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**INTELLECTUAL PROPERTY AS A TRADE ISSUE—THE
MAKING OF THE AGREEMENT ON TRADE-RELATED
ASPECTS OF INTELLECTUAL PROPERTY RIGHTS**

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Intellectual Property as a Trade Issue

The Making of the Agreement on Trade-Related Aspects of Intellectual Property Rights

Gail E. EVANS*

I. INTRODUCTION

On 15 April 1994, in the ancient trading city of Marrakesh, trade ministers from more than one hundred Member countries of the GATT signed the Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations containing twenty-eight Agreements¹ and some twenty-six thousand pages of national tariff and services schedules. The breadth of the Uruguay Round Agreement is reflected in the text of the accompanying Marrakesh Declaration in which the ministers affirmed the adoption of a stronger and clearer legal framework for the conduct of international trade, including a more effective dispute settlement system, a 40 percent global reduction in tariffs and the establishment of a multilateral framework of disciplines for trade in agriculture, textiles, services, and for the protection of trade-related intellectual property rights. In terms of its significance, the Director-General of GATT² characterized the Final Act as "a major renewal of the world trading system", as one of "the greatest trade agreements in history, whose benefits span entire continents and a wide range of trade sectors alike".³ Trade ministers similarly declared the Final Act an "historic achievement [which would] strengthen the world economy, [and] lead to more trade, investment, employment and income growth throughout the world."⁴ While the culmination of a marathon, seven-year Round of negotiations was a just occasion for rhetoric, to what extent can the extravagance of these claims be justified?

In the first place, it is possible to speak of "a major renewal of the world trading system" in terms of the scope and content of the Round. For the first time, intellectual property, together with agriculture, textiles and services, has been brought under the trade disciplines of the GATT. Further, a revised Understanding on Rules and Procedures Governing the Settlement of Disputes will strengthen the means to enforce the Agreements.⁵ Moreover, considering the extent of GATT membership

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¹ *The Results of the Uruguay Round: The Legal Texts*, GATT Publications, Geneva, 1994.

² GATT, opened for signature 30 October 1947, 61 Stat A3, TIAS No. 1700, 55 UNTS, 1987, reprinted in

⁴ General Agreement on Tariffs and Trade, Basic Instruments and Selected Documents, 1969.

³ See GATT Focus, No. 104, December 1993, at 2; also GATT Focus, No. 107, May 1994, at 2.

⁴ Id., No. 107, May 1994, at 1.

⁵ Id., No. 104, December 1993, at 14.

which currently comprises over one hundred nations, the benefits of the Round may, in time, "span entire continents".⁶ Secondly, the claim that the benefits of the Uruguay Round Agreement will ultimately "lead to more trade, investment, employment and income growth throughout the world" is supported by the estimated gains for the world economy. The provisional analysis by GATT economists of the Uruguay Round results on market access for goods predict world income gains of US\$ 235 billion annually, and trade gains of US\$ 755 billion annually by 2002.⁷ While the tariff bindings alone have, in the past, proved successful in promoting further trade, in the final analysis whether that trend not only continues but is accented as the recent strengthening of trade rules takes effect, is a question which, of course, remains to be seen.

Thirdly, in terms of institutional change, a "major renewal of the world trading system" is imminent, given that the Final Act contains the Agreement Establishing the World Trade Organization (WTO) which is due to enter into force on 1 January 1995.⁸ Unlike the GATT, the WTO will have legal personality. Since the International Trade Organization (ITO) failed to come into being, the position of the GATT as an institution purporting to have responsibility for the conduct of world trade is ambiguous. In terms of legal status, the GATT is no more than a provisional agreement administered by an interim committee. However, the establishment of the WTO will complete the institutional structure of Bretton Woods by giving the GATT a legal status comparable to that of the International Monetary Fund or the World Bank.⁹

The Agreement establishing the WTO will establish a single framework embracing not only the GATT as amended, but also all the Agreements negotiated during the Uruguay Round. The Organization will be headed by a Ministerial Conference, which will meet every two years. A General Council will be established to oversee the implementation and operation of the Agreements. The General Council will itself act as a Dispute Settlement Body and a Trade Policy Review Mechanism. The General Council will establish subsidiary bodies to administer the Agreements including the Council for Services, the Council for Goods and the Trade-Related Aspects of

⁶ Signatories to the Final Act of the Uruguay Round, 15 April 1994, comprise one hundred and eight nations. As of June 1994, there were one hundred and twenty-three contracting parties to the GATT, with thirteen countries applying the GATT *de facto* and twenty-one countries, including China and the Russian Federation, having requested accession: GATT Focus No. 107, May 1994, at 6 and 16 respectively.

⁷ These figures are forecast to increase substantially when gains from expanded trade in services and strengthened trade rules are taken into account. In addition, GATT analysis predicts a major increase in market access through higher levels of tariff bindings (on industrial products, from 78 to 99 percent in developed countries and from 22 to 72 percent in developing countries); and a 38 percent overall reduction in developed countries' tariffs on industrial products, from 6.3 to 3.9 percent: GATT Focus, No. 107, May 1994, at 6.

⁸ The precise date will be fixed by a Ministerial Conference when most countries are in a position to give a commitment with respect to their date of ratification. Ratification of the Final Act is complex since it not only involves ministers gaining the formal approval of their governments but also the implementation of the obligations within domestic law.

⁹ The Bretton Woods Conference of 1944 envisaged three major institutions which would be responsible for the co-operative planning of the world economy: the International Monetary Fund, the International Bank for Reconstruction and Development (the World Bank) and the International Trade Organization (ITO). But when the U.S. Senate failed to ratify the Havana Charter establishing the ITO, all that survived was the GATT: P. Kenen, *The International Economy*, 2nd edition, Prentice-Hall, Englewood Cliffs, 1989, at 219 and 444; K.W. Ryan, *International Trade Law*, Law Book Company, Sydney, 1975, 1-3.

Intellectual Property Rights (TRIPS) Council. In addition to its comprehensive structure, the potential of the WTO to influence the renewal and development of international law lies in the fact that membership in the Organization entails accepting the complete Uruguay Round Agreement without exception.¹⁰

Among the Agreements forming part of the Final Act of the Uruguay Round, the Agreement on TRIPS represents a significant development in the evolution of international intellectual property protection. In the first place, the Agreement marks a unique amalgamation of the basic non-discriminatory disciplines of international trade law with the substantive provisions of the major international agreements for the protection of intellectual property. Secondly, the Agreement on TRIPS provides a comprehensive protection for all areas of intellectual property, whereas it was previously protected under separate international agreements for industrial property and copyright works. Thirdly, the TRIPS Agreement provides international standards for the creation and enforcement of intellectual property rights among Member States, whereas the Paris and Berne Conventions made no attempt to prescribe minimum standards of protection. In contrast, the Agreement on TRIPS requires Members to implement the prescribed standards and procedures for the enforcement of intellectual property rights in their domestic legislation.

A. A MODEL FOR REGIONAL AND DOMESTIC LAW

The Agreement on TRIPS symbolizes the commitment by more than one hundred Member nations of the GATT to the negotiating objective of finding a comprehensive, multilateral solution to trade-based problems in intellectual property protection. Such a commitment by so large a number of nations meant that, even prior to its conclusion, the standards embodied in the Agreement had increasingly begun to serve as a model for the protection of intellectual property, at both the regional and domestic level. Seven years of negotiations by the representatives of Member nations and the exposure of the Draft Agreement for world-wide comment during the final two years of the Round raised the level of awareness throughout the world regarding the need to protect intellectual property as a legitimate aspect of world trade. The process of negotiating the Agreement compelled developed and developing countries to come to a consensus on the seemingly opposing needs of exporting countries for increased intellectual property protection, and those of importing countries, for improved access to technology.

During the first three years of the Round, India and Brazil, faced with the demand for minimum standards of protection for intellectual property world-wide by the United States, the EC and Japan, continually questioned the legitimacy of intellectual

¹⁰ The amended GATT of 1994 is legally distinct from the GATT of 1947. Thus the WTO will not succeed the General Agreement of 1947 in the legal sense attributed to the term by the Vienna Conference (Article 30, Vienna Convention on the Law of Treaties). Although, as a matter of principle, countries which have accepted the WTO Agreements, without at the same time withdrawing from the GATT, would apply the two sets of legal rules, several countries, in particular the United States and the European Community, have stated that they no longer intend to apply the GATT 1947, and other countries are expected to follow suit: *GATT Focus*, No. 107, May 1994, at 12.

property as a right. However, over the extended duration of the Round, the new decade of the 1990s saw a change in attitude as a result of attempts by the governments of developing countries to modernize and liberalize their economies. They began to see stronger protection for intellectual property as a means of improving their international competitiveness by attracting capital and increasing transfers of technology.¹¹ The provisions of the Agreement on TRIPS represent the most workable extant positions reached between North and South in the area of trade-related aspects of intellectual property rights. Consequently, the standards embodied in the Agreement are increasingly accepted as the norm. Thus, the North American Free Trade Agreement (NAFTA) contains many of the provisions of the Agreement on TRIPS.¹² Similarly, recent proposals to amend Australian copyright, trade marks and designs legislation have all been made in the light of the standards prescribed in the Agreement on TRIPS.¹³

The fact that a major trade agreement such as NAFTA contains such provisions serves to underscore the fact that intellectual property has indeed become a critical trade issue during the last two decades of the twentieth century. During that time, the leading industrialized countries saw their national incomes eroded by the ability of counterfeiters and pirates overseas to produce low-cost copies of goods bearing a valuable intellectual property component. It was the recognition of intellectual property as an important source of national revenue and the need to regain international economic competitiveness which provided the impetus for bringing intellectual property under the auspices of the GATT. The inadequate protection of intellectual property in many countries¹⁴ was found to have a negative impact on international trade in three key situations.

First and most significantly, the failure of some countries either to enact intellectual property laws, or where laws are enacted to enforce those laws, tends to encourage the piracy of intellectual property giving rise in the extreme to an entire economy dedicated to the piracy and counterfeiting of computer software, sound recordings, films, videos and products bearing well-known trade marks. Inasmuch as the pirating of intellectual property operates as a deterrant to investment and trade in legitimate products, it constitutes an invisible or non-tariff barrier to potential imports. Secondly, a country may discriminate by not affording intellectual property

¹¹ The trend towards increasing protection in developing countries can be seen in the number of recent changes in intellectual property legislation in Latin American countries alone. In the entire decade of the 1980s, six countries changed their intellectual property laws, compared with nine countries that had either made changes or had legislation pending to December 1991: 5 WIPR (World Intellectual Property Report), 1991, at 333.

¹² NAFTA, 32 ILM, 1993, Chapter 17, Intellectual Property, at 670.

¹³ Working Party to Review the Trade-Marks Legislation, *Recommended Changes to the Australian Trade-Marks Legislation*, AGPS, Canberra, July 1992; *The Economics of Patents*, Bureau of Industry Economics, Occasional Paper 18, AGPS, Canberra, 1994; *Designs*, Issues Paper 11, Australian Law Reform Commission, Canberra, April 1993. The Agreement on TRIPS also represents a model for change to national intellectual property law in other countries. In Japan, for example, the government has established a committee to study intellectual property rights: BNA (Bureau of National Affairs) Daily Report for Executives, Washington, 29 July 1992.

¹⁴ In June 1987, eighteen industrialized countries supplied information to the negotiating group on TRIPS on their trade problems caused by the inadequate protection provided by foreign countries to their intellectual property rights: GATT Press Release No. 005, 3 July 1987.

protection to materials produced in foreign countries or by doing so on a restricted basis. Thirdly, intellectual property protection itself may be used to establish barriers to the importation of legitimate products. In this respect, the prohibitions on parallel importation, although widespread in intellectual property laws throughout the world, nevertheless have an impact upon the free movement of goods. The three situations outlined above—the inadequacy of foreign domestic intellectual property laws, discrimination against foreign intellectual property and the use of intellectual property law as a trade barrier—are indicative of the increasingly important interrelationship between international trade law and intellectual property law, and as such they provide both the rationale and point of departure for this article.

B. ADVANTAGES OF THE AGREEMENT

The TRIPS Agreement has been drafted to address these concerns and in doing so it considerably increases the level of protection required of Member countries. TRIPS will therefore provide at least three distinct advantages to right-holders and intellectual property practitioners in Member countries. First, in the event of a violation of the Agreement, right-holders will be able to petition their government to initiate GATT enforcement procedures, potentially giving rise to the imposition of trade sanctions against a Member nation found to be in violation of its obligations under the Agreement. Secondly, adherence to the provisions of the Agreement will result in a level of protection for intellectual property world-wide that is substantially consistent with the law and practice in most developed countries. Finally, adoption of intellectual property as a subject-matter of the GATT/WTO will legitimize it as personal property, not only thereby opening a broader range of civil actions but also influencing nations which are not yet members of GATT to adopt comparable standards of intellectual property protection.

II. BACKGROUND TO THE MAKING OF THE AGREEMENT ON TRIPS

A. THE PHENOMENON OF COUNTERFEITING

During the last twenty-five years, the counterfeiting of patented and trade-marked goods¹⁵ and the piracy of copyright works¹⁶ has brought into sharp relief the relationship between the protection of intellectual property and international trade.

¹⁵ Counterfeit trade-mark goods are defined in the Agreement on TRIPS as: "any goods, including packaging, bearing without authorization a trade mark which is identical to the trade mark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trade mark, and which thereby infringes the rights of the owner of the trade mark in question under the law of the country of importation": Article 51.

¹⁶ Pirated copyright goods are defined in the Agreement on TRIPS as: "any goods which are copies made without the consent of the right-holder or person duly authorized by the right-holder in the country of production and which are made directly or indirectly from an article where the making of that copy would have constituted an infringement of a copyright or a related right under the law of the country of importation": Article 51. Note, for the sake of economy, in this article the term "counterfeiting" may be used at times when piracy of copyright goods is also to be understood as included.

Counterfeiting and piracy is the concomitant of business success. As the international reputation of a particular product or brand name grows, it generates opportunities for unauthorized copies to supply the demand. During the mid-1970s, unauthorized copying was largely confined to consumer goods bearing well-known trade marks¹⁷ and traditional copyright goods such as books, films, videos and sound recordings of musical works. In addition, since the mid-1980s computer software, semiconductor chips, agrichemicals and pharmaceuticals have been subject to piracy and counterfeiting.¹⁸ Unauthorized copying is facilitated by the sophistication of the new technologies in copying and communications which have not only made it more profitable but, in shortening the lag time between innovation and copy, have inspired new infringements. During the last decade, trade in counterfeit and pirated goods has not only increased but has become more difficult to identify as counterfeiters move into the component market as well.¹⁹

B. LOSS OF COMPARATIVE ADVANTAGE

In support of increased protection, the major exporters of goods bearing an intellectual property component contend that counterfeiting and piracy produce distortions to international trade by eroding national revenue and by discouraging expansion into new overseas markets. This view accords with the classic economic theory of comparative advantage which holds that as the nations of the world reach higher levels of industrial development, the comparative advantage of the older industrialized nations in traditional sectors of manufacturing declines, so that they must shift their resources into areas of high technology such as computers, telecommunications and pharmaceuticals. The shift in comparative advantage may be seen in the relative percentage of U.S. exports with a high intellectual property content which, since 1947, has more than doubled from 9.9 percent in 1947 to 27.4 percent in 1986, amounting to more than 25 percent of all its exports.²⁰ While the export of high technology is capable of greater comparative advantage, being creativity-, research- and knowledge-intensive, it is also dependent upon the effective protection of intellectual property.

However, in many of the newly industrializing countries of Africa, Eastern Europe, the Middle East, Latin America and Asia, the inadequate protection of intellectual property has permitted counterfeiting and piracy to flourish. Even where

¹⁷ The counterfeiting of luxury goods bearing well-known trade marks has increased to the extent that it is causing considerable losses to French and American companies such as Ralph Lauren, Elizabeth Arden and Calvin Klein. In July 1993, Christian Blanckaert, President of the Comité Colbert, the French luxury products' trade association, expressed the concern of the association about the scale of the problem in China: 7 WIPR, 1993, at 228.

