CHALLENGING TRIPS-PLUS AGREEMENTS: THE POTENTIAL UTILITY OF NON-VIOLATION DISPUTES

Susy Frankel *

ABSTRACT

A World Trade Organization (WTO) non-violation complaint is one where an agreement has not been breached, but the complainant alleges an expected benefit under the agreement has been abrogated. When the TRIPS Agreement came into force non-violation complaints were not available for TRIPS disputes. This position was to be reviewed. Non-violation complaints remain unavailable for TRIPS disputes. In the early days of TRIPS the exclusion of non-violation disputes seemed rational because of the unique nature of TRIPS, among WTO agreements. The TRIPS Agreement requires members to implement minimum standards of intellectual property protection in their national laws. Members therefore have to provide at least that level of protection. If they do not do so a violation complaint could be initiated. Consequently, it was not logical to look for any notion of expected benefit beyond the wording of the minimum standards. However, TRIPS permits members to have greater standards and many members have agreed to higher standards through free trade agreements. These TRIPS-plus standards have arguably undermined expected benefits that should flow from TRIPS, especially for users of intellectual property rights. This article discusses the utility of making non-violation disputes available for TRIPS disputes from the perspectives of both the users and owners of intellectual property rights. This analysis includes a discussion of whether TRIPS-plus free trade agreements undermine expected benefits of the TRIPS Agreement and should thus be the subject of a non-violation dispute.

^{*} Professor of Law, Victoria University of Wellington, New Zealand. E-mail: susy.frankel@vuw .ac.nz. I presented an earlier version of this article, 'Is nullification and impairment of the TRIPS Agreement possible 'as the result' of TRIPS-plus agreements?', at the Inaugural conference of the SIEL in Geneva 2008. My thanks to the organisers of that conference. Thanks also to Rochelle Dreyfuss, Jane Ginsburg, Lionel Bentley and Susan Corbett for comments on draft and my research assistant Jessica Lai.

I. INTRODUCTION

The level of intellectual property protection that achieves trade liberalization, and encourages development and technology transfer, is a central issue in intellectual property from an international economic law perspective. The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement)¹ provides for minimum standards of intellectual property law that members of the World Trade Organization (WTO) agreed to.² Many WTO members tried to negotiate higher standards than were eventually agreed and they now have higher levels of protection in their laws than those set out in the TRIPS Agreement and consequently, for those Members, the TRIPS Agreement is a floor rather than a ceiling. The TRIPS Agreement sets the agreed minimum standards and members are obliged to enact laws that at least comply with those standards. The result is a number of differing intellectual property laws at national level. The differences between national laws can lead to disputes between members as to whether, or not, a law is compliant with the TRIPS Agreement.

In addition to the TRIPS Agreement minimum standards, the requirements of other multilateral agreements may also be incorporated into a member's law. The most significant multilateral intellectual property body outside of the WTO is the World Intellectual Property Organization (WIPO).³

As well as multilateral minimum standards, national intellectual property laws may also reflect intellectual property standards agreed in bi-lateral or free trade agreements (FTAs). Since the TRIPS Agreement came into force in 1995, members have entered into a steadily growing number of FTAs with intellectual property chapters.⁴ The intellectual property chapters of

¹ Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), 15 April 1994, Marrakesh Agreement Establishing the World Trade Organization (WTO Agreement), Annex 1C, 33 ILM 1197, 1198 (1994).

² Article 1.1 of the TRIPS Agreement provides: 'Members shall give effect to the provisions of this Agreement. Members may, but shall not be obliged to, implement in their law more extensive protection than is required by this Agreement, provided that such protection does not contravene the provisions of this Agreement. Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice.'

There are, however, many multilateral bodies that have agreed on some intellectual property standards. An example is the Convention on Biological Diversity, done at Rio de Janeiro, 5 June 1992, UNEP/Bio.Div./N7-INC5; 31 ILM 818, available at http://www.cbd.int. For a general discussion of the various international fora in which intellectual property issues are discussed see, Laurence R Helfer, 'Regime Shifting: The TRIPs Agreement and New Dynamics of International Intellectual Property Lawmaking', (2004) 29 Yale J Intl L 1.

⁴ The WTO states on its website that 'Regional Trade Agreements' (RTAs) have become in recent years a very prominent feature of the Multilateral Trading System. The surge in RTAs has continued unabated since the early 1990s. Some 380 RTAs have been notified to the GATT/WTO up to July 2007. Of these, 300 RTAs were notified under Article XXIV of the GATT 1947 or GATT 1994; 22 under the Enabling Clause; and 58 under Article V of the GATS. At that same date, 205 agreements were in force. If we take into account RTAs

these agreements vary in scope.⁵ Many of the FTAs, however, include what are now commonly called TRIPS-plus provisions. These provide for intellectual property protection above the minimum standard that the TRIPS Agreement requires.

In many instances TRIPS-plus standards in FTAs have not been truly negotiated, but rather have come about through something close to coercion. In particular, many of these agreements are entered into between parties of unequal economic power and the 'smaller' party is seeking other trade benefits and so will agree to TRIPS-plus standards in order to obtain those other benefits. The USA and the EU, in particular, have 'template' intellectual property chapters, which are 'non-negotiable' in exchange for other trade concessions. There is much debate over whether 'high' levels of protection are effectively forced on developing nations, when such levels of protection are not necessarily of direct or immediate economic benefit. These factors create questions as to whether TRIPS-plus FTAs are legitimate. This article analyzes whether these intellectual property chapters can be legitimate when they do not recognize the express and implied parameters of the object and purposes of the TRIPS Agreement.

An important aspect of the TRIPS Agreement is the availability of the WTO dispute settlement system to hear disputes about violations of all WTO Agreements, including the TRIPS Agreement.⁸ The complainant in

which are in force but have not been notified, those signed but not yet in force, those currently being negotiated, and those in the proposal stage, we arrive at a figure of close to 400 RTAs which are scheduled to be implemented by 2010. Of these RTAs, free trade agreements (FTAs) and partial scope agreements account for over 90%, while customs unions account for less than 10%, see WTO, 'Regional Trade Agreements', http://www.wto.org/english/tratop_e/region_e/region_e.htm accessed 21 March 2009. Many of these agreements, although not all, contain intellectual property chapters.

Some may have very limited IP chapters, such as an agreement to have TRIPS standards. Others may have extensive TRIPS-plus provisions, see Susy Frankel, 'The Legitimacy and Purpose of Intellectual Property Chapters in FTAs', in Ross Buckley and others (eds), Challenges to Multilateral Trade: The Impact of Bilateral Preferential and Regional Trade Agreements (Kluwer Law International, The Netherlands 2008), (Legitimacy and Purpose of Intellectual Property Chapters), where I describe these chapters as 'TRIPS equivalent and a little bit extra', 'TRIPS-plus' and 'TRIPS-superplus'.

⁶ See 'Intellectual Property Provisions in International Investment Arrangements', United Nations Conference on Trade and Development, IIA Monitor No. 1 (2007), UN Doc. UNCTAD/WEB/ITE/IIA/2007/1, at 5 noting that intellectual property chapters in both US and EU FTAs are often the same, but that the US and EU approaches are different from each other.

⁷ See generally Keith E Maskus and JH Reichman (eds), International Public Goods and Transfer of Technology under a Globalized Intellectual Property Regime (Cambridge University Press, Cambridge 2005).

⁸ Article 64 of the TRIPS Agreement provides: 'The provisions of Articles XXII and XXIII of GATT 1994 as elaborated and applied by the Dispute Settlement Understanding shall apply to consultations and the settlement of disputes under this Agreement except as otherwise specifically provided herein.'

such a dispute usually alleges that there has been a violation of, and consequently a nullification and impairment of, one or more articles of the WTO agreements. In relation to the GATT⁹ and GATS,¹⁰ but not the TRIPS Agreement, members can bring what are known as non-violation complaints.¹¹ A complainant in a non-violation complaint alleges that, although a specific article of an agreement has not been breached, an expectation of an agreed benefit arising from the agreement has been nullified or impaired.¹²

There has been discussion, but no firm resolution, about whether non-violation disputes should be available under the TRIPS Agreement. This discussion took place even though the role for non-violation disputes, about GATT and GATS, is unsettled because the parameters of non-violation disputes are not well defined. Some commentators even suggest that non-violation disputes are inherently inappropriate in the WTO rules-based system.

⁹ General Agreement on Tariffs and Trade 1994 (GATT), 15 April 1994, Marrakesh Agreement Establishing the World Trade Organization (WTO Agreement), Annex 1A, article XX, 1867 UNTS 187; 33 ILM 1153 (1994).

General Agreement on Trade in Services (GATS), 15 April 1994, Marrakesh Agreement Establishing the World Trade Organization (WTO Agreement), Annex 1B, 1869 UNTS. 183, HR Doc. No. 103–316, 1588.

Article 6.2–3 of the TRIPS Agreement states: '2. Subparagraphs 1(b) and 1(c) of Article XXIII of GATT 1994 shall not apply to the settlement of disputes under this Agreement for a period of five years from the date of entry into force of the WTO Agreement. 3. During the time period referred to in paragraph 2, the Council for TRIPS shall examine the scope and modalities for complaints of the type provided for under subparagraphs 1(b) and 1(c) of Article XXIII of GATT 1994 made pursuant to this Agreement, and submit its recommendations to the Ministerial Conference for approval. Any decision of the Ministerial Conference to approve such recommendations or to extend the period in paragraph 2 shall be made only by consensus, and approved recommendations shall be effective for all Members without further formal acceptance process.'

¹² Article XXIII of GATT provides for non-violation and situation complaints. Situation complaints are rarely used and have not been suggested as relevant in the TRIPS context. Therefore I focus on non-violation complaints.

Despite the passing of 5 years the moratorium on non-violation complaints continues. See WTO 4th Ministerial Conference, 'Declaration on Implementation-Related Issues and Concerns', WT/MIN(01)/17, adopted on 14 November 2001 at Doha, para 11(1), Member States directed that '[t]he TRIPS Council... continue its examination of the scope and modalities for [non-violation] complaints... and make recommendations to the Fifth Session of the Ministerial Conference [in Cancún 2003]. It is agreed that, in the meantime, members will not initiate such complaints under the TRIPS Agreement.' No resolution of the issue was reached at the Cancún Ministerial Conference and no agreement has subsequently been reached. See also WTO, Council for Trade-Related Aspects of Intellectual Property Rights, 'Non-violation and Situation Complaints—Summary Note by the Secretariat, Revision', IP/C/W/349/Rev.1, 24 November 2004, (TRIPS Council Summary of Non-Violation Issues).

¹⁴ Sungioon Cho, 'GATT Non-Violation Issues in the WTO Framework: Are They the Achilles' Heel of the Dispute Settlement Process' (1998) 39 Harv Intl LJ 311.

¹⁵ Ibid. Other commentators consider that such disputes are potentially important because they enable the disputants not to be their own judge in contentious trade relationships, see eg those cited in Cho, ibid, fn 42.

Even though it is not possible to bring a TRIPS Agreement non-violation dispute, the non-violation dispute criteria provide a useful method through which to assess the legitimacy of TRIPS-plus FTAs. This is because a non-violation analysis requires an assessment of members' expectations about the scope of benefits arising from the agreement at issue. In this article I use this approach to analyze the relationship between the purposes of the TRIPS Agreement and the purposes of TRIPS-plus FTAs.

The TRIPS Agreement has many purposes. Its fundamental objective is to bind its members to obligations to protect intellectual property rights. TRIPS also has other purposes, which compete with and therefore require balancing against the protection of intellectual property. These include the interests of third parties to use and access intellectual property, and the goals of technology transfer and dissemination. The preamble to the TRIPS Agreement and its articles entitled 'principles' and 'objectives' provide some guidance about the object and purpose of the Agreement, which are important for dispute settlement over alleged breaches of the Agreement.

The purposes of the TRIPS Agreement are expressed through its framework and structure. The TRIPS Agreement fundamentally differs from other international intellectual property agreements in its objectives. This is because it is part of the WTO agreements and as such it has trade-related purposes. Trade-related purposes are not found in any other multilateral intellectual property agreements.¹⁹ The trade related purposes are not only to protect intellectual property rights, but to also make sure that intellectual property rights do no themselves operate as unacceptable trade barriers.²⁰

¹⁶ Article 7 of the TRIPS Agreement. See also discussion below in Section IV.

¹⁷ Articles 7 and 8 of the TRIPS Agreement. See also discussion below in Section IV.

Although panels have not always paid attention to the object and purpose of the TRIPS Agreement as a whole, see Susy Frankel, 'WTO Application of "the Customary Rules of Interpretation of Public International Law" to Intellectual Property' (2006) 46 Virginia Intl L Rev (2006) (WTO Application of Customary Rules). The need for the objectives and principles to be recognised in dispute settlement was underscored in the Doha Declaration, see Doha WTO Ministerial 2001: TRIPS, 'Declaration on the TRIPS Agreement and Public Health', WT/MIN(01)/DEC/2, adopted on 20 November 2001 (Doha Declaration on Public Health), para 5a.

Berne Convention for the Protection of Literary and Artistic Works (Berne Convention), 24 July 1971 (Paris text), 1161 UNTS 3; 102 Stat 2852 and the Paris Convention for the Protection of Industrial Property (Paris Convention), 14 July 1967 (Stockholm text), 828 UNTS 305. The Berne Convention and the Paris Convention, which are incorporated into the TRIPS Agreement, are administered by WIPO. These multilateral agreements do not have trade purposes. The absence of the connection with trade was one factor that motivated the inclusion of intellectual property in successive GATT negotiating rounds and ultimately in the Uruguay round that culminated in the TRIPS Agreement.

