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Trade Related Aspects of Intellectual  
Property Rights

# Trade Related Aspects of Intellectual Property Rights

*A Commentary on the TRIPS Agreement*

CARLOS M. CORREA

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To Liliana, for her permanent support and tolerance of my intense travel and long working hours, and to my children Julia, Carlos, Laura, Juan, Elisa and Carolina.

## Preface

The Agreement on Trade Related Aspects of Intellectual Property Rights ('the TRIPS Agreement') sets out a number of obligations that the Members of the World Trade Organization (WTO) need to comply with when designing their intellectual property regimes. Unlike the other components of the system, the TRIPS Agreement does not aim at liberalizing trade, but at establishing rules for the appropriation of intellectual assets and the control over the production and trade of the products derived therefrom.

The TRIPS Agreement stipulates (except with regard to transitional periods and technical assistance) the same rules for developed and developing countries. Given the profound asymmetries existing amongst WTO members in their levels of development, particularly as regards their scientific and technological base, it is not surprising that this Agreement became one of the most controversial pieces of the multilateral trade system. An appropriate interpretation of its provisions is essential, therefore, to ensure a balance between the public interests and those of right holders.

This book provides elements for the interpretation and application of the TRIPS Agreement, having in view the implications of different provisions in various sectors of the economy. The analysis is based on the rules of interpretation codified in the Vienna Convention on the Law of the Treaties. It aims at clarifying the content and scope of the obligations created by the Agreement, as well as the room available to governments to adapt their legal regimes to different circumstances and policy objectives.

A basic notion underlying this book is that the TRIPS Agreement does not set forth a uniform law on intellectual property; rather it stipulates a set of minimum standards that may be differently implemented in Member countries, while it leaves many aspects to the discretion of national laws. As result, there are different legal options that may be chosen, within certain limits, in implementing the Agreement to develop national intellectual property systems that promote a competitive environment for innovation and the diffusion of new products and technologies.

The book provides commentaries on each of the provisions of the Agreement taking into account, where available, the rulings of WTO panels and the Appellate Body. Inevitably, the analysis builds on my previous work on the subject.<sup>1</sup> I am thankful to all who have contributed to the analysis of the Agreement from different

<sup>1</sup> See, eg 'Review of the TRIPS Agreement and transfer of technology to developing countries', in K Gallagher (editor), *Putting Development First. The Importance of Policy Space in the WTO and IFIs*, (2005: London and New York, ZED Books); 'The TRIPS Agreement from the perspective of developing countries', in P Macrory, A Appleton, and M Plummer (editors), *The World Trade Organization: Legal, Economic and Political Analysis*, (2005: New York, Springer); 'Managing the

positions and perspectives, and to the various organizations that have allowed me to be closely related to the inception and implementation of the TRIPS Agreement.

Carlos M. Correa  
Buenos Aires  
November, 2006

Provision of Knowledge: The Design of Intellectual Property Laws', in I Kaul, P Conceicao, K Le Goulven, and R Mendoza (editors), *Providing Global Public Goods—Managing Globalization*, (2003: New York, Oxford University Press); 'Pro-competitive measures under the TRIPS Agreement to promote technology diffusion in developing countries', in P Drahos and R Mayne (editors), *Global Intellectual Property Rights: Knowledge Access and Development*, (2002: New York, Palgrave and Oxfam GB); 'TRIPS and access to drugs: toward a solution for developing countries without manufacturing capacity?', *Emory International Review*, vol 17, No. 2, Summer, 2003; *Protection of data submitted for the registration of pharmaceuticals. Implementing the standards of the TRIPS Agreement*, (2002: Geneva, South Centre/WHO); 'Internationalization of the patent system and new technologies', *Wisconsin International Law Journal*, vol. 20. No. 3, 2002; 'Fair use in the digital era', *International Review of Industrial Property and Copyright Law*, vol. 33, No. 5/2002; Implementation of the WHO General Council Decision on paragraph 6 of the Doha declaration on the TRIPS Agreement and Public Health, (2004: Geneva, WHO); 'Protection of geographical indications in the CARICOM countries' Caribbean Regional Negotiating Machinery, 2002, available at <[www.crnw.org/documents/studies/Geographical%20Indications%20-%20Correa.pdf](http://www.crnw.org/documents/studies/Geographical%20Indications%20-%20Correa.pdf)>; Implications of the Doha Declaration on the TRIPS Agreement and public health, (2002: Geneva, WHO); Implementation of the WHO General Council Decision on paragraph 6 of the Doha declaration on the TRIPS Agreement and Public Health, (2004: Geneva, WHO); author's contributions to UNCTAD–ICTSD, *Resource Book on TRIPS and Development* (2005: New York, Cambridge University Press); *Integrating public health concerns into patent legislation in developing countries*, (2000: south centre, Geneva); 'Intellectual property in the field of integrated circuits: implications for developing countries', *World Competition*, Vol.14, N1 2, December 1990.

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## *List of Abbreviations*

AB	Appellate Body
BIT	Bilateral Investment Treaty
CAFTA-DR	Dominican Republic–Central America Free Trade Agreement
DSU	Dispute Settlement Understanding
ECJ	European Court of Justice
EMRs	Exclusive marketing rights
FDI	foreign direct investment
FTAA	Free Trade Area of the Americas
FTAs	free trade agreements
GATT	General Agreement on Tarriffs and Trade
IP	intellectual property
IPR/IPRs	intellectual property rights
ITC	International Trade Commission
LDCs	least-developed countries
MAI	Multilateral Agreement on Investment
MFN	most-favoured nation
NAFTA	North American Free Trade Agreement
OEM	original equipment manufacturer
R&D	research and development
TK	traditional knowledge
TOT	transfer of technology
TRIPS	Trade-related Aspects of Intellectual Property Rights
UPOV	International Union for the Protection of New Varieties of Plants
VCLT	Vienna Convention on the Law of Treaties
WCT	WIPO Copyright Treaty
WIPO	World Intellectual Property Organization
WPPT	WIPO Performances and Phonograms Treaty
WTO	World Trade Organization

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# Chapter 1

## PREAMBLE

### The purpose of the TRIPS Agreement

As in other WTO agreements and the WTO Agreement itself, the TRIPS Agreement contains a detailed Preamble where the negotiating parties expressed the objectives that they sought in adopting this component of the WTO system. While the provisions of the Preamble reflect, to some extent, the different positions that the negotiating parties brought to the negotiating table, they substantially respond to the protectionist paradigm advocated by the United States and other developed countries with regard to intellectual property. As examined below,<sup>1</sup> some of developing countries' concerns about the implications of stronger IPRs for their economies and, in particular, for transfer of technology, received limited attention.

*Members,*

***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;***

This paragraph encapsulates the basic assumption for the negotiation of the TRIPS Agreement, one of the more difficult of the Uruguay Round, both politically and technically.<sup>2</sup> The wording was entirely drawn from the paragraph in the Punta del Este Ministerial Declaration that launched the Uruguay Round.<sup>3</sup>

What is 'effective' and 'adequate' protection may be subject to different interpretations. For the purposes of implementing the TRIPS Agreement, however, national standards of protection consistent with the Agreement's obligations

<sup>1</sup> See p 13 below.

<sup>2</sup> B Hoekman and M Kostecki, *The Political Economy of the World Trading System: The WTO and Beyond* (1st publ. 2001: Oxford, 2nd edn), p 283.

<sup>3</sup> The relevant paragraph stated: 'In order to reduce the distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade, the negotiations shall aim to clarify GATT provisions and elaborate as appropriate new rules and disciplines. Negotiations shall aim to develop a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods, taking into account work already undertaken in the GATT.'

are to be considered 'effective' and 'adequate'. There is no room, hence, for an argument of non-effectiveness or non-adequateness to justify demands of 'TRIPS-plus' protection (that is, beyond the TRIPS standards) as required in some bilateral agreements and FTAs entered into by a number of developed and developing countries (eg Australia, Bahrain, Chile, Jordan, Morocco) with US and the EC European Communities and their Member States.