¹⁸ See K. Stanberry, *Forging a New International Frontier in Intellectual Property Rights*, 13 W. Comp. 3, March 1990, at 105-106.

¹⁹ Traditionally, counterfeit goods were luxury goods imported into the EC as a completed product but, in recent times, components have been imported and then assembled within the Community. By way of response, the EC has extended the right of authorities to seize suspect counterfeit parts to goods and logos.

²⁰ R.M. Gadbow and T.J. Richards (eds.), *Intellectual Property Rights Global Consensus, Global Conflict?* Westview Press, Boulder and London, 1988, at 4, Chart 1.1.

standards and remedies against piracy do, in fact, exist, an absence of accompanying procedures and administrative structures make enforcement practically impossible. During the decade of the 1980s, the counterfeiting issue polarized opinion in the leading developed and developing countries. In industrialized countries, the law gives private property rights in the ownership of copyright, patents, trade marks and industrial designs, which although granted on closely defined terms, have the effect of creating some degree of exclusivity. While the developed countries see these protective laws as necessary to encourage and reward creativity and industry, to the developing countries as importers of intellectual property they may appear as no more than a legal pretext for foreign industry "to cream off scarce resources in royalty payments".²¹ Consequently, the policies of many developing countries reflected a development strategy based on making technology available to the domestic industry at the lowest possible short-term price. Therefore, in contrast to the protective model of the industrialized countries, the policies of many developing countries explicitly or implicitly permitted relatively free appropriation by producers.²²

While the need for the developing countries to acquire technology from the advanced nations is imperative, to do so without maintaining international standards for the protection of intellectual property is neither in the short-term nor the long-term interest of their future economic development. Where sub-standard counterfeit products such as pharmaceuticals, agricultural chemicals and machine spare parts are marketed cheaply, it is often at the expense of consumer safety standards or other sectors of industry. For example, local pharmaceutical industries profit from the use of expired patents to the detriment of national prosperity where infant industries in areas such as computer software, entertainment and publishing would benefit from the protection of intellectual property.²³ Moreover, the existence and enforcement of patent, copyright and trade-mark laws would provide the security necessary to attract foreign investment and technology transfer.²⁴ In order to reconcile the protection of intellectual property with the goals of economic development, developed countries must provide, on request and on mutually agreed terms and conditions, financial and technical co-operation in favour of developing countries.²⁵

²¹ W.R. Cornish, *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights*, Sweet & Maxwell, London, 1989, at 14.

²² See J. Nogués, *Patents and Pharmaceutical Drugs: Understanding the Pressures on Developing Countries*, 24 J.W.T. 6, December 1990, 81.

²³ R. Rapp and R. Rozek conclude their review in favour of the benefits of intellectual property protection in *Benefits and Costs of Intellectual Property Protection in Developing Countries*, 24 J.W.T. 5, October 1990, 75.

²⁴ C.A. Primo Braga argues that the political economy of intellectual property rights protection helps to explain the resistance of many developing countries to reforms even when a strong case, based on economic self-interest, can be developed: *The Economics of Intellectual Property Rights and the GATT: A View From the South*. 22 Vanderbilt Journal of Transnational Law, 1989, 244.

²⁵ Accordingly, Article 66 requires developed country Members to "provide incentives to enterprises and institutions in their territories for the purpose of promoting and encouraging technology transfer to least-developed country Members in order to enable them to create a sound and viable technological base." Further, in order to facilitate the implementation of the Agreement on TRIPS, Article 67 requires developed country Members to assist "in the preparation of laws and regulations on the protection and enforcement of intellectual property rights as well as on the prevention of their abuse, and [to] include support regarding the establishment or reinforcement of domestic offices and agencies relevant to these matters, including the training of personnel."

C. LOSS OF REVENUE

While consumers enjoyed the ease with which they could acquire fake "Rolex" watches or "Gucci" accessories, and cheaper computer software, the erosion in the national revenues of the major industrialized countries had become a matter of serious concern. The decline in national revenue was particularly pronounced in the United States, which during the 1980s became a debtor nation for the first time since the period of international economic reconstruction following the end of World War II. The impact of counterfeiting on the balance of trade is reflected in the estimate of the U.S. International Trade Commission (ITC) which, in 1986, projected world-wide losses to all U.S. industry, ranging from US\$ 43 billion to US\$ 61 billion, a figure said to represent 15 percent of the nation's trade deficit.²⁶ Counterfeiting not only deprives national industries of revenue, it also reduces employment opportunities. In 1982 for example, the ITC estimated that one hundred and thirty-one thousand jobs were lost annually through the sale of counterfeit goods.²⁷

Counterfeiting erodes comparative advantage not only through the loss of national revenue and overseas markets, but also through the loss of expected returns on investment in the research and development (R&D) of new products. The effective legal protection of intellectual property during the ultimate phase of its commercial exploitation ensures a return to those who invest in R&D. The need to combat counterfeiting and piracy becomes all the more urgent in light of the fact that the level of R&D necessary to develop new products has increased, particularly in certain high-technology industries.²⁸ Yet it is precisely in this area that the risk of piracy is high, since the higher the ratio of R&D to the cost of manufacturing, the greater will be the incentive to shortcut the process through unauthorized copying in order to profiteer from lower production costs and lower prices.²⁹ As a result, there is a real danger that piracy and counterfeiting may threaten future investment in innovation.

²⁶ U.S. International Trade Commission, *Foreign Protection of Intellectual Property Rights and the Effects of U.S. Industry and Trade*, USITC Publication 2065, February 1988. The ITC compiled its data from a questionnaire for the year 1986 answered by four hundred and thirty-one U.S. companies. In 1986, the ITC estimated aggregate world-wide losses to U.S. companies responding to its questionnaire at US\$ 23 billion. Based on this data, the ITC estimated the projected world-wide losses of all U.S. companies to counterfeiting. In 1994, with respect to U.S. copyright industries alone, the International Intellectual Property Alliance (IIPA) estimates world-wide losses at US\$ 15-17 billion in relation to the counterfeiting of motion pictures, records and music, computer programs and books: IIPA, 26 July 1994. Although no survey of losses by European companies has been made, losses of a comparable magnitude could be expected.

²⁷ President's Commission on Industrial Competitiveness, *Global Competition: The New Reality*, 1985, 21. In 1992, the Committee on External Economic Relations of the European Parliament suggested a figure of one hundred thousand job losses in EC firms as a direct result of counterfeiting.

²⁸ The U.S. Semiconductor Industry Association estimates that the ratio of research and development (R&D) to sales has increased from 7.4 percent in 1980 to nearly 14 percent in 1986: *The Uruguay Round File: Trade in Counterfeit Goods and Other Trade-Related Aspects of Intellectual Property Rights* (Pts. 1 and 2) GATT Focus, No. 48, July/August 1987, at 3-4; GATT Focus No. 49, September/October, 1987, Part II.

²⁹ Royalties received by U.S. industries from the licensing of intellectual property exceed US\$ 8 billion per year which is more than six times the amount paid to foreign firms: U.S. Department of Commerce, 3 Survey of Current Business, March 1988, 54-59, Table 10.

D. INADEQUATE PROTECTION FOR INTELLECTUAL PROPERTY

1. *Private International Law*

The ability of right-holders to protect their intellectual property against infringement overseas under private international law is severely restricted given that the rules permit a person to take action in one jurisdiction to vindicate a right obtained in another jurisdiction only to a very limited extent. Anglo-Australian law for example, holds that rights arising under foreign statutory regimes are not actionable outside the jurisdiction, since they have no extraterritorial effect.³⁰ In *Steinhardt & Son Ltd. v. Meth*,³¹ an Australian patentee attempted to bring an action in Australia in respect of a threat of proceedings for infringement alleged to have been committed in England. Affirming the traditionally territorial character of intellectual property, the High Court held that a patent for an invention gives a monopoly only within the territory of the country which grants it. Consequently, the Australian intellectual property statutes relate exclusively to the domestic jurisdiction and the infringements which it makes unlawful are infringements of Australian intellectual property only. Of course, an Australian court may entertain an action in respect of a foreign tort or a wrong committed outside the territorial jurisdiction but such an action can be maintained only if the double actionability rule in *Phillips v. Eyre*³² is satisfied. However, in the case of intellectual property, since the grant of a patent, trade mark or copyright has no force or effect outside the territory of the country which grants it, if an Australian right-holder sues in Australia for an infringement alleged to have been committed in England, the act complained of cannot be actionable in England. On a practical level, the exclusion of jurisdiction is further justified on the basis that any judgment that might be given by an Australian court would be ineffective unless it were treated as binding in the foreign place.³³

Not unexpectedly, this position has been subject to critical comment. According to Sykes and Pryles, the rule that double liability is required under the *lex fori* is parochial and can lead to injustice and forum shopping.³⁴ It has been suggested that the response of the court should be pragmatic on the basis that the proper enquiry is whether there are policy grounds indicating the desirability of restraint by the forum. Such an approach would provide an opportunity to construct independent choice-of-law rules appropriate to the needs of intellectual property holders.³⁵ Consequently, where copyright, design, patent and trade marks are concerned, any protection

³⁰ *Steinhardt & Son Ltd. v. Meth* (1960–61) 105 CLR 440, followed *Potter v. Broken Hill Pty Co. Ltd.* (1906) 3 CLR 479. Similarly, see *Tyburn Productions v. Conan Doyle* [1991] Ch D 75. See also G. C. Cheshire and P. M. North, *Private International Law*, 12th edition, P. M. North and J. J. Fawcett (eds.), Butterworths, London, 1992, at 254.

³¹ *Ibid.*, at 442–444, in which the action was brought under Section 121 of the Patents Act, 1952–55.

³² (1870) LR 6 QB 1.

³³ *Tyburn Productions v. Conan Doyle*, *ibid.*, at 89.

³⁴ E. Sykes and M. Pryles, *Australian Private International Law*, 3rd edition, Law Book Co., 1991, at 555.

³⁵ *The British Yearbook of International Law* (BYIL), 1990, 400 at 402. See also Cheshire and North, *op. cit.*, *supra*, footnote 30, at 264.

beyond the original jurisdiction must stem from the implementation of international agreements explicitly designed to confer such a benefit.

2. *Public International Law*

Since the latter part of the nineteenth century, the major areas of intellectual property have been protected under separate international agreements. Copyright works are protected under the Berne Convention for the Protection of Literary and Artistic Works of 1886,³⁶ while trade marks, patents and industrial designs are protected under the Paris Convention for the Protection of Industrial Property of 1883.³⁷ The cornerstone of both the Paris and Berne Conventions is the principle of national treatment³⁸ which requires that each Member country grant the same protection to the nationals of other Member Countries as its own nationals enjoy. National treatment is therefore intended to ensure not only that the intellectual property rights of Members will be protected within a competing foreign jurisdiction, but also that they will not be discriminated against in comparison with nationals.

Under both Conventions, national treatment is enhanced by providing the nationals of Member countries an express right to protection throughout the Union constituted under these treaties. Thus, under the Berne Convention, copyright protection in countries of the Union other than the country of origin is automatic.³⁹ Similarly, the Paris Convention provides a system of Convention priority according to which Member States are to give priority status to applications for patent or trade-mark protection where a corresponding application has been made in a Convention country within the preceding six months.⁴⁰ The rights to automatic and priority protection are complemented by the principle of independence of protection which means that the enjoyment and exercise of the rights granted under the Conventions is independent of the existence of protection in the country of origin.⁴¹

In addition, both Conventions contain a limited number of substantive law

³⁶ The Berne Convention for the Protection of Literary and Artistic Works, as revised in Paris 1971. Australia became an independent party to the Convention in 1928. The countries to which the Convention applies constitute a Union for the protection of the rights of authors in their literary and artistic works: Article 1.

³⁷ The Paris Convention for the Protection of Industrial Property, as revised at Stockholm in 1967. Australia became an independently contracting country from 10 October 1925. Article 1 provides that signatories to the Convention constitute a Union for the protection of industrial property.

³⁸ As the national treatment obligation is expressed in Article 2(1) of the Paris Convention, Members of the Union "shall have the same protection as [nationals] and the same legal remedy against any infringement of their rights." Article 5(1) of the Berne Convention similarly provides that "authors shall enjoy, in respect of works for which they are protected under this Convention, in countries of the Union other than the country of origin, the rights which their respective laws do now or may hereafter grant to their nationals, as well as the rights specially granted by this Convention."

³⁹ Article 5(2). See Copyright (International Protection) Regulations (Regulations 3 and 4).

⁴⁰ Article 4 gives priority status to applications for registration by persons in Convention countries. Thus, where a person applies for registration of a mark in a Convention country and that person makes application for registration in Australia within six months of the date of application, the mark will, if registered, be deemed to be registered as of the date of application in the Convention country. This obligation is implemented in Sections 108-110 of the Trade Marks Act, 1955 (Cth).

⁴¹ Article 5(2), Berne Convention; and Article 4 *bis* (1) of the Paris Convention in respect of patents.

provisions which Union countries are required to implement in their domestic legislation. Thus the Berne Convention defines the scope of literary and artistic works protected, the persons protected, their duration of protection, and the exclusive rights protected under the Convention in relation to those works.⁴² The Paris Convention requires even less of Member countries in relation to substantive provisions. As far as patents are concerned, there are no requirements imposed in relation to the eligibility of a product or process, such as novelty or lack of obviousness, or in relation to the duration of protection or in relation to the scope of rights granted by a patent.⁴³ Similarly, with respect to trade marks, substantive requirements are limited to the scope of the subject protected and certain conditions attaching to registration.⁴⁴ Of particular relevance to counterfeiting are the requirements in both Conventions that Members provide for the seizure of infringing copies or goods unlawfully bearing a trade mark on importation into those Union countries where such material is entitled to protection and that Members undertake to provide the nationals of Union countries with appropriate legal remedies.⁴⁵

On the one hand, the Paris and Berne Conventions have been singularly successful in so far as their substantive provisions have become international norms. This international acceptance is reflected in the fact that Articles 1 to 12 and 19 of the Paris Convention, and Articles 1 to 21 of the Berne Convention are expressly saved and reinforced in the Agreement on TRIPS as binding on Member countries.⁴⁶ On the other hand, in view of the recent dramatic increase in counterfeiting, the substantive provisions of the Conventions have proven inadequate. The obligation to accord national treatment under the Conventions is merely formal in nature. Therefore, where the level of protection is low or non-existent, the foreign right-holder will derive little benefit from the Convention. If, for example Australia has a longer term of trade-mark protection than many of its trading partners, there is no international obligation on the country of import to provide the Australian exporter with the longer term of protection; conversely, neither has Australia the right to limit the term of protection, for imports deriving from those countries, to the lesser term.

The mere formality of national treatment is further underlined by the fact that the Paris Convention requires little of Member countries in relation to the substantive matters which they are to incorporate into their domestic law. Apart from the basic right of priority, the extent of protection in each Convention country will vary according to the strength of the intellectual property laws in that country.⁴⁷ As the

⁴² The Berne Convention confers on the authors of works ten major rights, including the right of reproduction (Article 9), the right of translation (Article 8), the right of public performance (Article 11), the right to broadcast (Article 11 *bis*), and the right of adaptation (Article 12). In addition, the Convention grants a term of protection of the life of the author plus fifty years (Article 7).

⁴³ See Articles 4 *ter*, 4 *quater*, 5D, 5 *bis* and 5 *quater* of the Paris Convention.

⁴⁴ See Articles 5C, 6, 6 *ter*, 7, and 7 *bis* of the Paris Convention.

⁴⁵ Article 16 of the Berne Convention and Article 9 of the Paris Convention.

⁴⁶ Articles 1 to 21 of the Berne Convention are reinforced by Article 9 of the Agreement on TRIPS; likewise Article 2(1) reinforces Articles 1 to 12 and 19 of the Paris Convention.