²⁰ See TRIPS Agreement, where the preamble states, 'Desiring to reduce 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 core of TRIPS sets out a series of minimum legal standards that allow members some autonomy over how they implement those standards in their national intellectual property law. How much autonomy members have over the detail of their domestic law may depend on the particular article involved. Some articles of the Agreement function like maximum standards in that they specify what should not be protected. An example is the idea/expression dichotomy in copyright which is codified as:²¹

Copyright protection shall extend to expressions and not to ideas, procedures, methods of operation or mathematical concepts as such.

The Doha Declaration on the TRIPS Agreement and Public Health, ²² in the context of compulsory licenses for pharmaceutical patents, recognized the principle of national autonomy in enacting minimum standards in domestic law. It declared that members may define for themselves what amounts to a national health-related emergency.²³ Article 27 of TRIPS, which defines the subject matter of patents, is implemented in very different ways in members' national laws. When it comes to the scope of subject matter of patents there is much dispute over whether the TRIPS Agreement requires certain types of patents.²⁴ Conversely, some TRIPS articles allow little flexibility, such as the requirement that members protect computer programs as literary works in copyright law.²⁵ This does not give members scope to protect computer programs as another category of copyright work.²⁶ They must protect computer programs as literary works.²⁷ The degree of autonomy that members do or do not have lies at the core of any controversies over interpretation of some aspects of the TRIPS Agreement.

An inevitable consequence of minimum standards of intellectual property, rather than harmonized detail, is disputes over compliance with those minimum standards. Some disputes involve complaints that one member's law is not in compliance with and has consequently violated the TRIPS

²¹ Article 10(2) of the TRIPS Agreement.

²² Doha Declaration on Public Health, above n 18.

²³ Doha Declaration on Public Health, above n 18, para 5 c.

 $^{^{24}}$ See discussion below in Section VII.

²⁵ Article 10(2) of the TRIPS Agreement.

²⁶ Copyright works are protected in categories. For example, literary and artistic works, as defined by the Berne Convention, Article 2.

As the TRIPS Agreement allows for greater levels of protection, some members also protect computer programs as patents. By comparison, the requirement to protect industrial designs leaves flexibility as to whether members provide such protection through copyright law or by other means. See Article 2(7) of the Berne Convention, which provides: '... it shall be a matter for legislation in the countries of the Union to determine the extent of the application of their laws to works of applied art and industrial designs and models, as well as the conditions under which such works, designs and models shall be protected...'. This article is incorporated into the TRIPS Agreement, Article 9(1).

Agreement. Other disputes over the TRIPS Agreement are played out, not in the dispute settlement arena, but rather in the TRIPS Council discussions about the scope of the TRIPS Agreement. Because of differences in national intellectual property laws and the difficulties in progressing multilateral negotiations, both within and outside the WTO, members use FTAs to deepen harmonization of intellectual property obligations at least between the FTA parties. This creates even more differences in the levels of intellectual property protection that WTO members have at national level and even more disagreements over the appropriate levels of intellectual property protection. Some of these disagreements are framed in terms of what members can expect from the TRIPS Agreement, although, as mentioned above, members cannot bring non-violation disputes about the TRIPS Agreement.

On the one hand, some developing countries consider that the levels of intellectual property protection, which they reasonably expected that they would provide, should not be higher than the TRIPS Agreement level for at least some time. They did not expect to be pressured into entering FTAs that increased standards. On the other hand, developed countries have treated the ability to have increased intellectual property standards as without limits.²⁸

A complainant in a non-violation dispute must allege that it has been deprived of a reasonably expected benefit. In the case of owners of intellectual property rights the expected benefit of the TRIPS Agreement will be protection. In the case of users it might be freedom from over-protection. Concerns about over-protection of intellectual property rights have arisen, in part, through increased multilateral negotiations to provide higher levels of protection, but mostly through the expansion of TRIPS-plus FTAs.²⁹ Using the non-violation dispute criteria, I analyze whether an effect of TRIPS-plus FTAs is to nullify and impair the benefits and expectations that members have, which flow from the negotiated and agreed structure of the TRIPS Agreement. That structure is a combination of minimum standards and some national autonomy over how those minimum standards are implemented. The primary questions I explore are: (a) how TRIPS-plus FTAs are removing degrees of flexibility over the implementation of intellectual property law at domestic level; and (b) whether that erosion of flexibility is consistent with the agreed structure and framework of the TRIPS Agreement.

Additionally some multilateral negotiations were underway when the Uruguay Round was concluded such as those resulting in the World Intellectual Property Organization Copyright Treaty (WCT) (adopted 20 December 1996) 2186 UNTS 28542; 36 ILM 65 (adopted by the WIPO Diplomatic Conference), which provides for TRIPS-plus copyright protection.

A major difficulty with the growing number of FTAs is the impact these agreements have on the multilateral negotiation process. This article is not primarily concerned with this issue of whether it is better, in the long or short term, to negotiate multilaterally or bilaterally.

I do not dispute that the TRIPS Agreement allows for WTO members to provide higher levels of intellectual property protection. ³⁰ I suggest, however, that providing higher levels of protection ought to have limits consistent with the wording of the TRIPS Agreement, in light of its object and purpose, its structure and the benefits that can be expected from it. ³¹ Also, the ability to provide higher levels of protection does not equate to an unchecked right to coerce higher levels of protection through FTAs. Rather, the optional nature of the ability to increase protection is itself a purpose of the TRIPS Agreement that should be maintained.

Section II discusses the relationship between minimum standards and more extensive protection under the TRIPS Agreement. Section III discusses how more extensive protection is applied on a non-discrimination, particularly an MFN, basis. Section IV discusses the object and purpose of the TRIPS Agreement. An understanding of these fundamental concepts is important as FTAs should not undermine the Agreement's negotiated object and purpose. Section V discusses the ways in which international intellectual property norms are created through TRIPS-plus FTAs. Sections VI and VII assess the role of non-violation disputes in the TRIPS Agreement context. This includes discussion of what non-violation disputes about the TRIPS Agreement might look like. I assess potential non-violation disputes brought by members from an owner of intellectual property rights' viewpoint. To date, the USA is the major proponent of allowing non-violation disputes for TRIPS. This has meant that potential non-violation disputes have largely been considered as a device for intellectual property owners to increase protection. This article, therefore, discusses what non-violation disputes might look like from the viewpoint of users of intellectual property rights.³² In particular, how users could use non-violation to argue that increased standards through TRIPS-plus FTAs are a non-violation of the TRIPS Agreement. Section VIII discusses the overlap of violation and non-violation disputes in the TRIPS Agreement context. Section IX offers some conclusions.

³⁰ Article 1(1) of the TRIPS Agreement, see also above n 2.

Annette Kur and Henning Grosse Ruse Khan suggest that the solution may be intellectual property maximums, see Annette Kur and Henning Grosse Ruse Khan, 'Enough is Enough—The Notion of Binding Ceilings in International Intellectual Property Protection' http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1326429 accessed 21 March 2009. The difficulties with TRIPS maximums are that they risk being out of date and requiring renegotiation whenever there are major technological developments. Maximums will, as the authors acknowledge, also eliminate some of the national policy autonomy that members have to create their own exceptions.

Members of the TRIPS Agreement are the WTO members. Domestic intellectual property law that is required under the Agreement, however, confers rights on private right holders. Right holders can lobby their governments to bring disputes on their behalf, but only member states have standing before the WTO.

II. MINIMUM STANDARDS AND 'MORE EXTENSIVE PROTECTION'

The TRIPS Agreement, and other international agreements on intellectual property,³³ provide minimum legal standards and allow for members to provide increased levels of protection. Most, if not all, substantive law international intellectual property agreements have this structure.³⁴

The minimum standards of the TRIPS Agreement prescribe the level of protection rather than the exact wording of the law. In this way minimum standards provide for a degree of harmonization, but those minimums do not deeply harmonize the law to the extent of prescribing the wording to be used in domestic statutes. This means that there will be differences in laws at national level and in effect different ways to comply with the minimum standards.

The TRIPS Agreement primarily requires that members provide the minimum levels of protection through relevant intellectual property legislation. Some aspects of TRIPS can be affected by non-intellectual property laws. Challenges can be made to laws that are not designated intellectual property laws, but directly affect TRIPS Agreement requirements. The *Havana Club* dispute, for example, concerned a US law that was not primarily a trade mark law, but rather was about strengthening the boycott on Cuba. 35

Whether a law is treated as within the scope of intellectual property protection that the TRIPS Agreement requires or outside of that scope is important. If a law is within the scope of the TRIPS Agreement coverage, it is subject to national treatment and MFN. Sui generis regimes, outside of the requirements of the TRIPS Agreement, are used, correctly or incorrectly, as ways to avoid national treatment obligations. The Europeans treat the database unfair extraction right, for example, as outside the ambit of the TRIPS Agreement, because the Agreement does not require the protection of data.

³³ Other agreements of most relevance are the Berne and Paris Conventions, of which parts are incorporated into the TRIPS Agreement.

³⁴ For a discussion of minimum standards in the Berne Convention, see generally Sam Ricketson and Jane C Ginsburg, *International Copyright and Neighbouring Rights The Berne Convention and Beyond* (Oxford University Press, New York 2006).

³⁵ WTO Appellate Body Report, United States—Section 211 Omnibus Appropriations Act 1988 (Havana Club), WT/DS176/AB/R (adopted 1 February 2002).

³⁶ Article 1(2) of the TRIPS Agreement states: 'For the purposes of this Agreement, the term "intellectual property" refers to all categories of intellectual property that are the subject of Sections 1 through 7 of Section II.' The categories by heading in Section II are: Copyright and related Rights, Trademarks, Geographical Indications, Industrial designs, Patents, Layout-designs (Topographies) of Integrated circuits, Protection of Undisclosed Information and Control of Anti-Competitive Practices in contractual licenses.'

³⁷ Article 10(2) of the TRIPS Agreement requires protection of intellectual creations. Some commentators have argued that such protection is nevertheless industrial property and ought to be subject to the national treatment obligations of the Paris Convention. See P Bernt Hugenholtz, 'Implementing the European Database Directive' http://www.ivir.nl/ publications/hugenholtz/PBH-HCJ-LIB.doc> accessed 21 March 2009, citing H Cohen Jehoram, 'Ontwerp EG-richtlijn databanken', IER 1992/5, at 133. See also JH Reichman and P Samuelson, 'Intellectual Property Rights in Data?' (1997) 50 Vanderbilt L Rev 51.

As the TRIPS Agreement has minimum standards, any greater standards of protection in a member's law should also be subject to national treatment and MFN. What is greater or outside of the Agreement is not always straightforward to identify. The European approach to the database example is that because the TRIPS Agreement does not require protection of data EU database protection need not be subject to national treatment. The alternative argument is that it ought to be subject to national treatment because protecting data from unfair extraction is a greater level of database protection than the TRIPS Agreement requires. It simply requires that the selection and arrangement of databases that are intellectual creations are protected. This issue becomes particularly difficult when countries protect data not as a sui generis unfair extraction right, but as part of copyright law which seems to be the situation now in Australia.

Another example that illustrates the difficulty of defining the TRIPS Agreement boundaries is the requirements of trade mark protection. The TRIPS Agreement requires protection of trade marks that are 'words including personal names, letters, numerals, figurative elements and combinations of colours'. Many countries have sound and smell marks and some FTAs require protection of these sorts of trade marks. The TRIPS Agreement does not require protection of smell and sound marks because it states that 'members may require, as a condition of registration, that signs be visually perceptible' and such marks are not visually perceptible. In that sense one could say that sound and smell marks are outside the scope of the TRIPS Agreement, but that is arguably not correct. Such marks are clearly the same category of protection as those required to be protected under the TRIPS Agreement.

Whatever method is chosen to implement the TRIPS Agreement minimum standards WTO members' laws will also differ because of the possibility that Members will provide increased standards. There are three important features of article 1 of the TRIPS Agreement, which sets up the possibility of more extensive protection.

First, members 'may, but shall not be obliged to, implement in their law more extensive protection'. ⁴² Quite obviously this means that providing more extensive protection is optional.

³⁸ See Article 10(2) of the TRIPS Agreement.

³⁹ In *Desktop Marketing Systems v Telstra Corporation Limited*, 55 IPR 1 (HCA 2002), the High Court of Australia (its highest court) held that industrious collection of telephone directory data in electronic form was sufficiently original to amount to originality for copyright purposes. See also a discussion over the scope of minimum rights and national treatment in Ricketson and Ginsburg (n 34) para 6.97.

⁴⁰ I am grateful to Rochelle Dreyfuss for suggesting this example to me. For a discussion of trade mark provisions in FTAs, see Burton Ong, 'The Trademark Law Provisions of Bilateral Free Trade Agreements' in Graeme B Dinwoodie and Mark D Janis (eds), Trademark Law. A Handbook of Contemporary Research (Edward Elgar, Cheltenham, UK 2008) 229.

⁴¹ See Article 1(2) of the TRIPS Agreement, set out at above n 36.

⁴² Article 1(1) of the TRIPS Agreement, set out at above n 2.

Second, article 1 permits the provision of more extensive protection 'provided that protection does not contravene the provisions of the Agreement'. 43 This is important because it contemplates the possibility that some extra protection might contravene the Agreement. Therefore, the mere fact that something is a higher standard than the minimum standards of the TRIPS Agreement does not necessarily mean that the higher standard is compliant with the Agreement. The phrase, 'provided that the protection does not contravene the agreement', is primarily directed to the non-discrimination principles, national treatment and most-favored nation (MFN). 44 The non-discrimination provisions are a structural part of the Agreement. 45 That is, they affect every part of the Agreement. Increased standards, although permissible, must not contravene any such structural parts of the Agreement. Thus, an increased standard must not contravene these non-discrimination provisions. For example, the minimum standard for duration of a patent is 20 years. 46 Any increase of that term in any member's law must be provided on a non-discriminatory basis to all members of the WTO.47

Also of note is that article 1 refers to more extensive protection not more extensive exceptions. More extensive exceptions are most likely to result in an overall level of protection that is below the minimum standard required. 48

Third, members are free to determine the appropriate method of implementation of the TRIPS Agreement standards in their legal system. The freedom over implementation includes the detail and scope of any laws,

⁴³ Ibid.

