

# A TRIP AROUND THE AGREEMENT ON TRADE RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS, INCLUDING TRADE IN COUNTERFEIT GOODS

Scott Davidson\*

## I. INTRODUCTION

The Uruguay Round of GATT began in Punta del Este in September 1986. The objective of this round was to secure broader and deeper liberalisation of trade in order to stimulate further the world economy. Much of the Round focused on the questions of trade in manufactured goods and agricultural products, but a substantial proportion of the negotiations were centred upon trade related aspects of intellectual property and associated matters such as counterfeiting or piracy. The Uruguay Round was concluded on 15 December 1993, and the bundle of instruments which had been agreed at the Round were adopted in Marakesh on 15 April 1994. Among the instruments adopted was the Agreement on Trade Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods otherwise known as TRIPs. The purpose of this paper is to analyse the salient features of this Agreement and its relationship to GATT in general. Before analysing the content of TRIPs in detail, however, it should be observed that the conclusion of the Uruguay Round in 1993 also produced a number of institutional and procedural modifications to the GATT system, as well as numerous changes in the substantive provisions of the GATT itself. Among the most important modifications to the system was the establishment of the World Trade Organisation (WTO) with its headquarters in Geneva to supervise the GATT system. The old GATT had functioned largely on the basis of multilateral coordination by a secretariat directed by the GATT Secretary-General. With the establishment of the WTO, however, the GATT was endowed with supervisory organs capable of rendering decisions binding upon its members.<sup>1</sup> The primary decision-making body within the WTO is the Ministerial Conference which is obliged to meet bi-annually, but the permanent executive body is the General Council. It is the General Council which is responsible for implementing decisions of the Ministerial Conference and for the general functioning of the GATT system. The General Council is also granted the power to create subsidiary bodies, among which is the TRIPs Council. The powers of this body will be reviewed below. Among the more important procedural changes in GATT is the establishment of a binding dispute resolution system. Under the old GATT, disputes were referred to a panel whose recommendations the GATT Council could either accept or reject. These procedures often fell victim to state posturing and manoeuvring and were never particularly effective. Under the new dispute resolution system, disputes will be heard by a Dispute Settlement Body (DSB). The DSB will comprise panels of three persons which will make original determinations in cases of dispute between members, as well as an Appellate Body, also comprised of a panel of three, to hear appeals from the DSB.

\* Associate Professor of Law, Canterbury University

1 'Member' is the term used in the various GATT agreements to denote member states and other territories.

Decisions of the DSB will have binding effect and can include granting an appellant member the right to take reprisals against a respondent member.

Some mention should perhaps be made of the underlying rationale for the inclusion of intellectual property in the new GATT framework. On the adoption of TRIPs, GATT issued a statement in which it commented that the wide divergence in standards in the protection and enforcement of intellectual property rights together with an absence of a multilateral framework of principles, rules and disciplines concerning trade in counterfeit goods had been a source of tension and conflict in international economic relations. This view is well-represented in the preamble to TRIPs which states, *inter alia*, that the objectives of the members to the agreement are to reduce distortions and impediments to international trade and to promote effective and adequate protection of intellectual property rights while ensuring that measures and procedures to enforce these rights do not themselves become barriers to trade. The preamble further provides that the members recognise the need for new rules and disciplines concerning the applicability of the basic principles of GATT; the provision of adequate standards and principles concerning the availability, scope and use of intellectual property rights; the provision of effective means for the enforcement of intellectual property rights and the provision of effective and expeditious procedures for the prevention and resolution of disputes between governments in this field. Part of the economic rationale for TRIPs may also be located in Article 7 of the instrument. This provides that 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 welfare, and to a balance of rights and obligations.

