journal of International Economic Law L.* 2002, 469
- **Abbott, F.**, Technology and State Enterprise in the WTO, in Cottier, T. and Mavroidis P., *World Trade Forum: State Trading in the Twenty-First Century* (U. Mich. Press, 1998), 121
- **Correa, C.**, *Integrating Public Health Concerns into Patent Legislation in Developing Countries* (South Centre 2000)
- **Maskus, K.**, *Intellectual Property Rights in the Global Economy* (IIE 2000)
- **Reichman, J.**, “Securing Compliance with the *TRIPS Agreement* After U.S. v. India”, *Journal of International Economic Law.* 1998, 585

### 7.2 Dispute Settlement Reports

- Appellate Body Report, *India – Patent Protection for Pharmaceutical and Agricultural Chemical Products* (“*India – Patents (US)*”), WT/DS50/AB/R, adopted 16 January 1998, DSR 1998:I, 9.
- Panel Report, *Canada – Patent Protection of Pharmaceutical Products* (“*Canada – Pharmaceutical Patents*”), WT/DS114/R, adopted 7 April 2000.
- Panel Report, *United States – Section 110(5) of the US Copyright Act* (“*US – Section 110(5) Copyright Act*”), WT/DS160/R, adopted 27 July 2000.
- Appellate Body Report, *Canada – Term of Patent Protection* (“*Canada – Patent Term*”), WT/DS170/AB/R, adopted 12 October 2000.
- Appellate Body Report, *United States – Section 211 Omnibus Appropriations Act of 1998* (“*US – Section 211 Appropriations Act*”), WT/DS176/AB/R, adopted 1 February 2002.

### 7.3 Documents and Information

- The World Intellectual Property Organization maintains a website with extensive documentation and research on IPRs, at <http://wipo.int>. This includes an electronic collection of national laws that have been notified

to WIPO (at the CLEA database). The WIPO website also maintains a list of links to national patent and copyright offices

- All WTO dispute settlement reports can be found at <http://wto.org>. There is also a section of the WTO website devoted to TRIPS matters.

There are many other Internet sites devoted to TRIPS and intellectual property rights matters.