⁴⁴ Broadly, national treatment, in the intellectual property context, is the principle that foreign nationals must be treated the same as domestic nationals, see Article 3 of the TRIPS Agreement. MFN is the principle that Members must treat nationals of one country the same as nationals of another country, so that all foreign nationals receive equal treatment, see Article 4 of the TRIPS Agreement.

⁴⁵ Graeme B Dinwoodie and Rochelle Dreyfuss, 'Diversifying Without Discriminating Complying with the Mandate of the TRIPS Agreement' (2007) 13 Michigan Telecommunications Technology L Rev 445, 448, (Diversifying Without Discriminating).

⁴⁶ Article 33 of the TRIPS Agreement.

⁴⁷ Article 33 of the TRIPS Agreement requires patent protection for a term of 20 years. For copyright works duration is for the life of the author plus 50 years (or 50 years where term is not calculated from the life of the author but from the making of the copyright work). Members may extend the TRIPS Agreement requirements for patent and copyright term. Copyright, but not patent term extension can be applied on a material reciprocity basis rather than a national treatment basis. That is a member who extends copyright term need not apply that term to nationals of member states that do not provide the extended term, see Article 7(8) of the Berne Convention, incorporated into the TRIPS Agreement, Article 9(1). See eg European Directive on copyright term which only provided the extended 70-year term to nationals from countries that also provide that extended term. See Council Directive 2006/116/EC, OJ 2006 L372/49, on the term of protection of copyright and certain related rights, Article 7.

⁴⁸ Any exception would have to be compliant with what are known as the three-step tests. See Article 13 of the TRIPS Agreement for copyright three-step test, Article 17 for trade mark three-step test and Article 30 for patent three-step test.

provided that they meet the minimum standards, and also freedom over the type of laws. The TRIPS Agreement, for example, allows members to choose whether to protect new plant varieties by patent or a sui generis plant variety rights system.⁴⁹

Freedom for WTO members to choose the method of implementation of TRIPS Agreement standards is an important recognition of some flexibility of the Agreement and consequent national autonomy that article 1 allows. The combination of the ability to have greater levels of protection, and the freedom for all members to implement domestic laws in a manner appropriate to them, creates a likelihood of differing intellectual property laws at national level. Thus, minimum standards structure can create disharmony. However, the members of the TRIPS Agreement have agreed to the minimum standards and national autonomy over implementation of standards. That approach is a structural feature of the TRIPS Agreement which forms part of the overall object and purpose of the Agreement.

III. 'MORE EXTENSIVE PROTECTION' AND NON-DISCRIMINATION

As mentioned above, other structural parts of the TRIPS Agreement are the non-discrimination principles, national treatment and MFN. These principles function to ensure that, where national laws differ, private right holders from all members receive equal protection domestically. Without the national treatment principle the minimum standards framework would almost certainly result in discrimination at domestic level.⁵⁰ National treatment provisions are found in other substantive law intellectual property agreements, but the addition of MFN is a new occurrence with the TRIPS Agreement.⁵¹ The TRIPS Agreement does not have an MFN exemption for FTAs entered into after 1995.⁵² The absence of this exemption has had the primary effect of MFN driving the increase of intellectual property protection. The combination of the TRIPS Agreement minimum legal standards and the absence of an MFN exemption have not only allowed for, but have, through this relatively unrestricted framework, encouraged an increase in intellectual property protection through intellectual property chapters in FTAs. A complexity to

⁴⁹ Article 17(3)(b) of the TRIPS Agreement.

⁵⁰ Exceptions to national treatment are found in Article 3(1) of the TRIPS Agreement.

⁵¹ Article 4 of the TRIPS Agreement.

⁵² The drafting history shows that an MFN exception was discussed in the Brussels draft, see Daniel Gervais, The TRIPS Agreement Drafting History and Analysis (3rd edn, Sweet & Maxwell, London 2008) 187 and Legitimacy and Purpose of Intellectual Property Chapters, above n 5. Article 4(d) of the TRIPS Agreement provides an MFN exception for agreements in existence at the time of the WTO agreements' coming into force 'provided that such agreements are notified to the Council for TRIPS and do not constitute an arbitrary or unjustifiable discrimination against nationals of other Members'.

this is the different manner in which MFN operates in the TRIPS Agreement than in the GATT context.⁵³

As TRIPS does not have an MFN exemption then any domestic law changes will be provided on an MFN basis. What that means is that all foreigners will be treated the same by any member's domestic law. In order to have similar increases in multiple countries, each country will need to change its domestic law also. This is one reason why the USA and the EU, in particular, enter into intellectual property chapters in FTAs, with the same or similar clauses, with a number of different countries. Each FTA is needed to require members to change their own domestic intellectual property law. If enough countries change their law to a higher standard then the higher standard has the potential to become the international norm. The wave of countries increasing copyright term to 70 years is an example of this. Also, if nationals of country A are able to obtain better protection in country B then this could provide an incentive for nationals of country A to lobby country A's government to increase protection.

If there was no MFN clause in the TRIPS Agreement that alone would not prevent the rising tide of increased intellectual property standards. However, if national intellectual property laws only applied increased standards to FTA parties, based on an MFN exemption, this might slow down the rising tide of increasing intellectual property standards. Such a conclusion, however, is necessarily speculative, particularly as not all members of the WTO take the approach, exemplified by the EU, of exempting protection from national treatment where the protection is a so-called 'non-TRIPS' protection or has a treaty based exception from national treatment, such as copyright term.

The required term of copyright protection under the TRIPS Agreement is life plus 50 years. If a member provides a greater term for copyright, then that member does not need to apply that term to foreigners on national treatment basis, because there is a specific exemption from national treatment in the Berne Convention.⁵⁴ The relevant Berne Convention provision is incorporated in the TRIPS Agreement.⁵⁵ The EU takes advantage of this national treatment exception and only gives the longer term to nationals from countries that also have the longer term at domestic law. This is known as reciprocity, rather than national treatment. The USA, unlike the EU, does not discriminate between countries that provide the longer term

⁵³ GATT FTAs have an MFN exemption, so that the greater liberalization is confined to the FTA members. An emerging exception to this is the FTAs between the European Union and developing countries in Africa, the Caribbean and the Pacific, known as Economic Partnership Agreements (EPAs), which are being provided on an MFN basis, rather than incorporating the MFN exemption. I am grateful to Lorand Bartels for pointing out this parallel in EPAs to me.

⁵⁴ See n 47, above.

⁵⁵ Article 9(1) of the TRIPS Agreement, incorporating Articles 1–21 of the Berne Convention.

and those that do not. Rather the USA provides its extended 70 year term on a national treatment basis.⁵⁶

Whether an increased standard created at national law and expanded through FTAs becomes an international norm may also depend on the type of increase that is at issue. The EU has provided both increased copyright term and the unfair extraction right on a reciprocity rather than national treatment basis. Many countries have adopted the increased term and the USA, for example, has included it in its FTAs with others. The same is not true for the unfair extraction right which has not been so widely taken up.⁵⁷

Members who pursue increasing levels of intellectual property protection act as though the minimum standards framework means that there is nothing preventing standards being increased indefinitely. The approach that any increase is legitimate in all circumstances is, however, too simplistic or formalistic. It ignores the many questions that arise as to whether increased standards are necessarily consistent with the object and purpose of the TRIPS Agreement. Such increases are not necessarily trade enhancing. I have argued elsewhere that it is particularly important in the absence of an MFN exemption for FTAs, as GATT and GATS expressly have, that intellectual property chapters in FTAs ought at least to be consistent with the object and purpose of the TRIPS Agreement.

IV. THE OBJECT AND PURPOSE OF THE TRIPS AGREEMENT

Each substantive minimum of the TRIPS Agreement has the purpose of providing whatever that minimum standard is. Additionally, the TRIPS Agreement has some general provisions that are grouped together in Section I, under the heading 'General Provisions and Basic Principles' These include the provisions that provide for non-discrimination, establish the minimum standards framework, autonomy over the implementation of those standards and the option to have or not have more extensive protection. Other general provisions include the objectives and principles of the

⁵⁶ See Copyright Act of 1976, 17 United States Code (USC) §302, as amended by the Sonny Bono Copyright Term Extension Act, Pub L No. 105–298, 112 Stat 2827 (1998), effective from 27 October 1998.

⁵⁷ Silke von Lewinski, *International Copyright Law and Policy* (Oxford University Press, New York 2008), paras 17.155–7.

I adopt here usage of 'formalistic' from Graeme B. Dinwoodie and Rochelle Dreyfuss who describe the WTO dispute settlement panel approach to interpretation of the agreement as formalistic because of the way panels look at isolated provisions, rather than the package of arrangements which led to the particular provision at issue. See Graeme B Dinwoodie and Rochelle Dreyfuss, 'TRIPS and the Dynamics of Intellectual Property Lawmaking', 36 Case Western Reserve J Intl L 95 (2004), 96–8 (TRIPS and the Dynamics of Intellectual Property Lawmaking).

⁵⁹ Articles 7 and 8 of the TRIPS Agreement.

⁶⁰ WTO Application of Customary Rules, n 18, above.

TRIPS Agreement. All of these general provisions are structural because they are intended to affect the whole of the Agreement and, as such, they overarch the object and purpose of individual standards of protection in the other parts of the TRIPS Agreement.⁶¹

Any interpretation exercise that assesses the object and purpose of the Agreement must first look at the words of the treaty in their context and in light of the treaty's object and purpose.⁶²

The preamble is relevant to interpreting the object and purpose of the TRIPS Agreement. It refers to the 'need' to protect intellectual and property as well the need to 'ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade'. The preamble also states, 'Recognizing the underlying public policy objectives of national systems for the protection of intellectual property, including developmental and technological objectives'.

The objectives, in article 7, seek to explain the balance, which is always inherent in intellectual property at domestic level, between users and owners or producers. ⁶³ In international intellectual property the users and producers tension is manifested as a balance primarily between the developed and developing countries. ⁶⁴ Article 7, therefore, states the objective that protecting intellectual property should promote among other things, the transfer and dissemination of technology.

The principles, in article 8, address ways to achieve this balance. Article 8 provides that members can have exceptions in their laws to protect public health and 'to promote the public interest in sectors of vital importance to

⁶¹ Another matter relevant to the object and purpose of the TRIPS Agreement is that it is a WTO covered agreement and as such has a trade related purpose.

Vienna Convention of the Law of Treaties, 1115 UNTS 331 (adopted 23 May 1969); 8 ILM 679 (entered into force 17 January 1980) (Vienna Convention). The use of the Vienna Convention arises from the Understanding on Rules and Procedures Governing the Settlement of Disputes, 15 April 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 2 (1994) 1869 UNTS 401, (DSU). Article 3(2) of the DSU requires that the WTO agreements be interpreted 'in accordance with customary rules of interpretation of public international law.' The WTO has accepted that the Vienna Convention embodies the customary rules of interpretation of public international law.

⁶³ Article 7 of the TRIPS Agreement, entitled 'Objectives', provides: 'The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations.'

There are of course exceptions to this developed versus developing divide. There may be some issues about which parts of the developed world disagree and one 'side' is allied with the developing world. The debate on geographical indications is an example. The European Union's desire to increase the scope of geographical indication protection under the TRIPS Agreement is supported by some developing countries and opposed by the United States and many other developed countries. Also, small developed countries often have similar policies to larger developed countries, but have some similar interests with developing countries because they are so-called 'net-users' of intellectual property like many developing countries.

their socio-economic and technological development'. These sorts of exceptions are the major way in which WTO members can develop policies in intellectual property that reflect their economic needs. 66

These objectives and principles are notoriously difficult to interpret in a practical way because they enshrine competing objectives. The WTO panel in *Canada-Pharmaceuticals*⁶⁷ stated that these principles could not be used to undermine the express wording of other parts of the Agreement.⁶⁸ However, the centrality of the objectives and principles of the TRIPS Agreement was underscored in the Doha Declaration on the TRIPS Agreement and Public Health, which expressly recognized the importance of the objectives and principles to interpreting the whole agreement.⁶⁹

An analysis of what members could reasonably expect from the wording and structure of the TRIPS Agreement is also illustrative of its object and purpose. However, it is important not to stray from the wording of the agreement for this analysis. The Appellate Body made it clear in *India-Patents*⁷⁰ that the Panel had erred in suggesting that legitimate expectations could be found beyond the wording of the TRIPS Agreement.⁷¹

- ⁶⁵ Article 8 of the TRIPS Agreement, entitled 'Principles', provides:
 - 1. Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development, provided that such measures are consistent with the provisions of this Agreement.
 - 2. Appropriate measures, provided that they are consistent with the provisions of this Agreement, may be needed 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.
- ⁶⁶ Any exceptions under the Agreement must comply with what is known as the three-step-test. See Articles 13, 17 and 30 of the TRIPS Agreement.
- ⁶⁷ WTO Panel Report, Canada—Patent Protection of Pharmaceutical Products (Canada-Pharmaceuticals), WT/DS114/R (adopted 17 March 2000).
- ⁶⁸ Ibid para 5.12. For a discussion of *Canada-Pharmaceuticals* see Robert Howse, 'The Canadian Generic Medicines Panel: A Dangerous Precedent in Dangerous Times' (2000) 3 J World Intellect Property 493 and TRIPS and the Dynamics of Intellectual Property Lawmaking, above n 58, 99, 104 and 112.
- ⁶⁹ Doha Declaration on Public Health, above n 18, Article 5, 'In applying the customary rules of interpretation of public international law, each provision of the TRIPS Agreement shall be read in the light of the object and purpose of the Agreement as expressed, in particular, in its objectives and principles.' For a general discussion of the Doha Declaration on Public Health, see Daniel Gervais, 'The TRIPS Agreement and the Doha Round: History and Impact on Economic Development' in Peter Yu (ed.), Intellectual Property and Information Wealth: Issues and Practices in the Digital Age (Praeger Perspectives, London 2002).
- WTO Appellate Body Report, India—Patent Protection for Pharmaceutical and Agricultural Chemical Products (India-Patents), WT/DS50/AB/R (adopted 16 January 1998) part V, entitled 'Interpretation of the TRIPS Agreement'.
- 71 The Panel in *India-Patents*, ibid, stated at part V, entitled 'Interpretation of the TRIPS Agreement' when interpreting 'the text of the TRIPS Agreement, the legitimate expectations of WTO Members concerning the TRIPS Agreement must be taken into account, as well as standards of interpretation developed in past panel reports in the GATT framework,

The Appellate Body considered that the Panel had erred because it had elided the violation and non-violation dispute aspects of GATT to reach its conclusion. Such an elision could not be correct in the TRIPS Agreement context because non-violation disputes were not available.⁷²

The object and purpose of the TRIPS Agreement should be reflected in intellectual property chapters of FTAs. If it is not, then the WTO members should not condone, including by complicit inaction, the expansion of TRIPS-plus FTAs. The next section discusses whether the norm-pushing effect of TRIPS-plus FTAs have the effect of undermining aspects of the object and purpose of the TRIPS Agreement.