## II. TRIPs: THE FRAMEWORK

TRIPs is divided into seven parts. Part I establishes certain general provisions and basic principles upon which the agreement is based. These include standard features of the GATT system, notably national and most-favoured-nation (MFN) standards of treatment. Part II of TRIPs represents the heart of the agreement and deals with each of the intellectual property rights in *seriatim*. The rights covered are copyright and related rights, trademarks, geographical indications, industrial designs, patents, layout designs (topographies) of integrated circuits, protection of undisclosed information (trade secrets) and control of anti-competitive practices in contractual licences. Part III of the agreement deals with the enforcement of intellectual property rights and lays down the minimum obligations of members to establish substantive legal rights and appropriate procedures for the effective enforcement of intellectual property rights by nationals and non-nationals alike. Part IV is a short part which permits members to establish appropriate procedures for the acquisition and maintenance of intellectual property rights. Part V of TRIPs introduces the new GATT dispute prevention and settlement procedures as an integral part of the agreement, while Parts VI and VII cover transitional measures and institutional arrangements respectively.

### III. GENERAL PROVISIONS AND BASIC PRINCIPLES

TRIPs requires members to apply both national treatment and MFN status to other members. Both these concepts are well-understood in international economic law, but TRIPs represents the first attempt to apply MFN on a multilateral basis to the trade related aspects of intellectual property. The standard of national treatment is established by Articles 1 and 3 of TRIPs. These provisions not only require members to give effect to the provisions of the agreement in their national law, but to accord the standard of treatment provided for in TRIPs to the nationals of other members. The net effect of this provision is to prevent discrimination between nationals<sup>2</sup> and non-nationals in the protection of intellectual property rights subject to the exceptions contained in the Paris Convention (1967), the Berne Convention (1971), the Rome Convention and the Treaty on Intellectual Property in Respect of Integrated Circuits'. MFN treatment is established by Article 4 of TRIPs. This provides in the material part that 'any advantage, favour, privilege or immunity granted by a Member to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other Members'. The effect of this provision is to create an interlocking system in which nationals of all member states are accorded non-discriminatory treatment within the territory of other members. Since the criteria for the appropriate measures to be implemented by parties to TRIPs are established by the agreement itself, these are the minimum standards to which all members are entitled. It should be noted, however, that Article 1(1) reserves to members the right to implement higher standards than those provided for in the agreement. Where states take advantage of this discretionary competence, the national and MFN provisions will ensure that these higher standards are applied automatically to all non-nationals. Members are also entitled to some latitude when formulating or amending their national laws to bring them into line with the provisions of TRIPs. Article 8 states that members may, in such circumstances, adopt measures to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development. In taking such measures, however, members must ensure that they are consistent with the provisions of the agreement.<sup>3</sup> TRIPs also recognises that members may need to adopt measures to prevent abuse of intellectual property rights by right holders in order to combat restrictive practices which unreasonably restrain trade or adversely affect the international transfer of technology. Again, such measures must be consistent with the provisions of the agreement.<sup>4</sup>

### IV. COPYRIGHT AND RELATED RIGHTS

The primary obligation for members in respect of copyright and related rights is to comply with the substantive provisions contained in Articles 1-21 and the Appendix of the Berne Convention (1971) for the protection of artistic and literary works, although they are exempted from applying

2 By Article 1(3) of TRIPs nationals are understood to be 'those natural or legal persons that would meet the criteria for eligibility for protection provided for in the Paris Convention (1967), the Berne Convention (1971), the Rome Convention and the Treaty on Intellectual Property in Respect of Integrated Circuits'.

3 Article 8(1).

4 *Ibid.*

Article 6(bis) of that Convention concerning the protection of moral rights.<sup>5</sup> TRIPs further reinforces the Berne Convention by providing that copyright protection should extend only to expressions and not to ideas, procedures, methods of operation or mathematical concepts as such.<sup>6</sup> In a particularly important development, computer programmes, whether in source or object code, are to be protected as literary works under the Berne Convention.<sup>7</sup> TRIPs elaborates the criteria for the application of copyright to such programmes by providing that it is the selection or arrangement of data or other material whether in machine readable or other form which constitutes the intellectual creation to be protected.<sup>8</sup> The data or material is not of itself capable of copyright, unless, of course, it is subject to any prior subsisting copyright.<sup>9</sup>