⁴⁷ According to Article 6 of the Paris Convention for example, the conditions for the registration of marks is a matter for the legislation of each Member country.

reciprocity of concessions is formal only, the burden does not fall equally upon all nations who are Members of the Convention. Moreover, under the Paris Convention, reciprocity is formal not only with respect to the codified law, but also with respect to the practice of the courts and administrative institutions, since Article 10*ter*(2) permits Member countries to provide access to the courts or administrative authorities, only "in so far as the law of the country in which protection is claimed allows". Further, national laws relating to judicial and administrative procedure, to jurisdiction and to requirements of representation, are expressly reserved in Article 2(3) of the Paris Convention. Thus requirements of a procedural nature which impose special conditions on foreigners for purposes of judicial and administrative procedure may be invoked validly against foreigners who are nationals of Member countries.⁴⁸

The Paris and Berne Conventions also lack the remedial provisions necessary to the enforcement of intellectual property rights. Consequently, where the laws either discriminate or are inadequate to protect foreign right-holders, Member countries are under no compulsion to provide the usual remedies of injunction and damages. Moreover, with respect to the enforcement of obligations at the public international level, the Berne and Paris Conventions provide that any dispute between Member countries concerning its application, not settled by negotiation or arbitration, may be brought before the International Court of Justice (ICJ).⁴⁹ However, Article 28(2) of the Paris Convention and Article 33(2) of the Berne Convention subsequently render the provision ineffectual by allowing a Member country to declare itself not bound by the provision in any dispute that may arise between it and another Member of the Union. As a measure of the impracticality and the lack of international acceptance of this provision, no dispute over intellectual property rights has ever been brought before the ICJ.⁵⁰

E. THE RESPONSE OF THE UNITED STATES: UNILATERAL ACTION AND BILATERAL AGREEMENT

The inadequacy of existing international arrangements prompted the United States to take action at both the domestic and international levels. In the first instance, the Congress met the demand for increased protection of intellectual property rights with a programme of comprehensive legislation which included the Drug Price Competition and Patent Term Restoration Act (1984), the Trademark Counterfeiting Act (1984), and the Semiconductor Chip Protection Act Extension (1987). During

⁴⁸ For example, the requirement that foreigners deposit a certain sum as security or bail for the costs of litigation: World Intellectual Property Organization (WIPO) *Background Reading Material on Intellectual Property*, Geneva, 1988, 52.

⁴⁹ Article 28(1) of the Paris Convention and Article 33 of the Berne Convention.

⁵⁰ For example, during the 1960s in clear breach of the Berne Convention, Greek law was amended to abolish the author's broadcasting right in order to enable the broadcasting organization which had become part of the propaganda apparatus of the government to avoid paying any royalties to authors for the broadcasting of their works whether they were Greeks or foreigners. However, the other Convention countries took no action: S.M. Stewart, *International Copyright and Neighbouring Rights*, Butterworths, London, 1989, at 140.

this period, the United States was also moved to take full advantage of the existing protection afforded by international agreement by enacting the Berne Convention Implementation Act (1988). Secondly, having identified the protection of intellectual property as essential to fair trade at the international level, the United States developed self-help strategies to promote the protection of its intellectual property world-wide. Consequently, since the 1980s, the United States has aggressively pursued the increased protection of intellectual property rights on three fronts—through unilateral coercion, bilateral agreement, and multilateral negotiations under the GATT.⁵¹

1. Use of Section 337

In seeking to protect U.S. industry from unfair import competition, the United States has been zealous in the enforcement of domestic intellectual property rights at the border. Section 337 of the Tariff Act of 1930, as amended, gives the International Trade Commission, an independent government agency, on an application by the domestic right-holder, the power of seizure and forfeiture of infringing goods or alternatively the power to exclude their entry into the United States.⁵² To establish a violation of Section 337, it is necessary to prove an unfair method of competition and unfair act; the importation of goods into the United States or their sale by the owner, importer, consignee or agent of either; the existence of a domestic industry or one that is in the process of being established; and injury to the domestic industry through the infringement of a valid patent, copyright or trade mark.⁵³ Section 337 has the advantage of overcoming the obstacles to the domestic enforcement of intellectual property rights which would result from:

- (i) the difficulty in obtaining *in personam* jurisdiction over any entity except the importer;
- (ii) the evidentiary difficulty in obtaining foreign discovery; and
- (iii) the difficulty in enforcing the judgment, that is, in obtaining enforcement of a U.S. ruling against a foreign company through that company's national courts.

For the complainant U.S. company, Section 337 is a particularly powerful action since, in addition to remedies available in the ITC, the plaintiff is also entitled to take action in the Federal district courts.

⁵¹ E. Simon, *Administration Policy and Actions on Intellectual Property Protection Abroad*, in *Intellectual Property and International Trade, A Seminar for Intellectual Property Lawyers and Others*, 28 June to 1 July 1987, at 72-73; M.A. Leaffer, *Protecting United States Intellectual Property Abroad: Toward a New Multilateralism*, 76 *Iowa Law Review*, 1991, 273, at 288-96.

⁵² Tariff Act of 1930, Chapter 497, Section 337, 46 Stat. 703 (1930) (codified as amended at 19 USC §1337(d)-(e) (1988)).

⁵³ Prior to the amendments that were made in the Omnibus Trade Act of 1988, the requirements of Section 337 were narrower in that: (a) the unfair acts had to have the effect or tendency to substantially injure the domestic industry; and (b) complainants had to show injury to a domestic industry "efficiently and economically operated" (19 USC 1337(a)). Subsequently, complainants needed only to show that they had substantial investment in the exploitation of its intellectual property rights. Although the amendments to Section 337 made it less of a trade law than a law aimed at preventing violations of intellectual property rights, even prior to the amendments, it was found that at least 95 percent of Section 337 cases involved intellectual property rights (H R Rep. No. 40, 100th Cong., 1st Sess. pt. 1 at 155 (1987)).

GATT Panel ruling on Section 337

Despite the inclusion of intellectual property as a general exception to the GATT in Article XX(d), the EC successfully challenged the validity of U.S. patent enforcement procedures for imported products under Section 337 on the ground that it nullified and impaired⁵⁴ the basic principle of national treatment embodied in Article III of the GATT. The 1988 GATT Panel Report⁵⁵ found Section 337 to be in violation of U.S. obligations since it failed to provide national treatment to the foreign owners of imported goods in accordance with Article III(4) of the GATT.⁵⁶ The Panel's decision was made as a result of an exclusion order issued pursuant to Section 337 against Akzo N.V. of the Netherlands (Akzo) based upon the infringement of a process patent held by E.I. du Pont de Nemours and Company of the United States.⁵⁷ The scope of the complaint brought by the EC on behalf of Akzo required the GATT Panel to investigate whether the United States had failed to carry out its obligation to grant national treatment by providing goods of non-U.S. origin less favourable treatment than U.S. goods enjoyed in the U.S. Federal district courts. The Panel found that the United States had failed to accord the imported product national treatment under Article III(4) based on the novel ground of discriminatory procedure. The reasons for the finding included: no choice of forum; the possibility of having to defend the action in two *fora*; discriminatory time-limits; and differential remedies with respect to injunctive relief and exclusion orders. As a result, under Section 337, foreign firms face more onerous administrative procedures and more expensive litigation in the ITC than in U.S. domestic courts.

Subsequently, the GATT Council found the U.S. government reluctant to circumscribe the limits of the protection which may be afforded domestic industry against intellectual property infringement and slow to bring Section 337 into compliance with the Panel finding.⁵⁸ Moreover, the Canadian government recently objected to the use of Section 337 as inconsistent with the provisions of both NAFTA and TRIPS.⁵⁹ Under further pressure from the EC through NAFTA and GATT to change

⁵⁴ Article XXIII, GATT.

⁵⁵ GATT Panel Report, *United States: Section 337 of the Tariff Act of 1930*, 16 January 1989, L/6439, report adopted 7 November 1989, reprinted in BISD 36S, 1988-89, 345.

⁵⁶ Article III, paragraph 4 in respect of national treatment, states: "the products of the territory of any contracting party imported into the territory of any other contracting party shall be accorded treatment no less favourable than that accorded to like products of national origin in respect of all laws, regulations and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution, or use." An interpretive note supplementing this provision states that "any law, regulation or requirement . . . which applies to an imported product and is collected or . . . enforced in the case of the imported product at the time or point of importation, is . . . subject to the provisions of Article III."

⁵⁷ For the history of the specific case referred by the European Community, see the *Certain Aramid Fibre* case, GATT Panel Report, BISD 36S 1988-89, at paragraph 2.9, at 353 *et seq.*; *In the Matter of Certain Aramid Fibre*, USITC Publication 1824, Inv. No. 337-TA-194, March 1986; *Akzo N.V. v. USITC* 808 F.2d 1471 (Fed. Cir. 1986) cert. denied, 482 US 909 (1987) (U.S. Court of Appeals affirming the ITC's exclusion order).

⁵⁸ The U.S. Trade Representative (USTR) however, did propose alternative procedures which are discussed in L. Barons, *Amending Section 337 to Obtain GATT Consistency and Retain Border Protection*, Law and Policy in International Business, Vol. 22, No. 2, 1991, 289.

⁵⁹ In its *Register of U.S. Barriers to Trade*, 31 March 1994, Canada cited Section 337 as inconsistent with the provisions of both the Agreement on TRIPS and NAFTA. Canada announced its intention to continue to work to eliminate or reduce U.S. barriers to trade through negotiations and through effective use of dispute settlement procedures under NAFTA and the GATT/WTO: 8 WIPR, 1994, at 155.

the procedures, legislation was recently introduced in the U.S. Senate which would amend Section 337 to bring actions by the ITC into compliance with GATT.⁶⁰ At the end of the day, however, autonomous national measures designed to deal with goods that infringe intellectual property rights only have an impact on goods imported into the U.S. market and cannot prevent counterfeit goods being sold in third-country markets. That problem can only be dealt with by exerting bilateral pressure.

2. *Special 301 of the Trade Act*

Despite its renewed vigour in protecting domestic right-holders, the territorial nature of intellectual property meant that the United States had little capacity to protect its intellectual property overseas in the absence of adequate international regulation. The Special 301 provisions of the Trade Act of 1974 as amended by the Omnibus Trade and Competitiveness Act of 1988 (the Trade Act) were therefore designed to provide a statutory framework within which to assess the adequacy and effectiveness of protection of intellectual property rights and market access provided by U.S. trading partners.⁶¹ Special 301⁶² allows the U.S. Trade Representative (USTR) to investigate a wide variety of perceived "unfair" trade practices on an expedited basis.⁶³ Under Section 301, petitions to the USTR may be made for relief based very broadly on the "unjustifiable", "unreasonable", or "discriminatory" acts, policies or practices of foreign governments. Special 301 involves a designation of countries found to maintain allegedly unfair trade practices with the aim of eliminating those practices through negotiations. If the negotiations fail to bear fruit, the U.S. President can retaliate through sanctions or other measures.

Specifically, Special 301 requires the USTR's Office to undertake a review of the intellectual property practices of U.S. trading partners each year, within thirty days after the issuance of the National Trade Estimates Report.⁶⁴ The USTR is then required to identify those countries which deny "adequate and effective protection of intellectual property rights"⁶⁵ or "deny fair and equitable market access to U.S.

⁶⁰ The Bill, introduced by Senator J.D. Rockefeller (Rockefeller Bill) (S 148), would amend Section 337 and relevant Federal jurisdiction provisions of Title 28 to bring actions by the ITC into compliance with GATT. However, the Rockefeller Bill would preserve the ITC's ability to act against violations of U.S. intellectual property laws. The Bill would, *inter alia*, speed up the timetable for ITC investigations, permit the dropping of an ITC investigation by mutual agreement of the parties, allow consideration of the respondent's counter-claims to exclusion and cease-and-desist orders and eliminate duplication in the legal process for importers who face both ITC and U.S. district court action. The wording of the Rockefeller Bill is to be included in the GATT implementing legislation which is to be introduced in the U.S. Congress before the end of 1994.

⁶¹ On the purported goals of Section 301, see J.C. Bliss, *The Amendments to Section 301: An Overview and Suggested Strategies for Foreign Responses*, 20 *Law and Policy in International Business*, 1988-89, 501. The EC has a similar trade policy instrument which is designed to afford private petitioners the opportunity to complain of foreign unfair trade practices. However, Regulation No. 2641/84 primarily seeks to protect the Common Market against foreign unfair trade practices and securing access to export markets for Community industries appears to be a secondary concern: see Council Regulation 2641/84 EEC O.J. Eur. Comm. (No. L 252) 1 (1984).

⁶² 1988 Trade Act §1302 102 Stat. 1176-79 (1988) codified as amended at 19 USC §2420(a)(1) (1988).

⁶³ Investigations initiated under Section 301 are conducted over a twelve- to eighteen-month period: 19 USC §2414 (1988).

⁶⁴ The National Trade Estimates Report (NTE) is required by 19 USC §2241(b) (1988).

⁶⁵ 19 USC §2242(a)(1)(A) (1988).

persons who rely upon intellectual property protection".⁶⁶ The task of the USTR is to rank those countries, so identified as "priority foreign countries", to the "priority watch list" or simply to the "watch list". The most serious "offenders", the "priority foreign countries", are those countries whose practices are the most onerous or egregious⁶⁷ and have the greatest adverse impact (actual or potential) on the relevant U.S. products;⁶⁸ and who are not making significant progress in bilateral or multilateral intellectual property negotiations.⁶⁹ Under the Special 301 provisions, if a country is identified as a priority foreign country, the USTR must, within thirty days of identification, initiate a Section 301 investigation of the policies and practices that were the basis of the identification.⁷⁰ Investigations are conducted on a "fast-track" basis in that the USTR has only six months (with the possibility of an extension to nine months if the investigation involves complex issues or if substantial progress is not being made) to complete the investigation and to seek to negotiate a bilateral agreement.⁷¹ If the acts or policies continue, the USTR is authorized if necessary, to retaliate by increasing duties or imposing other restrictions on imports.⁷²

Inasmuch as Special 301 enhances the Administration's ability to negotiate improvements in foreign intellectual property regimes through bilateral initiatives, it has proven of critical importance of the goal of global intellectual property protection. Between 1989 and 1994, the United States concluded bilateral agreements for the protection of intellectual property with at least twelve countries, including Taiwan, the Philippines and Indonesia.⁷³ The provision has, however, proved highly controversial since, by means of Special 301, the United States is able to target those countries with the highest level of unauthorized copying and, under threat of trade sanctions, may coerce the enactment of the laws necessary to protect its intellectual property. By means of Special 301, the United States is able to use the size of its market both as an incentive to negotiate and as a weapon when negotiations fail to achieve the desired goal. Adding to its controversial nature, the "unfair" acts or practices within the purview of Special 301 are particularly broad. These include licensing procedures that restrict the free movement of products, expropriatory practices and barriers erected to protect "cultural sovereignty".⁷⁴

⁶⁶ Id., §2242(a)(1)(B): Special 301 was strengthened by the omission of the former injury requirement. The USTR's announcements follow a long information-gathering process. Sources of information are the private sector, American embassies abroad, U.S. trading partners and the NTE Report.

⁶⁷ Id., §2242(b)(1)(A).

⁶⁸ Id., §2242(b)(1)(B). In identifying "priority foreign countries" pursuant to Special 301, the USTR must consult with the Register of Copyrights, the Commissioner of Patents and Trademarks, and other appropriate government officials: *ibid.*, §2242(b)(2)(A).

⁶⁹ Id., §2242(b)(1)(C).

⁷⁰ 19 USC §2412(b)(2)(A) (1988). Although India was threatened with the designation of priority foreign country on 30 April 1994, since India's practices are already subject to ongoing action under the statute, a new investigation was not initiated.

⁷¹ Id., §2414(a)(3)(A)-(B).