V. INTERNATIONAL NORM CREATION THROUGH FTAS

The TRIPS Agreement minimum standards are enacted in domestic law and then applied within a member on a national treatment and MFN basis. The minimum standards in the TRIPS Agreement have become the baseline of the international norms of intellectual property protection. International intellectual property norms are also created through other international agreements such as the WIPO agreements. WIPO agreements, that were negotiated post-TRIPS, should not be regarded as TRIPS Agreement norms, rather they add to what might be described as international intellectual property norms. The standard property norms.

FTAs also have a role in creating international norms. A single FTA cannot constitute an international intellectual property norm, but multiple

in particular those laying down the principle of the protection of conditions of competition flowing from multilateral trade agreements'. The Appellate Body considered this was not correct. In giving its reasons the Appellate Body outlined the difference between violation and non-violation nullification and impairment disputes under GATT. The Appellate Body stated that 'The Panel misapplies Article 31 of the Vienna Convention. The Panel misunderstands the concept of legitimate expectations in the context of the customary rules of interpretation of public international law. The legitimate expectations of the parties to a treaty are reflected in the language of the treaty itself. The duty of a treaty interpreter is to examine the words of the treaty to determine the intentions of the parties. This should be done in accordance with the principles of treaty interpretation set out in Article 31 of the Vienna Convention. But these principles of interpretation neither require nor condone the imputation into a treaty of words that are not there or the importation into a treaty of concepts that were not intended.'

⁷² See n 11, above.

⁷³ There are some national treatment and MFN exceptions, see Articles 3 and 4 of the TRIPS Agreement.

WTO Panel Report, United States—Section 110 (5) of the US Copyright Act (United States—Section 110 (5)), WT/DS160/R (adopted 27 July 2000) para 6.70, erred in finding the WCT was a helpful contextual guide because the WCT was not yet in force, see WTO Application of Customary Rules, above n 18, 413–14. For a discussion of WTO consultations with WIPO on international intellectual property norms, see Ruth Okediji, 'WIPO-WTO Relations and the Future of Global Intellectual Property Norms' https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1338902 accessed 22 March 2009.

FTAs, with similar provisions may start to have that effect.⁷⁵ This proposition is verified as it is the open policy of the United States that increased bilateral and FTA intellectual property standards will support its position to increase intellectual property standards globally.⁷⁶

The absence of an MFN exception has a role in supporting this cross border flow of intellectual property norms. Even if an FTA or bilateral arrangement is only between two parties, it affects other nations whose nationals are entitled to intellectual property protection in those jurisdictions that are party to the FTA. Also, the dispute settlement process may take into account FTA panel decisions.⁷⁷ The flow of intellectual property norms from intellectual property chapters in FTAs is not necessarily easy to track and measure, but the flow undoubtedly does and will continue to occur.

The TRIPS Agreement provides that members may, but are not obliged to, provide more extensive protection. However, there are two broad limitations to this general proposition. First, as discussed above, increased protection must comply with the TRIPS Agreement. 78 Also, international law allows nations to make international commitments with other nations, provided such commitments do not contravene other international obligations of those nations.⁷⁹

As well as requiring domestic implementation of TRIPS-plus standards the sting in the tail of TRIPS-plus agreements is how such agreements eliminate aspects of the structure of the TRIPS Agreement with regard to the relationship between minimum standards and national autonomy over implementation of those standards. One might say that countries that enter into these agreements consent to eliminate this structure, but this is not dispositive. There is frequently an imbalance of power in such negotiations and countries enter into intellectual property protections that are not in their interests. They enter into such chapters because of the other trade benefits in the FTA as a whole.⁸⁰

⁷⁶ Jean Frederic Morin, 'Multilateralising TRIPS-Plus Agreements: Is the US Strategy a Failure?' <a 2009.

⁷⁵ Peter Drahos, 'Bilateralism in Intellectual Property', report commissioned by Oxfam GB as part of its Cut the Cost of Medicines Campaign http://www.maketradefair.com/assets/ english/bilateralism.pdf> accessed 4 August 2009 (Bilateralism in Intellectual Property).

⁷⁷ Also, perhaps perversely, FTA dispute settlement may not take account of WTO standards, see Peter Drahos, 'The Bilateral Web of Trade Dispute Settlement' http://www.twnside . org. sg/title 2/FTAs/D is pute Resolution/The Bilateral WebOfT rade D is pute Settlement Peter and Settlement Peter PeterDrahos.doc> accessed 24 August 2009.

⁷⁸ See Section II above.

⁷⁹ States have a duty to fulfil in good faith their international obligations under the generally recognized principles and rules of international law, See Declaration on the Principles of International Law concerning Friendly Relations and Co-operation Among States (GA Resolution 2625 (XXV)); the same idea is found in the UN Charter, Article 2(2). I thank by colleague Alberto Costi for pointing me to these references.

⁸⁰ See, eg Bryan Christopher Mercurio, 'TRIPS-Plus Provisions in FTAs: Recent Trends' http://papers.ssrn.com/sol3/papers.cfm?abstract_id=947767> accessed 21 March 2009.

Also, many developing countries seem to have believed or perhaps hoped that the TRIPS Agreement minimum standards would be the limits of the protections they would be obliged to provide.⁸¹

I suggest, therefore, that the proliferation of TRIPS-plus standards may cumulatively amount to a systemic violation of the TRIPS Agreement structure and purpose. If an FTA does prescribe deeper harmonization in details of domestic law in a TRIPS-covered area, then that deeper harmonization changes the minimum standards approach. The violation occurs when multiple FTAs have that approach and new norms develop without consensus. This even more problematic if the detailed harmonization comes about through bilateral pressure which is not only impacts those under pressure, but also other members of the WTO. Without express negotiation as to harmonization, increased minimum standards should not be used to achieve that either directly or indirectly through FTAs. These TRIPS-plus intellectual property chapters in FTAs are therefore contrary to article 1, which says that members may, but are not obliged to, provide more extensive protection.

The structural provisions of the TRIPS Agreement ought to temper the FTA ratchet-up. However, the unchecked proliferation of TRIPS-plus standards has run roughshod over and effectively ignored the real meaning of the structural provisions. I, therefore, question whether increased intellectual property protection through FTAs is legitimate. Increased standards that violate the structural provisions of TRIPS Agreement should not be permitted.

Such a violation is different from the kind of violations where disputes can be brought to the DSB alleging that a member's law violates the agreement.

During the period that...TRIPS was being negotiated (1986-1993), there were suggestions that if developing countries agreed to TRIPS the United States would ease off negotiating intellectual property standards bilaterally. The following statement in 1989 from the Director for Intellectual Property at the Office of the U.S. Trade Representative (USTR) makes the point:

"What happens if we fail [to obtain TRIPS]? I think there are a number of consequences to failure. First, will be an increase in bilateralism. For those of you who think bilateralism is a bad thing, a bad thing will come about."

It was always clear at all stages of the TRIPS negotiations that the principal players (the United States, the European Community and Japan) saw TRIPS as setting only minimum obligations. Nevertheless, developing countries might reasonably have expected the...WTO or...WIPO in some cases to become the principal fora for the negotiation of new intellectual property standards.

There is disagreement over whether many FTAs in general comply with the GATT and GATS provisions that permit them, see, eg US Department of Agriculture, Sharon Sheffield, 'Agriculture, GATT, and Regional Trade Agreements', Regional Trade Agreements and U.S. Agriculture/AER-771 87, 88–9. http://www.ers.usda.gov/publications/aer771/aer7711. pdf> accessed 22 March 2009. In the TRIPS Agreement context, there is an absence of an express FTA-allowing provision.

⁸¹ Bilateralism in Intellectual Property, above n 75, where the author states at page 1:

The violation is about the system and how intellectual property chapters in FTAs are used to increase standards. Therefore, TRIPS-plus FTAs need to be brought into check and that increased harmonization of intellectual property rights through increased pressure via FTAs is not legitimate in the agreed international intellectual property framework.⁸³

The likely response from those pursuing increased standards is that the minimum standards really just meant minimum standards and anything above that is legitimate, but that is too narrow an interpretation of the TRIPS Agreement. The mere fact that the TRIPS Agreement allows increased standards is an analytically simplistic argument. It might be described as a formalistic interpretation⁸⁴ that also ignores the other parts of the Agreement, particularly its object and purpose, and also the reality of how laws are made at domestic level.⁸⁵

As a qualification I note that as not all TRIPS provisions are the same, not all increases are problematic. There is a difference between TRIPS-plus standards that expand protection of aspects of the covered categories of the TRIPS Agreement and TRIPS-plus standards that introduce new and properly sui generis subject matter, such as traditional knowledge. ⁸⁶ As the TRIPS Agreement does not speak to traditional knowledge matters, such protection may or must be negotiated elsewhere and there is no flow back effect to other TRIPS members without their express agreement.

Increases in international intellectual property protection have occurred through bilateral agreements long before the TRIPS Agreement was created. The water, the TRIPS-plus FTAs are not the same as pre-TRIPS bilaterals. The marriage of trade and intellectual property has made a significant difference in two ways. The first is that more is at stake when negotiating a trade-related FTA and consequently the coercive effect to increase intellectual property protection is much more effective when trade and intellectual property are mixed. The second is that the object and purpose of TRIPS is different from other intellectual property agreements because of the trade setting. The relationship with trade places limitations on increased protections. Those limitations are that the object and purposes of the TRIPS Agreement ought to be compatible with the overall WTO goal

⁸³ Additionally, such pressured and premature harmonization will probably not be sustainable. Rochelle Dreyfus and Jerome Reichman, for example, contend that it is premature to harmonise some details of patent law, see Jerome H Reichman and Rochelle Cooper Dreyfuss, 'Harmonization Without Consensus: Critical Reflections on Drafting A Substantive Patent Law' (2007) 57 Duke LJ 85.

⁸⁴ Dinwoodie & Dreyfuss describe the dispute settlement interpretation as formalistic, see TRIPS and the Dynamics of Intellectual Property Lawmaking, above n 58.

⁸⁵ Ibid 97-101.

⁸⁶ See generally Mindahi Crescencio Bastida-Muñoz and Geraldine A Patrick, 'Traditional Knowledge and Intellectual Property Rights: Beyond TRIPS Agreements and Intellectual Property Chapters of FTAs' (2006) 14 Michigan State J Intl L 259.

⁸⁷ Ricketson and Ginsburg (n 34) 1.29.

of liberalizing trade. This limitation on increased standards was not present in pre-TRIPS agreements, which were predominantly 'intellectual property only' until the 1980s.⁸⁸

I acknowledge that a difficulty with the argument that there has been a systemic violation of the TRIPS Agreement is that the letter of the TRIPS Agreement has arguably not been breached because there is literal or formalistic compliance. Yet members of the TRIPS Agreement should be able to benefit from the standard of intellectual property protection being the international norm unless other norms are freely negotiated. The combination of the coercive effect and the flow of norms from other members' TRIPS-plus FTAs results in some members having lost the benefit of not being obliged to have increased standards. This suggests that TRIPS-plus FTAs are not the legitimate forum for changes to the TRIPS Agreement. The central criteria for a successful non-violation claim is that a benefit from a negotiated agreement is nullified or impaired, even if the letter of the agreement has not been breached. Therefore, an alternative approach to my systemic violation argument is that non-violation disputes might be used to check increased standards where the formation of those standards erodes an expected benefit of the TRIPS Agreement. In order to consider this further it is necessary to look at what non-violation disputes are and examples of what TRIPS non-violation disputes might look like.

VI. THE TRIPS AGREEMENT AND NON-VIOLATION DISPUTES

A. Non-Violation in General

GATT permits members to bring a dispute against another member even if there is not a breach of the wording of the agreement:⁸⁹

If any contracting party should consider that any benefit accruing to it directly or indirectly under this Agreement is being nullified or impaired or that the attainment of any objective of the agreement is being impeded as a result of:...(b) the application of another contracting party of any measure, whether or not it conflicts with the provisions of this Agreement ...

These are known as non-violation disputes because there is not a violation of the exact words of the agreement. Non-violation disputes can be brought in relation to GATT and GATS, but there is a moratorium in relation to such disputes and the TRIPS Agreement. 90 This moratorium was initially for 5 years. 91 During this period the Agreement provides that the Council for

⁸⁸ In the 1980 the USA linked its bilateral investment programs with intellectual property rights, see Bilateralism in Intellectual Property, above n 75.