A further important development in the international protection of copyright and related rights which is contained in Article 11 of TRIPs relates to rental rights. Under this provision members are required to provide authors of computer programmes and cinematographic works and their successors in title the right to authorise or prohibit the commercial rental of their works to the public.<sup>10</sup> Members are also obliged to provide a similar right of authorisation or prohibition where, although the copyrighted works have been available for commercial rental, they have been copied to such an extent that the exclusive right of reproduction conferred on the authors and their successors in title has been materially impaired.<sup>11</sup> The right to authorise or prohibit commercial rental does not apply in circumstances in which the programme itself is not the essential object of the rental.<sup>12</sup> This suggests that where the rental of a computer game is the object of the transaction rather than the rental of the programme per se, members will not be obliged to amend their law in order to confer rights of prohibition or authorisation on the author of the programme. It should be noted that while Article 11 applies explicitly to computer programmes and cinematographic works, it is framed in a way which permits members to apply the established criteria to other works.<sup>13</sup> Members are permitted to apply exceptions or limitations to these rights, but these must be confined to special cases which do not unreasonably prejudice the interests of the right holder.<sup>14</sup>

The issue of sound recordings is dealt with by Article 14 of TRIPs. In essence, this provision requires members to provide performers, producers of phonograms (sound recordings) and broadcasting organisations with protection from 'bootlegging'. Performers are to be entitled to prevent the unauthorised fixation of their unfixed performances and the reproduction of such unauthorised fixation. They must also be given the right to prevent the unauthorised broadcast and communication to the public of their live performances by wireless means. Producers of phonograms are to enjoy

5 Article 9(1).

6 Article 9(2).

7 Article 10(1).

8 Article 10(2).

9 Ibid.

10 Article 11 applies to these works whether they are in their original or copied form.

11 There is no definition of 'material impairment' contained within TRIPs, thus members have discretion in defining this concept when introducing or amending laws in this area.

12 Article 11.

13 Article 11 provides that the obligation is 'in respect of *at least* computer programmes and cinematographic works ...'. (Emphasis added.)

14 Article 13.

the right to authorise or prohibit the direct or indirect reproduction of their phonogram. The protection of the rights of broadcasting organisations is contained in Article 14(3). This provides that such organisations must have the right to prohibit unauthorised acts of fixation, the reproduction of fixations and the rebroadcasting of broadcasts to the public by wireless means, including those of television. Where such rights are not granted to broadcasting organisations themselves, they are to be granted to the original copyright owners of the broadcasted material. The rental of phonograms is subject to the same regime as that which is applied to computer programmes in Article 11 of the Agreement. If, however, a member has a pre-existing system which provides equitable remuneration for a producer of phonograms which predates the conclusion of the Uruguay Round, then it may maintain such a system unless it gives rise to material impairment of the right holders' exclusive rights of reproduction. Members are also permitted to allow conditions, limitations and reservations to be applied to these rights, but these must conform to the requirements of the Rome Convention. Furthermore, the limitation provisions contained in Article 18 of the Berne Convention (1971) are to apply, *mutatis mutandis*, to the rights of performers and the producers of phonograms.

The term of protection for works other than photographic work or work of applied art is, if it is not calculated on the length of the life of natural persons, to be no less than 50 years from the end of the calendar year of authorised publication, or, failing such authorised publication, within fifty years from the making of the work.<sup>15</sup> For performers and producers of phonographs, the period of protection is also to be a minimum of fifty years which is computed from the end of the calendar year in which the fixation was made or in which the performance took place.<sup>16</sup>

#### IV. TRADEMARKS

TRIPs defines the indicia of trademarks which render them capable of registration under national legal systems, and stipulates the minimum rights which are to accrue to owners. A trademark must be a visually perceptible sign which may consist in particular words (including personal names), letters numerals, figurative elements and combinations of colours as well as combinations of any such signs. Where signs are not inherently capable of distinguishing goods or services, members may make registrability dependent upon distinctiveness acquired through use. Although registration may be conditional upon the mark being used, the actual use of a mark may not be required as a precondition for filing an application for registration, nor may an application for registration be refused solely on the ground that intended use has not taken place before the expiry of a period of three years from the date of application. The use of the word 'solely' in this context indicates that the limitation period is of itself not conclusive, but may be of relevance when taken in conjunction with other factors. It is clear, however, that the nature of the goods or services to which it is sought to apply a trademark is not one of these factors, since TRIPs provides explicitly that this shall in no case constitute an obstacle to registration.<sup>17</sup> Trademarks must be published either prior to or promptly

<sup>15</sup> Article 12.