⁷² Id., §2416(b). See generally Steven R. Phillips, *The New Section 301 of the Omnibus Trade and Competitiveness Act of 1988: Trade Wars or Open Markets*, 22 *Vanderbilt Journal of Transnational Law*, 1989, 491.

⁷³ *USTR Announcement and Fact Sheet on "Special 301" Decisions*, 8 *WIPR*, 1994, at 173-181.

⁷⁴ U.S. Cong. and Admin. News, 1988, at 1613-14.

(a) *Legality of Special 301*

The legality of the United States taking unilateral action under Special 301 has been properly questioned as contrary to international trade law. As originally drafted, the GATT is largely concerned with the systematic reduction of tariffs and the elimination of protective measures such as import quotas. Strictly, the protection and enforcement of intellectual property rights was outside the current scope of the GATT rules, being specifically provided for more by way of exception than substantive principle. Thus Article XX(d), for example, may appear to justify discriminatory measures in respect of intellectual property as it allows Contracting Parties to take measures for the enforcement of intellectual property rights that as a rule would be inconsistent with the General Agreement.⁷⁵ Therefore, prior to the conclusion of the Agreement on TRIPS and the revised Understanding on the Settlement of Disputes, and in the absence of substantive provision within the framework of the GATT to deal with infringements of intellectual property rights, the USTR could argue that the GATT's current lack of coverage of intellectual property allows the United States room to manoeuvre.⁷⁶

However, Article XX is provided by way of exception and, generally speaking, the use of Special 301 is inconsistent with the spirit of a free trade agreement whose guiding principles are those of non-discrimination, as embodied in Articles I and III, at the national and international level.⁷⁷ According to Article XXIII which provides against the nullification and impairment of GATT concessions, Members are to adhere to the given conciliation procedures which do not include an independent authority to enforce the rules. In this respect, the U.S. preference for unilateral action over the discretionary GATT panel procedure has not escaped challenge. Brazil complained to the GATT Council against retaliatory measures taken pursuant to a Section 301 action, according to which the United States imposed sanctions on Brazilian imports for its failure to protect U.S. patent rights.⁷⁸ Brazil also contended that the United States was violating the Uruguay Round Punta del Este standstill provision prohibiting unilateral imposition of new laws or policies not yet covered by the GATT.⁷⁹ Recently Canada publicly expressed its disapproval of the return of the U.S. Super 301 trade remedy, when it said that the use of unilateral retaliatory measures without the

⁷⁵ Similarly, Article IX ensures that trade marks are not used in a discriminatory manner between nations; and Articles XII(3)(c)(iii) and XVIII(10) require that import restrictions employed to safeguard the balance of payments, are not used against intellectual property rights.

⁷⁶ J.H. Bello and A.F. Holmer, "Special 301" *Its Requirements, Implementation and Significance*, 13 *Fordham International Law Journal*, 1989-1990, 259 at 274.

⁷⁷ On the interpretation of Article XX(d), see *United States: Imports of Certain Automotive Spring Assemblies*, Report adopted on 26 May 1983, BISD 30S/107; and GATT Panel Report *United States: Section 337 of the Tariff Act of 1930*, 16 January 1989, L/6439, Report adopted 7 November 1989, reprinted in BISD 36S, 1988-89, 345. For an analysis, see J. Klabbbers, *Jurisprudence in International Trade Law—Article XX of GATT*, 26 *J. W.T.* 2, April 1992, 63.

⁷⁸ The complaint was made after the United States imposed a 100 percent tariff on US\$ 39 million worth of certain Brazilian pharmaceuticals, consumer electronics and paper products.

⁷⁹ Celso Marcos Souza, General Minister to the Brazilian Embassy, was speaking to a legal forum in Washington, D.C.: 3 *WIPR*, 1989, at 180. At the outset of the Uruguay Round, trade ministers had pledged not to increase existing trade-distorting measures, but rather to "standstill" pending the outcome of the negotiations: Ministerial Declaration, 20 September 1986.

authority of the GATT undermines both the GATT and GATT dispute settlement procedures.⁸⁰

(b) *Countries targeted*

From the first annual review in 1989 until the latest review on 30 April 1994, both developing and industrialized countries have been identified for practices which range from a lack of protection for pharmaceuticals in the case of the former, to the failure to adequately protect a certain class of subject-matter such as computer programs or service marks in the case of the latter. During the past five years, countries which have been designated to the priority watch list include Australia, Brazil, China, the EC, India, Japan, Saudi Arabia, Taiwan, Thailand and Turkey. Those designated to the secondary watch list for special attention, include Argentina, Canada, Indonesia, Japan, Malaysia, the Republic of Korea, Pakistan, and the Philippines. For the most part, however, "offenders" are found in the newly industrializing or developing countries.

In India, Taiwan and Thailand, ineffective enforcement has led to significant losses for the motion picture, video, sound recording, computer software and publishing industries. In 1991, the International Intellectual Property Alliance (IIPA) estimated that the losses to U.S. businesses due to copyright piracy in those industries amounted to US\$ 161 million in India, US\$ 370 million in Taiwan and US\$ 85 million in Thailand.⁸¹ Again, in Brazil, China and India, a lack of patent protection, in particular for pharmaceuticals, together with broad compulsory licensing provisions and an insufficient term of protection, has caused U.S. business heavy losses.⁸² Trade-mark violations have also been widespread particularly in Brazil, China, the Philippines, the Republic of Korea and Thailand. In China, for example, trade marks were granted to the first registrant, regardless of the original owner; while in Brazil, failure to register trade-mark licences invalidated the licence resulting in the cancellation of trade-mark registration for non-use.⁸³

In fact, Brazil, China, India, Taiwan and Thailand proved such recalcitrant cases that over the last five years each has been designated, at various times, a priority

⁸⁰ Under Super 301, the USTR is required to identify countries with a "consistent pattern of trade barriers and market distorting practices" which, if eliminated, would most significantly increase U.S. exports: 19 USC §2420(a)(1)(A) & (B). If no agreement is reached as a result of negotiations then retaliation is mandatory. The Canadian report commented that "use of the unilateral retaliatory measures without the authority of the GATT undermines both the GATT and GATT dispute settlement procedure": *Register of U.S. Barriers to Trade, supra*, footnote 59.

⁸¹ The IIPA recommended in its filing of 15 February 1991 with the USTR that China, India, Thailand and Indonesia be identified as priority foreign countries under Special 301.

⁸² In Brazil for example, product protection was not available for metal alloys and for new uses of products such as micro-organism species. Brazil's National Institute of Industrial Property (INPI) had never issued a patent for a biotechnological invention. Further, as Brazil requires a patent owner to work the invention in the country, a third party may request a compulsory licence if a patent owner has failed to work the patent within three years of issuance or if exploitation has been discontinued for more than one year.

⁸³ Brazil's generics law, Decree No. 793 of October 1993, was challenged by pharmaceutical companies on the ground that the law constitutes an illegal taking of property by forcing manufacturers to give up their full rights to trade marks and trade names.

foreign country.⁸⁴ Progress in protecting intellectual property has had to contend with the antagonistic attitude of many developing countries. Brazil and India in particular were implacably opposed to the perceived strategies of economic imperialism as embodied in Special 301. Brazil defended its right to protect local drug manufacturers against the demand by the United States for patent rights for pharmaceuticals. Brazil resented having to base its patent and trade-mark legislation on parameters that the U.S. government considered appropriate, or face the possibility of unilaterally imposed sanctions.⁸⁵ As a result of the "serious deficiencies" in its patent law, in 1988 Brazil was subject to retaliatory measures in the form of trade sanctions which were lifted only in June 1990 when the government undertook to protect pharmaceutical processes and products.⁸⁶ However, in 1993, pending legislation failed to satisfy the USTR, and Brazil was designated a priority foreign country. Similarly in India, problems persisted with regard to pharmaceutical products and the enforcement of intellectual property rights generally, to the extent that the USTR instituted retaliatory measures. In 1992, tariff exemptions accorded to Indian pharmaceutical products under the Generalized System of Preferences (GSP) were revoked affecting about US\$ 60 million worth of pharmaceutical, chemical and related products. For three consecutive years, from 1991 to 1993, India was identified as a priority foreign country. In 1994, the USTR threatened to once again designate India a priority foreign country unless India undertakes an early implementation of all aspects of the TRIPS Agreement.⁸⁷

Consequently, progress towards adequate protection has been made in fits and starts and with apparent reluctance. For example, in January 1992 China concluded a Memorandum of Understanding (MOU) with the United States putting an end to the Special 301 investigation initiated in 1991.⁸⁸ China fulfilled many of the commitments in that MOU, becoming a signatory to the Paris and Berne Conventions and enacting legislation to effect the protection required by those Conventions. However, under review the following year, the Chinese government was found not to have acted on its undertaking to provide effective measures for the enforcement of intellectual property rights. In particular, the USTR found China to have taken few actions to reduce copyright piracy, which was particularly acute in the audio, visual, computer

⁸⁴ In 1991, India was the first country to be identified as a priority foreign country. On 29 April 1992, it was renamed together with Thailand and Taiwan. In April 1994, the USTR threatened to designate China, India and Argentina as priority foreign countries but postponed the decision for sixty days until 30 June. India and Thailand are already the subject of ongoing Section 301 investigations. Thailand has been the subject of two Section 301 cases stemming from cases brought by the Pharmaceutical Manufacturers' Association (PMA) for patent protection and the IIPA for copyright violations.

⁸⁵ C. Amorim, Secretary-General of Brazil's Foreign Relations Ministry, 7 WIPR, 1993, at 227.

⁸⁶ President Reagan imposed trade sanctions on Brazil in the form of 100 percent *ad valorem* tariffs on Brazilian paper, chemicals and electronic goods. According to a representative from the Brazilian Trade Association, the sanctions cost Brazil US\$ 100 million in exports. When legislation was submitted in 1990 by the Brazilian government to revise its laws pertaining to intellectual property rights, the USTR terminated an ongoing Section 301 investigation and eliminated the higher import duties.

⁸⁷ *Op. cit.*, *supra*, footnote 73.

⁸⁸ In April 1991, the United States had threatened China with retaliatory action in the face of an estimated US\$ 400 million in annual trading losses due to infringement of its rights in copyright and patent: Far Eastern Economic Review, 5 December 1991, 64.

software and publishing sectors. In 1993, estimated losses to U.S. firms due to the piracy of motion pictures, records and music, computer programs and books were valued by the IIPA at US\$ 827 million, of which U.S. software companies alone were said to have lost at least US\$ 322 million.⁸⁹ Consequently, in April 1994, China was given sixty days to address U.S. concerns about intellectual property protection, or risk being cited as a priority foreign country.

(c) *Special 301 evaluated*

Three years ago, the lack of protection for intellectual property in many newly industrializing countries manifested itself in a complete absence or deficiency of statutory law. Since that time, pressure at both the national and international levels has seen intellectual property legislation enacted in each of the major areas of copyright, patents and trade marks. Today, largely due to the efficacy of Section 301 negotiations, any deficiency of protection for intellectual property is most likely to be in the area of enforcement. The United States contends that Section 301 procedures provide an incentive to negotiate in good faith given that expedition, coupled with the threat of retaliation, strengthens the leverage of negotiators. Certainly the use of Special 301 has not only raised the international level of awareness of the need for the protection of intellectual property, but also resulted in a marked increase in the level of intellectual property protection. In the Asian Pacific area alone, a considerable number of enactments have been made pursuant to Section 301 settlements. Between 1990 and 1991, patent laws were enacted in Indonesia and India. Between 1991 and 1993, Brazil, Singapore, Japan, Taiwan and Thailand had either enacted new trademark laws, revised existing laws or had legislation pending. In 1991, China enacted a new copyright law and in 1993, Thailand introduced a copyright bill. Between 1990 and 1991, Japan and the Republic of Korea enacted trade secret protection. There were also improvements in the enforcement of intellectual property rights. Between 1992 and 1993, Thailand, China and Taiwan instituted higher penalties for infringement. Negotiations have recently brought about an increasing number of convictions for violations of intellectual property rights.⁹⁰ Finally, there have also been improvements in the administration of intellectual property laws.⁹¹

Nevertheless, it would be more accurate to say that Special 301 has provided a negative stimulus to legislative change. This is exemplified in the attitude of Brazil and India which were understandably resentful at being coerced to change their intellectual property laws in order to avoid trade sanctions imposed by the United States. The use of Special 301 made an agreement on TRIPS a more attractive proposition than it might have been otherwise. For example, when the USTR

⁸⁹ IIPA estimated trade losses due to piracy in 1993, as revised 5 September 1994.

⁹⁰ For example, in December 1993, Singapore convicted several major software pirates, and they received jail terms.

⁹¹ For example, in 1993, Thailand made improvements to its patent administration system for pharmaceuticals.

extended a Special 301 investigation into the patent practices of Brazil for three months on 29 November 1993, by way of response Brazil indicated its commitment to the conclusion of the Uruguay Round and the standards embodied in the TRIPS Agreement.⁹² Thus, developing countries chose to continue GATT negotiations towards an agreement on TRIPS, since these provided not only an alternative, acceptable form of settlement but also the benefit of cross-sectoral leverage in areas of national interest such as trade in textiles.

When viewed in perspective, action under Special 301 has been but one, albeit important, factor in the increasing level of awareness throughout the world of the need to protect intellectual property. The past five years have witnessed a shift in the position of leading developing countries such as Brazil, China and India concerning the protection of intellectual property rights. During the past two years, their former antagonism has been replaced by a spirit of compromise as they have sought integration within the international community of trading nations. China for example, is seeking to rejoin the GATT in 1995 as a member of the WTO. In China, the new spirit of co-operation has manifested itself in the establishment of China's first specialized court for cases concerning intellectual property rights which was set up in June 1993 in the Beijing Municipal Intermediate People's Court.⁹³

It is possible, and certainly desirable, that in future, Special 301 will become redundant as the Agreement on TRIPS is ratified and comes into operation, given that, in initiating a Special 301 investigation based on a GATT violation, the USTR is required by the statute to use GATT dispute settlement procedures before any unilateral action occurs.⁹⁴ Used in this manner, Section 301 would allow grievances to be considered by the GATT/WTO, since adoption of the Agreement on TRIPS would make violations of intellectual property rights subject to the same type of GATT-imposed trade sanctions currently available with respect to trade in goods. Unfortunately many countries, including the United States, have been slow to ratify the Uruguay Round Agreement.⁹⁵ Recently enacted laws for the protection of intellectual property require effective enforcement. Pirates must not only be charged

⁹² On 25 February 1994, the USTR terminated the investigation and revoked its identification as a priority foreign country when the Brazilian government agreed to further amend its industrial property law in conformity with the TRIPS provisions.

⁹³ The Court, established as an Intellectual Property Trial Division, and effective as of August 1993, hears cases on patents, trade marks, copyright licensing agreements and unfair competition. The China Daily reported in December 1993 that the Tribunal had heard one hundred and twenty-five cases including ten involving foreign companies. Of particular note, on 5 August 1994, the Tribunal enforced copyright in Walt Disney characters against local pirates: Sydney Morning Herald, 6 August 1994, at 21.

⁹⁴ Further, Article 21(2)(a) of the Understanding on Rules and Procedures on Dispute Settlement may curtail use of Section 301. In respect of intellectual property rights, Article 21 applies by virtue of Article 64 of the Agreement on TRIPS concerning dispute settlement.