⁸⁹ Article XXIII(b) of the GATT. See also Article XXIII(3) of the GATS.

⁹⁰ See n 13, above.

⁹¹ Article 64(2) of the TRIPS Agreement.

TRIPS 'shall examine the scope and modalities for complaints of [this] type'. ⁹² This process of examination continues. Various members of the WTO are in favour of such disputes being available. Other members consider such complaints are inappropriate. ⁹³ Some FTAs allow for the parties to bring non-violation disputes against each other. ⁹⁴

Cho has grouped GATT non-violation reports into 'restraintism' and 'activism' cases. ⁹⁵ In relation to the restraintism cases a complainant must show that the measure at issue was not reasonably anticipated at the time the GATT tariff concession was negotiated. ⁹⁶ The measure at issue must have damaged the competitive position of the imported product concerned. ⁹⁷ Cho describes cases that meet these criteria as supplementary mode cases because they 'seem to fill in a legal gap'. ⁹⁸ Activism cases do not meet these criteria, particularly there is no 'connection between tariff concessions and expectations therefrom'. ⁹⁹ Cho therefore called these 'independent mode' cases because the complainant did not take issue with a specific tariff, but rather alleged that the party has, by other means, impeded the objectives of the agreement.

Cho was critical of the independent mode cases and considered it surprising that some proponents of non-violation cases have suggested they be used in newly emerging areas. He refers to the use of so-called independent mode cases as providing 'a source of hope'. One might ask what the hope is? In the TRIPS Agreement context the 'hope', I argue, is that the use of non-violation disputes might bring a more robust approach to application and interpretation of the structural provisions of the TRIPS Agreement.

B. Why Non-Violation Disputes are not Available under the TRIPS Agreement

The structure and nature of the TRIPS Agreement, as an agreement of minimum standards, makes it appear inappropriate for non-violation disputes. This is because there could not be any expected benefits other than

⁹² Article 64(3) of the TRIPS Agreement.

⁹³ The views of members of the WTO are summarized in the TRIPS Council discussion, see TRIPS Council Summary of Non-Violation Issues, above n 13.

⁹⁴ See eg US and Chile FTA, 6 June 2003, 42 ILM 1026 (2003), Article 22(2)(c); and United States-Australia Free Trade Agreement (AUSFTA), 18 May 2004, 43 ILM 1248, Article 21(2)(c).

⁹⁵ Cho (n 14) 316.

⁹⁶ Cho (n 14) 316-17.

⁹⁷ This is the equivalent of a causation element.

⁹⁸ Cho (n 14) 317.

⁹⁹ Cho (n 14) 319.

¹⁰⁰ Cho (n 14) 319.

¹⁰¹ Cho (n 14) 320 citing Armin Von Bodsanady, 'The Non-Violation Procedure of Article XXIII.22, GATT-Its Operations Rationale' (1992) 6 Journal World Trade 95, at 102.

the protection required by the minimum standards. Either the protection was required or it was not.

A simple example demonstrates the core of this difficulty. Say that there is an international agreement for related areas of intellectual property, labeled for convenience A, B, C and D, but the agreement does not extend to protection of E because the parties could not agree on E. It would not be legitimate for a party to assume that it might also benefit from E as a result of the agreement.

When interpreting an agreement the WTO dispute settlement rules require that panels and the Appellate Body do not add to agreements, but rather interpret the existing words of the agreement. One of the difficulties with all non-violation disputes is that they run the possibility of falling foul of this requirement. A complaint that a benefit has been eroded, but the wording of the agreement has not been breached, immediately looks like adding to the agreement even if such complaints are allowed.

In the case of intellectual property disputes some non-violation disputes might really amount to an attempt to stretch the meaning of the minimum standards. A similar difficulty potentially arises in GATS Agreement cases, where members may, in order to meet national policy objectives, regulate the supply of services. Cho points out the nebulous nature of that obligation. Many TRIPS Agreement provisions are equally, if not more, nebulous; particularly provisions allowing exceptions such as the ability to exclude inventions from patentability on the basis of *ordre public* or human, animal or plant life or health. 104

The main reason that developing countries have been opposed to the use of non-violation disputes for the TRIPS Agreement is that they believe such disputes would be used as a tool, primarily of the USA, to increase intellectual property protections. ¹⁰⁵ One fear is that developing countries will have to fight too many disputes in the WTO and that this will be a drain on resources. This is not a concern that should be treated lightly and has perhaps been a concern with the WTO dispute settlement process generally.

Since the TRIPS Agreement came into force, however, the push for increased standards takes place in the FTA arena. The FTA negotiations process has been very costly and detrimental to many developing countries and the WTO does not provide a mechanism for developing countries to defend themselves against these pressures. Developing countries, particularly those with little negotiating power, could benefit from the non-violation

¹⁰² Article 3(2) of the DSU.

¹⁰³ Cho (n 14).

¹⁰⁴ Articles 27(2) and 30 of the TRIPS Agreement. It is exactly because of this nebulous nature of some provisions that different countries have different laws.

¹⁰⁵ Gail E Evans, 'A Preliminary Excursion into TRIPS and Non-Violation Complaints' (2000)
3 J World Intellect Property 867.

process as it may provide a rules-based response to the growing and unsustainable pressure to increase intellectual property protection. The non-violation procedure, with proper rules governing it, could very well provide the necessary 'defence' to these pressures.

One aspect of such rules ought to be that the test of loss of 'any benefit...being nullified or impaired or that the attainment of any objective ...being impeded' is objectively assessed. A complainant's subjective view of loss is not sufficient. The objective view would assess whether the expected benefit was a reasonable expectation based on the actual agreement. This means that a party who tried to negotiate for more than they eventually achieved cannot use non-violation to say that it expected more. An objective assessment is a method of controlling non-violation disputes from becoming a renegotiation tool.

Disputants may attempt to misuse non-violation, but forming rules around TRIPS Agreement non-violation should help control this. To be sure some parties may bring bad cases, but this does not mean that Panels will decide cases incorrectly. Rather it may give the opportunity for reports to better reflect the nature and structural provisions of the TRIPS Agreement as a balance between the intellectual property 'haves' and 'have-nots'.

My use of the non-violation formula is not to suggest the Appellate Body, in *India-Patents*, was wrong. That dispute was brought in the early days of dispute settlement and the TRIPS Agreement. As discussed above, because non-violation complaints were and still are not available for TRIPS disputes, the Appellate Body analysis was correct. It is important, however, to note that in *India-Patents*, without the non-violation type criteria, the Appellate Body still found against India.

My approach here is to show two things that are quite different from the issues discussed in *India-Patents*. First, why non-violation disputes have, at this stage in the life of the TRIPS Agreement, become important so that the scope of the Agreement is tested in a rules-based forum rather than in the power-imbalanced FTA negotiations. Second, to illustrate that the unchecked use of intellectual property chapters in FTAs is not only a violation of the structural provisions of the TRIPS Agreement, but potentially an actionable non-violation of some substantive legitimate expectations arising from the TRIPS Agreement.

C. Why Non-Violation Disputes Might Now be Appropriate for the TRIPS Agreement

Nearly 15 years of operation have shown that there are many grey areas in the TRIPS Agreement. These grey areas arise through a combination of features of the TRIPS Agreement. As discussed above, the minimum standards prescribe the level of protection rather than the exact wording of the law. This means that there will be differences in laws at national level and in

effect different ways to comply with the minimum standard. Also, the lines between areas of intellectual property law, within or outside of the scope of the TRIPS Agreement, are not always so clear. Violation disputes which analyse the wording, in light of the object and purpose of the TRIPS Agreement, ought to be the first set of tools used to interpret that grey area. There are, however, some grey areas where members and the system might benefit from non-violation disputes.

The use of non-violation disputes about the TRIPS Agreement would not require a connection to a specific tariff because the TRIPS Agreement is not about tariffs. Rather the connection ought to be to a category of protection in relation to which the TRIPS Agreement requires its members to enact minimum standards in relation to. Non-violation will be particularly useful in the minimum standards framework because, in a way that is different from a violation dispute, non-violation ought to recognize that there are broad expectations arising from the general provisions of the Agreement. Non-violation recognizes that even though there is literal compliance with a standard, that is a Vienna Convention interpretation might show compliance, there has, in fact, been an erosion of a reasonably expected benefit under the TRIPS Agreement.

Allowing non-violation disputes would provide a way for members to test the parameters of the agreement in an analytical rules-based environment, rather than in potentially coercive FTA 'negotiations', which are not characterized by freedom of contract and state autonomy. The TRIPS Agreement cannot be renegotiated in dispute settlement and panels are not authorized to do anything other than interpret the agreements, ¹⁰⁶ but disputes do serve the purpose of allowing members to test their interpretations of the agreement and removes the difficulty of members being judge of their own cause. ¹⁰⁷ Being judge in one's own cause is particularly problematic in FTA negotiations, where there is a power imbalance between negotiating parties, and the stronger party can simply assert that their interpretation of the TRIPS Agreement is correct. ¹⁰⁸

In order to examine the utility of non-violation disputes further, however, the next part discusses who potentially may bring non-violation disputes and what they might look like.

Article 3(2) of the DSU, which provides: '... Recommendations and rulings of the DSB cannot add to or diminish the rights and obligations provided in the covered agreements.'

¹⁰⁷ The idea that non-violation disputes prevent member's being judge of their own cause is mentioned in Michael J Trebilcock and Robert Howse, *The Regulation of International Trade* (3rd edn, Routledge, London, New York 2005) 514.

An additional benefit of using the WTO is that there is a flow-on effect of the results of dispute settlement into the negotiations of the TRIPS Council and potentially even other international intellectual property negotiations.

VII. WHAT A TRIPS AGREEMENT NON-VIOLATION DISPUTE MIGHT LOOK LIKE

A. Owners and Users as Complainants

There are two broad categories of benefits that WTO members might expect from the TRIPS Agreement. One is the benefits that intellectual property right owners may expect and the other is what users of intellectual property might expect. At national level there will be both users and owners of intellectual property rights. At international level some WTO members are recognized as predominantly owners of intellectual property rights and others are recognized predominantly as users. The United States and the European Union are major owners of intellectual property by comparison to many small or developing countries, which are often predominantly users of intellectual property. The benefits that intellectual property owners might expect pose different issues from the benefits that users of intellectual property might expect.

The legal basis of intellectual property rights is important because the underpinnings of the rights can assist in defining the appropriate contours of the rights. At national level intellectual property rights are usually considered to be negative rights. That is they provide the owner with the exclusive right to exclude third parties. Underlying some of the arguments against the use of non-violation complaints in the TRIPS Agreement context is that intellectual property rights are private negative rights and therefore inherently unsuitable to the principles of non-violation, which looks for the loss of a positive benefit.¹¹⁰

Even though intellectual property rights at national level are predominantly negative property rights, international agreements impose on their member countries positive obligations to provide protection, even if that protection is provided through a negative rights property framework. The existence of those positive obligations can give a correlative right to individuals to claim protection of the rights. Human rights treaties, where there is

Many jurisdictions may not consider that users have rights as such. Rather, users are free to use that which is not otherwise protected by intellectual property. For example, while US-style fair use is sometimes characterized as a user right in copyright law, countries with other approaches to copyright tend to characterize such uses as permitted acts, rather than rights of use. Additionally it is not clear that there is a positive right to benefit from the public domain. Rather that which is not illegal to use may be used.

The language of negative rights is found in the TRIPS Agreement. In relation to rental rights in computer programs and film, for example, the TRIPS Agreement states '...a Member shall provide ... the right to authorize or to prohibit the commercial rental to the public of originals or copies of their copyright works', see Article 11 of the TRIPS Agreement. The rental right, like all copyright exclusive rights, is a right to prohibit others rather than a right to undertake such rental themselves. Another example is found in the requirements for patents. 'A patent shall confer on its owner the ... exclusive rights ... to prevent third parties not having the owner's consent from ...', see Article 28 of the TRIPS Agreement.

an obligation on states to provide authors protection or protection of social and cultural rights, are examples. 111

Generally an intellectual property owner cannot expect anything more than the rights that a particular domestic law grants them. 112 Even though intellectual property rights are private rights WTO disputes are not about a particular individual's private right, but members' obligations to provide those private rights in their domestic laws. 113 Because the TRIPS Agreement is part of the WTO 'bargain' about trading relationships the expectation of intellectual property protection and the resulting trade benefit is not a negative right, but a positive obligation between member states. The TRIPS Agreement does not transform negative rights into positive rights of expectation for the benefit of individual intellectual property owners or users. Rather, it provides Members with the right to expect intellectual property protection for their nationals in other member states. These are the positive obligations between Member states that have been and may be the subject of violation disputes. Members who provide that protection should legitimately expect to benefit from the ability not to be obliged to provide 'more extensive protection', if they do not wish to do so. The expectation not to provide greater protection and to be able to use TRIPS flexibilities could be the subject of a non-violation dispute.

Non-violation disputes under the TRIPS Agreement would not be available only for Members who are predominantly owners of intellectual property rights, but they may be an avenue for Members, who are predominantly users, to bring disputes. As discussed above, the TRIPS Agreement creates rights to protect intellectual property, and embodies the objectives of

Examples include the International Convenant on Economic, Social and Cultural Rights, 993 UNTS 3, 5, article 15(1)(b) and (c) (adopted 16 December 1966), providing the right 'to benefit from the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author'. For discussion of this and other human rights treaties in the intellectual property context see, Laurence R. Helfer, 'Human Rights and Intellectual Property: Conflict or Coexistence?' (2003) 5 Minnesota J L Sci Technol 47 and Laurence R Helfer, 'Toward a Human Rights Framework for Intellectual Property' (2007) 40 UC Davis L Rev 971. Also, such international obligations may give private right holders seeking protection in some jurisdictions a positive right to require protection from the state even if the legal mechanism behind the right is a negative property right. In the EU, for instance, there has been a successful claim to a human right of property for trade mark protection, see discussion in Helfer 'Toward a Human Rights Framework', 1016.

