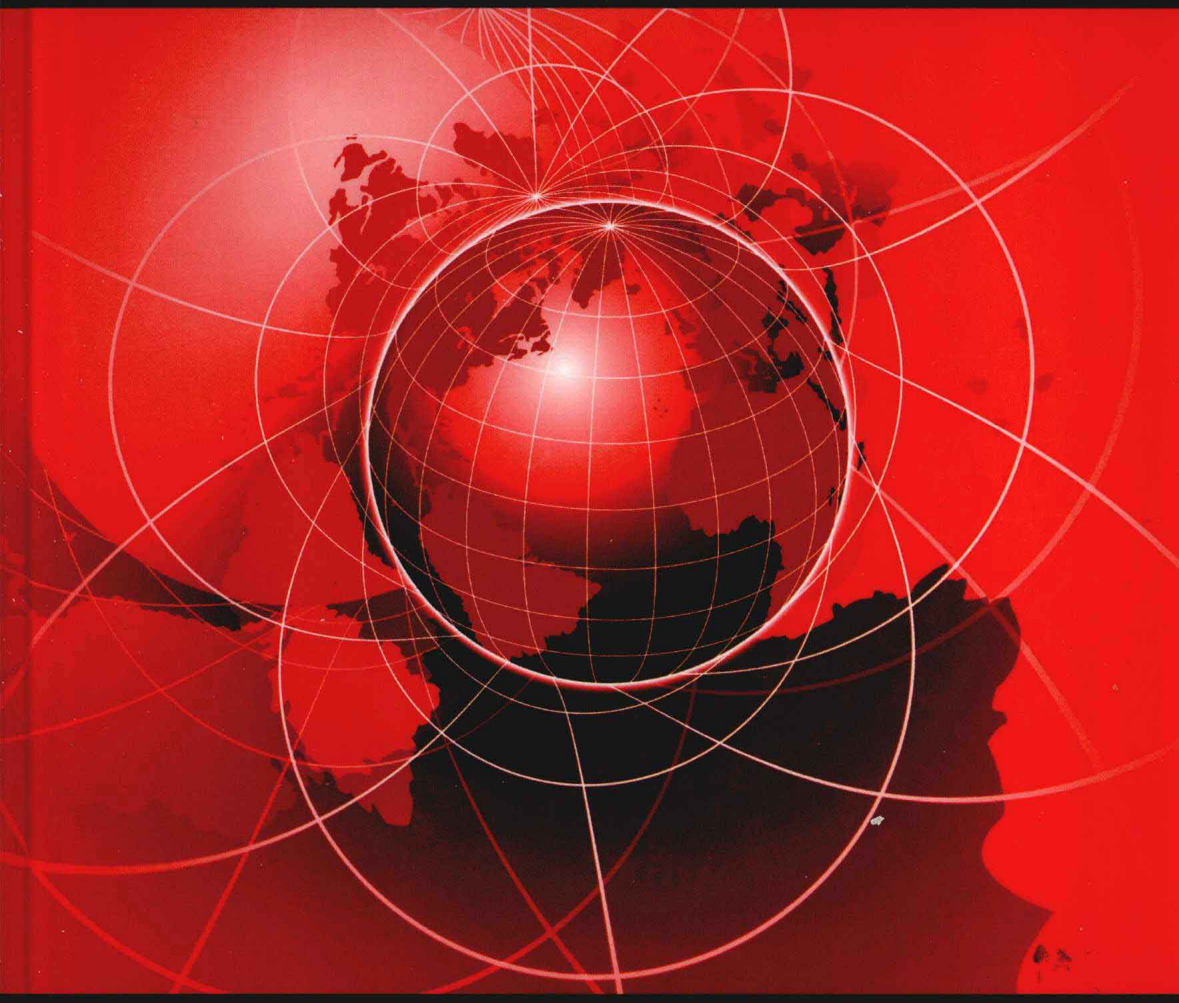
Research Handbook on the Protection of Intellectual Property under WTO Rules