⁹⁵ When governments signed the Final Act of the Uruguay Round, it was on the clear understanding that they would do their utmost to ensure that the Round's results would enter into force on 1 January 1995. In September 1994, Mr Peter Sutherland, the Director-General of GATT, called on the major trading countries to provide leadership and credibility to the implementation of the Uruguay Round by ratifying its results without delay: GATT Focus, No. 110, August/September 1994, at 1 and 4. In the United States, protectionist interests and political partisanship leading up to the mid-term elections in November succeeded in delaying ratification. However, it appears likely that Congress will ratify the Uruguay Round Agreement before the end of 1994. Once this happens, other Member nations can be expected to follow the lead of the United States as one of the major trading nations: Australian Financial Review, 12 April 1994; The Australian, 25 May 1994; Far Eastern Economic Review, 20 October 1994; Australian Financial Review, 25 November 1994.

and convicted but the penalties must be commensurate with the offence.⁹⁶ Consequently, despite the conclusion of the Agreement on TRIPS, the U.S. Administration remains committed to the use of the Special 301 provisions of the Trade Act. Nevertheless, considering that there is more to intellectual property protection than persuading countries to sign the Agreement and enact laws,⁹⁷ in future the United States may be expected to change its strategy to include foreign aid programmes in order to accommodate the need for administrative and judicial reforms.⁹⁸ At the end of the day, however, using unilateral action as a means of inducing bilateral agreement in order to correct deficiencies in the protection of intellectual property rights overseas is a short-term remedy of selective and limited effectiveness. By attempting to address the interests of all parties concerned, multilateral agreement is the most effective means of preventing the release of counterfeit goods into third-country markets. However, for more than fifteen years, the leading industrialized countries found their efforts to revise the existing treaties for the protection of intellectual property continually frustrated by a system of negotiating in the World Intellectual Property Organization (WIPO) which is based on group co-ordination and voting. In contrast, the GATT presented itself as an international trade forum that not only offered the negotiating advantage of cross-sectoral leverage but also one where the decision-making would be by the consensus of the contracting parties.

III. THE MAKING OF THE AGREEMENT ON TRIPS

A. PROGRESS PRIOR TO THE URUGUAY ROUND

1. *The Anticounterfeiting Code*

The TRIPS Agreement was concluded in December 1993, yet the idea of a GATT multilateral agreement on intellectual property had its genesis some twenty years earlier. During the Tokyo Round of 1973, U.S. and EC negotiators worked on a draft agreement to combat commercial counterfeiting in trade-marked goods. Despite the fact that the agreement failed to come to fruition, the United States and the EC nevertheless continued their efforts and, on 31 July 1979, jointly submitted to the GATT a proposed Agreement on Measures to Discourage the Importation of Counterfeit Goods.⁹⁹ Under the terms of the draft, signatory governments would undertake, on the application of the owner, to intercept counterfeit trade-marked goods at international borders by instituting procedures for the seizure and suspension

⁹⁶ In China for example, U.S. industry groups complain that when an action is brought, only paltry sums of compensation are awarded: 8 WIPR, 1994, at 67.

⁹⁷ In China, administrative reform is now required in order to bring all relevant authorities under the one umbrella: *id.*, at 156.

⁹⁸ Legislation was introduced recently to provide some incentive for promptly implementing the Agreement on TRIPS. On 18 April 1994, Representative S. Gejdenson introduced HR 4239 which proposes using U.S. foreign aid programmes to encourage early compliance with the Agreement. Under HR 4239, the Agency for International Development (AID), in carrying out foreign assistance laws, would establish a programme of training and other assistance for foreign countries in developing and strengthening intellectual property laws and regulations, and in implementing and enforcing them: *id.*, at 166.

⁹⁹ *Agreement on Measures to Discourage the Importation of Counterfeit Goods*, GATT Doc. 1/4817, 31 July 1979. The text was subsequently accepted in principle by Japan and Canada.

of such goods by customs authorities. While similar provisions are found in Articles 51 to 60 of the Agreement on TRIPS, the draft code made no attempt to deal with the production of counterfeit goods inside national borders.¹⁰⁰

Nevertheless the fact that an anticounterfeiting code, albeit in draft form, was negotiated among Members of the GATT set an important precedent on which further development of the subject-matter could be built. During the early 1980s, the United States kept intellectual property on the GATT agenda by ensuring that the 1982 Ministerial Meeting adopted a work programme which would include commercial counterfeiting.¹⁰¹ To that end, in October 1982 the United States submitted to the GATT a revised text of the code¹⁰² which had been drafted in consultation with the EC, Japan and Canada. At the Ministerial Meeting, however, the concept met with only partial success in that trade ministers agreed on only a modest work programme for trade in counterfeit goods.

2. *The Issue of GATT's Jurisdiction*

The bitter difference of opinion between developed and developing countries over the jurisdictional competence of GATT to deal with matters of intellectual property, which was to thwart agreement during the Uruguay Round, had its origins during this period in the debate over the anticounterfeiting code. Progress on the code was resisted by a number of developing countries, led by Brazil and India, who challenged the legal competence of the GATT to deal with commercial counterfeiting on the basis that WIPO has exclusive jurisdiction over such matters. Beneath the debate lay the contentious political question as to whether the rights of developing countries were best served by an agreement under the GATT. For those developing countries which opposed the increased protection of intellectual property, WIPO had the practical advantage of offering a forum where, due to the system of voting, the developing countries could use their numerical superiority to better protect their interests. As a result of the controversy, the 1982 mandate for trade in counterfeit goods was restricted by the suggestion that a future determination of GATT's jurisdiction in this area would be appropriate.¹⁰³ Progress on the substantive issues in commercial counterfeiting was curtailed by the Ministerial Declaration which called for consultations between the Directors-General of the GATT and WIPO in order to clarify the legal and institutional aspects involved.¹⁰⁴

¹⁰⁰ Further, see W.N. Walker, *A Program to Combat International Commercial Counterfeiting*, 70 *Trademark Rep.* 1980, 117-133; Walker, *The Evolution and Status of the International Anticounterfeiting Code*, 11 *Industrial Property*, 1982, 325-328.

¹⁰¹ During the next two years, the U.S. delegation made every effort to ensure that the issue remained on the GATT agenda by submitting information on the magnitude of commercial counterfeiting and proposing the establishment of a working party on trade in counterfeit goods: A.J. Bradley, *Intellectual Property Rights, Investment, and Trade in Services in the Uruguay Round: Laying the Foundations*, 23 *Stanford Journal of International Law*, 1987, 57 at 64-67.

¹⁰² *Agreement on Measures to Discourage the Importation of Counterfeit Goods*, GATT Doc. L/5382, October 1982.

¹⁰³ Ministerial Declaration in GATT, 29th Supp., BISD 9, 19, 22, 1983.

¹⁰⁴ Consultations resulted in agreement that there were no jurisdictional reasons not to proceed in GATT: J.A. Greenwald, *The Protection of Intellectual Property Rights in The GATT and the Uruguay Round: The U.S. Viewpoint*, at 10, in K. Simmonds and B. Hill (eds.), *Law and Practice Under the GATT*, Oceana Publications, New York, October 1988.

Nonetheless, the inclusion of trade in counterfeit goods in the 1982 work programme represented a significant step towards the start of multilateral negotiations on the subject. In July 1985, the move towards the Uruguay Round began in earnest when the United States submitted its goals for new multilateral trade negotiations, including the need to address trade in counterfeit goods and, over the longer term, to reduce trade distortions resulting from inadequate treatment of intellectual property rights.¹⁰⁵ Although contention over the jurisdictional competence of the GATT had not abated, further progress on the subject of counterfeit trade was by no means foreclosed by the disagreement. As the question was debated, it emerged that while Brazil and India, representing the so-called Group of Ten, continued to maintain that GATT lacked the competence to address the subject, developing countries were by no means unanimous in their opposition.¹⁰⁶ Other developing countries, particularly the newly industrializing countries, in general accepted the need to provide more effective protection of intellectual property rights and were disposed to negotiate these issues in the GATT. The position of a number of these countries, which included several South East Asian States, was also influenced by their desire for a multilateral dispute settlement mechanism which would counterbalance bilateral pressure and unilaterally imposed or threatened trade sanctions.¹⁰⁷

3. *The Punta Del Este Text*

The contention between the leading developing countries and the developed countries concerning GATT's competence was reflected in both the process and substance of the negotiating mandate. The intransigence of the Group of Ten during the formal GATT proceedings resulted in the text which provided the basis for the Punta del Este Ministerial Declaration being drafted outside the GATT by means of an informal process. The first comprehensive text on a draft Ministerial Declaration, which was presented by a group of developed countries in consultation with the United States, the EC and Japan in June 1986, included negotiating mandates for trade in services, investment-related trade issues, and the trade-related aspects of intellectual property. Continuing consultations brought together the representatives of more than forty Contracting Parties, including some twenty developing countries supportive of the new Round, and resulted in a revised text that became the basis for negotiations outside the GATT. On 30 July 1986, the final draft text was submitted by the Swiss and Colombian Ambassadors on behalf of the group of forty countries.¹⁰⁸ In

¹⁰⁵ *United States Goals for New Multilateral Trade Negotiations*, GATT Doc. L/5846, 12 July 1985. At this point, the United States extended its negotiating objective to all intellectual property including trade in counterfeit trade-marked goods.

¹⁰⁶ The debates took place during nine formal meetings of the Preparatory Committee from January to July 1986. The ten countries that opposed the jurisdiction of the GATT in substantive matters of intellectual property were Argentina, Brazil, Cuba, Egypt, India, Nicaragua, Nigeria, Peru, Tanzania and Yugoslavia.

¹⁰⁷ *Intellectual Property Rights, A Guide to the GATT Uruguay Round*, Department of Foreign Affairs and Trade, Canberra, March 1990, at 11.

¹⁰⁸ Earlier draft texts circulated on 17 and 28 July 1986 had contained a number of bracketed portions reflecting a lack of consensus on the inclusion of trade in services, intellectual property rights and investment.

contrast, a second text submitted by Brazil on behalf of the Group of Ten developing countries and a third text submitted by Argentina excluded intellectual property rights, investment and trade in services. Although all three draft texts were sent to Punta del Este, the text of the group of forty was adopted by the trade ministers without substantial changes.

The Punta del Este Declaration gave the following mandate to the Negotiating Group on the Trade-Related Aspects of Intellectual Property Rights including Trade in Counterfeit Goods:

“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.”¹⁰⁹

The ultimate choice of wording was necessarily based upon a pragmatism aimed at producing a text acceptable to as broad a spectrum of Contracting Parties as possible. As a result, the terms of the Declaration left considerable room for interpretation and for accommodating the differing perspectives of developed and developing countries. For example, when the United States used the term “trade distortions”, it was referring to the loss of comparative advantage resulting from lack of protection for intellectual property rights in certain countries. However, to India and those countries opposed to the regulation of intellectual property by the GATT, the distortions to be examined were those caused by foreign government intervention in the market-place in the name of protection of intellectual property rights. Behind their opposition to any action which might impede the free transfer of technology to developing countries lay the theory that the knowledge component of intellectual property is no more than the common heritage of mankind. Subsequently, these differences in the interpretation of the mandate were reflected in the positions adopted by most developed and certain developing countries during the progress of the Uruguay Round.

B. THE URUGUAY ROUND, 1986 TO 1993

The Uruguay Round was scheduled to last four years, yet the fulfilment of such an ambitious agenda took seven years.¹¹⁰ The extended duration of the Round gives an indication of the particular difficulties encountered in bringing agriculture, services

¹⁰⁹ *Ministerial Declaration*, 20 September 1986, BISD, 33S, 1987, 19 at 25–26.

¹¹⁰ The early trade Rounds were devoted solely to reducing tariff levels, with the exception of the Kennedy Round (1967) which also addressed antidumping duties. During the Tokyo Round (1973) however, the parties did not limit the Round to tariff negotiations but also aimed to reduce or eliminate non-tariff measures and to bring such measures under more effective international discipline: *Declaration of Ministers Approved at Tokyo on 14 September 1973*, GATT, 20th Supp., BISD, 1974, 19–20.

and intellectual property under the discipline of the GATT trading rules. The negotiations on TRIPS began inauspiciously and for almost three years appeared to make such little progress as to lead most observers to believe that a comprehensive agreement for the protection of intellectual property rights would be unlikely to result, given the lapses of political will, the protracted dispute over jurisdiction, the poor reviews the draft agreement received, and a bitter dispute between the EC and the United States over agricultural subsidies. As the parties submitted their respective proposals for an agreement, it became rapidly clear that the position taken by the Group of Ten developing countries expressed not only their opposition to the question of setting standards for the protection of intellectual property rights, but also their continuing and fundamental objection to the jurisdiction of GATT over substantive matters of intellectual property.

C. THE CONTENT AND FORM OF THE AGREEMENT

At the outset, the parties disagreed over the content and form of any future agreement. With respect to content, most industrialized nations pursued a global approach which went far beyond the issue of counterfeiting.¹¹¹ It was their objective to negotiate a comprehensive agreement which would address all the major subject areas of intellectual property including copyright, neighbouring rights, patents, trade marks, geographical indications, integrated circuits, industrial designs, and trade secrets.¹¹² In contrast, India sought to limit negotiations to a counterfeiting code which would deal only with copyright and trade marks since patents and trade secrets, it argued, were outside the mandate of the TRIPS Negotiating Group. In particular, with regard to patents, India expressed grave reservations that any international agreement on intellectual property rights had the potential to be trade-restrictive or to allow certain firms to exploit monopolies on pharmaceuticals or chemicals used in food production. At the base of India's opposition to further international regulation of patents was the concern that such measures would restrict its ability to determine the pace of economic development.

With respect to the nature of the legal instrument that might result, the industrialized countries envisaged a new GATT Article to which would be attached an annex containing the comprehensive agreement. On the other hand, the Group of Ten wanted an agreement only in the form of a code against the counterfeiting of intellectual property. The advantage of a code was seen in the fact that adherence to GATT Codes is voluntary whereas a GATT amendment requires the unanimous consent and commitment to the new obligations by contracting parties.¹¹³

¹¹¹ J. Reinbothe and A. Howard, *The State of Play in the Negotiations on TRIPS (GATT/Uruguay Round)*, 5 EIPR, 1991, 157 at 158.

¹¹² On 7 July 1988, the first detailed proposal for a comprehensive agreement was submitted by the EC. It proposed protecting each of the major areas of intellectual property, that is, patents, trade marks, copyrights, industrial designs and semiconductor typographies: 2 WIPR, 1988, at 136-137.

¹¹³ Unanimity is required for amendments to Article I (MFN treatment), Article II (Schedule of Concessions) and Article XXX (which itself relates to amendments). Other amendments become effective upon acceptance by two-thirds of the contracting parties, but then only in respect of those contracting parties which accept them.

1. *GATT Principles and Dispute Settlement Procedures*

The majority of industrialized nations supported an agreement which would include the basic GATT principles of national treatment, most-favoured-nation (MFN) treatment, and transparency, in so far as they might be applied to the owner's intellectual property rights.¹¹⁴ Thus, the national treatment obligation would ensure that the protection available to foreigners would be at least as good as that available to nationals of a given country. With respect to enforcement, the principle of national treatment would also ensure that unnecessarily complicated procedures were not used to discriminate against foreign nationals; and that the criteria applied in deciding whether an intellectual property right had been breached did not discriminate between domestic and imported goods and services. Secondly, the MFN obligation would further ensure that signatories did not protect or enforce intellectual property rights in a manner that would constitute a means of arbitrary or unjustified discrimination not only between Member nations but also between third countries. With respect to the application of GATT principles to intellectual property, no difficulty was envisaged, given that the Panel Report in the case of Section 337 of the U.S. Tariff Act had created a precedent in finding U.S. procedures for the enforcement of intellectual property rights contrary to the national treatment obligation in Article III. India, on the other hand, argued that concepts of national treatment and MFN treatment, as they apply under the GATT, could not apply to intellectual property rights since the former obligation related to goods as distinct from the rights of persons and the latter was concerned only with border measures. Finally, given the conspicuous need to have an effective mechanism for the resolution of international disputes over intellectual property rights, the United States and the EC, supported by Australia, Canada and New Zealand, proposed to incorporate GATT procedures for the prevention and settlement of disputes in any future agreement. In contrast to the WIPO treaties which have no "teeth", the GATT was seen to have the advantage of permitting trade retaliation for the violation of its provisions.

