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Intellectual Property Rights: The Issues in GATT

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Abstract

This Article examines the need for a multilateral framework to address the trade-related aspects of intellectual property rights (TRIPs). The authors trace the growing importance of TRIPs from its emergence at the Tokyo Round in 1978 to its present state as a major focus of multilateral negotiations at the Uruguay Round. A detailed discussion of existing GATT provisions and their relevance to intellectual property rights follows. The authors then describe the four major substantive issues related to TRIPs that are before the Negotiating Group: substantive standards of intellectual property protection; procedures for the enforcement of intellectual property protection; dispute settlement procedures; and the relationship between the GATT and other international organizations in the negotiations and in any eventual agreement that may be reached at the Uruguay Round.

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* The authors acknowledge the advice and assistance they received from Mr. Adrian Otten. It should be noted that the views and analysis presented in this paper are the responsibility of the authors and should in no way be attributed to the GATT secretariat.

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I. INTRODUCTION

At the December 1988 Ministerial Meeting held in Montreal to carry out the Mid-Term Review of the Uruguay Round, the Ministers reached agreement on eleven of the fifteen subjects under negotiation.[1] In some cases these agreements embodied a degree of substantive progress quite remarkable at the halfway stage in a four-year negotiation. On four subjects, however, the Ministers failed to agree—agriculture, textiles and clothing, safeguards, and the trade-related aspects of intellectual property rights, including trade in counterfeit goods (TRIPs). The Ministers decided that the Trade Negotiations Committee (TNC) should meet in Geneva in the first week of April 1989 to agree upon these matters and to review the entire package of subjects. This paper addresses itself to one of those four matters—TRIPs—which is the subject of this symposium.[2]

TRIPs draws its topicality from the growing importance attached in recent years to intellectual property matters in multilateral, bilateral, and unilateral trade policy processes.[3] There is no need to describe the process that has led to insistent demands in the industrialized world for higher international levels of protection. In the United States this has become a highly visible issue of trade policy—by some accounts the high-

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1. For details of the meeting and the positions of the parties, see *GATT: GATT Officials Decide to Postpone Conclusion of Uruguay Round Midterm Review Until April*, 5 Int'l Trade Rep. (BNA) 1617 (Dec. 14, 1988); *GATT Activities: Midterm Review Ends Without Agreement on Protection of Intellectual Property*, 3 World Intell. Prop. Rep. (BNA) 16 (Jan. 1989).

2. At the April meeting in Geneva, the TNC reached agreement on the four outstanding subjects. For a summary of development at Geneva, see *GATT: Negotiators Break Deadlock in Key Areas, Approve Guidelines for Uruguay Round Talks*, 6 Int'l Trade Rep. (BNA) 442 (Apr. 12, 1989). On this basis, it was possible for the TNC to approve the decisions taken on all 15 subjects under negotiation, paving the way for the second and concluding phase of the Uruguay Round. In the case of TRIPs, the agreement will permit substantive negotiation to take place on a commonly agreed agenda, comprising all the major issues discussed in the latter half of this paper, without prejudging the institutional framework for the implementation of final results. The framework for negotiation is published in *Framework Agreements Adopted April 8, 1989 at Midterm Review of Uruguay Round Negotiations Under General Agreement of Tariffs and Trade in Geneva*, 6 Int'l Trade Rep. (BNA) 469 (April 12, 1989).

3. *See generally* INTELLECTUAL PROPERTY RIGHTS: GLOBAL CONSENSUS, GLOBAL CONFLICT? (R.M. Gadbaw & T. Richards eds. 1988) [hereinafter INTELLECTUAL PROPERTY RIGHTS].

est United States priority in the Uruguay Round.[4] The 1984 and 1988 Trade Acts contain provisions that sanction and in some cases even mandate the use of unilateral actions against intellectual property practices abroad that the United States identifies as "unfair."[5] A European analogue in the European Community's New Commercial Policy Instrument (NCPI) was introduced in 1984 to counter "unfair" trade practices abroad.[6] The European measure has been used almost entirely in connection with intellectual property matters, whereas the United States remedy has been invoked in different types of cases.[7]

The economic developments underlying intellectual property protection concerns are quite straightforward. The established industrialized economies are losing comparative advantage in some traditional sectors and are consciously shifting their attention and resources into areas of greater comparative advantage—activities that are creativity-, research-, and knowledge-intensive, and therefore intellectual property-intensive. This fact, together with the emergence of new copying technologies and the growth of the trade deficit in the United States, has focused attention on the imitation abroad of domestic technologies and creations.[8] Econom-

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4. In 1984 the United States submitted a report to the GATT Secretariat, INTERNATIONAL TRADE COMMISSION, THE EFFECTS OF FOREIGN PRODUCT COUNTERFEITING ON U.S. INDUSTRY: FINAL REPORT ON INVESTIGATION NO. 332-158 UNDER SECTION 332(b) OF THE TARIFF ACT 1930, USITC PUB. NO. 1479 (1984) [hereinafter ITC REPORT], which discussed the impact of foreign counterfeiting on the United States economy. *See also* Bradley, *Intellectual Property Rights, Investment, and Trade in Services in the Uruguay Round: Laying the Foundations*, 23 STAN. J. INT'L L. 57, 68-69 (1987).