Intellectual Property in the WTO Volume I

Edited by Carlos M. Correa



RESEARCH HANDBOOKS ON THE WTO

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Preface

Carlos M. Correa

The World Trade Organization (WTO) has become, with the adoption of the TRIPS (Trade-related Aspects of Intellectual Property Rights) Agreement, the principal standard-setting organization in the area of intellectual property rights (IPRs). The Agreement sets forth minimum standards in most areas of IPRs, which have demanded massive changes in national legislation, particularly in developing countries. Few agreements in the WTO system have created so much controversy. Several issues relating to the implementation and interpretation of the TRIPS provisions have given rise to disputes. A Ministerial Declaration has been necessary to clarify the relationship between the TRIPS Agreement and public health (Doha, 2001), which eventually led to an amendment to the Agreement, currently subject to ratification.

The TRIPS Agreement has generated an enormous amount of academic work, as well as numerous analyses by international organizations and civil society groups. There are already a number of books, reports and articles that cover different aspects of the TRIPS Agreement and that provide commentaries on the Agreement's provisions. Many of these analyses, however, do not explore in depth the fundamental issues raised by the treaty, or aim to discuss the impact of such provisions rather than to better understand the content and scope of the imposed obligations in the light of the WTO system as a whole.

This book aims to contribute to filling some of these gaps.

A basic objective of this *Handbook* is to provide a source of high quality original reference material for research, teaching and professional practice on WTO-related issues concerning intellectual property protection. Although it is not intended to be used as a textbook, it would be useful for advanced and postgraduate students as reference points, as well as for scholars and policy-makers. While there has been no attempt to deal with all areas covered by the TRIPS Agreement, the book includes analyses of most of the themes concerning the substantive standards of protection provided for in the Agreement.[1]

A group of distinguished scholars and practitioners have contributed

[1] In a separate volume, issues relating to enforcement and dispute settlement

the various chapters that make up this volume. In inviting these authors to contribute, an attempt was made to include scholars and experts from developed and developing countries, as well as to gather both authors with a long experience and also those representing a new generation of talented analysts in the field of intellectual property.

This volume contains 21 chapters divided into two parts. Part I examines the history of the TRIPS Agreement, including its origins and the political context in which it was negotiated. It elaborates on the principles and objectives that underlie the Agreement's interpretation, explains some of the general standards applicable to all the areas covered by the Agreement, and provides studies on the interaction between the Agreement and other areas of law, namely human rights and competition policy. This part also contains an analysis of the relationship between World Intellectual Property Organization (WIPO) treaties and the TRIPS Agreement and offers readers an account of post-TRIPS developments in the context of free trade agreements.

Part II deals with substantive obligations assumed by WTO Members in specific areas. Three chapters are devoted to key issues concerning copyright and related rights – with particular emphasis on the exceptions and limitations currently discussed within the framework of the WIPO – one chapter on trademarks, two on geographical indications, three on issues related to patents, including compulsory licensing for facilitating access to medicines, and a chapter on an often overlooked issue, the protection of integrated circuits.

I am immensely thankful to the contributors for their willingness to be a part of this initiative and for the informed and rigorous analyses they have provided. I am sure readers will appreciate their efforts and the quality of the materials gathered in this volume.

Carlos M. Correa

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are addressed, including an analysis of WTO jurisprudence on the TRIPS Agreement.

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PART I

HISTORY, INTERPRETATION AND PRINCIPLES

1 Why IPR issues were brought to GATT: a historical perspective on the origins of TRIPS

Charles Clift

Introduction

Intellectual property rights have been with us a long time, at least since the 15th century when the practice spread from Florence to Venice and then to other countries in Northern Europe and to North America by the 17th century. Historically, the institution of patents and copyrights as used to stimulate invention and creativity by protecting for varying lengths of time the invention or creation from imitation or copying. Typically, these rights were also used or misused as a form of patronage by the handing out of monopolies on the sale of particular products, not necessarily new inventions, to favoured individuals. In England, these rights were embodied in 'letters patent'. The Statute of Monopolies (1623) sought to put an end to the misuse of the system by allowing the grant of a 14-year monopoly only for new inventions.