The Preamble's chapeau highlights the reduction 'of distortions and impediments to international trade' as the main target of the Agreement. This statement suggests that improving the protection of IPRs could contribute to such reduction, in line with the overall objective of the WTO.<sup>4</sup> This idea, however, contradicts the conventional notion of IPRs as a *barrier* to trade as contained in Article XX(d) of GATT 1947,<sup>5</sup> which permitted GATT Contracting Parties to justify trade restrictions imposed by IPRs.<sup>6</sup> Since IPRs may allow the title-holder to prevent the importation of the protected subject matter, they can in fact be used to segment markets and erect obstacles to trade. Likewise, exports of products protected by IPRs may also be prevented by the title-holder. For instance, the possible exercise of patent rights to prevent exports of patented medicines to countries without manufacturing capacity in pharmaceuticals triggered the adoption by the Council for TRIPS of a special waiver with regard to Article 31(f) of the TRIPS Agreement.<sup>7</sup>

Developed countries, notably the US, argued during the negotiations about the absence or lack of adequate protection of IPRs, as well as about the lack of appropriate enforcement measures.

As regards inadequacies in the scope and availability of rights, reference was made to the absence in certain countries of patent or copyright laws or of the protection of designs, computer programs, or geographical indications; exclusions of categories of products or of works from protection; insufficient duration of protection; misuse

<sup>4</sup> The third paragraph of the Preamble to the Agreement Establishing the World Trade Organization states the Members' desire 'of contributing to these objectives by entering into reciprocal and mutually advantageous arrangements directed to the substantial reduction of tariffs and other barriers to trade and to the elimination of discriminatory treatment in international trade relations'.

<sup>5</sup> 'Article XX. General Exceptions. Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade, nothing in this Agreement shall be construed to prevent the adoption or enforcement by any contracting party of measures:

(d) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Agreement, including those relating to... the protection of patents, trade marks and copyrights...'

<sup>6</sup> The application of this article was considered, with different outcomes, in two GATT disputes (*United States—Import of Certain Automotive Spring Assemblies*, L/533-30S/107, 26 May 1983, and *United States—Section 337 of the Tariff Act of 1930*, L/6439-36S/345, 7 November 1989).

<sup>7</sup> See WTO Decision on the Implementation of Paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health of 30 August 2003 available at <<http://www.wto.org>> (last accessed on 24 May 2005).

of compulsory licensing; and procedural obstacles or de facto discrimination that makes it difficult for foreign firms to obtain protection for their intellectual property. With regard to difficulties facing intellectual property right owners in the enforcement of their rights, mention was made of: lack of police enforcement or access to border enforcement measures in appropriate circumstances; difficulties of gaining access to competent judicial or administrative bodies; procedural problems with the burden of proof and assembly of evidence; unavailability of preliminary relief; insufficient penalties; the relationship between local and federal jurisdictions; and in general the duration and cost of legal proceedings.<sup>8</sup>

Moreover, it was argued that shortcomings in availability and enforcement of IPRs may constitute a barrier to trade, as potential exports by inventors or creators may be prevented or diminished by infringing copies of their products in foreign markets. It was stated that

trade distortions and impediments were resulting from, among other things: the displacement of exports of legitimate goods by unauthorized copies, or of domestic sales by imports of unauthorized copies; the disincentive effect that inadequate protection of intellectual property rights had on inventors and creators to engage in research and development and in trade and investment; the deliberate use in some instances of intellectual property right protection to discourage imports and encourage local production, often of an inefficient and small-scale nature; and the inhibiting effect on international trade of disparities in the protection accorded under different legislations.<sup>9</sup>

It is of note that the last sentence in the chapeau does not refer to IPRs as such as possible barriers to trade, but only to 'measures and procedures to enforce intellectual property rights'. This wording seems to overlook the concerns expressed during the negotiations, and after their conclusion, about the trade implications of the recognition of IPRs, not just about the ways in which they may be enforced.

The trade distortion that the recognition of IPRs may create can be mitigated by the adoption of the principle on international exhaustion, as incorporated into Article 6 of the TRIPS Agreement.<sup>10</sup> However, the adoption of this principle is not mandatory to WTO Members. By their very conception, IPRs are not intended to promote free trade, but can instead be used to restrict it. For this reason, some trade analysts have argued that, 'in contrast to the rest of the Uruguay Round, the TRIPS negotiations were not about freeing trade, but about changing domestic regulatory and legal regimes',<sup>11</sup> and that the TRIPS Agreement is misplaced in the multilateral trade system and should have never been part of the Uruguay Round negotiations.<sup>12</sup>

<sup>8</sup> MTN.GNG/NG11/1, 10 April 1987, para 3.

<sup>9</sup> *Idem*, para 4.

<sup>10</sup> See Chapter 3 below.

<sup>11</sup> Hoekman and Kostecki, *op. cit.* (2001), p 284.

<sup>12</sup> J Bhagwat and A Panagariya, 'Bilateral Trade Treaties Are a Sham' (2003), *Financial Times*, 13 July available at <<http://www.globalpolicy.org/globaliz/econ/2003/0714rta.htm>>, last accessed on 21 February 2004 ('[D]uring the Uruguay round of trade liberalisation, the US was able to insert the trade-related intellectual property regime (TRIPs) into the WTO, even though no intellectual case had ever been made that TRIPs, which is about royalty collection and not trade, should be included').

The first paragraph of the Preamble was invoked by Canada in *Canada—Patent Protection of Pharmaceutical Products*,<sup>13</sup> but the Panel only incidentally mentioned it as one of ‘other provisions of the TRIPS Agreement which indicate its object and purposes’.<sup>14</sup> Canada called attention to a number of other provisions of the TRIPS Agreement as relevant to the purpose and objective of Article 30. Primary attention was given to Articles 7 and 8.1. Attention was also called to the text of the first recital in the Preamble to the TRIPS Agreement and to part of the text of Article 1.1.<sup>15</sup>

*Recognizing, to this end, the need for new rules and disciplines concerning:*

- (a) the applicability of the basic principles of GATT 1994 and of relevant international intellectual property agreements or conventions;
- (b) the provision of adequate standards and principles concerning the availability, scope and use of trade-related intellectual property rights;
- (c) the provision of effective and appropriate means for the enforcement of trade-related intellectual property rights, taking into account differences in national legal systems;
- (d) the provision of effective and expeditious procedures for the multilateral prevention and settlement of disputes between governments; and
- (e) transitional arrangements aiming at the fullest participation in the results of the negotiations . . .

The second paragraph of the Preamble states ‘the need’ to introduce ‘new rules and disciplines’ in relation to a number of matters:

- (a) The applicability of the basic principles of GATT 1994 and of relevant international intellectual property agreements or conventions . . .

GATT 1947 contained a few provisions that specifically referred to intellectual property, such as Article IX.6 on marks of origin, and Articles XII.3 and XVIII.10, which require that balance of payment safeguards and measures restricting imports do not ‘prevent compliance with patent, trade mark, copyright, or similar procedure’. Perhaps the most important reference to intellectual property rights (IPRs) was in Article XX(d), which allowed, among other general exceptions, those ‘necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Agreement, including those relating to . . . the protection of patents, trade marks and copyrights, and the prevention of deceptive practices’.<sup>16</sup>

<sup>13</sup> WT/DS114/R, Report of the Panel, 17 March 2000, para 7.23.

<sup>14</sup> *Idem*, para 7.26.

<sup>15</sup> *Idem*, para 7.23.