5. Trade and Tariff Act of 1984, Pub. L. No. 98-573, tit. 3, ch. 8, 98 Stat. 2948, 3001 (1984) (codified at 19 U.S.C. § 2241) (1988); Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100-418, § 1342, 102 Stat. 1107, 1212 (codified at 19 U.S.C. § 1337) (1988)).

6. *Counsel Regulation (EEC) No. 2641/84 of 17 September 1984: On Strengthening of the Common Commercial Policy with Regard in Particular Against Illicit Commercial Practices*, 27 O.J. EUR. COMM. (No. L 252) 1 (1984); *see EC to Bring Complaint Against U.S. Law in First Use of its Section 301 Procedures*, 4 Int'l Trade Rep. (BNA) 408 (Mar. 25, 1987) [hereinafter *EC Complaint*]; *European Community: EC Submits Proposals for Protection of Intellectual Property Rights by GATT*, 2 World Intell. Prop. Rep. (BNA) 136-37 (Aug. 1988) [hereinafter *EC Protection*].

7. *See, e.g., U.S., EC Reach Tentative Solution to Dispute Over Subsidies EC Provides for Canned Fruit*, 6 Int'l Trade Rep. (BNA) 867 (July 5, 1989); *U.S. Delays 301 Oilseeds Dispute Until GATT Panel Produces Finding, EC Reacts Sharply*, 6 Int'l Trade Rep. (BNA) 894 (July 12, 1989).

8. *See supra* note 2 and accompanying text. *See also* CONGRESSIONAL BUDGET OFFICE, THE GATT NEGOTIATIONS AND U.S. TRADE POLICY (1987); Note, *Intellectual Property Rights and the GATT: United States Goals in the Uruguay Round*, 21 VAND.

ically established countries have perceived these imitations as creating significant and growing economic losses for corporations operating internationally. Concerned private sector groups, notably in areas particularly vulnerable to imitation, such as pharmaceuticals, chemicals, and computer software, have sought action by their governments to improve the protection and enforcement of IPRs abroad.[9]

The United States and other governments have responded to these concerns by giving increased prominence in trade policy processes to the protection of intellectual property. While these processes were initially mainly unilateral or bilateral in nature, it is not surprising that attention shifted to the multilateral agenda in the context of the launching of the new round—a round seen as setting the multilateral framework for the conditions of international competition into the next century. The United States, with the support of other industrialized countries, sought to include in the negotiating agenda the issue of intellectual property rights, along with two other new subjects—trade in services and trade-related investment measures.[10] The result for TRIPs was the Negotiating Objective set out in the Punta del Este Declaration.[11]

J. TRANSNAT'L L. 367, 400 (1988).

9. *The Uruguay Round File: Trade in Counterfeit Goods and Other Trade-Related Aspects of Intellectual Property Rights*, (pts. 1 & 2), 48 GATT FOCUS 3, 3-4 (Jul./Aug. 1987), 49 GATT FOCUS 2 (Sept./Oct. 1987) (Part II).

10. Rivers, Slater & Paolini, *Putting Services on the Table: The New GATT Round*, 23 STAN. J. INT'L L. 13, 18 (1987); Bradley, *supra* note 4, at 57.

11. The Negotiating Objective reads as follows:

> In order to reduce the distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade, the negotiations shall aim to clarify GATT provisions and elaborate as appropriate new rules and disciplines.
>
> Negotiations shall aim to develop a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods, taking into account work already undertaken in the GATT.
>
> These negotiations shall be without prejudice to other complementary initiatives that may be taken in the World Intellectual Property Organization and elsewhere to deal with these matters.

Ministerial Declaration on the Uruguay Round: Declaration of 20 September 1986 (Min. Dec.), in GATT, BASIC INSTRUMENTS AND SELECTED DOCUMENTS [BISD]: THIRTY-THIRD SUPP. 19, 25-26 (1987) *reprinted in* 25 I.L.M. 1623, 1626 (1986) [hereinafter *Ministerial Declaration*].

II. CURRENT PROVISIONS FOR INTELLECTUAL PROPERTY RIGHTS IN THE MULTILATERAL ARENA

To say that intellectual property first appeared on the multilateral arena at Punta del Este would not be entirely accurate. Apart from certain provisions of the GATT[12] relevant to intellectual property that this Article will address later, it is worth recalling that the issue of commercial counterfeiting came forth in 1978 at the end of the Tokyo Round.[13] Negotiators drew up an agreement on counterfeiting but did not reach consensus on its incorporation into the final results of the Round, since only the United States and the European Community were prepared to support it at that time.[14] The issue surfaced on the GATT agenda in 1982 when the Ministerial Declaration of the GATT Contracting Parties called for an examination of the counterfeit goods issue.[15] The Declaration sought to determine whether the GATT should take multilateral action on the trade aspects of commercial counterfeiting and, if so, what it should be. A Group of Experts formed in 1984 to address this issue was unable to make the necessary determination.[16] Although by 1985 a general consensus prevailed that a growing problem of trade in counterfeit goods existed and that an improved multilateral framework was desirable, there was ultimately no agreement as to whether the GATT should take such action.[17] The difference between these multilateral efforts on counterfeiting and the TRIPs initiative lies in the scope of commitments sought as well as the different context of discussion.