As the system spread, it also became clear that the grant of patents and copyright, although national in scope, had international implications. Countries had an interest in providing rights to their own nationals while denying them to others. The USA, along with many other countries, practised such discrimination in the 19th century. Less advanced countries spent much effort fighting to acquire technology from more advanced countries, and the more advanced countries spent much effort fighting to prevent other countries acquiring their technologies – their patent and copyright laws being one weapon in their respective armouries.

The need for some kind of international cooperation became evident when foreign exhibitors refused to attend the International Exhibition of Inventions in Vienna in 1873 because they were afraid their ideas would be stolen and exploited commercially in other countries. This led to the 1883 Paris Convention for the Protection of Industrial Property, which established the principle of national treatment (that is, although the nature of national patent laws might vary, foreigners should be accorded the same rights as nationals). In 1886, the Berne Convention for the Protection of Literary and Artistic Works was also agreed. The Paris and Berne Conventions, while recognising the desirability of reciprocity, also allowed

considerable flexibility in the design of IP regimes. Two of the industrialised founding members of the Paris Convention, the Netherlands and Switzerland, had at the time no patent system in place.

Adherence to these international conventions covering intellectual property, and others that followed, was voluntary. Moreover, there were no mechanisms in place to enforce their provisions. Many countries were slow to comply with the provisions they had signed up to. By 1970, 75 countries had adhered to the Paris Convention and 58 to Berne.

The GATT

In 1948, the General Agreement on Tariffs and Trade (GATT) was founded, with the principal objective of promoting international trade and, in its initial years, primarily through the progressive reduction of tariffs. In the 1960s, the 'Kennedy Round' somewhat extended the agenda, including the conclusion of an 'Antidumping Agreement'. The Tokyo Round during the 1970s was the first major attempt to tackle non-tariff trade barriers. A series of agreements on non-tariff barriers emerged from the negotiations.

As trade liberalisation and tariff reduction proceeded under the aegis of the GATT, attention turned to the impact of other policies on trade. In particular, the highly protective agricultural subsidy and pricing regimes adopted by many countries attracted attention. Similarly, the role of foreign investment and the importance of the trade in services had increased significantly since the formation of the GATT. Meanwhile, outside GATT, a restrictive agreement, the Multifibre Arrangement, had been instituted to limit the growing impact of developing countries' textile exports on developed country producers. Intellectual property protection, although hardly featuring in the Tokyo Round, was another non-tariff issue to which the attention of some nations increasingly turned.

A result of this increasingly complex agenda for trade reform was a desire, particularly on the part of developed countries, to address these 'trade-related' issues simultaneously in the next GATT round, which was finally launched at Punta del Este, Uruguay in 1986. In addition, there was a widespread concern amongst some countries that the dispute settlement system under GATT was deficient. Moreover, the GATT non-tariff agreements negotiated in the Tokyo Round (such as on anti-dumping and government procurement) were voluntary (so-called 'plurilateral agreements') and only a proportion of GATT members participated in them. As we shall see, the objective set in Punta del Este to convert all aspects of GATT accords to a single undertaking (meaning all members of GATT would be bound by all the separate agreements reached in the Uruguay Round)

was of great significance in the negotiations that led to the Trade-related Aspects of Intellectual Property Rights (TRIPS) Agreement.

Trade and intellectual property

The origins of the introduction of intellectual property into the GATT agenda lay principally in the efforts of the USA, later supported by the European Economic Community (EEC), to conclude an 'Agreement on Measures to Discourage the Importation of Counterfeit Goods' (L/4817, 31 July 1979).[1] This measure had been initially promoted by the International Anti-counterfeiting Coalition, an organisation of multinational companies based in the USA, created in 1979. This initiative in 1979 came too late in the Tokyo Round to have a chance of gaining sufficient support. It also needs to be noted that its sole purpose was to address the trade in falsely trademarked goods, reflecting the proper meaning of counterfeit in intellectual property terminology. The proposals made no suggestions concerning national rules on assigning trademarks, or any other forms of intellectual property.