<sup>16</sup> Other GATT provisions were also identified at the initial stages of the TRIPS negotiations as being relevant to IPRs: ‘In regard to the identification of relevant GATT provisions, it was suggested that, in addition to the provisions referred to in the secretariat compilation, Articles X, XXII and XXIII had a relevance to enforcement issues in connection with intellectual property rights . . . . As regards the other issues raised, reference was made to the relevance of Articles I, III and IX.6, and it was said that the General Agreement recognised both the legitimacy of measures to protect intellectual property rights and that these could affect trade. . . . However, the point was widely made that the General

An important implication of the inclusion of the TRIPS Agreement as one of the covered agreements in the WTO is the application to IPRs of the three ‘basic principles of GATT’. Those principles are:

- (1) National treatment;
- (2) Most-favoured-nation (MFN);
- (3) Transparency.

The national treatment principle was not unknown in the IPR field. It was one of the pillars of the Paris Convention for the Protection of Industrial Property (adopted in 1883), and of other conventions entered into in the pre-TRIPS era. In GATT, such a principle was applied to goods, while in the case of IPR it directly benefits title-holders.

The TRIPS Agreement extended the application to IPR of the two other basic principles of GATT (MFN and transparency), which were absent in the pre-TRIPS conventions on IPRs. As examined below,<sup>17</sup> the MFN principle has important implications, as the enhanced levels of IPR protection granted to one WTO member (for instance, in the context of a free trade agreement) unconditionally and automatically benefit all other WTO members.

It may be argued that the TRIPS Agreement is not only subject to the GATT ‘principles’ but to the whole system of rules and disciplines incorporated into GATT 1994.<sup>18</sup> The panel in *India–Patent Protection for Pharmaceutical and Agricultural Chemical Products* held that the TRIPS Agreement has a ‘relatively self-contained, *sui generis* status within the WTO’.<sup>19</sup> However, it also held that the Agreement is ‘an integral part of the WTO system, which itself builds upon the experience of over nearly half a century under the GATT 1947’.<sup>20</sup> In *United States–Section 110(5) of the US Copyright Act*, the panel noted that

given that the agreements covered by the WTO form a single, integrated legal system, we deem it appropriate to develop interpretations of the legal protection conferred on intellectual property right holders under the TRIPS Agreement which are not incompatible with the treatment conferred to products under the GATT, or in respect of services and service suppliers under the GATS, in the light of pertinent dispute settlement practice.<sup>21</sup>

The panel also affirmed that the

consideration of both actual and potential effects when assessing the permissibility of the exemptions would be consistent with similar concepts and interpretation standards as

Agreement contained little apart from Article IX.6 to address the issues raised in connection with the inadequate enforcement of intellectual property rights or inadequacies and excesses in the scope and availability of intellectual property rights (MTN.GNG/NG11/3, 8 October 1987, para 8).

<sup>17</sup> See Chapter 2 below.

<sup>18</sup> See, eg F Weiss, ‘International public law aspects of TRIPS’ in J Cohen Jehoram *et al*, *Trade Related Aspects of Copyright* (1996: Deventer, Kluwer), p 82.

<sup>19</sup> *India–Patent Protection for Pharmaceutical and Agricultural Chemical Products*, WT/DS50/R (1998), para 7.19.

<sup>20</sup> *Ibidem*.

<sup>21</sup> *United States—Section 110(5) of the US Copyright Act*, WT/DS160/R, 15 June 2000, para 6.185.

developed in the past GATT/WTO dispute settlement practice. For example, proof of actual trade effects has not been considered an indispensable prerequisite for a finding of inconsistency with the national treatment clause of Article III of GATT where there was a potentiality of adverse effects on competitive opportunities and equal competitive conditions for foreign products (in comparison to like domestic products) (*footnote omitted*).<sup>22</sup>

However, the panel cautioned against the use of GATT concepts in the TRIPS context:

We wish to express our caution in interpreting provisions of the TRIPS Agreement in the light of concepts that have been developed in GATT dispute settlement practice.<sup>23</sup>

This hesitation is probably explained by the fact that, while affirming the integration of the TRIPS Agreement into the GATT/WTO framework, the panel in the *United States—Section 110(5) of the US Copyright Act* also made clear that the Agreement should be firmly integrated into the framework of the Berne Convention.<sup>24</sup>

Panels and the Appellate Body have, in fact, applied previous GATT and WTO jurisprudence extensively in cases involving the TRIPS Agreement. They have used the same method of interpretation applied to cases involving other WTO Agreements, ie, the customary rules of treaty interpretation contained in Article 31 and Article 32 of the Vienna Convention on the Law of Treaties. Sufficient consideration has not been given to the fact that while IPRs constitute private rights,<sup>25</sup> the other components of the WTO system deal with restrictions imposed on governments.

The clarification of the relationship between the TRIPS Agreement and the GATT/WTO may be crucial for the interpretation of several aspects of the Agreement, such as the permissibility of banning parallel imports,<sup>26</sup> the extent to which exceptions can be established under Article 8.1, and, more generally, the criteria to be applied to the interpretation of exceptions provided under the TRIPS Agreement. Under GATT/WTO jurisprudence the exceptions to Members' obligations have been generally construed narrowly.<sup>27</sup> This also applies to the case of TRIPS as illustrated by the panel's opinion in *Canada—Patent Protection for Pharmaceutical Products* on the exceptions to exclusive patent rights conferred by Article 30 of the TRIPS Agreement.<sup>28</sup> However, IPRs themselves

<sup>22</sup> Ibidem.           <sup>23</sup> Ibidem.

<sup>24</sup> See, eg, J Oliver, 'Copyright in the WTO: The Panel Decision on the Three-Step Test' (2002) 25 Colum JL & Arts 119, 163.

<sup>25</sup> See the Preamble to the TRIPS Agreement, fourth paragraph.

<sup>26</sup> As discussed below, the prohibition of parallel imports may be deemed inconsistent with one of the basic GATT principles regarding the elimination of quantitative restrictions (Article XI of GATT).

<sup>27</sup> See Carlos Correa, 'Implementing National Public Health Policies in the Framework of the WTO Agreements', (2000) 34 (5) Journal of World Trade, p 92.

<sup>28</sup> 'As long as the exception is confined to conduct needed to comply with the requirements of the regulatory approval process, the extent of the acts unauthorized by the right holder that are permitted

constitute exceptions in terms of the GATT—authorized by GATT Article XX(d)—since by their very nature such rights restrict trade.<sup>29</sup> Article XX(d) is fully in force, and cannot be dismissed as a simple ‘mistake’.<sup>30</sup> In applying the exceptions under TRIPS, therefore, panels and the Appellate Body should carefully consider the trade *restrictive* effects of IPRs and the need to ensure as much competition as possible. The purpose and effects of IPRs should be appraised in the light of the general principles and objectives of the WTO system and, in particular, the objectives of the TRIPS Agreement as stated in Article 7.<sup>31</sup>

(b) **The provision of adequate standards and principles concerning the availability, scope and use of trade-related intellectual property rights:**

The TRIPS Agreement sets forth the principles and standards in order to ensure the availability of a minimum level of protection for IPRs. It also determines the scope of such rights by defining the set of rights conferred to title-holders (eg Article 28 of the Agreement). Since IPRs confer negative rights (that is, the right to exclude others from exploiting protected subject matter), essentially the ‘use’ of such rights aims to ensure their enforcement, but may include other acts, such as licensing and assignment.

While the Preamble and the title of the Agreement itself refer to ‘trade-related’ aspects of IPRs, the negotiating parties did not make too much effort to conceptually distinguish those rights from non trade-related aspects of such rights. In fact, with the exception of ‘moral’ authors’ rights, virtually all dimensions of IPRs are caught by the Agreement’s provisions.