In major multilateral rounds of negotiation involving many subjects it is sometimes possible to resolve issues that if negotiated in isolation would simply be too difficult. In the Uruguay Round agriculture may be one such case, and TRIPs may be another.[18] The Round offers the cru-

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12. General Agreement on Tariffs and Trade, Oct. 30, 1947, 61 Stat. A3, T.I.A.S. No. 1700, 55 U.N.T.S. 187, *reprinted in* 4 GATT, BISD (1969) (Text of the General Agreement).

13. Note, *Countering International Trade in Counterfeit Goods*, 12 BROOKLYN J. INT'L L. 339, 350 (1986).

14. *See* Turnbull, *Intellectual Property and GATT: TRIPS at the Midterm*, 1 J. PROPRIETARY RIGHTS 9, 10-11 (1989).

15. *See Thirty-Eighth Session at Ministerial Level: Ministerial Declaration: Adopted on 29 November 1982 (L/5424)*, GATT, BISD: TWENTY-NINTH SUPP. 9, 19 (1983) *reprinted in* 22 I.L.M. 445, 449 (1983). Signatories to the General Agreement on Tariffs and Trade are referred to as Contracting Parties, and at present number 98.

16. Note, *supra* note 13, at 354-55.

17. *See* Turnbull, *supra* note 14, at 16.

18. *Uruguay Round: Dispute Settlement and Agricultural Reform Proposals Among New Negotiating Submissions*, 58 GATT FOCUS 6, 6-10 (Nov./Dec. 1988).

cial possibility of trade-offs between subjects, so that states that see themselves as making concessions in one area can seek countervailing benefits in others. This is particularly important in TRIPs, where the industrialized countries clearly take the position of "demandeurs." They will not likely persuade developing countries to undertake new commitments in the TRIPs area without making significant reductions in the protection of their own agricultural and textile industries, for example.

Intellectual property matters were not entirely foreign to the GATT before they became a negotiating issue. Nor is there a legal vacuum insofar as the trade effects of intellectual property protection are concerned. Apart from certain provisions that refer specifically to IPRs, the General Agreement contains a number of basic principles that apply generally to governmental actions affecting trade, including actions in the field of IPRs. In essence, these provisions forbid discrimination between the products of different Contracting Parties[19] or in favor of domestically produced goods.[20] The states in the Uruguay Round that have proposed negotiation of a comprehensive agreement on trade-related intellectual property matters seem to concur in their desire to apply these basic principles in any new agreement, possibly in a form adapted to the needs of intellectual property.[21]

The most relevant of these basic principles for cases involving the protection of intellectual property is the national treatment principle enshrined in article III of the General Agreement.[22] This provision prevents laws and regulations affecting internal commerce from being applied in such a way as to afford protection to domestic products or to give less favorable treatment to imported ones.[23] There is an important distinction between the subject matter of the national treatment rule in the GATT and that in intellectual property conventions.[24] The GATT

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19. *See* GATT, *supra* note 12, art. I, at A12, T.I.A.S. No. 1700, 55 U.N.T.S. at 198, 4 GATT, BISD, at 2 (1969) (Most-Favored-Nation Treatment).

20. *See, e.g., id.* art. III, at A18, T.I.A.S. No. 1700, 55 U.N.T.S. at 204, 4 GATT, BISD, at 6 (National Treatment on Internal Taxation and Regulation).

21. *GATT Activities: U.S. Submission to the Negotiating Group on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods*, 2 World Intell. Prop. Rep. (BNA) 209 (Nov. 1988) [hereinafter *U.S. Submission*]. *GATT: Negotiators Break Deadlock in Key Areas, Approve Guidelines for Uruguay Round Talks*, 6 Int'l Trade Rep. (BNA) 442 (Apr. 12, 1989); *Intellectual Property: EC Presents Detailed Proposal for GATT Coverage of Intellectual Property Rights*, 5 Int'l Trade Rep. (BNA) 1012 (Oct. 19, 1988) [hereinafter *EC Proposal*].

22. *Supra* note 20.

23. *Id.*

24. *See, e.g.*, The Paris Convention for the Protection of Industrial Property, March 20, 1988, *as revised at* The Stockholm Revision Conference, July 14, 1967, art. 2, 21

rule relates to *products*. The rule in the intellectual property conventions concerns *persons*; each member state must accord nationals of other member states the same protection or treatment as it accords its own nationals.

The equally fundamental most-favored-nation principle in article I of the GATT forbids discrimination between Contracting Parties.[25] The principal applies to relevant actions of governments in the area of intellectual property rights, as it does to all other rules and formalities affecting the import and export of goods.