For the story of how the full range of intellectual property rights came to be included in the agenda for the Uruguay Round in 1986, we need to consider the evolution of intellectual property rights legislation and discourse in the USA, because it was the USA which was the principal proponent in the deliberations in GATT leading up to Punta del Este.

US legislation

As early as 1930, Section 337 of the USA Tariff Act provided remedies under US law against the importation of goods that constituted unfair competition, including infringing the rights of intellectual property holders in the USA. The 1974 Trade Act transferred from the President to the International Trade Commission responsibility for adjudication, and imposed a 12-month deadline for claims to be adjudicated. Like the anti-counterfeiting proposals introduced in the Tokyo Round, these measures only addressed the symptom of the perceived problem (that is, the import of infringing goods), but could not address the inadequacies in law and enforcement that gave rise to the export of infringing goods from source countries. To address this issue, the 1974 Act prescribed in Section 301 that the President could deny benefits, or impose duties on countries' exports, where they unjustifiably restricted US commerce. It also established an advisory role for US private sector interests by setting

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[1] All GATT negotiating documents referred to are available via the WTO GATT Documents website page: www.wto.org/english/docs_e/gattdocs_e.htm.

up the Advisory Committee for Trade Policy and Negotiations (ACTPN) to ensure that trade policy and trade negotiation objectives adequately reflected US commercial and economic interests. In parallel, the Act provided a legislative charter for the Special Trade Representative (originally established by President Kennedy) as part of the Executive Office of the President and made it responsible for the trade agreements programmes under the Tariff Act of 1930, the Trade Expansion Act of 1962, and the Trade Act of 1974.

In 1979 new legislation converted the Special Trade Representative to the Office of the United States Trade Representative (USTR), which was assigned overall responsibility for developing and coordinating the implementation of US trade policy and made responsible for asserting and protecting 'the rights of the United States under all bilateral and multilateral international trade and commodity agreements' (USTR, n.d.).

It is apparent, even at this relatively early stage, that in the eyes of the US government, trade policy was seen as a potentially potent instrument to be used to improve the climate for US trade and investment, including attempting to influence the domestic policy regimes in other countries, in particular developing ones. Moreover, the 1974 legislation institutionalised the practice whereby the principal influence on US trade policy was the business sector, and the equation of US trade interests with the demands of that sector. This replaced the previously rather ad hoc influence on trade policy of the kind that continued to prevail in European countries, which had a more arm's length relationship with business interests. Viewed from this perspective, the idea that trade policy could be used multilaterally as well as bilaterally to influence domestic policy regimes in developing countries was hardly a novel one in the US.

The ACTPN, which was chaired from 1981 by Edmund Pratt, CEO of Pfizer, and included John Opel, CEO of IBM, proved influential, both in its impact on US trade policy and in mobilising business, Congressional and policymaker support for changes they wanted to see. Pratt and the ACTPN argued strongly that developing countries should adopt minimum standards of intellectual property protection worldwide. Initially, they focused their efforts on the World Intellectual Property Organization (WIPO), which was the UN agency now responsible for administering the Paris and Berne Conventions. However, this effort foundered because of the opposition of developing countries. Whereas the latter wanted to 'weaken' the rules embodied in Paris and Berne, the developed countries wanted to strengthen them, establish minimum standards and devise effective means of enforcement. Negotiations on revising the Paris Convention broke down comprehensively in 1984. It became clear to the developed

countries and the ACTPN that WIPO, with its inbuilt developing country majority, and absence of effective enforcement mechanisms, could not be the vehicle for enhancing intellectual property standards globally (Deveraux et al., 2006, p. 47).