A much disputed area of intellectual property law is how far trade mark law should go. Initially trade marks gave a right to use the mark in relation to registered categories of goods or services and infringement occurred in certain defined circumstances. In recent years the scope of trademark protection has expanded to protect marks from dilution effects. Internet infringements have brought to a head issues about whether the trademark is property that ought to be protected in all circumstances or whether protection is limited to defined categories that may not include some internet uses. See generally Clarissa Long, 'The Political Economy of Trademark Dilution', in Graeme B Dinwoodie and Mark D Janis (eds), above n 40, 132.

¹¹³ Private right interests may lobby their governments to bring certain cases.

technology transfer and dissemination, but this does not give individuals the right to make use of intellectual property works. For the most part no one user of an intellectual property right, except under license, has defined rights in the same way owners do. Fair uses of intellectual property works are a public good required as part of the overall justifications for the scope of intellectual property protection. Therefore users might need to be cautious about alleging there are expected benefits arising from any national intellectual property laws. However, when considered in the international agreement context, reasonably expected benefits of the TRIPS Agreement, from the net-users' perspective, include transfer and dissemination of technology, and national autonomy over implementation of TRIPS and whether or not to provide more extensive protection. 114

In sum, the TRIPS Agreement creates positive rights for Members to reasonably expect protection, degrees of flexibility and that other Members adhere to the structural provisions of the Agreement. It is in this context that non-violation complaints may prove useful. I acknowledge that such disputes may be hard to win and that they ought to be hard to win, but that cannot be a reason not to have them for appropriate cases. With this in mind the next section looks at examples of non-violation disputes, including what they might be about, who could bring them and what they might achieve.

B. Examples of Potential Non-Violation Disputes

The Secretariat Note of the TRIPS Council's discussion of non-violation complaints sets out some examples of what non-violation complaints could look like. 115 One of these is that: 116

Member A may grant a very large increase in the term of copyright protection which could effectively nullify or impair benefits that Member B was expecting to enjoy at the time of negotiations and thereafter nationals of Member B may have invested in the production of separate works, say movies or plays based on or using that work and expecting it to be in the public domain.

This example is apposite for discussion because many countries have extended their copyright term beyond the TRIPS Agreement minimum.¹¹⁷

¹¹⁴ Members may also reasonably expect that in some circumstances what the Agreement does not require be protected can be freely used.

¹¹⁵ TRIPS Council Summary of Non-Violation Issues, above n 13, 13.

¹¹⁶ Interestingly in the relevant TRIPS Council document there is no response or analysis of this example, whereas there are some brief responses in relation to other examples. See TRIPS Council Summary of Non-Violation Issues, above n 13.

The EU, USA and Australia are all countries that have increased the term for the life of the author plus 50 years to the life of the author plus 70 years, or 70 years where the term is not calculated using 'life'.

Such a complaint is not a violation complaint as the requirements of the TRIPS Agreement have been met and exceeded. Because there is a moratorium on non-violation complaints the complaint could not be brought as a non-violation complaint. However, assuming that the moratorium is removed, the real question is whether such a complaint is realistic in light of the object and purposes of the TRIPS Agreement, in particular its structure of minimum standards and allowance of national autonomy over the method of implementation of those standards and whether or not to increase those standards.

It cannot be a rational interpretation of the TRIPS Agreement that members froze their intellectual property laws as at 1995 as, at that time, many countries had ongoing programs of intellectual property law reform and there were international negotiations over various aspects of international intellectual property underway and planned. In any event, many members' laws were TRIPS-plus, in the area of copyright term, at that time. However, that does not mean that Members should reasonably expect copyright term to be indefinitely extended. Can there now be a legitimate complaint about the continued extension of copyright term?

A violation complaint is unlikely to succeed because the TRIPS Agreement has been literally complied with, but a non-violation complaint raises some different issues. These different issues are important as they address the trading relationship between members of the WTO. WTO members should be allowed to dispute the legitimacy of escalating copyright terms, which are very protectionist and do not generally facilitate trade. One example is the extension of term for sound recordings in the EU. Many Members have expected some European sound recordings to fall into the public domain and people based in those Member states may have planned to reproduce the sound recordings or to use them to create new copyright works. However, that expected trade benefit will now probably disappear because the European Commission plans, at the time of writing, to extend the term of copyright protection in sound recording to 70 years. 119

¹¹⁸ WCT and the WIPO Performances and Phonograms Treaty, 20 December 1996, S. Treaty Doc. 105–17; 36 ILM 76 (1997) (adopted by the WIPO Diplomatic Conference), were, for example, under negotiation at the time the TRIPS Agreement was entered into.

The original proposal was an extension of term to 95 years. For discussion of the proposal see European Commission, 'Term of Protection' http://ec.europa.eu/internal_market/copyright/term-protection/term-protection_wn.htm accessed 21 March 2009; Centre for Intellectual Property and Information Law, University of Cambridge, 'Review of the Economic Evidence Relating to Term of Copyright in Sound Recordings' http://www.cipil.law.cam.ac.uk/policy_documents/gowers_cipilreport.pdf accessed 14 April 2009; 'Address by Professor Lionel Bentley to the Legal Affairs Committee of the European Parliament', 4 November 2008, http://www.cipil.law.cam.ac.uk/Address%20to%20the%20European%20Parliament.pdf accessed 14 April 2009; Nadine Klass and others, 'Statement of the Max Plank Institute for Intellectual Property, Competition and Tax Law Concerning

Parallel importing rules provide another example of a user's potential non-violation complaint. The TRIPS Agreement does not require members to either allow or prohibit parallel imports of copyright products. Australia permitted certain types of parallel imports until it agreed, in an FTA with the USA, to restrict those imports. Should member states who supplied the Australian parallel import market be permitted to complain that a benefit it expected in trade has been removed? This example has the difficulty that parallel importing rules in copyright are ostensibly outside of the scope of the TRIPS Agreement. Therefore members should be allowed national autonomy over parallel importing rules and cannot claim that these may not change in other members from time to time.

Interpretation of article 27 of the TRIPS Agreement, which prescribes the subject matter of patent law, is another example. It provides that 'patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application'. Disputes over the scope of patent and other intellectual property subject matter are some of the hardest disputes to resolve because the subject matter of intellectual property law and the consequent interpretation of existing laws are continuously evolving in a way to ensure that existing laws can capture new technologies as patentable inventions. ¹²⁴ Countries are not able to exclude patents on the basis of subject matter alone. A country cannot, for example, have a blanket rule that patents are not available for pharmaceuticals. Despite the prohibition of blanket subject matter discrimination, disputes over the patentability of pharmaceuticals still exist. These disputes are about the scope of article 27's requirements in relation to patents for pharmaceuticals.

There is no dispute that first use pharmaceuticals must be patentable to comply with the TRIPS Agreement. However, differences have emerged over whether TRIPS compliance requires second and subsequent uses of known pharmaceuticals to be patented. New uses of known pharmaceuticals were not always patentable, even in the developed world, because the

the Commission's Plans to Prolong the Protection Period for Performing Artists and Sound Recordings' (2008) 39 Intl Rev Intellect Property Competition Law 586; and Natali Helberger and others, 'Never Forever: Why Extending the Term of Protection for Sounds Recordings is a Bad Idea' (2008) 30 Eur Intellect Property Rev 174.

¹²⁰ Article 6 of the TRIPS Agreement.

Article 6 of the TRIPS Agreement provides: 'For the purposes of dispute settlement under this Agreement, subject to the provisions of Articles 3 and 4 nothing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights.'

Although as parallel importing restrictions prevent the free flow of goods it is questionable why WTO members are allowed to create such barriers to trade.

¹²³ Article 7 of the TRIPS Agreement.

See TRIPS and the Dynamics of Intellectual Property Lawmaking, above n 58, 98-9.

¹²⁵ To exclude pharmaceuticals, eg from patentability would be to exclude on the basis of subject matter alone, which is contrary to article 27 of the TRIPS Agreement.

pharmaceutical was known, and therefore novelty and inventive step could not be established. These types of patents, often called Swiss claims, ¹²⁶ were patented, in developed countries, on the basis that although the pharmaceutical compound itself is not necessarily new, the use is new. ¹²⁷

India, however, does not allow patents for second and subsequent uses of known compounds unless there is 'an enhancement of the known efficacy' 128 of the substance. This Indian law is effectively a definition of inventive step for some types of inventions. India and some other developing countries regard such patents as being for incremental inventions and therefore resulting in the evergreening of a patent for a pharmaceutical substance. 129

Before the Madras High Court, Novartis unsuccessfully challenged India's refusal to grant such a patent in relation to the pharmaceutical, known as Gleevec, on the basis that there was no new efficacy, only a new form of a known substance. Among Novartis' submissions was that the Indian law did not comply with article 27 of the TRIPS Agreement. The Madras Court did not rule on the TRIPS Agreement argument, rather it decided it did not have jurisdiction over the issue. 131

The relevant issue here is whether there is any basis for arguing that India's approach to inventive step is a violation or a non-violation nullification and impairment of the TRIPS Agreement. The violation question asks if

- A Swiss type patent claim is a claim for the use of a known substance in the manufacture of a medicament for the therapeutic and/or prophylactic treatment of a medical condition. Swiss type claims are designed to circumvent prohibitions on patenting methods of medical treatments and are also an exception from the absolute rule of novelty, because the substance or the composition in the claim already forms part of the prior art. Swiss claims are rationalised on the basis that novelty is not completely abandoned as there is a 'novel' use. Broadly, the supposed rationale behind allowing Swiss claim patents is a reward for investment made to find new uses. See generally Rebecca Eisenberg, 'The Problem of New Uses' (2005) 5 Yale J Health Policy, Law Ethics 717.
- The original Swiss claim was for a second use of a known pharmaceutical. Since then, patent have been granted for subsequent uses and for new dosages, see generally Susy Frankel, 'Lord Cooke and Patents: The Scope of "Invention" (2008) 39 Victoria Univ Wellington L Rev 73, 92–4.
- 128 The Patents (Amendment) Act of 2005, India, s 3(d), provides that the following are not patentable inventions, 'the mere discovery of a new form of a known substance which does not result in the enhancement of the known efficacy of that substance or the mere discovery of any new property or new use for a known substance or of the mere use of a known process, machine or apparatus unless such known process results in a new product or employs at least one new reactant.'
- 129 See generally Allessandra Acuri and Rosa Castro, 'How Innovative is Innovative Enough? Reflections on the Interpretation of Article 27 TRIPS from Novartis v India' http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1159821 accessed 21 March 2009; see also Rnjnish Kumar Rai, 'Effect of TRIPS-Mandated Intellectual Property Rights on Foreign Direct Investment in Developing Countries: A Case Study of the Indian Pharmaceutical Industry' (2008) 11 J World Intellect Property 404.
- For a discussion of the case, see Acuri and Castro, ibid, and Linda L Lee, 'Trials and TRIPS-ulations: India Patent Law and Novartis AG v. Union of India' (2008) 23 Berkeley Technol L J 281.
- 131 Novartis AG v Union of India (2007) 4 Madras LJ 1153, s 7.

article 27 is breached. The non-violation question asks if a member has a complaint, even if the article is not breached, because an expected benefit of the agreement or the attainment of an objective cannot be realized. 132

The TRIPS Agreement is silent on the definition of inventive step. 133 This silence means that members must implement their own definitions of inventive step. 134 This results in different countries having different approaches to what is an inventive step. There must be limits to the autonomy that members have in defining inventive step. National definitions should presumably not be so demanding that nothing could be patentable, thus eliminating the scope of the TRIPS Agreement. 135

The diversity arises from how inventive step is assessed. Broadly, an inventive step is something that is not obvious to a person skilled in the art. Beyond this, however, it is impossible to say that there is any international consensus that could create an international norm, regarding the level of or meaning of inventive step. Indeed, the perceived need for greater harmonization of patent law and international negotiations aimed at that recognizes the lack of consensus. 136 As there is no harmonized norm of inventive step and only a minimum standard, that for an invention to be patentable it must involve an inventive step, it cannot be established that India has breached article 27.137 Because at the time of the TRIPS Agreement, and now, there was, and is, no international norm over the patentability of second and subsequent uses of known pharmaceuticals 138 it would be a misuse of the

A footnote records that inventive step is synonymous with non-obviousness, see Article 27 footnote of the TRIPS Agreement.

- ¹³⁴ Reichman and Dreyfuss, above n 83, 97, state, 'Admittedly, TRIPS gives its Members some leeway to tailor their laws to local needs. For example, states can presumably supply their own definitions of 'inventive step' and determine for themselves the technological scope of patent protection.' See also pages 98-9 and the discussion of tying inventive step to a nation's economic goals. Also of note is that the parameters of inventive step will often be a combination of statute and case law in common law countries.
- 135 There must be some conceptual boundary otherwise the treaty provision would be meaningless and such an interpretation would not be consistent with the principles of treaty interpretation. See Rochelle C. Dreyfuss and Andreas F Lowenfeld, 'Two Achievements of the Uruguay Round: Putting TRIPS and Dispute Settlement Together' (1997) 37 Virginia J Intl L 275, 282-304, where the authors suggest this is an area where the WTO dispute settlement process should show deference to developing country standards of inventive step. See also JH Reichman (1997) 'From Free Riders to Fair Followers: Global Competition Under the TRIPS Agreement', 29 New York Univ J Intl L Politics 11.
- ¹³⁶ There is an ongoing negotiation at WIPO for a harmonization of substantive patent law treaty, see also discussion in Reichman and Dreyfuss, above n 83.
- 137 Acuri and Castro analyse the differences in patentability as resulting from different welfare effects of patents in light of the objectives and principles of the TRIPS Agreement, see above n 129, at 10.
- 138 If there was any international norm created through TRIPS then it would not be necessary to provide for protection for second and subsequent use of pharmaceutical patents in FTAs, see Frederick M Abbott, 'Towards a New Era of Objective Assessment in the Field of TRIPS and Variable Geometry for the Preservation of Multilateralism' (2005) 8 J Intl Econ L 77, 88-9.