Several other GATT provisions can apply to IPR legislation and measures because of their general applicability to trade-related governmental action. They include, for example, article X[26] on the publication and administration of trade regulations. Far more significantly, however, the GATT dispute settlement provisions—articles XXII and XXIII[27]—can be invoked in any case in which a Contracting Party believes its GATT rights have been nullified or impaired by another government's action in connection with IPRs, whether or not the action conflicts with GATT obligations. Four IPR-related disputes have come before the GATT Contracting Parties and have been the subject of reports by dispute settlement panels. These cases have concerned the United States Manufacturing Clause,[28] section 337 of the United States Tariff Act of 1930 (in two instances),[29] and Japanese labeling practices on imported wines and

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U.S.T. 1583, 1585-86, 1631, T.I.A.S. No. 6923, 828 U.N.T.S. 305, 312-13 [hereinafter Paris Convention], The Berne Convention for the Protection of Literary and Artistic Works, Sept. 1886, *as revised* at Paris, July 24, 1971, ____ U.S.T. ____, T.I.A.S. No. ____, 3 WIPO & UNESCO, COPYRIGHT LAWS AND TREATIES OF THE WORLD, Berne Conv. (Item H) (Supp. 1974) [hereinafter Berne Convention]. The United States recently passed *The Berne Implementation Act of 1988*, Pub. L. No. 100-568, 102 Stat. 2854 (codified at 17 U.S.C. § 101 (1988)). *See also* The International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, Oct. 26, 1961, arts. 2, 4, 496 U.N.T.S. 43, 44-47 (The Rome Convention).

25. *Supra* note 19.

26. GATT, *supra* note 12, at A18, T.I.A.S. No. 1700, 55 U.N.T.S. at 222, 4 GATT, BISD, at 16.

27. *Id.* at A64, T.I.A.S. No. 1700, 55 U.N.T.S. at 266, 4 GATT, BISD, at 39.

28. *See United States Manufacturing Clause: Report of the Panel Adopted on 15/16 May 1984 (L/5609), reprinted in* GATT, BISD: THIRTY-FIRST SUPP. 74 (1983-84).

29. *See Conciliation: United States—Imports of Certain Automotive Spring Assemblies: Report of the Panel Adopted on 25 May 1983 (L/9333)*, in GATT, BISD: THIRTIETH SUPP. 107, 126-27 (1984); E.I. Dupont De Nemours v. AKZO N.V., 49 Common Mkt. L. Rep. 545, 550 (decision to refer the AKZO dispute to a panel of the GATT under GATT article XXIII). *See also EC Complaint, supra* note 6; *see generally* Note, *Section 337 and GATT in the* AKZO *Controversy: A Pre-and Post Omnibus*

alcoholic beverages. In a recent case of a different kind, the GATT Council agreed to set up a panel to consider Brazil's complaint against measures taken by the United States in retaliation for alleged inadequate protection of United States patent rights in Brazil.[30]

Whereas the provisions referred to above do not specifically address the protection and enforcement of IPRs, certain other GATT provisions do.

Article XX(d)[31] allows Contracting Parties to take measures for the enforcement of IPRs that normally would be inconsistent with the General Agreement. These measures must be necessary to secure compliance with intellectual property laws and regulations and may not be applied in a discriminatory manner or as a disguised restriction on international trade.[32] The substantive intellectual property law being enforced must also be GATT consistent. Article XX(d) does not oblige Contracting Parties to adopt any enforcement measures; it ensures that GATT obligations do not stand in the way of effective enforcement of intellectual property legislation.[33]

Article IX[34] attempts in its first five paragraphs to ensure that marking requirements are not used to hamper international trade unnecessarily or to discriminate between Contracting Parties. However, paragraph 6 of article IX is designed to promote the protection of intellectual prop-

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Trade and Competitiveness Act Analysis, NW. J. INT'L L. & BUS. 382, 383, 396-98, 400 (1988).

30. *See* Bliss, *The Amendments to Section 301: An Overview and Suggested Strategies for Foreign Response*, 20 LAW & POL'Y INT'L BUS. 501, 516-17 (1989).

31. GATT, *supra* note 12, at A61, T.I.A.S. No. 1700, 55 U.N.T.S. at 262, 4 GATT, BISD, at 37-38.

> Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries . . . or a disguised restriction on international trade, nothing in this Agreement shall be construed to prevent the adoption or enforcement by any contracting party of measures:
>
> . . . .
>
> (d) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Agreement, including those relating to customs enforcement, the enforcement of monopolies operated under paragraph 4 of Article II and Article XVII, the protection of patents, trade marks and copyrights, and the prevention of deceptive practices.

Id.

32. *Id.*

33. *Id.*

34. *Id.* at A30, T.I.A.S. No. 1700, 55 U.N.T.S. at 222, 4 GATT, BISD, at 15 (paragraph 5 in the original version).

erty.[35] It requires Contracting Parties to cooperate and to consult with each other in order to prevent the use of trade names in ways that misrepresent the true origin of products to the detriment of protected regional and geographical product names.[36]

Articles XII(3)(c)(iii)[37] and XVIII(10)[38] require that import restrictions employed to safeguard the balance of payments not be applied so as "to prevent compliance with patent, trade mark, copyright or similar procedures."[39] Although the Contracting Parties have not interpreted these provisions, they could relate, for example, to situations in which import restrictions might prevent a trademark owner from meeting the use requirement for the maintenance of his right.

No GATT provision obliges Contracting Parties to accord any particular level of protection to IPRs or to enforce them to any particular degree of effectiveness. Indeed, the only GATT provision containing obligations aimed at promoting the protection of IPRs is article IX(6), which, as described above, is limited in scope.[40] However, when this provision does accord protection, the GATT requires that the substantive law and the related enforcement measures be non-discriminatory as between the products of different Contracting Parties and not operate so as to protect or favor domestic products, except where enforcement measures can be justified under article XX(d).