<sup>16</sup> Article 14(5).

<sup>17</sup> Article 15(4).

after their registration but must afford a reasonable opportunity for petitions to seek cancellation of the registration by third parties.<sup>18</sup> Members are also granted the discretion to grant third parties an opportunity to oppose registration. Although TRIPs is silent on the matter, it is presumed that there must be appropriate publicity attached to an application to register a trademark in order to afford notice to third parties which will be potentially affected by the registration of such a mark.

Article 16 of TRIPs establishes the minimum rights which must be enjoyed by the holder of a trademark. The owner of a registered trademark is to be granted the exclusive right to prevent all third parties not having his or her consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of the registered trademark where such use would result in a likelihood of confusion.<sup>19</sup> Where the use of a trademark by a third party is identical to a registered trademark, there is a presumption that there will be a likelihood of confusion.<sup>20</sup> Article 16(2) extends the application of Article 6(bis) of the Paris Convention (1967) to services. The ambit of this provision is, however, further defined by TRIPs which provides that in determining whether a trademark is well-known, account must be taken of the knowledge of the trademark in the relevant sector of the public, including knowledge obtained in that member as a result of the promotion of the trademark. Article 16(3) also deals with the vexed issue of the wrongful use of a registered trademark for goods or services which are not similar to those in respect of which the trademark was registered but which nonetheless purports to indicate a connection between the owner of the registered trademark and those goods or services. TRIPs here again extends the application of Article 6(bis) of the Paris Convention (1967) to cover such circumstances. Article 16(3) adds the proviso that the owner of the registered trademark must be likely to be damaged by such wrongful use of the trademark. A member may provide limited exceptions to rights conferred by a trademark such as the fair use of descriptive terms.<sup>21</sup> Such exceptions must nevertheless seek to balance the legitimate interests of the trademark owner and third parties.<sup>22</sup> The minimum period of protection required for a registered trademark is seven years.<sup>23</sup> This applies not only to initial registration but also to any subsequent renewal of registration.<sup>24</sup> While use need not necessarily be a requirement for the maintenance of registration of a trademark, members which require this must impose a minimum period of three years of non-use before cancellation of registration may occur.<sup>25</sup> The period of non-use leading to cancellation must be continuous.<sup>26</sup> If the trademark owner can demonstrate the existence of extrinsic circumstances beyond his or her control which have prevented him or her from using the trademark, then non-use may not be a cause for cancellation.<sup>27</sup> Such circumstances may include import restrictions or other

18 Article 15(5).

19 Article 16(1).

20 *Ibid.*

21 Article 17.

22 *Ibid.*

23 Article 18.

24 *Ibid.*

25 Article 19.

26 *Ibid.*

27 *Ibid.*

governmental requirements affecting the goods or services to which a registered trademark may apply.<sup>28</sup> In establishing minimum standards for the use of trademarks in the course of trade, TRIPs requires that such use must not be unjustifiably encumbered by special requirements.<sup>29</sup> These include mandatory use with another trademark, use in a special form or use in a manner which is detrimental to the trademark's capacity to distinguish the goods or services of one undertaking from those of other undertakings.<sup>30</sup> This prohibition does not, however, preclude a requirement by which the trademark identifies the undertaking producing the goods or supplying the service along with, but without linking it to the trademark distinguishing the specific goods or services of the undertaking.

Although the compulsory licensing of trademarks is forbidden by TRIPs, it nonetheless permits members to determine the conditions governing the licensing and assignment of trademarks.<sup>31</sup> Despite the discretion allowed to members to determine the conditions for licensing and assignment, a trademark owner must be permitted to enjoy the right to assign his or her trademark with or without the business to which the trademark belongs.<sup>32</sup>