¹³² For the non-violation criteria see above Section VI A.

treaty interpretation to suggest that there is. The TRIPS Agreement should not be interpreted to say that there is harmonization of this sort of patent law detail because that would be filling a gap that the parties have not agreed. 139

If a violation complaint in these circumstances is as unlikely to succeed, as I suggest, could it be advantageous to bring a non-violation claim in relation to India's law? In my view, such a complaint about the scope of subject matter in article 27 and India's law should not be successful for the same reasons that the violation complaint should not succeed. There can be no expected benefit of a common standard of inventive step. However there would be advantages in allowing non-violation complaints over this issue. India might complain that the direct and indirect pressure, through the effect of FTAs, to protect second use pharmaceuticals is a nullification and impairment of an expected benefit under the TRIPS Agreement. The complainant should argue that the web of TRIPS-plus FTAs, which require protection of new uses of known pharmaceuticals, has eroded for some countries, and is eroding for India, the ability to not be obliged to provide more extensive protection and consequently legitimate expectations under the TRIPS Agreement are defeated.

The advantage of either non-violation complaint, discussed above, is that the issues would be decided in a rules-based forum, rather than in the power-imbalanced international FTA negotiation. On the one hand, I suggest that such a non-violation complaint against India should lose because there was and is international division over the patenting of new uses of known pharmaceuticals. In the face of that division, a panel should not conclude that it was a reasonably expected benefit of the TRIPS Agreement that all Members would provide patents for second use pharmaceuticals. Some Members and private right holders may have hoped, and even attempted to negotiate, that this was so, but hope falls short of a legally enforceable expectation. To suggest that the parties intended that article 27 would result in the same things being patentable everywhere in the world suggests a level of harmonization that is not a reasonable interpretation of the wording of article 27, the parties' intentions or any expected benefits arising from TRIPS. It has always been known in defining inventive step that members are able to enact their own legislation. Members can and do delineate the details of patent systems according to their economic circumstances and the need to do so is hardly unexpected. 140

On the other hand, I suggest that a non-violation complaint, brought against the USA and possibly also the EU, could succeed. This is because several countries have been pressured through non-negotiable template FTAs into protecting second use pharmaceuticals. Those countries have done so against their own national interest, which suggests the negotiations were in some way coercive. Additionally, these FTA provisions are cumulatively

¹³⁹ Article 3(2) of the DSU.

¹⁴⁰ For further discussion of how members could do even more diversifying and be TRIPS compliant, see Diversifying Without Discriminating, above n 45.

contrary to the object and purpose of the TRIPS Agreement for developing countries. Such protection is not contributing to the 'promotion of innovation... to the mutual advantage of producers and users...'. ¹⁴¹ Also, India has not changed its law to protect second use pharmaceutical patents, but it is placed under continuous pressure, directly and via TRIPS-plus FTAs creating new norms, to change its laws. An erosion of a member's expected benefit not be obliged to change its laws to protect second use pharmaceutical patents has occurred. ¹⁴²

Whether a Member decides to bring a complaint may in part depend on the remedy available.

C. Remedies for Non-Violation Disputes

If a non-violation dispute is successful because 'a measure has been found to nullify or impair benefits under, or impede the attainment of objectives', ¹⁴³ of the TRIPS Agreement there is no obligation to withdraw the measure. 'However in such cases the panel or the Appellate Body shall recommend that the Member concerned make a mutually satisfactory adjustment.' In the TRIPS Agreement context a mutually a satisfactory adjustment is a peculiar concept. While a tariff might be mutually adjusted that does not make much sense for an intellectual property law.

If TRIPS-plus FTAs are found to be a non-violation nullification and impairment of the object and purpose of TRIPS then the measure that needs to be withdrawn will be found in the complainant's law not the respondent's. The remedy for TRIPS-plus FTAs, which are inconsistent with the object and purpose of TRIPS, would be to curb future analogous FTAs and to allow a members to withdraw the increased protection that thwarts its legitimate TRIPS expectations. If non-violation disputes are introduced in the TRIPS Agreement, there will need to be a framing of how these appropriate remedies can be achieved in view of the unique nature of the TRIPS Agreement among WTO agreements.

VIII. THE OVERLAP OF NON-VIOLATION AND VIOLATION DISPUTES

A. Using Violation because Non-Violation is not Available

It is advantageous to bring a violation complaint, in preference to a non-violation complaint, because in a violation dispute reliance on the agreement is assumed and once there is an established breach of the agreement it is also assumed that there has been injury. By comparison, in a non-violation dispute a complainant needs to demonstrate reliance and causality of the

¹⁴¹ TRIPS Agreement, Article 7.

¹⁴² Another potential non-violation complaint for India might be that it reasonably expected that it would be able to retain its generic pharmaceutical industry.

¹⁴³ Article 26(1)(c) of the DSU.

¹⁴⁴ Ibid.

injury. Thus, Members are more likely to bring a violation complaint if they can. It is, however, possible to recast non-violation disputes as violation disputes. Indeed, because non-violation disputes have not been available this may have already occurred, but this 'recasting' should not succeed. Aspects of the dispute between the USA and China demonstrate this and provide a good illustration of the relationship between violation and non-violation nullification and impairment in the TRIPS Agreement context.

The USA brought a violation complaint against China about various aspects of China's copyright and trademark laws. For a number of years the USA and China had been in discussions over enforcement of intellectual property rights in China. 147 The USA eventually requested the establishment of a WTO panel over several alleged breaches of the TRIPS Agreement by China. One complaint related to the thresholds of infringing copies that would give rise to a criminal level of infringement of copyright in China. 148 China reduced the level of the relevant thresholds from 1000 to 500 shortly before the USA requested a Panel. The essence of the USA's case was that China's thresholds for criminal infringement in copyright law rendered the requirements of the TRIPS Agreement to provide criminal offences for infringement ineffective in some circumstances. 149

The scope of criminal liability and remedies for copyright infringement was an area over which there was little international agreement both in the Uruguay Round leading to the TRIPS Agreement and subsequently. ¹⁵⁰ Consequently the enforcement related minimum standards, including those

¹⁴⁵ Dreyfuss and Lowenfeld, above n 135.

¹⁴⁶ WTO Panel Report, China—Measures Affecting the Protection and Enforcement of Intellectual Property Rights (China-TRIPS Enforcement), WT/DS362/R (adopted 26 January 2009).

For a summary of the US position, see Office of the United States Trade Representative, 'WTO Case Challenging Weaknesses in China's Legal Regime for Protection and Enforcement of Copyright and Trademarks' http://www.ustr.gov/assets/Document_Library/Fact_Sheets/2007/asset_upload_file908_11061.pdf?ht= accessed 21 March 2009.

148 Request for Consultation by the United States, China—Measures Affecting the Protection and Enforcement of Intellectual Property Rights (China-TRIPS Enforcement), WT/DS362/1, 10 April 2007.

Yoshifumi Fukunaga suggests that the type of dispute that looks at ineffectiveness of remedies falls into a special category of types of TRIPS disputes, see Yoshifumi Fukunaga, 'Enforcing TRIPS: Challenges of Adjudicating Minimum Standards Agreements' (2008) 23 Berkeley Technol LJ 867.

As a result, the requirements for enforcement of intellectual property rights in the TRIPS Agreement are minimum standards which are more akin to stating general principles rather than setting out details of enforcement. Article 41:1, the introductory provision to the enforcement articles of the TRIPS Agreement, requires that:

Members shall ensure that enforcement procedures as specified in this Part are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements. These procedures shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.

specifically about criminal liability and enforcement, are not prescriptive and rather leave a lot of scope for differing national laws.¹⁵¹

General differences between WTO members' court systems are recognized in the TRIPS Agreement, which provides that none of the enforcement obligations create obligations that the parties provide a system of intellectual property enforcement that is distinct from its general criminal law. This means that intellectual property is not a special case. The Panel in the *China-TRIPS Enforcement* report recognized the importance of this provision and noted that even so there is still an obligation on China to provide the enforcement measures required under the TRIPS Agreement.

There was considerable room to argue that China's thresholds were reasonable in the circumstances of the conditions in China, including its progressive improvement of measures for enforcement and the state of criminal law in general. The device of using thresholds for criminal liability is common. Indeed the USA uses them. ¹⁵⁴ However, the enforcement must be effective against commercial infringement. 'Effective' in this context is, at best, a relative term. So it is difficult to interpret the TRIPS Agreement to mean that a particular threshold number is too high. Using Vienna Convention principles ¹⁵⁵ of interpretation, the Panel concluded that the USA did not make out its case that the criminal thresholds prevented China from fulfilling its obligations to provide criminal enforcement for counterfeiting and piracy activities on a commercial scale. ¹⁵⁶

The result, in my view, is correct because the United States seemed to hope to read into the enforcement provisions a level of detail that was not there and, therefore, cannot be said to be the meaning of the provisions. The relevant provisions in the TRIPS Agreement simply provide a broad and

Article 61 of the TRIPS Agreement provides: 'Members shall provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale. Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity. In appropriate cases, remedies available shall also include the seizure, forfeiture and destruction of the infringing goods and of any materials and implements the predominant use of which has been in the commission of the offence. Members may provide for criminal procedures and penalties to be applied in other cases of infringement of intellectual property rights, in particular where they are committed wilfully and on a commercial scale.'

¹⁵² Article 41(5) of the TRIPS Agreement provides: 'It is understood that this Part does not create any obligation to put in place a judicial system for the enforcement of intellectual property rights distinct from that for the enforcement of law in general, nor does it affect the capacity of Members to enforce their law in general. Nothing in this Part creates any obligation with respect to the distribution of resources as between enforcement of intellectual property rights and the enforcement of law in general.'

¹⁵³ China-TRIPS Enforcement (n 146).

¹⁵⁴ Copyright Act of 1976, 17 United States Code (USC) §506(a)(1)(B), punished under Crimes and Criminal Procedures, 19 United States Code (USC) §2319.

¹⁵⁵ Vienna Convention n 62 above.

¹⁵⁶ China-TRIPS Enforcement (n 146).

undetailed requirement that there be enforcement.¹⁵⁷ Given the lack of detail in the enforcement provisions the US argument was really more of a non-violation complaint. The essence of what the USA was really complaining about was that a benefit it expected from the TRIPS Agreement was better levels of enforcement.

What if the USA had been able to bring this as a non-violation compliant? A non-violation complaint should reach the same result as the Panel did in the violation complaint, because the level of benefit that the USA wished to claim was not something that could be construed as an expected benefit arising from the words of the Agreement which show the intention of the parties. A non-violation claim in assessing expected benefits would not rewrite those intentions. Until there is a proper international agreement over such issues the WTO dispute settlement body should not be used to fill the gaps. Even if, however, the non-violation complaint would lose, this does not mean that it should not be brought. This is a type of non-violation complaint that is feared, but it is also the type of non-violation complaint that should not be successful because there is not the kind of expected benefit that a non-violation complaint should address. Bringing such a complaint would have meant that in addition to treaty interpretation methods of the Vienna Convention, the Panel decision could have more robustly considered what benefits members could expect from the enforcement provisions of the TRIPS Agreement. Such analysis should not be feared. Rather a more robust discussion of the meaning of the enforcement provisions should be encouraged because a properly reasoned decision would have likely shown that the US threshold argument was untenable because it had tried to negotiate more detailed enforcement provisions, but had failed and so cannot afterwards claim an expected benefit of more detail. 158

Another aspect of robustness for dispute settlement that non-violation complaints might bring is the possibility of looking at exactly how and why a domestic law, at issue in a dispute, was reached. Where a domestic

¹⁵⁷ Also, if the TRIPS Agreement enforcement provisions could be interpreted to prefer one legal system's approach to enforcement over another, it would be unnecessary for substantive enforcement measures to be negotiated in other forums such as the Anti-Competitive Trade Agreement (ACTA) negotiations, see United States Trade Representative, 'Anti-Competitive Trade Agreement (ACTA)' http://wwww.ustr/assets/Document_Library/Fact_Sheets/2008/asseet_upload_file760_15084.pdf accessed 21 March 2009; and Margot Kaminski, 'The Origins and Potential Impact of the Anti-Counterfeiting Trade Agreement (ACTA)' (2009) 34 Yale J Intl L 247.

In any event, a panel report would only be guidance. It does not bind members who are not parties to the dispute or indeed formally create binding precedent, although it creates legit-imate expectations. For a general discussion of the role of Panel and Appellate Body reports see WTO, 'Understanding the WTO: Settling Disputes' http://www.wto.org/english/thewto_e/whatis_edist1_e.thm accessed 21 March 2009; and WTO, 'Dispute Settlement: Appellate Body' http://www.wto.ord/english/tratop_e/dispu_e/appellate_body_e.htm accessed 21 March 2009.

intellectual property law is arrived at through negotiated trade-offs Dreyfuss and Dinwoodie suggest that: 159

challenges to the side-effects that ... measures have on intellectual property rights are more naturally categorized as non-violation complaints because they frustrate the objectives of the Agreement rather than breach specific obligations.

The authors suggest that the WTO dispute settlement system needs to take into account not just the intellectual property provision at issue before it, but also the context through which a member came to that provision. In particular, a provision may be reached through trade-offs at a national level and the authors suggest that it is too great an interference in national autonomy for those trade-offs to be 'unwound' at international level. They give the example of the extension of copyright term, which was part of a package that included the exemption from liability of the playing of non-dramatic musical works in certain restaurants and bars. The WTO found that the musical works exemption was a violation of the TRIPS Agreement, but the US Supreme Court upheld the extension of term. As the authors note, sometimes aspects of the negotiated package are found outside intellectual property law and in those circumstances non-violation complaints may be useful.