Observers have drawn different conclusions from this analysis. Some view the lack of any GATT obligation on the level of protection or effective enforcement of IPRs a serious lacuna, suggesting that new rules and disciplines are required if the GATT is to deal with the trade problems arising from inadequate or ineffective protection of IPRs. Others feel that the lack of such obligations in the General Agreement confirms that

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35. *Id.*

36. Article IX paragraph 6 states:

> The contracting parties shall co-operate with each other with a view to preventing the use of trade names in such manner as to misrepresent the true origin of a product, to the detriment of such distinctive regional or geographical names of products of the territory of a contracting party as are protected by its legislation. Each contracting party shall accord full and sympathetic consideration to such requests or representations as may be made by any other contracting party regarding the application of the undertaking set forth in the preceding sentence to names of products which have been communicated to it by the other contracting party.

Id.

37. *Id.* at A37, T.I.A.S. No. 1700, 55 U.N.T.S. at 230, 4 GATT, BISD, at 19.

38. GATT, art. XVIII:10, 8 U.S.T. at 1781, T.I.A.S. No. 3930, 278 U.N.T.S. at 190, 4 GATT, BISD, at 31.

39. *Id.*

40. *See supra* notes 34, 35, and accompanying text.

the proper concern of the GATT in this field is confined to ensuring that measures taken to protect intellectual property do not constitute barriers to legitimate trade.[41]

The work of the TRIPs Negotiating Group, structured around the three paragraphs of the Negotiating Objective agreed to by the Ministers at Punta del Este,[42] comprises four elements: the examination and clarification of existing GATT provisions as they apply to IPRs; the identification of the trade problems or distortions arising in connection with IPRs; the assembly of information, with the assistance of WIPO and other organizations, on existing national and international law on IPRs and a discussion thereof; and the tabling of specific proposals by several participants on different aspects of IPRs with a view to undertaking binding obligations in the GATT.[43]

III. THE NEGOTIATING ISSUES

Summarizing the negotiating issues in a subject as diverse and complex as this is difficult, particularly since it involves a great deal of overlap between issues. But one can probably say that, in addition to the GATT provisions discussed above, the Group has before it four major substantive negotiating issues, namely:

(1) substantive standards or norms of IPR protection;
(2) procedures under national law for the enforcement of IPR protection;
(3) dispute settlement procedures between parties to any eventual agreement on TRIPs;
(4) the relationship between the GATT and other relevant international organizations, including WIPO, concerning TRIPs and the relationship between an eventual agreement in the Uruguay Round and the existing intellectual property conventions.

This Article will deal with each issue in turn.

A. *Substantive Standards*

The most difficult and contentious of these four issues is that of substantive standards for the protection of IPRs. The industrialized countries share a similar conception of the trade problems arising in the field of standards.[44] They believe that trade distortions and economic losses to

41. *See Ministerial Declaration, supra* note 11 (reprinting text).
42. *See id.*
43. *See, e.g., EC Protection, supra* note 6; ITC REPORT, *supra* note 4.
44. For a discussion of the problems from the perspective of the United States, see

their companies operating internationally can arise from either inadequate or excessive levels of intellectual property protection, although most of the concrete examples given relate to the former. Typical examples of perceived inadequate intellectual property protection have included the total or partial exclusion of inventions in certain areas (such as pharmaceuticals and chemical products) from patent protection, short durations of patent protection, and excessive compulsory licensing and patent forfeiture provisions.[45] Perceptions of inadequate standards are not restricted to patents but also extend to other IPRs such as copyright, where the laws of some states do not protect computer software or the works of foreign nationals.[46] Some of the specific proposals tabled envisage the negotiation of commitments to observe agreed levels of protection for a wide range of IPRs. There are, however, significant differences between these proposals in the coverage of IPRs and the specified standards of protection suggested.[47] The IPRs covered are patents, copyright and related neighboring rights, trademarks, industrial designs, trade secrets, the layout design of semi-conductor integrated circuits, and geographical indications, including appellations of origin.[48]

Gadbaw & Gwynn, *Intellectual Property Rights in the New GATT Round* in INTELLECTUAL PROPERTY RIGHTS, *supra* note 3, at 38-88. *See also* Note, *supra* note 8, at 392; *U.S. Framework Proposals to GATT Concerning Intellectual Property Rights*, 4 Int'l Trade Rep. (BNA) 1371 (Nov. 4, 1987); *U.S. Submission, supra* note 21; *U.S. Firms Lose Billions Annually to Foreign Piracy, ITC Intellectual Property Study Finds*, 5 Int'l Trade Rep. (BNA) 290 (Mar. 2, 1989). For the views of other developed nations, see Note, *International Intellectual Property Protection: An Integrated Solution to the Inadequate Protection Problems*, 29 VA. J. INT'L L. 517, 525-33 (1989) [hereinafter *Integrated Solution*]; *GATT: Intellectual Property is Priority Issue for Midterm Review, Canadian Officials Say*, 5 Int'l Trade Rep. (BNA) 1402 (Oct. 19, 1988); *E.C. Proposal, supra* note 21; *Intellectual Property: Nordic Countries Attempt to Break Deadlock on Bringing Intellectual Property into GATT*, 5 Int'l Trade Rep. (BNA) 1402 (Oct. 19, 1988); Note, *supra* note 8, at 397-98; *EC and Japan Present Intellectual Property Proposals for Uruguay Round Negotiations*, 4 Int'l Trade Rep. 1499 (Dec. 2, 1987); *GATT Activities: Nordic Countries Try to Break Deadlock on Intellectual Property Issues in GATT*, 2 World Intell. Prop. Rep. (BNA) 213 (Nov. 1988) [hereinafter *Nordic Countries*].