It was for these reasons that the ACTPN, in the time leading up to the launch of the Uruguay Round, focused its attention on getting the business community and the USTR to include intellectual property rights fully in the forthcoming negotiations. An important aspect of this challenging task, given the opposition of most developing countries, and the apparent relative indifference of many developed countries, was to strengthen US ability to influence other countries. As a result of pressure from the business community, particularly the copyright-based industries, Congress passed the Trade Act of 1984. This strengthened Section 301 of the 1974 Act and provides the USTR with authority to take action if unreasonable, unjustifiable, or discriminatory foreign government practices restrict US commerce, including ineffective protection of intellectual property rights. In any Section 301 investigation, the USTR must first consult with the foreign government under investigation. If the consultations are unsuccessful, enforcement actions may be taken under Section 301. These may include suspending concessions given under trade agreements, imposing duties or other remedies.

In 1984 the International Intellectual Property Alliance (IIPA) was formed to represent the interests of the US copyright-based industries, principally the film, recording and publishing industries. Its objective was to press Congress and the Administration to recognise the critical importance to the US of trade in protected goods, and to help create the tools necessary for US 'trade negotiators to convince foreign nations to take action against massive and debilitating piracy and counterfeiting' (Sell, 2003, pp. 84–5). In 1985, IIPA published a report on the 'Piracy of US Copyrighted Works in Ten Selected Countries' which estimated total US losses in these ten countries at $1.3 billion annually (Stewart, 1993, p. 2254). Partly as a result, the USTR launched the first self-initiated Section 301 IPR action against Korea for failing to protect copyright of US products (as well as patents), which resulted in 1986 in reforms to Korean law to provide protection (IIPA, 2004).

The continued lobbying of the IIPA and other industry groups resulted in further amendments to the Trade Act in 1988 to create 'Special 301'. These amendments devolved power from the President to USTR in order to reduce the risk that other foreign policy considerations would enter into decisions on trade sanctions. Under the Act, USTR annually identifies those countries that deny adequate IPR protection or fair access for IP-protected products. Countries that have the most 'onerous or

egregious' policies and the greatest adverse impact (actual or potential) on US products must be designated as 'Priority Foreign Countries'. These countries are potentially subject to an investigation unless they are entering into good faith negotiations or making significant progress in bilateral or multilateral negotiations to provide adequate and effective protection of IPR.

As a result of the Act, each year USTR publishes a Special 301 report which classifies offending countries on a 'Priority Watch List' and 'Watch List'. Placement on the Priority Watch List or Watch List indicates particular problems in relation to IPR protection, enforcement or market access. Countries placed on the Priority Watch List are the focus of increased bilateral attention concerning the problem areas.

Thus, pressure from industry resulted in powerful legislation which was seen as a prerequisite for effective action against countries held to be protecting IP ineffectually. Beginning in 1984, Section 301 was increasingly used to target prime offenders. In 1985, South Korea was targeted in respect of both its patent and copyright laws and enforcement and as a result revised its patent and copyright laws. In 1987, Brazil was listed for lack of protection for pharmaceutical products and 100 per cent tariffs on $39 million of Brazilian pharmaceuticals were imposed. In the end, sanctions were dropped as a result of a Brazilian promise to introduce patent protection, although this was only implemented in 1996.

Leading up to the Uruguay Round

Preparatory discussions on the format of what became the Uruguay Round began in November 1985. By that time, business interests in the US and the US government were mobilising support to include the full range of their concerns about foreign intellectual property protection in the Uruguay Round. The US view was clearly stated in the discussions of the Preparatory Committee in February 1986:

> Given the need for GATT to respond to problems in the trading environment as they arose, his delegation viewed as a key agenda item for a new round the better protection of intellectual property rights, including patents, trademarks, trade dress, copyright, mask works, trade secrets. Better protection would promote innovation, encourage more rapid transfer of the newest technologies and increase foreign exchange earnings by promoting investment. It was therefore to the advantage of both developed and developing countries. GATT action in this area should complement current efforts at the national and international levels and, if necessary, go beyond existing international conventions. GATT had the appropriate legal and institutional framework to deal with the problems, including the machinery for ensuring transparency, notification, consultation, and dispute settlement, which were missing in other international fora. (REP.COM(86)SR/3, 1986)