## V. GEOGRAPHICAL INDICATIONS OF ORIGIN

Geographical indications of origin have for some time caused difficulties for the producers of certain goods. Terms such as 'champagne' and 'sherry' have, for example, been in widespread use by producers which have no connection with those geographical regions of France or Spain. In order to combat this problem, TRIPs requires members to adopt improved standards of protection for the geographical indication of the origin of goods. For the purposes of the agreement, geographical indications are those indications which identify a good as originating in the territory of a member or a region or locality in that territory where a given quality, reputation or other characteristic of the good is essentially attributable to its place of origin.<sup>33</sup> Members are obliged to adopt legal measures which allow interested parties to prevent the use of any means in the designation or presentation of a good which indicates or suggests that the good in question originates in a geographical area other than its true place of origin in a manner which misleads the public as to the proper geographical origin of the good.<sup>34</sup> Members are also required to adopt measures to prevent uses of geographical indications which constitute an act of unfair competition within the meaning of Article 10(bis) of the Paris Convention.<sup>35</sup> Under TRIPs a member must adopt measures which permit it, either *proprio motu* or at the request of an interested party, to refuse or invalidate the registration of a trademark which contains or consists of a geographical indication when the goods do not originate in the territory indicated and if its use is likely to mislead the public.<sup>36</sup> Members are further required to take measures to combat situations in which, although the geographical indication of

28 Ibid

29 Article 20.

30 Ibid. The use of the term 'undertaking' is not defined, but the context suggests that such an entity is an economic actor in the market place.

31 Article 21.

32 Ibid.

33 Article 22(1).

34 Article 22(2)(b).

35 This provides ....

36 Article 22(3).

origin of the good is literally true as to its place of origin, it seeks to trade on the name of another geographical region which the public more closely associates with that particular type of product.<sup>37</sup> Thus producers of marmalade in the North Canterbury town of Oxford would not be entitled to call their product 'Oxford Marmalade'. Although this would be literally true, the producers would be trading on the name of the (arguably) more famous city in England.

As noted above, particular problems have been experienced in the area of geographical indications in respect of alcoholic beverages. TRIPs seeks to provide higher levels of protection in this area by requiring members to implement legal measures which permit interested parties to prevent the use of geographical indications identifying wines or spirits as not originating in the region indicated. This applies even if the true place of origin is indicated or if the product is accompanied by terms such as 'kind', 'type', 'style', 'imitation' and so on. Thus a label describing a product as 'New Zealand Sherry' or 'Champagne Style Sparkling Wine' may not be permitted. As with other products, members must adopt the necessary legislation which permits it, either *proprio motu* or at the request of a party with standing, to refuse to register or to invalidate a trademark relating to wine or spirits not having its origin in the geographical region indicated.<sup>38</sup>

TRIPs also seeks to deal with another problem associated with geographical indications in the case of wine. This is where certain wines enjoy homonymous geographical indications of origin. An example of this might be Rhine wines. In such cases, protection is to be afforded to each indication with members determining the practical conditions under which the homonymous indications will be differentiated from each other.<sup>39</sup> In so doing, members are obliged to take into account the need to ensure the equitable treatment of the producers concerned.<sup>40</sup> They are also to have regard to the requirement that consumers should not be misled by use of particular means for differentiating homonymous indications of origin.<sup>41</sup> This would seem to require, for example, the use of labelling systems which are neither ambiguous nor stylistically similar and which will not therefore confuse consumers.

In order to facilitate developments in the area of geographical indications of origin for wines, TRIPs envisages the adoption a multilateral system of notification and registration to be negotiated under the auspices of the Council for Trade-Related Aspects of Intellectual Property Rights.<sup>42</sup> Such a system will provide a register of wines whose geographical indications of origin are eligible for protection in the producer state.<sup>43</sup> In the general area of geographical indications of origins for wine and spirits, members are to enter into negotiations which will be designed to increase the level of protection within the framework of Article 23 of TRIPs.<sup>44</sup> The Council on Trade-Related Aspects of Intellectual Property Rights will keep the application of Article 24 under review and will, where necessary, take the appropriate steps to ensure that members comply with their obligations to

37 Article 22(4).

38 Article 23(2).

39 Article 23(3).

40 *Ibid.*

41 *Ibid.*

42 Article 23(4).

43 *Ibid.*

44 Article 24(1).



under this provision.<sup>45</sup> Where it has not been possible for a member to reach a bilateral or plurilateral solution to the question of protection of geographical indications of origin, the Council will consult with the member concerned and will 'take such action as may be agreed to facilitate the operation and further the objectives' of this part of the Agreement.<sup>46</sup> The emphasis in Article 24(2) should be placed on 'agreed' action, which suggests that coercive measures may not be taken in order to compel a recalcitrant member to comply with its obligations under this part of TRIPs.