2. *Minimum Standards and Enforcement Provisions*

In order to correct the deficiencies in the enforcement of intellectual property rights at the domestic level, the United States¹¹⁵ and the EC¹¹⁶ proposed that the

¹¹⁴ *Guidelines Proposed by the European Community for the Negotiations on Trade-Related Aspects of Intellectual Property Rights*, GATT Doc. MTN.GNG/NG/NG11/W/16, 20 November 1987, at II, General Principles and Institutional Aspects; *Suggestion by the United States for Achieving the Negotiating Objective—Revision*, GATT Doc. MTN.GNG/NG11/W/14, Rev. 1, 17 October 1988, at I, Introduction.

¹¹⁵ The U.S. proposal of 17 October 1988 restated principles articulated in the first proposal of 20 October 1987 (GATT Doc. MTN.GNG/NG11/W/14) such as the need to recognize and implement standards, but expanded on the area of enforcement, particularly procedural aspects including the right to receive written notice prior to the commencement of proceedings, written determinations on actions for infringement, parties' appearance through representatives and the opportunity to present evidence for consideration by the authorities: GATT Doc. MTN.GNG/NG11/W/14, Rev. 1, 17 October 1988.

¹¹⁶ *Guidelines and Objectives Proposed by the European Community for the Negotiations on Trade-Related Aspects of Substantive Standards of Intellectual Property Rights*, GATT Doc. MTN.GNG/NG11/W/26, 7 July 1988.

agreement should provide particulars of the judicial and administrative procedures necessary to enforce intellectual property rights both at the border and internally. Member governments would then be called upon to legislate such measures as greater powers for customs authorities to seize suspect counterfeit goods at the request of the right-holder, the imposition of criminal penalties in cases of the wilful infringement of trade marks and copyrights on a commercial scale and, not least, the application of due process of law for all parties concerned in any action for the enforcement of intellectual property rights.

Nonetheless, provisions for ensuring the effective enforcement of intellectual property rights are of little use if there are no standards to enforce. The United States and the EC, therefore, proposed that the agreement should include minimum standards which would be incorporated into domestic legislation. In the first instance, these standards should be based on those of the Conventions administered by WIPO.¹¹⁷ In addition, where those Treaties were inadequate, the contracting parties would elaborate further principles in order to meet the negotiating objective. The so-called "Berne-plus" approach would serve, for example, to remove the uncertainty as to whether the Convention covered computer programs if, as Canada proposed, the agreement were to provide for computer programs as literary works, so that they would then be accorded the protection that other literary works receive under the Convention.¹¹⁸ Again, given the high level of piracy of phonograms, Canada proposed that the agreement should strengthen the rules of the Berne Convention in order to provide against the unauthorized reproduction of phonograms for a minimum period of fifty years.¹¹⁹

Generally speaking, the industrialized and newly industrialized nations¹²⁰ supported the proposal for the provision of minimum standards to be implemented by Member nations in preference to harmonization of the various legal systems. This was in spite of the fact that the proposal meant that, by virtue of such an agreement, all contracting parties would have to adhere to the Paris and Berne Conventions at a time when a number of nations had not signed one or both of the agreements.¹²¹ Such a radical proposal provoked controversy also among industrialized countries when the proposed international standard differed from the level of protection offered within

¹¹⁷ Thus standards would be based on the Paris Convention for the Protection of Industrial Property (1967), the Berne Convention for the Protection of Literary and Artistic Works (1971), the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (1961), and the Treaty on Intellectual Property in Respect of Integrated Circuits (1989).

¹¹⁸ Proposed by Canada, submitted October 1989, summarized in 3 WIPR, 1989, 265 at 266, 267.

¹¹⁹ Id., at 267. See also proposals by the EC, in *Draft Agreement on Trade-Related Aspects of Intellectual Property Rights*, GATT Doc. MTN.GNG/NG11/W/68, 28 March 1990; and by the United States, in GATT Doc. MTN.GNG/NG11/W/70, 11 May 1990, advocating the provision of a rental right for authors and their successors in title, at least in respect of cinematographic works, computer programs and phonograms; and the protection of databases as compilations of data or other material.

¹²⁰ Proposals by Canada, New Zealand and the Republic of Korea, submitted October 1989, summarized in 3 WIPR, 1989, at 265-67.

¹²¹ Non-signatories were to be found mainly among developing and newly industrializing countries: for example, Malaysia acceded to the Paris Convention in January 1989, Chile in March 1991 and India in June 1991. However, the Berne Convention did not enter into force in the United States until March 1989 (U.S. Berne Implementation Act, 1988).

their domestic legislation. Opinions differed over, for example, the term of protection for neighbouring rights permitted to producers, performers and broadcasting organizations. The United States supported a fifty-year period in accord with other copyright material, whereas the EC supported a twenty-year term of protection, on the basis that the reproduction of sound recordings and the fixation and broadcasting of performance entails a substantial input of technology.

3. *Business Support for Standards and Enforcement Provisions*

The making of the Agreement on TRIPS was characterized by the unprecedented support of the business sector which not only promoted such an agreement but also contributed to its content and assisted with the drafting of its provisions. Private business associations representing some of the major multinational corporations, spurred to action by the impact of heavy financial losses and the desire to preserve market access, campaigned to convince governments in both industrialized and developing countries of the need to improve the protection of intellectual property rights. Three leading business groups, the Union of Industrial and Employers' Confederations of Europe (UNICE), the Japanese Federation of Economic Organizations (*keidanren*) and the Intellectual Property Committee (IPC), a coalition of thirteen major U.S. corporations,¹²² demonstrated their commitment to a GATT-based agreement on TRIPS by publishing, in June 1988, a report entitled *Basic Framework of GATT Provisions on Intellectual Property*, which they presented to all participants in the Uruguay Round.¹²³ The framework document supported the provision of minimum standards in the major areas of intellectual property, national enforcement procedures, border measures to prevent the release of allegedly counterfeit goods into free circulation, as well as an international mechanism to maintain agreed standards of intellectual property protection. Developing and newly industrializing countries were to be encouraged to become signatories with incentives which included preferential treatment on an MFN basis, pledges of increased technical assistance and transitional rules which would permit them to delay implementation of the agreement for a limited period of time in order to bring their national laws into conformity with its provisions and to deal with any resulting economic dislocation.

¹²² UNICE is composed of thirty-three Member federations from twenty-two European countries with a permanent Secretariat based in Brussels and is recognized as the official spokesperson for European business and industry. *Keidanren* is a private, non-profit economic organization representing virtually all branches of economic activity in Japan. The members of the IPC are Bristol-Myers Co., El du Pont de Nemours & Co., FMC Corporation, General Electric Co., General Motors Corp., Hewlett-Packard Co., International Business Machines Corp., Johnson & Johnson, Merck & Co. Inc., Monsanto, Pfizer Inc., Rockwell International Corp. and Warner Communications Inc.

¹²³ *Basic Framework of GATT Provisions on Intellectual Property, Statement of Views of the European, Japanese and United States Business Communities*, June 1988 (reprinted in F.-K. Beier and G. Schriker (eds.), *GATT or WIPO IIC, Studies in Industrial Property and Copyright Law*, VCH Publishers, Weinheim, 1989, Annex III).

4. *Developing Countries' Opposition to Substantive Standards*

The proposal to provide minimum standards for the creation and enforcement of intellectual property rights provoked considerable controversy between industrialized and developing countries. The Group of Ten saw the call for tighter control as the imposition of an unnecessary penalty on Third-World countries for their relative lack of protection of intellectual property, when what was needed were measures to redress the balance of interests. They therefore followed a largely defensive strategy in trying to limit the negotiations to counterfeiting and strictly trade-related issues.¹²⁴ Thus they were opposed to the provision of substantive standards in any future agreement, even when these were simply reinforcing the standards provided within the existing Conventions. Naturally they also opposed any suggestion that GATT had the authority to supplement the rules provided in the Conventions administered by WIPO. Brazil and India, in particular, were implacably opposed to any international regulation which would interfere with their ability to control the creation and enforcement of intellectual property rights, and which would curtail their freedom to regulate the use of foreign patents or trade marks in the domestic market. The basis of developing countries' opposition stemmed from the contention that the provision and enforcement of minimum standards would mean the surrender of their sovereign power to set national developmental objectives, thereby denying them free access to the technology they needed to modernize. Thus Peru's submission called for a balance in the negotiations between intellectual property rights and the objectives of development and transfer of technology. This balance, it was argued, should also take into account contrasting interests in the need to encourage creativity and the need to stimulate the flow of technology transfer from developed to developing countries. Similarly, Mexico told the Negotiating Group that it sought to strike a balance between the need to protect intellectual property rights and the need to protect the public interest and economic development objectives.¹²⁵

In the area of patents in particular, the proposition that standards would be prescribed with respect to the requirements of use and the term of protection was highly contentious. India denounced any international regime for the regulation of patents that focused merely on the protection of monopoly rights, while ignoring the enormous differences in the levels of industrial and technological development between industrialized and developing countries. If the patent system was not to hinder developing countries in building up their industrial and technological capabilities, Brazil and India argued that they needed to be free to set their own standards and, where necessary, at a level significantly lower than that of industrialized States.¹²⁶ Patent laws, it was argued, must focus equally on the

¹²⁴ Reinbothe and Howard, *op. cit.*, *supra*, footnote 111, 157 at 158.

¹²⁵ The viewpoint of India can be found in 3 WIPR, 1989, at 16 and 199; of Peru, *id.*, at 267; of Brazil, in 4 WIPR, 1990, at 17; and of Mexico, *id.*, at 61-62.

¹²⁶ This point was underlined in papers submitted by India in 3 WIPR, 1989, at 199; Brazil, 4 WIPR, 1990, at 17; and Peru, 3 WIPR, 1989, at 267. This view was also reflected in India's domestic legislation which applied seven years of patent protection to pharmaceutical and chemical products and fifteen years to all others: *id.*, at 17.

obligations as well as the rights of patent-holders, since patents were not simply granted to enable a right-holder to enjoy a monopoly for importing the patented article or to resort to restrictive or anti-competitive practices.¹²⁷

Contrary to any notion of having GATT prescribe international standards for intellectual property, India took the view that developing countries should be allowed concessions under patent and trade-mark legislation that would leave them free to exclude key sectors such as food, pharmaceuticals and chemicals, shorten protection periods and grant licences of right to companies to exploit patents.¹²⁸ Consistent with its support for differential treatment, India could not agree to any absolute honouring of patents.¹²⁹ India argued that the commercial working of a patent in a host country should be regarded as a fundamental obligation, and compulsory licensing should be recognized as a means of preventing patent owners from misusing their rights. Thus the submission by India recommended that developing countries be free to automatically grant "licences of right" in critical sectors without having to go through the extensive and protracted litigation involved in granting compulsory licences.¹³⁰

However, the most contentious aspect of the proposal concerning minimum standards was the EC's recommendation that their enactment within the national laws of Member countries should be binding, with the effect that every Member country would have to change its laws accordingly. To recommend that parties give effect to prescribed standards in their domestic law was a most significant development in that it constituted a move from the formal reciprocity which obtains under the Paris and Berne Conventions to a material reciprocity, in which each Member would undertake to enact the specific standards provided in the agreement. The newly industrializing and developing countries were naturally concerned by the wider economic and cultural implications of this proposal. In this regard, the Republic of Korea and Peru urged retaining a national treatment which was formal in nature, so that the differences in national intellectual property systems could be taken into account, and countries given time to harmonize their domestic systems with any future trade-related intellectual property rights agreement. Moreover, the Republic of Korea, undoubtedly mindful of the difficulty in enforcing Western-drafted rules within Asia, cautioned Western Members on the need to take cultural differences into consideration.¹³¹

5. *Trade Distortions and Anti-Competitive Practices*

The deep difference of opinion between developed and developing countries

¹²⁷ Summary of proposals by India, *id.*, at 199; and Peru, *id.*, at 267. Considering the disparity in economic development, Peru saw no point in strengthening the rights conferred on patent owners at the expense of underdeveloped citizenry.

¹²⁸ Indian proposal of 12 July 1989: *id.*, at 199-200.

¹²⁹ *Id.*, at 16.

¹³⁰ In such instances, patent owners would be entitled to compensation in accordance with the host country's law: Indian submission, summarized in 3 WIPR, 1989, at 199-200.

¹³¹ Republic of Korea, 3 WIPR, 1989, at 265-67; Peru, *id.*, at 267.

over the provision of minimum standards had a more fundamental basis which was demonstrated in their disagreement over the interpretation of the text of the Punta del Este Declaration. On the one hand, in accordance with the stated objective of eliminating "the distortions and impediments to international trade", developed countries, including the United States, Japan, Canada, Australia and New Zealand, gave their full support to the EC's proposal that parties be required to enact a minimum set of standards.¹³² By contrast, many developing countries did not accept the argument that the protection of intellectual property rights has any direct or significant relationship to international trade. Thus, India related the reference to "trade distortions" in the text of the negotiating mandate to the relationship between the granting of monopoly rights and anti-competitive practices. India and Brazil contended that only the potentially restrictive practices attendant upon the ownership of intellectual property rights could be considered related to trade, because they alone distorted or impeded international trade. Therefore, they maintained that the EC's proposal went beyond the mandate of the Negotiating Group.¹³³

6. GATT or WIPO?

The Group of Ten developing countries not only rejected any connection between trade and the creation of intellectual property rights, still more fundamentally, they continued to object to the proposition that GATT had the authority to prescribe international standards.¹³⁴ In support of WIPO, they argued that its future efficacy might be undermined by the activities of the new WTO which was to have as one of its responsibilities the administration of intellectual property rights.¹³⁵ This was the opposite view to that of the major exporters—the United States, the EC and Japan—who argued that the effect of the counterfeiting of intellectual property on their respective trade balances was sufficient evidence of the value of intellectual property as a commercial asset and therefore of its relevance as a trade issue. Given that the GATT is a provisional legal instrument, the view taken by Brazil and India was not without substance. Nevertheless, by way of response, the EC was dismissive of the argument, challenging the efficacy rather than the legality of the institution. By the end of 1988, WIPO itself had decided to put an end to the institutional rivalry which was thwarting its co-operation with GATT by submitting a paper to the Negotiating Group in which were identified generally accepted international norms for the protection of intellectual property.¹³⁶

Nonetheless, the divergence of opinion between the parties proved so deep that it

¹³² See *supra*, footnote 116. During 1988–1989, the EC's proposal was supported by submissions from the United States (see *supra*, footnote 114) and proposals by Australia, Canada and New Zealand (summarized in 3 WIPR, 1989, at 265–67).

¹³³ 3 WIPR, 1989, at 199 and 244.

¹³⁴ 4 WIPR, 1990, at 78.

¹³⁵ Meeting of the Governing Bodies of WIPO and the Unions administered by it: *id.*, at 251.