A useful history of the progression to the Uruguay Rounds and the development of the issues to be addressed here, including international protection of international property rights within the GATT context, can be found in Bradley, *supra* note 4.

45. Dam, *The Growing Importance of International Protection of Intellectual Property*, 21 INT'L LAW. 627, 627-28.

46. *Id.* at 630.

47. *Compare U.S. Submission, supra* note 21, *with EC Proposal, supra* note 21 *and* 4 Int'l Trade Rep. 1499 (Dec. 2, 1987) (EC & Japanese Proposals).

48. *See EC Proposal, supra* note 21.

A different approach from that suggested in the proposals is the establishment of a basic GATT commitment to avoid trade distortions or impediments caused by excessive or inadequate protection of IPRs; this general commitment would be made concrete by the negotiation of indicative lists describing situations that would establish a rebuttable presumption of nullification or impairment of benefits.

The proposals have met opposition from some developing countries.[49] These states argue that the level of protection accorded to intellectual property by any country represents a balance between a number of conflicting national considerations; thus, protection is a function of a country's domestic situation and the various national policy objectives—social, developmental, and technological—that intellectual property laws are designed to serve. Since trade policy is only a minor consideration to the developing countries, they doubt the appropriateness of negotiating on standards in the GATT context and also question how far some of the standards issues raised are truly trade-related. They also argue that, contrary to the third paragraph of the negotiating mandate, which requires that the negotiations not prejudice other complementary initiatives taken in WIPO or elsewhere, the elaboration of standards in the GATT would prejudice the work of WIPO[50] and other relevant organizations.[51] Other states have stressed, however, that their proposals on substantive standards are consistent with the international conventions administered by WIPO.[52] Articles 19 and 20 of the Paris[53] and Berne[54] Conventions, respectively, explicitly allow member countries to conclude agreements providing for higher levels of obligation so long as they are consistent

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49. *See, e.g., European Community: EC Submits Proposal for Protection of Intellectual Property Rights by GATT*, 2 World Intell. Prop. Rep. (BNA) 136, 137 (Aug. 1988) (Brazilian and Indian Reactions). For an account of the patent and copyright laws of various developing countries, see collected essays in INTELLECTUAL PROPERTY RIGHTS, *supra* note 3, at 109-378; *see also* Note, *Integrated Solution, supra* note 44, at 533-41; *GATT: Uruguay Round Groups Remain Deadlocked as GATT Midterm Review Nears, Sources Say*, 5 Int'l Trade Rep. 1468 (Nov. 9, 1988); *Latin America: Group of Eight Summit Nations Agree to Unify Negotiating Positions in GATT's Uruguay Round*, 4 Int'l Trade Rep. 1502 (Dec. 2, 1987).

50. *See generally Integrated Solution, supra* note 44, at 540; *see also Conferences: State Department Program Examines "GATT and Intellectual Property,"* 31 Pat. Trademark & Copyright J. (BNA) 497, 498 (remarks of Jacques Gorlin that GATT reform alone is an insufficient solution).

51. *See supra* note 10; *Nordic Countries, supra* note 44.

52. *See, e.g., EC Proposal, supra* note 21.

53. Paris Convention, *supra* note 19, at 1583, 1609, 1660, T.I.A.S. No. 6923, 828 U.N.T.S. 305, 356-57.

54. Berne Convention, *supra* note 19, at 221, 250-53.

with the existing provisions of those conventions.

As mentioned earlier, some critics have argued that the proposals of the industrialized countries entail a departure from the basic orientation of GATT provisions, which require that if Contracting Parties do protect intellectual property, they must do so in a way that avoids creation of obstacles to legitimate trade or discrimination between other Contracting Parties.[55] In this light, these states believe that a central point for negotiations should be trade impediments or distortions arising from the abusive use of intellectual property rights.

Underlying this divergence are substantive economic considerations relating to the level of intellectual property protection that countries see as appropriate to adopt in their national legislation. In some important respects the standards of intellectual property protection currently prevailing in developing countries resemble those that prevailed in the developed world until quite recently. These differences of perception are particularly acute in the field of technology and depend on whether a state sees itself, in the short and medium term, as a net importer or a net exporter of technology.[56] For exporters, higher intellectual property protection in foreign markets secures markets that might otherwise be supplied by cheaper substitutes.[57] This increases prices and profits, contributes to the recovery of research and development costs, and is generally perceived to create substantial benefits. Some technology importers believe that low levels of intellectual property protection in their markets reduce the cost of acquiring technology, thereby reducing foreign exchange outflows in the form of royalties, fees, and profits.[58] This may reduce costs of production and facilitate the creation of less monopolistic market structures, all of which result in lower consumer prices. Furthermore, the local working provisions embodied in the patent law of many

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55. *See supra* note 34-36 and accompanying text.