Despite these proposed far-reaching developments in the area of protection of geographical indications of origin for wines, TRIPs also provides a number of exceptions to protect pre-existing situations. It is noteworthy, however, that these exceptions may not be relied upon to frustrate the negotiations which are envisaged under Article 24(1). The exceptions in question deal largely with situations in which there has been substantial use of geographical indications of origin for certain wines or spirits for a lengthy period of time or under certain conditions. Where a national or a domiciliary of a particular member has been using a geographical indication of origin of wines or spirits in connection with goods or services for at least ten years continuously prior to the conclusion of the Uruguay Round or in good faith prior to that date, then another member may not prevent the continued and similar use of that geographical indication.<sup>47</sup> The key element here would seem to be the connection of the geographical indication of origin of wine and spirits with other goods and services, although given the context it is not entirely clear what the drafters of the Agreement had in mind here.

Article 24(5) provides a further limitation upon exclusive protection of indication of origin by a member. This provision deals with circumstances in which a trademark has been applied for or registered, or where rights to a trademark have been acquired in good faith through long use. If such rights have been acquired prior to the application of the TRIPs provisions or if they have been acquired prior to the protection of the geographical indication in the actual country of origin, then TRIPs does not prejudice such rights nor prohibit their use. This clearly has the potential to create difficulties in situations in which parallel imports occur, but it should be recalled that such situations must, without exception, be subject to the negotiation regime and supervision by the Council on Trade-Related Aspects of Intellectual Property Rights, which suggests that a solution will ultimately be found for these particular problems. Limitations upon the exclusive protection of indications of origin also arise where the term which is used for particular goods or services is identical with the term which is customarily used in common language as the common name for such goods or services in the territory of the member in question.<sup>48</sup> This also applies to 'products of the vine' where the relevant geographical indication is identical with the customary name of a grape variety existing in the territory of the member prior to the entry into force of the Agreement.<sup>49</sup> Also excluded from protection under this part of TRIPs is the right of a person or his successor in title to use his name in the course

45 Article 24(2).

46 Ibid.

47 Article 24(4).

48 Article 24(6).

49 Ibid.

of business, save where such use is in a manner which misleads the public.<sup>50</sup> An examination of the drafting of this provision suggests that there need be no intention to mislead the public; the fact that the public is misled will be enough.

Section 3 of TRIPs provides that members may impose a limitation *ratione temporis* upon challenging the adverse use of a trademark associated with geographical indications of origin.<sup>51</sup> Such a limitation is to be of five years duration, with time running either from the date on which the adverse use of the trademark has become generally known in the country of registration or after the date of registration provided the trademark has been published by that date, if such a date is earlier than the date on which the adverse use became generally known in that member.<sup>52</sup> This latter is, however, subject to the proviso that the geographical indication must not be used or registered in bad faith.<sup>53</sup> Under Section 3, members are also absolved from protecting geographical indications which are not, or cease to be, protected in their country of origin or which have fallen into desuetude in such a country.

## VI. INDUSTRIAL DESIGN

Members are obliged to provide for the protection of independently created industrial designs that are new or original.<sup>54</sup> The requirement of novelty is maintained, since members are not obliged to ensure the protection of designs which do not differ significantly from known designs or combinations of known designs.<sup>55</sup> Members are also free to determine that protection will not extend to designs which are dictated essentially by technical or functional considerations.<sup>56</sup> A modification of a pre-existing design to render it more 'user friendly' will not therefore necessarily qualify for protection should a member decide that it wishes to adopt this lower level approach. This section of TRIPs also comprehends the matter of textile designs. While members are required to provide protection for textile designs either under their industrial design or copyright protection laws, they are also placed under an obligation to ensure that the cost, examination or publication of such designs is not so onerous as to unreasonably impair the opportunity to seek and obtain protection.<sup>57</sup>