¹³⁶ International Bureau of WIPO, *Existence, Scope and Form of Generally Internationally Accepted and Applied Standards/Norms for the Protection of Intellectual Property*, GATT Doc. MTN.GNG/NG11/W/24 Rev. 1; WIPO Doc. WO/INF/29, September 1988.

succeeded in frustrating the progress of the negotiations for more than two years. As the mid-term review of the Uruguay Round negotiations opened in Montreal in December 1988, the dispute threatened to continue. On 18 October 1988, the issue of GATT's competence touched off such a fierce debate among industrialized and developing countries that Norway, Sweden, Denmark, and Finland intervened in an attempt to break the impasse by underscoring the commitment of the majority of countries to the continued progress of the TRIPS negotiations.¹³⁷

D. THE TURNING-POINT IN NEGOTIATIONS

Nineteen-eighty-nine proved to be the turning-point in the negotiations on TRIPS. The first breakthrough occurred in April 1989 in Geneva when further consultations resulted in the parties bridging their differences and clarifying the negotiating mandate. Key elements of their understanding were embodied in the April Decision of the Trade Negotiations Committee (TNC) on the future of the TRIPS negotiations. In the first place, it was agreed to put together a Framework Agreement of rules in respect of minimum standards for the availability, scope, and use of intellectual property rights, and procedures for their enforcement. However, by way of set-off, it was also agreed that neither the outcome of negotiations, nor the conflict over which international body was competent to implement the results, should be prejudiced by the compromise. Consequently, as far as the jurisdictional dispute was concerned, the compromise simply deferred the ultimate decision until the end of the Round. Nonetheless, the future agreement began to appear, as delegates put together a Framework Agreement entitled the Trade-Related Aspects of Intellectual Property Rights Including Trade in Counterfeit Goods.¹³⁸ Moreover, to some extent, the concerns of developing countries were addressed inasmuch as the Framework Agreement was also to include a consideration of the public interest in negotiating developmental objectives and provision for the development of a mutually supportive relationship between GATT and WIPO.¹³⁹ While the Framework Agreement marked a significant retreat from the former position of certain developing countries in the TRIPS negotiations, India for its part nevertheless denied any change of position either on the provision of minimum standards¹⁴⁰ or on the question of GATT's jurisdiction. In a politically face-saving gesture, India attributed its continued participation in the negotiations to the desire to express its concerns, without any intention of being bound by the final results.¹⁴¹

¹³⁷ The four Nordic countries reminded delegates that the mandate for the negotiations was unequivocal in so far as the primary task of the negotiating group was to put together a multilateral framework of principles, rules, and disciplines dealing with international trade in counterfeit goods. This mandate, they argued, should be used as a starting point for wider negotiations on intellectual property as nothing in the mandate prevented GATT from establishing new rules: 2 WIPR, 1988, at 213.

¹³⁸ Framework Agreement text in 3 WIPR, 1989, at 109.

¹³⁹ TNC Mid-Term Review Decision on TRIPS of April 1989, paragraph 5, *Intellectual Property Rights, A Guide to the GATT Uruguay Round*, *supra*, footnote 107, Appendix II.

¹⁴⁰ India maintained the right of developing nations to concessions: 3 WIPR, 1989, at 199.

¹⁴¹ *Id.*, at 109.

On 12 September 1989, a second breakthrough occurred when India announced that it accepted in principle the international enforcement of the trade-related aspects of intellectual property rights within the framework of the Uruguay Round negotiations.¹⁴² Given the position of India as a leading developing country, this relaxation of its former inflexible attitude had two significant results. First, it permitted the negotiations to enter a new, more intensive phase and second, it saw the substantive engagement of a considerable number of developing countries including Argentina, Brazil, Chile, Colombia, Indonesia, Malaysia, Mexico, Peru, Thailand and Uruguay.

E. THE PROPOSALS REFLECT A MORE BALANCED VIEW

Having "turned the corner", the GATT Negotiating Group was able to debate, for the first time, the details of proposed new rules to combat commercial piracy. During the period 1989-1990, forty-nine proposals were tabled representing submissions by one hundred and five countries on substantive standards and enforcement of intellectual property rights from countries which included Austria, Australia, Brazil, Canada, the EC, Hong Kong, India, New Zealand, the Republic of Korea and Peru.¹⁴³ In particular India's submission,¹⁴⁴ its first on international enforcement, reflected its concerns that intellectual property rights might themselves become a barrier to free trade and that abusive practices might accompany the granting of monopoly rights. Consequently, key elements in the submission concerned the need to observe the principles of natural justice in enforcing intellectual property rights, to compensate persons wrongly accused of infringements, and to provide both administrative and civil remedies for the abuse of rights. In keeping with its concern that Third-World countries would be penalized by increased regulation, India submitted that developing countries should not be expected to finance whatever mechanisms for enforcement finally emerged from the negotiations.

The submissions by Canada¹⁴⁵ and Mexico¹⁴⁶ belie any attempt to stereotype the views of developed and developing countries. Both proposals took a balanced view which found favour with many delegations. Both Canada and Mexico supported the development of a multilateral framework of rules to enforce intellectual property rights subject to the GATT disciplines concerning national treatment, MFN treatment, transparency, consultation and dispute settlement. For Canada, an essential part of such a framework was the need to ensure that countries do not impose discriminatory conditions on companies negotiating international licensing agreements which play such an important role in the transfer of technology. Moreover, both Canada and

¹⁴² *Id.*, at 244-45.

¹⁴³ *GATT Activities*, Geneva, 1990, at 44; Proposals by Canada, New Zealand, the Republic of Korea and Peru in 3 WIPR, 1989, at 265 *et seq.*; EC, Austria, Brazil and Hong Kong in 4 WIPR, 1990, at 17; Mexico, *id.*, at 61 *et seq.* Text of proposals by Australia: Australian Submission on Standards (July 1989) and Australian Submission on Enforcement (December 1989), *Intellectual Property Rights, A Guide to the GATT Uruguay Round*, *supra*, footnote 107, Appendix III and Appendix IV respectively.

¹⁴⁴ Indian paper summarized in 3 WIPR, 1989, at 199.

¹⁴⁵ Canadian paper summarized in *id.*, at 265-67.

¹⁴⁶ 4 WIPR, 1990, at 61.

Mexico were at one with the Indian view that too heavy-handed an enforcement of rights might negate the objective of free trade by creating a barrier to exports. In order to meet the needs of developing countries, Mexico supported the notion of differential treatment in the form of special measures including a shorter term for patents, transitional arrangements, legal assistance, and financial help to modify patent and trade-mark regimes.

F. THE DRAFT COMPOSITE TEXT OF NOVEMBER 1990

By early 1990, having completed its examination of the various proposals, the Negotiating Group had a clear understanding of the positions of the participants and of the differences that needed to be resolved before intellectual property could be integrated into a new trade regime. The considerable differences which still remained between industrialized and developing countries and among industrialized countries was well illustrated in the five hundred questions contained in the document entitled "Checklist of Issues" of 26 January 1990.¹⁴⁷ Nevertheless, in March 1990, a third, substantive phase began, that of attempting to bridge the remaining differences and to draw up a legal text embodying the results of the negotiations. The EC played a leading role in initiating this phase, being the first to submit a comprehensive draft text for a TRIPS agreement.¹⁴⁸ Subsequently, in May 1990, draft texts were tabled by the United States,¹⁴⁹ Japan, Switzerland and India on behalf of a group of fourteen developing countries. Given the conflict over the form of the agreement and the competence of GATT in substantive matters of intellectual property, the various texts neither shared one common structure nor treated the question of institutional arrangements for the implementation of the agreement in the same way. The EC and the U.S. texts proposed a new GATT Article to which the agreement was attached as an annex, whereas the text of the developing countries was divided into two parts, the first providing rules for trade in counterfeit goods, and the second setting out standards and principles concerning the availability, scope and use of intellectual property rights which was to be implemented by WIPO.¹⁵⁰

Considering the different approaches and structures of the draft texts, in July 1990 the Chairman of the TRIPS Negotiating Group, Ambassador Lars Anell of Sweden, prepared a draft composite text with the aim of providing a clear picture of the current state of the negotiations without putting forward compromise formulations.¹⁵¹ Although the draft composite text was subject to intensive

¹⁴⁷ *Intellectual Property Rights, A Guide to the GATT Uruguay Round*, *supra*, footnote 107, at 14.

¹⁴⁸ EC proposal, *Draft Agreement on Trade-Related Aspects of Intellectual Property Rights*, GATT Doc. MTN.GNG/NG11/W/68, 29 March 1990.

¹⁴⁹ U.S. proposal in GATT Doc. MTN.GNG/NG11/W/70, 11 May 1990; Swiss proposal in GATT Doc. MTN.GNG/NG11/W/73, 14 May 1990; Japanese proposal in GATT Doc. MTN.GNG/NG11/W/74, 15 May 1990; proposal by Argentina, Brazil, Chile, China, Colombia, Cuba, Egypt, India, Nigeria, Pakistan, Peru, Tanzania, Uruguay, Zimbabwe in GATT Doc. MTN.GNG/NG11/W/74, 14 May 1990.

¹⁵⁰ *Supra*, footnotes 148 and 149.

¹⁵¹ Cover memorandum from the Chairman, Geneva Draft, 23 November 1990. Further drafts of the text emerged during 1990 providing a profile of the current state of work and of the options for the possible results of the negotiations. The texts were produced on the Chairman's responsibility in the hope of assisting the further work of the Group and did not commit any country.

negotiation and successive revision, it nevertheless still consisted of two quite distinct draft agreements when the Chairman submitted the Final Draft Agreement (the Geneva Draft) to the TNC in November 1990.¹⁵² The comparatively slender Agreement on Trade in Counterfeit and Pirated Goods provided broadly for the institution of adequate border measures to discourage international trade in counterfeit goods. The character of the provisions was distinguished more by a spirit of co-operative prevention against counterfeiting and a willingness to clarify existing intellectual property laws than by a series of detailed undertakings. In contrast, the comprehensive and detailed Agreement on the Trade-Related Aspects of Intellectual Property Rights, including Trade in Counterfeit Goods provided for standards to be implemented at the national level and their enforcement to be aided by GATT consultation and dispute settlement mechanisms.

Consequently, the Draft Composite Text which was presented to the Ministerial Meeting in Brussels in December 1990¹⁵³ indicated that, despite the areas of tentative accord, there remained considerable disagreement among negotiators over minimum standards of protection. Square brackets attested to the substantive differences that remained, such as:

- (i) the term of protection for patents, whether patents should be granted on a first-to-invent or first-to-file basis, the conditions for the granting of compulsory licences and whether to grant patents for plant and animal varieties;
- (ii) whether performers should be accorded copyright or neighbouring rights, the scope of rental or related rights for copyright works and whether the agreement should provide for moral rights,¹⁵⁴ as well as the scope of rights to be allowed computer software, circuit layouts and industrial designs; and
- (iii) the protection to be afforded to products of a specific geographical origin.¹⁵⁵

The differences over substantive provisions reflected the opposing perspectives of developed and developing countries. For example, the group of negotiators designated "A" in the Composite Text proposed that the use of a trade mark should not be unjustifiably encumbered by special requirements such as use with another trade mark, use in a special form, or use in a manner detrimental to the capacity of the mark to distinguish goods or services. By contrast, Group "B" would leave such conditions to national legislation.¹⁵⁶ Again, with respect to the question of the abuse of intellectual

¹⁵² GATT Doc. MTN.TNC/W/35, 26 November 1990.

¹⁵³ Ministerial Conference, Brussels, 3 to 7 December 1990: *GATT Activities, supra*, footnote 143, at 46.

¹⁵⁴ Article 9 of the Draft Composite Text stipulated the parties' adherence to the substantive provisions of the Berne Convention. Most Contracting Parties did not differentiate between economic and other rights and consequently, had no difficulty in including Article 6 *bis* on moral rights. However, as the square brackets indicated, the United States insisted on excluding moral rights and, as the definitive text shows, prevailed.

¹⁵⁵ Differences existed between the EC and the United States over industrial designs. For example the U.S. Coalition for Competitive Repair Parts was unhappy at the narrow nature of the EC criteria for a design eligible for protection, given that the U.S. domestic criteria were wider: 4 WIPR, 1990, at 233.

¹⁵⁶ Draft Composite Text, Article 22, variant A. India in particular sought to retain its practice of requiring foreign trade marks applied to goods produced under licence to be used in conjunction with a local mark: Reinbothe and Howard, *op. cit.*, *supra*, footnote 111, at 161.

property rights, the entire section drafted by certain developing countries concerning the control of anti-competitive practices in contractual licensing, that would permit parties to regulate such practices as exclusive sales and cross-licensing agreements, remained within square brackets.¹⁵⁷

G. FAILURE TO MEET THE DEADLINE OF DECEMBER 1990

As the differences between delegates remained unresolved, the Negotiating Group failed to submit a final draft text by December 1990, the end of the scheduled four-year Round. Nevertheless, considering the ambitious nature of the agreement in seeking to provide not only for measures at the border to curtail trade in counterfeit goods, but also substantive standards which would apply uniformly in over one hundred countries, the period of negotiations between 1986 and 1990 had not been entirely unsuccessful. The negotiators had achieved a draft text which broadly resembled the Agreement on TRIPS with Articles relating to the application of GATT principles for non-discriminatory trade, to the creation and enforcement of intellectual property rights, and to the settlement of disputes in accordance with GATT procedures. In addition, there had been a considerable shift in the formerly intractable attitude of certain developing countries towards such an agreement.

The Director-General expressed renewed hope of bringing the Uruguay Round to a successful conclusion by the new deadline of December 1991, when a new obstacle emerged in the form of a dispute between the EC and the other contracting parties over the reduction of agricultural subsidies.¹⁵⁸ Since progress on TRIPS was contingent on progress in the other sectors of the Uruguay Round, including agriculture, the effect of the now deadlocked dispute was to slacken the momentum of negotiations on TRIPS until there was some indication that the Round was nearing its conclusion.¹⁵⁹ Nonetheless, the negotiating schedule called for all seven negotiating groups to continue working throughout the year with a view to producing texts which could be presented to governments for signature early in 1992. The approach adopted by the Chairman was to form a so-called "ten on ten" informal Working Group comprising ten developed countries, including Australia, and ten developing countries—a method which allowed a systematic examination of the Draft Text with the aim of addressing each country's initial concerns, as opposed to an open forum in which the views of almost one hundred countries would have to be considered.¹⁶⁰

¹⁵⁷ Draft Composite Text, Section 8, Article 43 reflects the view of certain developing countries that the right to control the licensing practices of right-holders and, where necessary, to tie the grant of exclusive rights to obligations in respect of local investment and technology transfer, is an important instrument in development policy. Although most industrialized countries conceded that the grant of monopoly rights in intellectual property may operate in certain circumstances against the public interest, they did not consider it necessary that a multilateral agreement should contain a list of some fourteen practices which were deemed to be in restraint of competition: Reinbothe and Howard, *op. cit.*, *supra*, footnote 111, 157 at 160. The definitive text allows Members to take appropriate measures to prevent or control anti-competitive practices in contractual licences (Article 40); the full list of such practices has been omitted.

¹⁵⁸ 4 WIPR, 1990, at 278.

¹⁵⁹ *Id.*, at 16.

¹⁶⁰ *Review of Developments in International Trade Law*, Commonwealth Attorney-General's Department, Canberra, November 1992, at 31.

However, by November 1991, the list of substantive issues outstanding remained essentially unchanged.¹⁶¹ Decisions were still required on some twenty issues concerning the nature and level of the standards of protection, mainly in the areas of copyright, geographical indications and patents. Secondly, a consideration of the possible economic impact of a future agreement on TRIPS required decisions to be made concerning the duration of the transition periods to which developing countries and least-developed countries (LDCs) should be entitled and the extent to which the new obligations would apply to existing subject-matter.

H. THE DUNKEL DRAFT, 1991

As 1991 drew to a close without agreement, the Director-General of GATT, Arthur Dunkel, acted to save the Uruguay Round from foundering. The Director-General compiled the results of the negotiations in each sector into a comprehensive document that became known as the Dunkel Draft, which he presented to delegates on 20 December 1991 on a "take it or leave it" basis. During the course of the next two years, it seemed very doubtful whether the agreement would ever become more than a formal draft. The Dunkel Draft met with criticism for being inadequate in its defence of intellectual property rights. Powerful, partisan interest groups such as the International Intellectual Property Alliance and representatives of the pharmaceutical and entertainment industries, dissatisfied with the consensual nature of the document, saw little incentive in an agreement that met less than all of their demands, particularly when Section 301 had proven so effective.¹⁶² With more justification, the Agreement was criticized for being already outdated by failing to provide for potential right-holders within the new communications environment of computer networks and cable television.

In fact, it appeared that the whole Round would founder over the controversial and seemingly insoluble negotiations concerning the liberalization of trade in agriculture which involved the EC, the United States and Japan in the difficult political and social issues of unemployment, rural dislocation, cultural identity and national security. At length, however, a combination of factors prompted the delegates to bring the Round to a conclusion. Given the accumulation of broken deadlines, the protracted negotiations became an investment in time and energy which could not be lost. More significantly, in view of the depressed state of the world economy, the impending breakdown in negotiations fuelled fears of increasing

¹⁶¹ 5 WIPR, 1991, at 331-332.