What ‘adequate’ standards and principles are is a matter of opinion. What is adequate at certain point in time may not be so when circumstances have changed. Likewise, what is adequate for a developed country may not be so for a developing country. In fact, the history of intellectual property strongly suggests that developed countries have adapted the IPRs systems to the conditions prevailing at different stages of their development process, a possibility allowed under the pre-TRIPS intellectual property system. As noted by the UK Commission on Intellectual Property Rights (CIPR),

historically IP regimes have been used by countries to further what they perceive as their own economic interests. Countries have changed their regimes at different stages of economic development as that perception (and their economic status) has changed. For instance between 1790 and 1836, as a net importer of technology, the US restricted the issue of patents to its own citizens and residents. Even in 1836, patents fees for foreigners

by it will be small and narrowly bounded. Even though regulatory approval processes may require substantial amounts of test production to demonstrate reliable manufacturing, the patent owner’s rights themselves are not impaired any further by the size of such production runs, as long as they are solely for regulatory purposes and no commercial use is made of resulting final products.’ *Canada—Patent Protection for Pharmaceutical Products*, WT/para 7.45.

<sup>29</sup> See also the Preamble of the TRIPS Agreement, first paragraph.

<sup>30</sup> See N Pires de Carvalho, *The TRIPS Regime of Patent Rights* (2002: The Hague, Kluwer Law International), p 43.

<sup>31</sup> See Chapter 4 below.

were fixed at ten times the rate for US citizens (and two thirds as much again if one was British!). Only in 1861 were foreigners treated on an (almost wholly) non-discriminatory basis... Until 1891, US copyright protection was restricted to US citizens but various restrictions on foreign copyrights remained in force (for example, printing had to be on US typesets) which delayed US entry to the Berne Copyright Convention until as late as 1989, over 100 years after the UK. It is for this reason that some readers may remember purchasing books which had on the cover the words: '*For copyright reasons this edition is not for sale in the USA*'.<sup>32</sup>

Although the TRIPS Agreement sets forth minimum standards of IPRs protection and does not constitute a harmonized system, it obliges all WTO Members, independently of their level of development, to apply the same standards. No special and differential treatment for developing countries and Least Developed Countries (LDCs) was allowed by the Agreement, except for the possibility of applying transitional periods, all of which have expired so far except for LDCs. This has been one of the most criticized aspects of the TRIPS Agreement. As put by the World Bank, in the field of IPRs 'one size does not fit all'.<sup>33</sup> This is true not only at the national level, but also in relation to different sectors (eg the semi-conductors industry is much less sensitive to IPRs than pharmaceuticals) and types of enterprises (some forms of IPRs, such as patents, are largely applied for and benefit big, rather than small, companies).

Whatever the reasons that led developing countries to finally accept the TRIPS Agreement were, the fact is that the Agreement established what the negotiating parties deemed 'adequate' standards and principles in this area. There are, hence, justified reasons to question why, almost immediately after the adoption of the Agreement, the US and the EC sought, through various ways, to obtain TRIPS-plus standards of protection.

**(c) The provision of effective and appropriate means for the enforcement of trade-related intellectual property rights, taking into account differences in national legal systems**

Unlike the pre-existing conventions on IPRs, the TRIPS Agreement included a detailed set of provision on the enforcement of such rights. This reflected the view of the US and other developed countries, which consistently argued during the negotiations that ensuring the availability of rights was not sufficient; the opportunity for right-holders to effectively exercise them should also be secured.

This paragraph makes clear that 'differences in national legal systems' are to be taken into account with regard to enforcement measures. As examined below,<sup>34</sup> should the negotiating parties have attempted to draft more precise standards, the development of disciplines on this matter would have been impossible. It is also to

<sup>32</sup> CIPR, Integrating Intellectual Property Rights and Development Policy. Report of the Commission on Intellectual Property Rights (London, 2002) 20, available at <[www.iprcommission.org](http://www.iprcommission.org)>.

<sup>33</sup> World Bank, *Global Economic Prospects and the Developing Countries 2002* (2001: Washington DC), p 129.

<sup>34</sup> See Chapter 4 below.

be noticed that the Agreement is more rigid with regard to the availability of rights than to enforcement measures, as the differences in national legal systems are only taken into account with regard to the latter. However, as examined in these commentaries, Members were left with some leeway to determine how to implement the substantive obligations imposed by the Agreement. This is confirmed by this provision of the Preamble, as well as by Article 1.1 of the Agreement.

**(d) The provision of effective and expeditious procedures for the multilateral prevention and settlement of disputes between governments**

At the time of the adoption of the TRIPS Agreement, the US government actively used Special Section 301 to pursue increased levels of protection for IPRs. The adoption of the TRIPS Agreement as a component of the WTO system<sup>35</sup> means that any controversy relating to compliance with the minimum standards established by the Agreement should be resolved under the multilateral procedures of the WTO. The adoption by another Member of unilateral trade sanctions would be incompatible with the multilateral rules. Any complaint should be brought to and settled according to the rules of the Dispute Settlement Understanding (DSU).

**(e) Transitional arrangements aiming at the fullest participation in the results of the negotiations**

The TRIPS Agreement allowed Members which are developing countries, economies in transition, or LDCs to delay, without any prior approval,<sup>36</sup> the implementation of the obligations contained in the Agreement (with the exception of Articles 3, 4, and 5). This possibility (permitted also in other WTO agreements) was regarded as one of the means to curb developing countries' reluctance to accept new standards on IPRs, and to provide them time to introduce the massive legislative reforms needed for compliance therewith. As examined below,<sup>37</sup> however, many countries that could have benefited from the transitional periods did not apply them, and adopted TRIPS-consistent legislation before the expiry of such periods. In some cases (eg Mexico, Brazil) protection was even retroactively recognized. Most notably, the transitional period allowed by Article 65.4, of particular importance for pharmaceutical products, was only used by a handful of countries.

***Recognizing the need for a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods;***

The need to adopt multilateral rules to fight counterfeiting was articulated by the US, with the support of the EC, in the Tokyo Round of GATT. The US tabled a draft code on counterfeiting goods that never found consensus among the

<sup>35</sup> The TRIPS Agreement is contained in Annex 1C to the Marrakesh Agreement Establishing the WTO.

<sup>36</sup> See, however, Article 66.2 of the TRIPS Agreement.

<sup>37</sup> See pp 493–4 below.

Contracting Parties. The issue of counterfeiting was formally introduced into the GATT agenda in November 1982. A Group of Experts established to advise the General Council recommended, in 1985, that multilateral action be taken on the matter.<sup>38</sup>

In fact, while accepting to initiate negotiations on IPRs at the Punta del Este Conference, developing countries essentially relied on a literal interpretation of the last sentence of the Ministerial Declaration that launched the Round: 'Negotiations shall aim to develop a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods, taking into account work already undertaken in the GATT.'

Although developing countries maintained for some time that the Punta del Este commitment did not go beyond counterfeiting, developed countries actively engaged in the preparation of proposals that covered a whole spectrum of IPR issues, as finally reflected in the adopted TRIPS Agreement.

*Recognizing that intellectual property rights are private rights;*

As noted by many commentators, the TRIPS Agreement has a very special status in the WTO system. It does not impose constraints on measures that States can take at the border, but deeply interferes with national discretion in establishing rights that can be claimed by private parties in national jurisdictions. As noted by two commentators, the Agreement is

a prominent illustration of the trend to extend disciplines on 'behind the border' regulatory regimes . . . The agreement is unique in the WTO context in that it imposes obligation upon governments to adopt a set of substantive rules in an area that traditionally has been regarded to be in the purview of domestic regulation. It is an example of what Tinbergen (1954) has called positive integration. This contrasts with the negative integration found in the GATT, which involves agreements not to use certain policies that directly affect (distort) trade flows . . .'.<sup>39</sup>

It is unclear why the negotiating parties included in the Preamble a statement about the 'private' nature of covered IPRs. One possible reason is that the TRIPS Agreement uncomfortably fits within the WTO framework, as it is the only multilateral agreement that deals directly with rights of private parties rather than with governmental measures. Another possible reason is the desire to make clear that Members were not obliged to take action *ex officio*, and that title-holders should bear the burden of exercising and defending their rights.<sup>40</sup> This may be particularly relevant with regard to criminal offences.<sup>41</sup>

<sup>38</sup> Hoekman and Kosteci op. cit. (2001), p 282.