56. Bullitt & Lagomarsino, *Protecting Intellectual Property Rights Abroad: New Uses for Political Risk Insurance and Standby Letters of Credit*, 5 INT'L TAX & BUS. LAW. 283, 284 n.8 (1987). These authors point out that developing countries see that the amount of money they pay for patent and copyright licenses is decreasing in proportion to the capital transferred to them in the form of investment. *Id.* at 283 n.4. Fearing retrogression to the disadvantaged position they held during the colonial era, they struggle to maintain greater control over technology transfers. *Id.* at 284 n.8.

57. *Accord* Simon, *U.S. Trade Policy and Intellectual Property Rights*, 50 ALB. L. REV. 501, 501 (1986) ("[W]hen products are pirated from foreign markets, they reduce United States exports to those markets.").

58. *See generally* Byington, *Planning & Drafting of International Licensing Agreements*, 6 N.C.J. INT'L L. & COM. REG. 193, 194-95 (1981); Griffith, *The Republic of Ireland's Foreign Investment, Licensing and Intellectual Property Law: A Guide for the Practitioner*, 12 N.C.J. INT'L L. & COM. REG. 1, 24.

states are perceived as promoting the development of local industry and facilitating the diffusion of skills and know-how. Technology exporters reply that states according low levels of intellectual property protection suffer disadvantages stemming from the reduced incentives for innovation by foreign and domestic firms and for the transfer of technology by foreign owners of technology.[59]

Much work remains for narrowing the differences in view and determining the desirable level of intellectual property protection. This makes TRIPs unlike most of the other subjects for negotiation in the Uruguay Round. Even in agriculture and textiles the negotiators would agree, at least in principle, that it is necessary to move towards more open markets and the acceptance of normal GATT disciplines. In TRIPs, however, there is no consensus that higher levels of intellectual property protection would benefit all participants.

B. *Enforcement*[60]

Based on the conclusion that trade distortions arise from ineffective enforcement as well as from inadequate standards, the comprehensive proposals tabled have sought the negotiation of multilateral commitments to embody certain procedures and remedies for the effective enforcement of IPRs in national legislation.[61] The proposals at the same time seek to ensure that enforcement measures are not "excessive" in the sense that they do not constitute disguised non-tariff barriers to, or discriminatory restrictions on, international trade.[62] The proposed enforcement measures would comprise both border and internal measures, with greater emphasis on the latter on account of their superior effectiveness in countering the problem of IPR infringement at the point of production.[63] Border measures, though also necessary, are inevitably more limited and involve a greater risk of creating barriers to legitimate trade. Some propose that commitments on enforcement should specify the IPRs and the

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59. *See* MacLaughlin, Richards & Kenny, *The Economic Significance of Piracy*, in INTELLECTUAL PROPERTY RIGHTS, *supra* note 3, at 89-108.

60. The GATT enforcement system's scope and limitations are discussed in Roessler, *The Scope, Limits and Function of the GATT Legal System*, and Ladreit de Lacharrière, *The Legal Framework for International Trade*, in TRADE POLICIES FOR A BETTER FUTURE: THE 'LEUTWILER REPORT,' THE GATT AND THE URUGUAY ROUND 71, 95 (1987) [hereinafter LEUTWILER REPORT]. *See also* Note, *supra* note 8, at 385-90.

61. *See, e.g., U.S. Submission*, *supra* note 21, at 211.

62. *Id.* at 211-13 (Section 511 of the United States proposal states: "[p]arties shall ensure that procedures to enforce intellectual property rights minimize interference with legitimate trade.").

63. *Id.*

type of infringement against them that should be covered, the procedures available to title holders to enforce their rights in a timely and equitable manner, the remedies and sanctions in the event of infringement, and the safeguards to reduce the risks of creating barriers to legitimate trade.[64]

Not all, however, share this approach to enforcement issues. A general consensus was expressed in the Punta del Este Declaration on the need to create a multilateral framework of "rules and disciplines [on] international trade in counterfeit goods."[65] Some feel that such a framework will provide answers to most of the real trade problems that have been identified—particularly if the coverage of such an agreement could be extended beyond trademarks to include goods infringing copyrights, for example.[66] A number of developing countries have expressed willingness to consider such an extended definition of counterfeiting.[67] However, for many states a commitment on internal enforcement measures would be substantially more difficult, both practically and in principle, than border enforcement. Views also differ as to whether rules on counterfeit trade should be part of a comprehensive agreement on the trade-related aspects of intellectual property rights or whether they should be treated separately by the Negotiating Group. Some participants see counterfeiting as essentially an aspect of the enforcement issue which, together with substantive standards, constitutes the main element of an agenda for addressing the trade distortions arising in connection with IPRs in the GATT. But others see the control of trade in counterfeit goods as an issue in itself by virtue of its separate treatment in the Punta decision.

The second major aspect of the enforcement issue involves ensuring that procedures are not used as disguised restrictions on legitimate trade or as means of discrimination. All of the parties agree that this is a matter for consideration in the Negotiating Group, although there is need for further inquiry into whether new rules are necessary and, if so, what they should be.

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64. *See, e.g., id.*

65. *Supra* note 11.