¹⁶² The use of Special 301 remains an option since the group of developing countries led by India and Brazil failed to have the Agreement on TRIPS include a provision prohibiting Members from having recourse to unilaterally decided economic measures aimed at ensuring the enforcement of intellectual property rights: see Article IV of the Draft Agreement on Trade in Counterfeit and Pirated Goods of 23 November 1990. See also *Industry Fears Weakened Protection Under GATT and Other Multilateral Pacts*, BNA PTC Law Daily, 31 May 1991: "No GATT is better than a bad GATT" was the sentiment expressed by industry representatives at the Senate hearing (Senate Subcommittee on Patents, Copyrights and Trademarks) while other witnesses at the House hearing (House Subcommittee on Intellectual Property and Judicial Administration) warned of the dangers of over-protecting intellectual property in a global economy.

protectionism, continued unemployment and national debt. On 15 December 1993, Members ultimately found the political will to press the Round to a conclusion.

I. THE AGREEMENT ON TRIPS

The results of the TRIPS negotiations were embodied in Annex III of the Dunkel Draft, from which the definitive text of the Final Act does not substantially differ.¹⁶³ The Agreement is a milestone in the international regulation of intellectual property, not only in terms of the application of the benefits of national treatment and MFN treatment to the owners of intellectual property rights who are nationals of Member States,¹⁶⁴ but also in terms of the attempt to provide minimum international standards for the availability, scope and enforcement of intellectual property rights.

Part II of the Agreement provides minimum standards based on the existing Conventions, supplemented as necessary by new provisions not only for copyright, patents, trade marks and industrial designs, but also for rights neighbouring copyright in performance, broadcasting and sound recording, geographical indications, integrated circuits and confidential information. Additional protection with respect to copyright includes the requirement that Members extend copyright protection to computer programs and databases;¹⁶⁵ that the authors of computer programs and cinematographic works, and the producers of phonograms be given the right to authorize or prohibit the commercial rental of their works to the public;¹⁶⁶ and that performers receive protection from the unauthorized recording and broadcast of live performances.¹⁶⁷

With respect to trade marks and service marks, the provisions of the Paris Convention are supplemented by requirements concerning the eligibility of signs for protection,¹⁶⁸ the term of their protection,¹⁶⁹ the minimum rights to be conferred on owners of registered trade marks, and the requirements for use, licensing and assignment. Contrary to the practice of certain developing countries, the requirements for use would, in general, prohibit any special requirement that foreign marks should be used in conjunction with a local mark.¹⁷⁰ The owners of well-known marks however, receive additional protection.¹⁷¹

A novel feature of the Agreement is the provision with respect to geographical indications. Article 22 requires each Member country to provide the legal means to prevent the use of any geographical indication which misleads the public as to the true

¹⁶³ See Annex III, Draft Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, MTN.TNC/W/FA 20 December 1991; also Agreement on Trade-Related Aspects of Intellectual Property Rights, Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, 15 April 1994, Annex 1C, at 349.

¹⁶⁴ TRIPS Agreement, Articles 3 and 4.

¹⁶⁵ *Id.*, Article 10.

¹⁶⁶ *Id.*, Articles 11 and 14.

¹⁶⁷ *Id.*, Article 14(1).

¹⁶⁸ *Id.*, Article 15.

¹⁶⁹ *Id.*, Article 18.

¹⁷⁰ *Id.*, Article 20.

¹⁷¹ *Id.*, Article 16.

origin of the good, as well as any use which would constitute an act of unfair competition. Moreover, any trade mark which contains a geographical indication is to be refused or invalidated if it is likely to mislead the public as to the true origin.¹⁷² Article 23 provides additional protection for geographical indications for wines and spirits which are to be protected even where there is no danger of the public being misled as to the true origin.¹⁷³

With respect to patents, provisions additional to the Paris Convention include a twenty-year term of protection for almost all inventions, whether of products or processes, in all fields of technology.¹⁷⁴ Of particular relevance to developing countries, Members may exclude inventions from patentability if their commercial exploitation is prohibited for reasons of public order or morality; otherwise, the exclusions permissible are for diagnostic, therapeutic and surgical methods, and for plants, animals (other than micro-organisms) and essentially biological processes for the production of plants or animals (other than microbiological processes).¹⁷⁵ However, plant varieties are to be protected either by patent or by a *sui generis* system such as the plant breeders' rights provided for in the International Convention for the Protection of New Varieties of Plants (1986).¹⁷⁶ Further, the Agreement sets out detailed conditions with respect to the compulsory licensing or governmental use of patents without the authorization of the patent holder.¹⁷⁷

The Treaty on Intellectual Property in Respect of Integrated Circuits (1989) is supplemented by the requirements that protection must be available for a minimum period of ten years,¹⁷⁸ that rights extend to goods incorporating the infringing layout design and that compulsory licensing and government use be allowed only under a number of strict conditions.¹⁷⁹

The critical Articles on enforcement are contained in Part III which sets out the obligations of Member governments to provide procedures and remedies under their domestic law to ensure that intellectual property rights can be effectively enforced by foreign right-holders and nationals alike. Civil and administrative procedures must not only permit effective action against infringement of intellectual property rights but should be fair and equitable, not unnecessarily complicated or costly and should not entail unreasonable time-limits or unwarranted delays.¹⁸⁰ They should also allow for judicial review of final administrative decisions.¹⁸¹ In particular, Article 43 is designed to facilitate the production of evidence, and Articles 44, 45 and 46 require that judicial authorities be given the power to order injunctions, award damages and

¹⁷² *Id.*, Article 22(3).

¹⁷³ Member countries are required "to provide the legal means for interested parties to prevent use of a geographical indication [for wines or spirits] . . . even where the true origin of the goods is indicated or the geographical indication is used in translation or accompanied by expressions such as "kind", "type", "style", "imitation" or the like."

¹⁷⁴ TRIPS Agreement, Article 33.

¹⁷⁵ *Id.*, Article 27.

¹⁷⁶ *Id.*, Article 27(3)(b).

¹⁷⁷ *Id.*, Article 31.

¹⁷⁸ *Id.*, Article 38.

¹⁷⁹ *Id.*, Article 37(2).

¹⁸⁰ *Id.*, Article 41(2).

¹⁸¹ *Id.*, Article 41(4).

order other remedies including the disposal or destruction of infringing goods. Further, according to Article 50, judicial authorities are to be given the authority to order prompt and effective provisional measures, in particular where any delay is likely to cause irreparable harm to the right-holder, or where evidence is likely to be destroyed. In order to prevent the movement of infringing goods across national borders, Articles 51 to 60 detail the measures which are to be taken by customs officials for the suspension of release into domestic circulation of counterfeit and pirated goods. Finally, Members are required to provide criminal procedures and penalties in cases of "wilful trade-mark counterfeiting or copyright piracy on a commercial scale."¹⁸² Remedies are to include fines and imprisonment sufficient to act as a deterrent.

The "Institutional Arrangements" of the Agreement provide for the establishment of a Council on the trade-related aspects of intellectual property rights¹⁸³ to monitor the operation of the Agreement, including Members' compliance with their obligations. The TRIPS Council may also assist Members on an informal basis with the resolution of disputes. However on a formal level, a key feature of the Agreement is the express application of GATT dispute settlement procedures to international conflicts involving intellectual property rights. To this end, Article 64 of the Agreement incorporates the provisions of Articles XXII and XXIII of the GATT, including the rules and procedures governing the settlement of disputes within the Understanding on Dispute Settlement.

To a limited extent, the Agreement addresses the particular concerns of developing countries by providing a period of transition prior to the application of the Agreement, by allowing Members to take measures against the abuse of intellectual property rights, and by clarifying the relationship between GATT and WIPO in matters of intellectual property.¹⁸⁴ With respect to the transitional arrangements, Article 65 allows developing countries a total period of five years from the date of application within which to bring their laws, regulations and practices into conformity with the new obligations. Given the economic and administrative constraints of the LDCs, Article 66(1) allows at least ten years from the date of application before they are required to implement the substantive provisions of the TRIPS Agreement. In recognition that the abuse of intellectual property rights may impede the transfer of technology, Member countries are not only free to take appropriate measures to control anti-competitive practices in contractual licences, but may also request consultations with the government whose nationals are alleged to have engaged in abusive practices.¹⁸⁵ Finally, Article 68 specifically requires the TRIPS Council to

¹⁸² *Id.*, Article 61.

¹⁸³ *Id.*, Article 68.

¹⁸⁴ E. Opoku Awuku, *How Do Results of the Uruguay Round Affect the North-South Trade?* 28 J.W.T. 2, April 1994, 75 at 83-85.

¹⁸⁵ Article 8 permits Members to take appropriate measures, provided they are consistent with the Agreement, to prevent the abuse of intellectual property rights by right-holders or the resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology. Article 40 allows Members to provide in their legislation against anti-competitive practices in contractual licences. Article 67 requires developed country Members to co-operate with developing country Members in the preparation of laws for the prevention of the abuse of intellectual property rights.

consult with WIPO in order to establish appropriate co-operative arrangements with the various bodies of that Organization.

J. THE IMPACT OF THE TRIPS AGREEMENT ON DOMESTIC LEGISLATION

In conclusion, as a measure of the significance of the Agreement on TRIPS, it is instructive to briefly examine its impact on the domestic law of developed Member countries as exemplified by the changes that will be necessary to the intellectual property laws of Australia. Throughout the Uruguay Round, Australia, a founder Member of the GATT, supported the notion of an agreement on the trade-related aspects of intellectual property rights on the ground that better-defined and enforced multilateral disciplines in the area would contribute to the growth of investment and the expansion of world trade. Prior to the signing of the TRIPS Agreement,¹⁸⁶ the Australian government showed its commitment to the standards embodied in the Dunkel Draft by adopting them as the basis for the reform of domestic law. Australia therefore undertook reviews of its copyright, patent, trade-marks and designs legislation with a view to ensuring its compliance with international standards. For example, the Working Party appointed in 1989 to review the Australian trade-marks legislation proceeded in light of the fact that substantial changes would be required in order to bring Australian trade-mark law into conformity with the standards expressed in the Draft Agreement.¹⁸⁷

Subsequently, as a signatory to the Final Act, Australia has responded swiftly and decisively to implement its international obligations under the Agreement on TRIPS. Article 1 of the Agreement imposes an obligation on Member States to give effect to the provisions of the Agreement in their domestic law. When Article 1 is read together with Articles 3 and 4, requiring Members to accord national treatment and MFN treatment respectively, a material reciprocity comes into play which requires Australia to provide the foreign nationals of Member States minimum standards of protection if it, in turn, wishes to demand the same for its nationals in markets overseas. The process of ratification including preparation of the necessary implementing legislation must be completed by 1 January 1995, at which time the WTO is due to enter into force. Australia, as a developed nation, will then have one year within which the required legislation must enter into force.¹⁸⁸

In keeping with the demand for increased protection, the changes that will be necessary to Australian legislation broadly have the effect of enhancing the rights of the proprietor, increasing the availability of intellectual property rights and strengthening those rights against infringement, erosion or extinction. The changes and amendments necessary to ratify the Agreement by the target date are under way at

¹⁸⁶ Australia was one of one hundred and eight countries to sign the Final Act of the Uruguay Round on 15 April 1994 in Marrakesh: GATT Focus, No. 107, May 1994, at 16.

¹⁸⁷ Working Party to Review the Trade Marks Legislation, *Recommended Changes to the Australian Trade Marks Legislation; The Economics of Patents; Designs; supra*, footnote 13.

¹⁸⁸ TRIPS Agreement, Article 65(1): thus, it is anticipated that the Draft Trade Marks Bill will enter into force by July 1995.

present. The implementation of the Agreement requires changes, in some cases substantial changes, to patent, copyright and trade-mark legislation. In the area of patents, compliance with Article 33 of the Agreement requires that the present term of sixteen years for a standard patent be extended to twenty years.¹⁸⁹ In the area of copyright, compliance with Articles 11 and 14 requires amending the Copyright Act 1968 in order to provide the owners of copyright in software, cinematographic works and sound recordings, with the right to authorize the commercial rental of their works to the public, whether as originals or copies. Further, in conformity with Article 14(1) and (5), amendments are required to extend the term of protection available to performers from twenty to fifty years, and to grant performer's rights in respect of existing and future unauthorized recordings where the performances recorded are protected in their country of origin.¹⁹⁰ Finally, with respect to the seizure of suspect pirated goods by customs authorities, in compliance with the broader definition of "pirated copyright goods" in Article 51 of the Agreement, Section 135 of the Copyright Act requires amendment in order to remove the limitation on the Comptroller-General to seize only printed copies of works alleged to infringe, so that Customs may seize "any goods which are copies made without the consent of the right-holder".

The amendments necessary in order for Australia to comply with its obligations under Articles 15 to 21 are to take the form of a new Trade Marks Act. In the first place, the Trade Marks Bill 1994 provides a more generous definition of trade mark, which will have the effect of increasing the number of marks eligible for registration.¹⁹¹ Secondly, a considerable relaxation of the requirements for registrability will entitle more marks to the benefits of registration. Thirdly, a broader test of infringement than now exists in Section 62 of the current Trade Marks Act 1955 will extend the rights of the registered owner to prevent the unauthorized use of an identical or similar mark for goods or services which are not only identical, but also similar to those in respect of which the trade mark is registered.¹⁹² Moreover, in compliance with Article 16(2) and (3) of the Agreement, the Bill provides well-known marks with additional protection by prohibiting their unauthorized use in relation to dissimilar or unrelated goods or services.

With respect to geographical indications, under current Australian law an interested party may sue a misleading user in tort for "passing off" or for breaches of the consumer protection provisions of the Trade Practices Act 1974 and equivalent state and territory legislation. Moreover, while the present Trade Marks Act 1955 prohibits the registration of a trade mark which is likely to mislead or cause confusion,

¹⁸⁹ Section 67, Patents Act 1990; see also, with reference to the term of protection, *The Economics of Patents*, *supra*, footnote 13, 50-51.

¹⁹⁰ The proposed changes are embodied in the Copyright Act (World Trade Organization Amendments) 1994.

¹⁹¹ In conformity with Article 15(1), protectable subject-matter "includes the following or any combination of the following, namely, any letter, word, name, signature, numeral, device, brand, heading, label, ticket, shape, colour, sound or aspect of packaging.": Clause 5.

¹⁹² Trade Marks Bill 1994, Article 16(1).

in compliance with Article 22(3), the Trade Marks Bill expressly provides that registration may be refused or invalidated "if the trade mark consists wholly or principally of a sign that is ordinarily used to indicate . . . [the] geographical origin . . . of the goods or services."¹⁹³ In particular, as far as geographical indications for wines and spirits are concerned, Australia has begun a process of reform which exceeds the requirements of Article 23. The Australian Wine and Brandy Corporation Amendment Act 1993 establishes a Register of Protected Names which contains a part for geographical indications in respect of wines manufactured in, *inter alia*, an EC country. The Amendment Act prohibits the use of registered geographical indications otherwise than in respect of wines produced in the area indicated and provides criminal sanctions against their misleading use. European geographical indications such as Beaujolais or Chianti, which are in generic use in Australia, are to be phased out gradually.

The TRIPS Agreement will, therefore, have a considerable impact both in terms of commercial practice and in terms of its economic impact on providing a more secure environment for trade and investment. Although over the past five years, Australia has seen some improvement in intellectual property protection in the Asian region, reform has been selective. The Agreement on TRIPS will provide a real benefit to Australia in terms of bringing its trading partners in Asia under an international obligation to enact minimum standards for the protection and enforcement of intellectual property rights.¹⁹⁴

¹⁹³ Trade Marks Bill 1994, Clause 41(1)(a).

¹⁹⁴ Further, see C. Arup, *The Prospective GATT Agreement for Intellectual Property Protection*, 4 AIPJ, 1993, at 185-6.