<sup>39</sup> Idem, p 274.

<sup>40</sup> In many countries, however, *ex officio* action is provided for, particularly in the area of copyright.

<sup>41</sup> See eg D Gervais, *The TRIPS Agreement. Drafting History and Analysis* (2003: London, Sweet & Maxwell, 2nd edn), p 80.

Another area in which that statement may be relevant is in relation to regulated products, in view of the condition established in US-promoted FTAs requiring a drug regulatory agency to refuse third parties the marketing approval of a patented product, except with the authorization and acquiescence of the patent owner.<sup>42</sup> Such condition seems to ignore the private nature of patents, as it imposes on a State agency a direct obligation to protect patent owners' interests.

It has also been held that the reference in the Preamble to 'private rights' aims at characterizing IPRs as an 'investment in intangible assets' and at clearly prohibiting the expropriation of IPRs without compensation.<sup>43</sup> This interpretation, however, goes beyond the literal text of the Preamble and, most probably, the drafters' intent. As elaborated below,<sup>44</sup> knowledge is, by its very nature, a public good. IPRs provide for a temporary exclusion in order to attain certain policy objectives (such as encouraging the disclosure of inventions and investments in research and development). In many countries inventions are deemed the State's eminent property; this concept has justified the extensive exploitation of inventions by the US government (and its subcontractors) under non-commercial government use.<sup>45</sup>

It is also to be noted that the protection of investment is not part of the WTO disciplines. An attempt was made (notably by the EU) to incorporate, as one of the 'Singapore issues', investment rules in the already burdened agenda of the WTO. The outcome of the WTO Ministerial Conference in Cancun, however, showed a strong resistance by developing countries to accept new disciplines on that matter as a component of the WTO system. IPRs have been, however, characterized as 'investment'. The USA started to include provisions on intellectual property in its bilateral investment treaty programme during the 1980s. OECD countries attempted to develop a Multilateral Agreement on Investment (MAI) in the 1990s, which would have included specific provisions on IPRs as a covered investment. This initiative, however, collapsed as a result of significant divergences among OECD countries and opposition from civil society.<sup>46</sup>

BITs and the investment chapters of recent FTAs generally refer to IPRs as a covered investment. Some explicitly indicate the types of IPR covered. For

<sup>42</sup> See, eg, C Correa, 'Bilateralism in intellectual property: defeating the WTO system for access to medicines' [2005] 36:1 Case W Res J Int'l L, pp 10–12.

<sup>43</sup> Pires de Carvalho op. cit. (2002), pp 33–5.

<sup>44</sup> See p 95 below.

<sup>45</sup> See, eg, J Reichman and C Hasenzahl, *Non-Voluntary Licensing of Patented Inventions: Historical Perspective, Legal Framework under TRIPS, and an Overview of the Practice in Canada and the United States of America* (2002: Intellectual Property Rights & Sustainable at <[http://www.ictsd.org/pubs/ictsd\\_series/iprs/CS\\_reichmann\\_hasenzahl.pdf](http://www.ictsd.org/pubs/ictsd_series/iprs/CS_reichmann_hasenzahl.pdf)> (last accessed on 24 May 2005).

<sup>46</sup> See, eg, C Correa and N Kumar, *International Rules for Foreign Investment. Trade-Related Investment Measures (TRIMS) and Developing Countries* (2003: London & New Delhi, ZED Books /Academic Foundation).

instance, the BIT between the USA and El Salvador (1999) specifies that ‘investment’ includes:

- copyrights and related rights,
- patents,
- rights in plant varieties,
- industrial designs,
- rights in semiconductor layout designs,
- trade secrets, including know-how and confidential business information,
- trade and service marks, and
- trade names.

In some BITs<sup>47</sup> and FTAs<sup>48</sup> reference is also made to ‘technical process’ or ‘know how’ and ‘goodwill’.<sup>49</sup>

Whatever BITs and the investment chapters of FTAs provide for, the TRIPS Agreement does not create investors’ rights. In the absence of WTO rules on the matter, Members are free (subject to other international obligations they may assume) to define whether IPRs will benefit from investment protection and, if so, under what terms.<sup>50</sup>

*Recognizing the underlying public policy objectives of national systems for the protection of intellectual property, including developmental and technological objectives*

Intellectual property cannot be regarded in isolation from broader national policies, such as competition and development policies. In order to contribute to national objectives, the intellectual property system must be integrated into such policies.<sup>51</sup> The recognition in this paragraph of the Preamble of ‘underlying public policy objectives’ including ‘developmental and technological objectives’ would

<sup>47</sup> See, eg, the United Kingdom 1991 model BIT, Article I(a)(iv).

<sup>48</sup> See, eg, the EFTA–Singapore agreement (2002).

<sup>49</sup> See, eg, the (still bracketed) US proposal for Article 1.1 of the investment chapter of the FTAA. According to current IPR law, secret ‘technical process’ or ‘know how’ may be protected as *undisclosed information* (see Article 39 of the TRIPS Agreement). ‘Goodwill’ is the benefit and advantage of the good name, reputation and connection of a business. It may be protected under unfair competition law (which condemns dishonest commercial practices) or, in common law countries, under the doctrine of ‘passing-off’ (the wrong of misrepresenting one’s business goods or services as another’s, to the latter’s injury, generally by using a confusing trademark or trade name). Protection often encompasses not only the use of trademarks, but also of a particular packaging, ‘get up’ or ‘trade dress’ and advertising styles (L Bently and B Sherman, *Intellectual Property Law* (2001: New York, Oxford University Press), pp 673–8).

<sup>50</sup> For instance, NAFTA’s provision on expropriation and compensation (Article 11.10.7) includes an exception with regard to compulsory licences. Similarly, the FTA between Chile and USA stipulates that the provision on expropriation and compensation ‘... does not apply to the issuance of compulsory licenses granted in relation to intellectual property rights in accordance with the TRIPS Agreement’ (Article 10.9.5).

<sup>51</sup> See, eg, CIPR (n 32 above); J Barton ‘Integrating IPR policies in development strategies’ [2003], *ICTSD-UNCTAD Dialogue, The Rockefeller Foundation’s Bellagio Conference Center, 30 Oct–2 Nov 02*, available at <[http://www.iprsonline.org/unctadictsd/bellagio/docs/j\\_Barton.pdf](http://www.iprsonline.org/unctadictsd/bellagio/docs/j_Barton.pdf)> (last accessed on 24 May 2005).

seem to address this need. However, such recognition is made in a somewhat restrictive manner, as the stated 'underlying public policy objectives' can be read to relate only to 'the national systems for the protection of intellectual property' and not to more general national policies. This approach is more restrictive than the practice followed in many countries. For instance, although recent developments in the US are clearly biased in favour of IPR holders, the tradition in that country has been to incorporate users' rights, and the appropriate level of competition into the calculus of 'underlying policy objectives' of the national IP system, by a balancing of public and private interests.

This paragraph, hence, could be of little value for those seeking an interpretation of the provisions of the TRIPS Agreement favourable to balancing its protectionist goals against the pro-competitive goals of GATT and to consider the critical role of public goods in the so called 'information economy'. It is noticeable, in this regard, that the Preamble does not contain any reference to issues of particular concern to developing countries, such as transfer of technology. The negotiating parties expressed 'the need to promote effective and adequate protection of intellectual property rights' but not to promote its transfer.