66. *See, e.g., Uruguay Round: Dispute Settlement and Agricultural Reform Proposals Among New Negotiating Submissions*, 58 GATT FOCUS 6, 8 (Nov./Dec. 1988) [hereinafter *Reform Proposals*].

67. Turnbull, *supra* note 14, at 10 (Indian proposal would have GATT negotiations on counterfeiting continue).

C. *Dispute Settlement*[68]

We now turn to the issue of the procedures for settlement of disputes *between governments* over their respective public international legal obligations in connection with intellectual property rights. This should be clearly distinguished from the topic of enforcement, which concerns the procedures for the settlement of disputes between private parties over their obligations under national law in connection with IPRs.

The issue of dispute settlement involves two concerns: alleged inadequacies and alleged excesses.[69] The first reflects the widespread view that the present system of public international law concerning the protection of IPRs does not provide an effective method of settling disputes between governments.[70] The GATT has a well-tested and functioning dispute settlement procedure; normal GATT practice ensures that international commitments are meaningful by providing procedures for monitoring their implementation by signatory governments and for resolving disputes between such governments.[71] Some states have proposed that commitments negotiated on TRIPs should be subject to a dispute settlement procedure based on existing GATT practice, with possibly some adaptations to take account of the special requirements of disputes in the intellectual property area.[72] Some other states in the negotiations fear that dispute settlement procedures specifically connected to TRIPs would involve a linkage between obligations on the standard of IPR protection and rights to market access, through the possibility of authorized retaliation. This fear exists despite the fact that in the GATT's forty year history only two requests for the authorization of retaliation have come forth, and the Council granted only one of these. In that case, which dates back to the 1950s, the Contracting Party involved, the Netherlands, did not make use of the authorization to retaliate against the United

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68. *See generally* Bliss, *GATT Dispute Settlement Reform in the Uruguay Round: Problems and Prospects*, 23 STAN. J. INT'L L. 31 (1987). Ladreit de Lacharrière, *The Settlement of Disputes Between Contracting Parties to the General Agreement*, in LEUTWILER REPORT, *supra* note 59, at 119.

69. *See* Ladriet de Lacharrière, *supra* note 68, at 120.

70. *See Integrated Solution*, *supra* note 44, at 521.

71. For a summary description of the GATT dispute settlement procedure see, among others, article XXIII of the GATT, *supra* note 12, at A64, T.I.A.S. No. 1700, 55 U.N.T.S. at 266, 4 GATT, BISD, *supra* note 12, at 39 see *Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance, Adopted 28 November 1979 (L/4970)*, GATT, BISD: TWENTY-SIXTH SUPP. 210 (1978-79) and more recently, Improvements to the GATT Dispute Settlement Procedures, GATT Doc. No. L/6489.

72. *Reform Proposals*, *supra* note 66.

States.[73]

The flip side of the dispute settlement coin embodies concern over what some countries see as excessive national procedures for the settlement of intellectual property-related disputes with other states. In large part, although not exclusively, this concern is directed to section 301 of the United States Tariff Act.[74] Thus, for many participants, both developed and developing, it is an important objective that multilateral dispute settlement procedures effectively replace the unilateral pressures and measures that states have increasingly been using. It is indeed hard to see why many states should accept new multilateral commitments in this area if they remain vulnerable to unilateral actions.

As described earlier, states have already invoked the GATT dispute settlement machinery in four cases related to intellectual property law and its enforcement.[75] Some participants in the negotiations have therefore argued that the existing system already operates satisfactorily to prevent discrimination or the creation of barriers to legitimate trade and that no further provisions are needed.

D. *The Role of WIPO and Other International Organizations*

The respective roles of GATT and WIPO are an important issue in the discussions and proposals put forward.[76] These arguments can be clarified by distinguishing between the role of WIPO and other organizations such as UNESCO and UNCTAD during the negotiating process and the role they might play in the implementation of its results.

The Trade Negotiations Committee regulates the input of WIPO, the Customs Corporation Council, and UNCTAD by inviting these organizations to attend Negotiating Group meetings and to provide appropriate technical support on request. Thus far, WIPO and other organizations have provided valuable technical input to the work of the Negotiating Group, including information on national and international laws on IPRs, and on current work in those organizations on matters of relevance to TRIPs.

The question of the possible role of other international organizations in implementing the final result is, as yet, open. The Punta del Este

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73. *See* GATT, BISD: FIRST SUPP. 32-33.

74. *See* Bliss, *supra* note 30; *see also* Bliss, *supra* note 68, at 43-45.

75. *Supra* notes 28-30 and accompanying text.

76. "A number of developing countries maintain that the GATT is not the proper forum for addressing the issue of international intellectual property protection . . . arguing that exclusive jurisdiction in this area belongs to WIPO." *Integrated Solution, supra* note 44, at 540.

Declaration calls for the Ministers to make decisions regarding the international implementation of results in all areas of the negotiations at the end of the Round.[77]

IV. CONCLUSION

This paper has traced the emergence of TRIPs as an issue for multilateral negotiations in the Uruguay Round. It has attempted to spell out briefly the manner in which existing GATT provisions apply to IPRs and to describe the substantive issues that have emerged thus far in the work of the Negotiating Group on TRIPs.

77. *See supra* note 11.