B. Non-Violation Disputes and Laws that are not Primarily Intellectual Property Laws

Another area in which non-violation disputes may be important for intellectual property is where non-intellectual property measures affect the TRIPS Agreement minimum standards. In the TRIPS Council discussion on non-violation complaints, there are some limited examples of these potential sorts of complaints. One of the examples is 'A Member could ban all advertising of cigarettes, including their trademarks, for health reasons'. ¹⁶⁴ On the face of it this ban complies with the TRIPS Agreement. ¹⁶⁵

The non-violation question is whether or not the ban nullifies and impairs an expected benefit of the TRIPS Agreement. A Council member responded

¹⁵⁹ TRIPS and the Dynamics of Intellectual Property Lawmaking, above n 58, 118.

¹⁶⁰ TRIPS and the Dynamics of Intellectual Property Lawmaking, above n 58, 103–9.

¹⁶¹ TRIPS and the Dynamics of Intellectual Property Lawmaking, above n 58, 105.

WTO Panel Report, United States—Section 110 (5) of the US Copyright Act, WT/DS160/R, adopted 27 July 2000. Arguably, however, for the US national the bargain remains in place because the music exemption remains on the statute book and therefore can be utilised by US bars and restaurants. However, compensation is paid to the EU.

 $^{^{163}}$ Eldred v Ashcroft, 239 F 3d 372; 537 US 186 (US Sup Ct 2003).

¹⁶⁴ TRIPS Council Summary of Non-Violation Issues, above n 13.

¹⁶⁵ Article 15(4) of the TRIPS Agreement provides: 'The nature of the goods or services to which a trademark is to be applied shall in no case form an obstacle to registration of the trademark.' Such a ban would not violate this provision because the trademark is not banned only its advertisement.

to the example that such a ban could have been anticipated at the time of the Agreement, particularly as such a ban already existed in some jurisdictions at the time of the Agreement. Therefore, it could not be said that there was loss of an expected benefit. This response must be correct.

Additionally, it cannot be supposed that members of the WTO, when agreeing to the TRIPS Agreement, consented to not allow other laws to affect intellectual property products. Indeed, trademark law and other intellectual property law has always been subject to other laws. There are many examples: Patents can be granted for pharmaceuticals, but pharmaceuticals cannot be sold in many countries without regulatory approval. Patents can be granted for electrical products, but safety standards must be met. As mentioned above, the grant of an intellectual property right is not an affirmative right to use, but rather a right to exclude others, and it is not a guarantee that any sales will be unregulated or even successful. Intellectual property law, on its own, does not control market conditions and the TRIPS Agreement, unlike other WTO Agreements, 167 is not a market access agreement. Market access issues, even if they relate to intellectual property products, must be dealt with in the negotiated disciplines of GATT and GATS.

It is questionable and arguably not a reflection of the intention of the parties if the TRIPS Agreement is interpreted so that it is used as a back door to GATT and GATS related market access or non-discrimination issues. ¹⁶⁸ However, the relationship between the WTO agreements is perhaps an ideal area for non-violation complaints because WTO members may 'mix-up' the disciplines in order to achieve certain goals. An example might be where country A, in order to prevent the sale of products, which it considers have large carbon footprints, enacts a law banning advertising of trademarks that encourage the purchase of products associated with distant lands, whether or not the product is made locally or otherwise. Examples might be the ban of 'Fiji Water' or 'New Zealand Natural' ice cream sold in the USA.

Another relevant example, from the TRIPS Council documents, is where a Member applies a high tax 'on certain goods with intellectual property rights whose use is deleterious to the environment.' The problem is identifying the loss of benefit in the TRIPS Agreement context. The possibility that intellectual property goods might be highly taxed in some places is widely

¹⁶⁶ TRIPS Council Summary of Non-Violation Issues, above n 13. Also where the side-effect is health-related or a matter of national security the TRIPS Agreement anticipates such exceptions to protection. See, eg Article 27(2) of the TRIPS Agreement, which allows exceptions to patentability for the protection of the environment, human, animal and plant life or health and matters of *ordre public*.

¹⁶⁷ Particularly GATT and GATS.

¹⁶⁸ Each agreement has its own non-discrimination principles. National treatment or MFN violations should be analysed under the appropriate agreement.

¹⁶⁹ TRIPS Council Summary of Non-Violation Issues, above n 13.

known and practised.¹⁷⁰ If such a tax on goods occurred it would be appropriate to consider if the tax violates the GATT and if there was a breach of a tariff binding or a non-discrimination provision.

Also, intellectual property right owners use all sorts of methods beyond mere intellectual property rights in order to exploit their intellectual property. The Examples include region coding of DVDs, other technological protection mechanisms to control territorial or time-related uses of copyright works and charging different prices in different markets. Region coding and technological protection mechanisms have received intellectual property style protection through international negotiations independent of the TRIPS Agreement. However, they were used before that protection was put in place. Protection of technological protection mechanisms are not an expected benefit of the TRIPS Agreement because they are outside the scope of the Agreement and the international protection was established after intellectual property rights owners had used them for some time.

Charging differential prices in markets has been and is a way in which businesses have exploited the territorial nature of intellectual property rights. The charging of different prices is an exploitation of intellectual property rights rather than a required minimum standard of an exclusive right of the TRIPS Agreement. It cannot be said that either of these sorts of examples are an expected benefit of the TRIPS Agreement.

Undoubtedly non-violation disputes should not be used to fill the gaps, both in and between GATT, GATS and the TRIPS Agreement, via dispute settlement rather than by negotiation. However, to the extent that a purpose of the TRIPS Agreement is the trading relationship between its members, ¹⁷⁴ it is important that the legitimate expectations resulting from that Agreement are met. This might mean that, where the exploitation of intellectual property rights under the TRIPS Agreement is frustrated by means that fall short of a violation of GATT or GATS, there ought to be redress. Multilateral negotiation over these gaps is theoretically the ideal method of progress, however, it may also be unrealistic that every nuance could be dealt with in this way. Non-violation disputes are difficult to bring, and as the above

¹⁷⁰ Similarly it is also known that there may be restrictions on the sale of some intellectual property products, such as those subject to censorship laws in some jurisdictions.

Owners of intellectual property rights charge different prices for products in different jurisdictions. Indeed, owners often contract between themselves to supply goods only in some countries and not in others. The territorial nature of intellectual property rights makes this possible. Members of the TRIPS Agreement could not agree on the principles of exhaustion and intellectual property rights and this is recorded, see Article 6 of the TRIPS Agreement.

¹⁷² See the WCT.

¹⁷³ Other market conditions will also determine price. See Massimiliano Gangi, 'Competition Policy and the Exercise of Intellectual Property Rights' http://www.archivioceradi.luiss.it/documenti/archivioceradi/osservatori/intellettuale/Gangi1.pdf accessed 21 March 2009.

¹⁷⁴ After all it is an agreement of the World Trade Organization and therefore the trading relationship between members should be core to its interpretation.

examples show not easy to win. The difficulties with non-violation disputes are noted, but I do not conclude that they are dispositive of whether or not such disputes should be allowed in the TRIPS Agreement context. Rather, these difficulties create sufficient parameters to guard against their misuse.

It therefore seems that the uses of non-violation disputes might well be appropriately limited in a way that is not detrimental either to the integrity of the TRIPS Agreement or to WTO developing countries and least developed country members who have found the TRIPS Agreement standards hard to comply with and may fear that non-violation disputes would make that worse.

C. Mechanisms to Control Non-Intellectual Property Law's Effect on Intellectual Property

Members seeking to control the effects of other laws on intellectual property rights have used a variety of ways to do so. This can be through negotiated packages within their own jurisdictions 175 or between jurisdictions in FTAs. 176 The FTA between Australia and the United States (AUSFTA), for example, has a number of provisions, over and above its intellectual property provisions, that relate to the marketing and sale of pharmaceuticals. 177 There are provisions that effectively require Australia to limit, and to potentially remove, certain government subsidization of pharmaceutical sales. 178 The existence of these provisions in AUSFTA is an express recognition that the TRIPS Agreement does not control these things. This suggests, therefore, that it is arguable that TRIPS Agreement Members can not use other laws, in relation to the sale and distribution of pharmaceuticals, which might frustrate some types of exploitation of intellectual property rights. An example is price controls over pharmaceuticals. These exist in some developed and developing countries. In some jurisdictions such controls may raise competition law issues. The TRIPS Agreement does not, however, address competition concerns of this nature. There have been no agreed WTO, or other international, rules on competition. 180 Although

¹⁷⁵ TRIPS and the Dynamics of Intellectual Property Lawmaking, above n 58. As the authors Dinwoodie and Dreyfuss point out, these 'package deals' are not necessarily recognised at international level.

¹⁷⁷⁶ Changes to domestic laws as a result of FTAs can also require domestic 'package deals' in order to pass the legislation.

Articles 17(9)(6), 17(9)(8)(b), 17(10)(1)(a) and (c), and 17(10)(2) and (4) of AUSFTA.

¹⁷⁸ Annex 2-C.2 of AUSFTA.

For a discussion of the nexus between antitrust law and intellectual property law see Mark D. Janis. 'Minimal Standards for Patent Related Anti-Trust Law Under TRIPS', in Maskus and Reichman (eds), above n 7.

Attempts have been made but no agreement reached, see Sanoussi Bilal and Marcelo Olarreaga, 'Competition Policy and the WTO: Is There a Need for a Multilateral Agreement?', European Institute of Public Administration Working Paper 98/W/02

intellectual property rights brush up against and in some jurisdictions incorporate laws against anticompetitive practices, the TRIPS Agreement does not have express provisions, with one small exception, to control competition related issues. ¹⁸¹ While countries with pharmaceutical industries may consider that price control mechanisms are frustrating, it could not logically be concluded that the objectives of the TRIPS Agreement, as agreed to by its members, are frustrated by such measures.

In addition to the lack of express provisions addressing competition concerns, parts of the TRIPS Agreement implicitly recognize the distinct role of non-intellectual property laws, but still require members to provide intellectual property protection. The ability to exclude inventions from patentability on the grounds of ordre public, for example, is qualified by the requirement that members must not exclude something from patentability simply because its exploitation is illegal. ¹⁸²

As the TRIPS Agreement is about minimum intellectual property standards in trade then it should, as discussed above, be possible to dispute the trade effects of intellectual property. Although the TRIPS Agreement should not be interpreted to expand the minimum standards that it sets out, equally other laws should not be permitted to erode the minimum standards in the Agreement.

IX. CONCLUSION

Non-violation disputes have been thought of as potentially a tool for the interests of intellectual property owners to increase the protection of the TRIPS Agreement beyond its wording. They also are potentially a tool for users of intellectual property to challenge TRIPS-plus FTAs, which provide more extensive levels of protection without Members always freely choosing that more extensive protection. This lack of choice is in part because of the coercive manner in which many of these TRIPS-plus FTA chapters have been negotiated, but also the way in which TRIPS-plus norms can affect those outside of such TRIPS-plus FTAs. In neither situation can it be said that Members of the WTO have had a choice over whether or not to apply 'more extensive protection'. Yet the TRIPS Agreement frames this as a

http://www.eipa.eu/files/repository/product/20070814174713_98w02.pdf accessed 22 March 2009; and Third World Network, "Developing Countries Resist WTO Agreement on 'Competition Policy'" http://www.twnside.org.sg/title/1889-cn.htm accessed 21 March 2009

¹⁸¹ Article 40 of the TRIPS Agreement provides limited control of anti-competitive practices in licenses.

¹⁸² Article 27(2) of the TRIPS Agreement provides: 'Members may exclude from patentability inventions, the prevention within their territory of the commercial exploitation of which is necessary to protect ordre public or morality, including to protect human, animal or plant life or health or to avoid serious prejudice to the environment, provided that such exclusion is not made merely because the exploitation is prohibited by their law.' [emphasis added].

choice. The erosion of this choice conflicts with the object and purpose of the TRIPS Agreement and so is more than just a violation of Article 1, but also potentially a non-violation of the Agreement.

Non-violation complaints may provide a way in which both net-owners and net-users of intellectual property can, in a rules-based forum, have an independent body analyse the expected benefits of any one party from the TRIPS Agreement. This is particularly important in light of the evident difficulties that developing countries, in particular, face in keeping up with intellectual property protection as it increases. Non-violation disputes may provide a means to provide some limitations on excessive, primarily FTA-based, increases in intellectual property standards. Because violation cases are required to have a formalistic interpretation non-violation offers a more robust approach to analysing the expected benefits that reflect the intentions of the parties and the object and purpose of the TRIPS Agreement, as expressed in its terms.

If non-violation disputes are introduced for the TRIPS Agreement there will need to be a careful distinction set out between violation and non-violation cases. Disciplines around the use of non-violation complaints about the TRIPS Agreement must also be developed. These disciplines must include rules about how the expected benefit criteria of a non-violation dispute must be an objective assessment. There must be an objective assessment, rather than a subjective approach that can be shown to be one party's unsuccessful negotiating position or wish-list. Also, an in-depth framing of rules to provide for appropriate remedies will need to occur.

Although greater harmonization is potentially beneficial to trade, more extensive protection is not necessarily beneficial. Harmonization, if it is to occur, should be a progressive process that happens at the right pace and is the direct result of multilateral agreement, rather than through the backdoor of TRIPS-plus FTAs. Similarly, non-violation disputes should not be used as a means to renegotiate the TRIPS Agreement; rather they should be used to recalibrate it so as to enable developing countries to realize their side of the TRIPS Agreement bargain.