*Recognizing also the special needs of the least-developed country Members in respect of maximum flexibility in the domestic implementation of laws and regulations in order to enable them to create a sound and viable technological base;*

This paragraph of the Preamble seems to recognize the particular situation of LDCs. On a careful reading, however, it is apparent that such recognition is significantly limited.

On the one hand, 'maximum flexibility' is only predicated with regard to the 'domestic *implementation* of laws and regulations' (emphasis added), thus suggesting that such flexibility does not extend to the obligations themselves. As examined elsewhere in this volume, the TRIPS Agreement has left a number of flexibilities (derived from gaps, ambiguities and options available to Members) that LDCs can exploit. But they are not conferred a differential treatment altogether. This deficit forced the WTO Members to extend the transitional period for the recognition and enforcement of pharmaceutical patents, in order to allow them to address the public health problems identified in the 'Doha Declaration on the TRIPS Agreement and Public Health'.<sup>52</sup> This concession, however, falls short of considering the significant burden (and limited benefits) that the implementation of the TRIPS Agreement generate in those countries.

On the other hand, the room for 'maximum flexibility' is restricted to one particular objective: 'to enable them to create a sound and viable technological base'. A literal reading of this paragraph would suggest that the flexibility that LDCs need in implementing the TRIPS obligations to protect public health, improve nutrition, alleviate poverty, or achieve other essential objectives was largely

<sup>52</sup> WT/MIN(01)/DEC/W/2, 14 November 2001.

ignored during the TRIPS negotiations. And it is precisely in these areas where an effective recognition of 'maximum flexibility' is called for.

*Emphasizing the importance of reducing tensions by reaching strengthened commitments to resolve disputes on trade-related intellectual property issues through multilateral procedures;*

As indicated above, the second paragraph of the Preamble refers to the provision of procedures for the multilateral prevention and settlement of disputes. The seventh paragraph alludes to the same procedures, but adds the concept that 'tensions' may be reduced by 'strengthened commitments' to use the multilateral system for resolving disputes. This paragraph looks rather odd in the light of the developments that took place after the adoption of the TRIPS Agreement. Despite the commitment to multilateral solutions, many developing countries have continued to be subject to unilateral demands by some developed countries, notably the US and the EU, in the area of IPRs, aiming not only at the implementation of the TRIPS Agreement standards, but often asking for 'TRIPS-plus' protection; that is, levels of protection beyond the minimum standards required by the TRIPS Agreement. A telling case that received considerable public attention was the attempt by the US government and pharmaceutical industry to block the use of parallel imports and compulsory licences by the South African government to obtain access to cheaper HIV/AIDS drugs.<sup>53</sup> In other cases, developing countries were persuaded to adopt 'TRIPS-plus' standards in order to benefit from trade concessions under bilateral agreements.<sup>54</sup>

President Clinton's submission to the US Congress of the Uruguay Round Agreements Act stated that '[I]f Members of the Dispute Settlement Understanding (DSU) do not comply with their obligations at the end of the dispute settlement process, trade action under section 301 of the Trade Act of 1974 will be legitimized and there will be no risk of counter-retaliation'. Although this may have been interpreted as an expression of the desire to abandon the application of unilateral sanctions under the 'Special 301 Section' of the US Trade Act, this Section has continued to be invoked by the US government in a large number of cases. In November 1998, the European Communities requested a panel alleging the inconsistency with WTO rules of Sections 301–310 of the said Act.

<sup>53</sup> See, eg, B Byström and P Einarsson, *TRIPS—Consequences for Developing Countries: Implications for Swedish Development Cooperation* 38 (2000), Consultancy Report to the Swedish International Development Cooperation Agency, available at <<http://www.grain.org/docs/sida-trips-2001-en.pdf>> (last accessed on 24 May 2005).

<sup>54</sup> For example, the bilateral agreements entered into between the EC and their Member States and South Africa (1999), Tunisia (1998), and the Palestinian Authority (1997) require the latter to ensure adequate and effective protection of intellectual property rights 'in conformity with the highest international standards'. See, eg, P Drahos, *Developing Countries and International Intellectual Property Standard-Setting* (2002), study prepared for the UK Commission on Intellectual Property Rights, available at <[www.iprcommission.org](http://www.iprcommission.org)>, pp 14–18.

The panel, however, did not find such inconsistency, based on an undertaking by the US government not to apply sanctions before WTO procedures have been completed.<sup>55</sup>

The US not only kept the possibility to apply trade sanctions under its Trade Act in IPR-related cases, but reformed the Trade Act in a way that empowers the US Administration to do so even in cases where the targeted country does comply with the TRIPS Agreement.<sup>56</sup>

Acceptance by developing countries of the TRIPS Agreement was due in part to the expectation of increased market access for agricultural products and textiles,<sup>57</sup> and to the fear that if they did not agree they would be increasingly vulnerable to unilateral arm-twisting by the major powers.

*Desiring to establish a mutually supportive relationship between the WTO and the World Intellectual Property Organization (referred to in this Agreement as 'WIPO') as well as other relevant international organizations;*

Developing countries resisted negotiations on TRIPS until they realized, by mid-1989, that they would not be able to prevent a new set of rules on IPRs being adopted. One of the reasons for such resistance was that the World Intellectual Property Organization (WIPO) was the specialized United Nations (UN) organization in the area of IPRs, and that GATT or its successor was not the appropriate place for norm-setting on IPRs.<sup>58</sup> Thus,

[S]ome of these participants [in TRIPS negotiations] were of the view that the mandate did not provide for an exercise to set standards of protection of intellectual property rights or to attempt to raise the levels of such protection through the strengthening of enforcement procedures. These tasks, in their view, should be undertaken in other negotiating fora, such as the World Intellectual Property Organization. The task of the Group was not to deal with the intellectual property rights themselves but with the effects on trade in goods of action to protect such rights, particularly so as to ensure that such action does not cause barriers to legitimate trade.<sup>59</sup>

The proponents of the TRIPS Agreement, however, claimed that WIPO lacked 'teeth' to ensure the enforceability of the obligations administered by that organization. They strategically moved to a forum that would ensure greater capacity to

<sup>55</sup> United States—sections 301–310 of the Trade Act of 1974, WS/DT152R, 22 December 1999. The DSB adopted the report in January 2000. See <[www.wto.org](http://www.wto.org)> (last accessed on 16 May 2005).

See, eg, C Arup, 'TRIPS: across the global field of intellectual property' (2004) 26 EIPR 1, p 9.

<sup>56</sup> Section 301 of the Trade Act of 1974, as amended (19 USC § 2411) stipulates that practices considered 'unreasonable' include 'denial of adequate and effective protection of intellectual property rights, even if the foreign country is in compliance with the WTO Agreement on Trade-Related Aspects of Intellectual Property (TRIPS)'.

<sup>57</sup> Concessions by developed countries in these two areas would have been unlikely if developing countries had refused disciplines on IPRs. See Hoekman and Kostecki op. cit. (2001), pp 280, 285.

<sup>58</sup> *Idem*, p 283.

<sup>59</sup> MTN.GNG/NG11/1, 10 April 1987, para 8.

force changes in legislation and enforcement of rights. This move was the result of an effective lobbying by a group of industries in the US, which convinced the government about the linkage between IPRs and trade. In fact, '[w]ith the TRIPS Agreement, US pharmaceutical, entertainment, and information industries, obtained much of what they sought when negotiations were launched'.<sup>60</sup>

The role of WIPO during the negotiation of the TRIPS Agreement was limited. Despite WIPO's Director General's request for the organization to 'be fully associated in all activities that GATT will undertake in the field of intellectual property',<sup>61</sup> it was only admitted as an observer to formal meetings, while the real negotiations took place in the informal ones. WIPO provided technical inputs to the negotiating parties.<sup>62</sup> After the TRIPS Agreement was adopted, WIPO came back into the norm-setting scene with the adoption of treaties on copyright and performers' rights in 1996<sup>63</sup> and on patent law.<sup>64</sup> Since then, however, their efforts to further harmonize patent law have become increasingly controversial and raised growing opposition from developing countries, as illustrated by the proposal, submitted by Argentina and Brazil, and supported by other developing countries, on the Establishment of a Development Agenda for WIPO.<sup>65</sup>

The possible cooperation between the Council for TRIPS and WIPO with regard to the establishment of a common registry for notified laws and regulations was contemplated in Article 63.2 of the TRIPS Agreement.<sup>66</sup> WIPO and WTO signed an Agreement in 1995 to cooperate in different areas relevant to the implementation of the TRIPS Agreement. Among other things, it ensures WTO Members access to the WIPO collection of laws and regulations, provides that the communication of emblems and transmittal of objections under the TRIPS Agreement shall be administered by the International Bureau in accordance with the procedures applicable under Article 6ter of the Paris Convention (1967), and requires the International Bureau and the WTO Secretariat to enhance their cooperation on assistance for developing countries relating to TRIPS.

<sup>60</sup> Hoekman and Kostecki, *op. cit.* (2001), p 297.

<sup>61</sup> See MTN.GNG/NG11/W/1, 25 February 1987, Communication from the Director General of the World Intellectual Property Organization.

<sup>62</sup> See, eg, the document Existence, Scope and Form of Generally Internationally Accepted and Applied Standards/Norms of the Protection of Intellectual Property, MTN.GNG/NG11/W/24.

<sup>63</sup> WIPO Copyright Treaty (1996) and WIPO Performances and Phonograms Treaty (1996).

<sup>64</sup> Patent Law Treaty (2000).

<sup>65</sup> See WIPO document WO/GA/31/11, 27 August 2004. The document states, *inter alia*, that 'WIPO is currently engaged in norm-setting activities in various technical Committees. Some of these activities would have developing countries and LDCs agree to IP protection standards that largely exceed existing obligations under the WTO's TRIPS Agreement, while these countries are still struggling with the costly process of implementing TRIPS itself. The current discussions on a draft Substantive Patent Law Treaty (SPLT) in the Standing Committee on the Law of Patents (SCP) are of particular concern. The proposed Treaty would considerably raise patent protection standards, creating new obligations that developing countries will hardly be able to implement. In the course of discussions, developing countries have proposed amendments to improve the draft SPLT by making it more responsive to public interest concerns and the specific development needs of developing countries.'

<sup>66</sup> See pp 476–7 below.

The reference to WIPO in this provision of the Preamble should not lead us to disregard the role that other international organizations, such as UNESCO,<sup>67</sup> may have in the area of IPRs.

Despite the expressed desire to establish a mutually supportive relationship between the WTO and WIPO, there is no coordination in the work of these organizations and, in some cases, the same issues are dealt with in both of them. An illustration is the developing countries' demand to establish an obligation to disclose the origin of biological materials claimed in patent applications, which has led to debates and proposals both in WIPO and the Council for TRIPS.<sup>68</sup>

Preambular provisions are important for the interpretation of treaty obligations. They do not create by themselves any rights or obligations enforceable through dispute resolution. In accordance with Article 31 of the Vienna Convention on the Law of Treaties (VCLT), the preamble provides part of the 'context' of the treaty for purposes of interpretation. The text of the preamble is an important source of interpretation to clarify the meaning of treaty provisions. In fact, owing to the controversial nature of the issues covered by the TRIPS Agreement, many of its provisions are ambiguous or deliberately leave Members room for interpretation. The 'context' provided by the preamble becomes, hence, particularly relevant in this case.

Article 2.3 of the Dispute Settlement Understanding (DSU) calls upon the use of public international law rules for interpretation of WTO disciplines.<sup>69</sup> Treaty interpretation in international law is dealt with by Articles 31 and 32 of the Vienna Convention on the Law of Treaties. According to Article 31(2) of the Convention, the context to be taken into account for the purposes of interpretation includes the Preamble and the annexes of the treaty, and any other agreement or text concluded by the parties in connection with that treaty.

Parties in WTO cases, as well as panels and the Appellate Body, often rely on the preamble of the WTO agreements for the interpretation of their provisions, particularly their object and purpose. Thus, in *Korea–Dairy*, the Appellate Body referred to the Preamble of the *Agreement on Safeguards* as additional support

<sup>67</sup> For instance, the Universal Copyright Convention (signed at Geneva on 6 September 1952, revised at Paris in 1971, available at <[http://portal.unesco.org/en/ev.php-URL\\_ID=15241&URL\\_DO=DO\\_Topic&URL\\_SECTION=201.html](http://portal.unesco.org/en/ev.php-URL_ID=15241&URL_DO=DO_Topic&URL_SECTION=201.html)>) was developed in the framework of UNESCO.

<sup>68</sup> See, eg, C. Correa, 'The politics and practicalities of a disclosure of origin obligation' (2005, Geneva: QUNO Occasional Paper 16), available at <[www.quno.org](http://www.quno.org)> (last accessed on 16 May 2005).

<sup>69</sup> DSU, Article. 2.3.: 'The dispute settlement system of the WTO is a central element in providing security and predictability to the multilateral trading system. The Members recognize that it serves to preserve the rights and obligations of Members under the covered agreements, and to clarify the existing provisions of those agreements *in accordance with customary rules of interpretation of public international law*. Recommendations and rulings of the DSB cannot add to or diminish the rights and obligations provided in the covered agreements' (emphasis added). See, eg, R Howse, 'The jurisprudential achievement of the WTO Appellate body: a preliminary appreciation', <<http://www.law.nyu.edu/kingsburyb/spring03/globalization/robhowsepaper.pdf>> (last accessed on 18 February 2005).

for its finding that all provisions of both Article XIX of *GATT 1994* and the *Agreement on Safeguards* apply cumulatively and must be given their full meaning and legal effect.<sup>70</sup> In a finding in *US–Lamb* the panel referred to the object and purpose of the *Agreement on Safeguards*, as evidenced in the Preamble, as relevant context for its more restrictive approach to the concept of ‘domestic industry’.<sup>71</sup> In the 1998 *Shrimp–Turtle Case* the panel noted that ‘the first paragraph of the Preamble of the WTO Agreement acknowledges that the optimal use of the world’s resources must be pursued in accordance with the objective of sustainable development’, and the the Appellate Body (AB) stated that sustainable development ‘must add colour, texture and shading to our interpretation of the agreements annexed to the WTO Agreement’. In the GMO dispute before the WTO, the US relied on the next to last introductory sentence of the Cartagena Protocol Preamble to argue that the Protocol would not be applicable to the dispute because it would not ‘change the rights and obligations under any existing international agreements’.<sup>72</sup>

In the specific context of the TRIPS Agreement, and in line with Article 31(2) of the Vienna Convention, the panel in *Canada–Patent* referred to the legal value of the Preamble as part of the context for interpretation of the Agreement’s provisions. It stated:

In the framework of the TRIPS Agreement, which incorporates certain provisions of the major pre-existing international instruments on intellectual property, the context to which the Panel may have recourse for the purposes of interpretation of specific TRIPS provisions [...] is not restricted to the text, Preamble and Annexes to the TRIPS Agreement itself, but also includes the provisions of the other international instruments on intellectual property incorporated into the TRIPS Agreement, as well as any agreement between the parties relating to these Agreements within the meaning of Article 31.2 of the Vienna Convention on the Law of Treaties.<sup>73</sup>

<sup>70</sup> ‘Our reading... is consistent with the desire expressed by the Uruguay Round negotiators in the Preamble to the *Agreement on Safeguards* ‘to clarify and reinforce the disciplines of GATT 1994, and specifically those of its Article XIX... , to re-establish multilateral control over safeguards and eliminate measures that escape such control...’ (Appellate Body Report on *Korea–Dairy*, para 88. See also Appellate Body Report on *Argentina–Footwear*, para 95.

<sup>71</sup> Panel Report on *US–Lamb*, paras 7.76 and 7.77. The Appellate Body also referred in this case to the object and purpose of the *Agreement on Safeguards* in distinguishing between the concepts of ‘serious injury’ under the *Agreement on Safeguards* and ‘material injury’ under the Anti-Dumping Agreement and the Agreement on Subsidies and Countervailing Duties (Appellate Body Report on *US–Lamb*, para 124).

<sup>72</sup> See *Executive Summary of the US Rebuttal Position – 07/29/2004*... *op cit*, § 18. See also F Sindico, ‘The GMO Dispute before the WTO: Legal Implications for the Trade and Environment Debate’ (Natural Resources Management, The Fondazione Eni Enrico Mattei, Note di Lavoro Series, 2005), available at <<http://www.feem.it/Feem/Pub/Publications/WPapers/default.htm>>, last accessed on 23 February 2005.

<sup>73</sup> *Canada–Patent Protection of Pharmaceutical Products*, WT/DS114/R, Report of the Panel, 17 March 2000, para 7.14.

## Annex

### Negotiating history<sup>74</sup>

In his 23 July 1990 report on the status of work in the TRIPS Negotiating Group, the Chairman (Lars E R Anell) presented two sets of proposals. In an Annex to the report, he presented a composite text that was taken from various proposals by delegations to the Negotiating Group, indicating the source of each proposal by numerical reference to the source document.

#### *Composite text of July 23 1990*<sup>75</sup>

#### ‘PART I: PREAMBULAR PROVISIONS; OBJECTIVES’<sup>76</sup>

##### 1. *Preamble* (71); *Objectives* (73)

1.1 *Recalling* the Ministerial Declaration of Punta del Este of 20 September 1986; (73)

1.2 *Desiring* to strengthen the role of GATT and its basic principles and to bring about a wider coverage of world trade under agreed, effective and enforceable multilateral disciplines; (73)

1.3 *Recognizing* that the lack of protection, or insufficient or excessive protection, of intellectual property rights causes nullification and impairment of advantages and benefits of the General Agreement on Tariffs and Trade and distortions detrimental to international trade, and that such nullification and impairment may be caused both by substantive and procedural deficiencies, including ineffective enforcement of existing laws, as well as by unjustifiable discrimination of foreign persons, legal entities, goods and services; (73)

1.4 *Recognizing* that adequate protection of intellectual property rights is an essential condition to foster international investment and transfer of technology; (73)

1.5 *Recognizing* the importance of protection of intellectual property rights for promoting innovation and creativity; (71)

1.6 *Recognizing* that adequate protection of intellectual property rights both internally and at the border is necessary to deter and persecute piracy and counterfeiting; (73)

<sup>74</sup> For an analysis of the negotiating history, see *UNCTAD-ICTSD, Resource Book on TRIPS and Development* (2005: New York, Cambridge University Press), pp 1–17.

<sup>75</sup> Chairman’s Report to the GNG, Status of Work in the Negotiating Group, Negotiating Group on Trade-Related Aspects of Intellectual Property Rights, including Trade in Counterfeit Goods, MTN.GNG/NG11/W/76, 23 July 1990, presented by the Chairman of the TRIPS Negotiating Group (Lars E R Anell). Alternatives ‘A’ correspond to texts from developed countries and ‘B’ from developing countries.

<sup>76</sup> The numbers in brackets refer to the draft texts submitted by the European Communities (NG11/W/68), the United States (NG11/W/70), Argentina, Brazil, Chile, China, Colombia, Cuba, Egypt, India, Nigeria, Peru, Tanzania, and Uruguay, and subsequently also sponsored by Pakistan and Zimbabwe (NG11/W/71), Switzerland (NG11/W/73), Japan (NG11/W/74), and Australia (NG11/W/75).

1.7 *Taking into account* development, technological and public interest objectives of developing countries; (71)

1.8 *Recognizing* also the special needs of the least developed countries in respect of maximum flexibility in the application of this Agreement in order to enable them to create a sound and viable technological base; (71)

1.9 *Recognizing* the need for appropriate transitional arrangements for developing countries and least developed countries with a view to achieve successfully strengthened protection and enforcement of intellectual property rights; (73)

1.10 *Recognizing* the need to prevent disputes by providing adequate means of transparency of national laws, regulations and requirements regarding protection and enforcement of intellectual property rights; (73)

1.11 *Recognizing* the need to settle disputes on matters related to the protection of intellectual property rights on the basis of effective multilateral mechanisms and procedures, and to refrain from applying unilateral measures inconsistent with such procedures to PARTIES to this PART of the General Agreement; (73)

1.12 *Recognizing* the efforts to harmonize and promote intellectual property laws by international organizations specialized in the field of intellectual property law and that this PART of the General Agreement aims at further encouragement of such efforts; (73)

## 2. *Objective of the Agreement* (74)

2A The PARTIES agree to provide effective and adequate protection of intellectual property rights in order to ensure the reduction of distortions and impediments to [international (68)] [legitimate (70)] trade. The protection of intellectual property rights shall not itself create barriers to legitimate trade. (68, 70)

2B The objective of the present Agreement is to establish adequate standards for the protection of, and effective and appropriate means for the enforcement of intellectual property rights; thereby eliminating distortions and impediments to international trade related to intellectual property rights and foster its sound development. (74)

2C With respect to standards and principles concerning the availability, scope and use of intellectual property rights, PARTIES agree on the following objectives:

- (i) To give full recognition to the needs for economic, social and technological development of all countries and the sovereign right of all States, when enacting national legislation, to ensure a proper balance between these needs and the rights granted to IPR holders and thus to determine the scope and level of protection of such rights, particularly in sectors of special public concern, such as health, nutrition, agriculture and national security. (71)
- (ii) To set forth the principal rights and obligations of IP owners, taking into account the important inter-relationships between the scope of such rights and obligations and the promotion of social welfare and economic development. (71)
- (iii) To facilitate the diffusion of technological knowledge and to enhance international transfer of technology, and thus contribute to a more active participation of all countries in world production and trade. (71)

- (iv) To encourage technological innovation and promote inventiveness in all countries. (71)
- (v) To enable participants to take all appropriate measures to prevent the abuses which might result from the exercise of IPRs and to ensure intergovernmental co-operation in this regard. (71)'

*Draft text transmitted to the Brussels Ministerial Conference (December 1990)*

The PARTIES to this agreement (hereinafter referred to as 'PARTIES'),

- i. *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;
- ii. *Recognising*, to this end, the need for new rules and disciplines concerning:
  - (a) the applicability of the basic principles of the GATT and of relevant international intellectual property agreements or conventions;
  - (b) the provision of adequate standards and principles concerning the availability, scope and use of trade related intellectual property rights;
  - (c) the provision of effective and appropriate means for the enforcement of trade related intellectual property rights, taking into account differences in national legal systems;
  - (d) the provision of effective and expeditious procedures for the multilateral prevention and settlement of disputes between governments;
  - and
  - (e) transitional arrangements aiming at the fullest participation in the results of the negotiations;
- iii. *Recognising* the need for a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods;
- iv. *Recognising* that intellectual property rights are private rights;
- vi. *Recognising* the underlying public policy objectives of national systems for the protection of intellectual property, including developmental and technological objectives;
- vi. *Recognising* also the special needs of the least developed countries in respect of maximum flexibility in the domestic implementation of laws and regulations in order to enable them to create a sound and viable technological base;
- vii. *Emphasising* the importance of reducing tensions by reaching strengthened commitments to resolve disputes on trade related intellectual property issues through multilateral procedures;
- viii. *Desiring* to establish a mutually supportive relationship between GATT and WIPO as well as other relevant international organisations;

*Hereby agree as follows:*