Once an industrial design is protected, the owner has the right to prevent third parties from making, selling or importing articles bearing or embodying a design which is either a copy or a substantial copy of the protected design, where these acts are done for commercial purposes.<sup>58</sup> Members are permitted to provide limited exceptions to the protection of industrial designs, but such exceptions must not conflict unreasonably with the normal exploitation of such designs nor must they unreasonably prejudice the legitimate interests of the owner of the protected design.<sup>59</sup> Industrial designs are to enjoy a period of protection of no less than ten years.<sup>60</sup>

50 Article 24(8).

51 Article 24(7).

52 *Ibid.*

53 *Ibid.*

54 Article 25(1).

55 *Ibid.*

56 *Ibid.*

57 Article 25(2).

58 Article 26(1).

59 Article 26(2).

60 Article 26(3).

## VII. PATENTS

The negotiations on patents during the Uruguay Round was considered to be one of the most critical areas of discussion, and within the area of patents the question of patentability of pharmaceuticals was a key issue. As Correa notes, at the time the Uruguay Round started, almost 50 countries did not confer patent protection upon pharmaceuticals.<sup>61</sup> Securing a multilateral regime in this area was therefore of crucial importance to the industrialised states with substantial pharmaceutical industries. The fact that agreement was reached in this area also demonstrates the extent to which developing and less developed countries were prepared to compromise.

The basic principle of TRIPs relative to patents is that they must be available for any inventions, whether products or processes, in all fields of technology.<sup>62</sup> This principle only applies, however, if the products or processes are new, involve an inventive step and are capable of industrial application.<sup>63</sup> TRIPs thus preserves the requirements of most industrialised states' patent laws which demand that in order to be patentable, products and processes must exhibit the criteria of novelty and utility. Subject to certain exceptions, patents are to be enjoyed without discrimination as to the place of invention, the field of technology or whether the product is imported or locally produced.<sup>64</sup> Members may exclude from patentability a number of classes of invention. First, they may prevent patents being granted to inventions where this is necessary to protect *ordre public* or morality; to protect the life or health of humans, animals or plants or to avoid serious prejudice to the environment.<sup>65</sup> Such exclusions must not rest merely on the fact that the exploitation of an invention is prohibited by domestic law, which seems to imply the domestic law which itself prohibits patentability must be based squarely on one of the grounds of exclusion contained in TRIPs.<sup>66</sup> Members may also exclude from patentability inventions involving diagnostic, therapeutic or surgical methods for the treatment of humans or animals<sup>67</sup> and invention of plants and animals or essentially biological processes for their production.<sup>68</sup> Non-biological and microbiological processes relating to plants and animals may still be patented.<sup>69</sup> Correa observes that this latter is a complex phenomenon and asks, 'how can a plant or an animal be produced by a process which not totally or in part biological?'<sup>70</sup> The origin of this provision is unknown, thus without access to its *travaux préparatoires*, it is difficult to shed very much light on it. Where members avail themselves of the opportunity to exclude plants from patentability, they are required to provide an alternative means of protection.<sup>71</sup> Given that there was apparently a wide divergence of opinion between states, including industrial states, on

61 Carlos M Correa, 'The GATT Agreement on Trade-related Aspects of Intellectual Property Rights: New Standards for Patent Protection' (1994) 8 EIPR 327.

62 Article 27(1).

63 Ibid.

64 Ibid.

65 Article 27(2).

66 Ibid.

67 Article 27(3)(a).

68 Article 27(3)(b).

69 Ibid.

70 Correa, *op cit*, above note xx, p 328.

71 Such a means of protection might be achieved under the auspices of the UPOV Convention 1978 which lays down standards for the protection of 'plant breeders' rights. See Carlos Correa, 'Biological Resources and Intellectual Property Rights' (1992) 5 EIPR 154.

the matter of the protection of biological inventions, the provisions of Article 27(2)(b) are to be reviewed 4 years after the entry into force of the WTO.<sup>72</sup>

The conditions for patent applications are established by Article 29. Central to this provision is the major principle of patent law that applicants must provide full disclosure of the claimed invention. Article 29 provides that applicants for a patent must disclose the invention in a manner sufficiently clear and complete for the invention to be carried out by a person skilled in the art. In addition to this members' legislation may require the applicant to indicate the best mode for carrying out the invention which is known to the inventor<sup>73</sup> and to provide information about corresponding foreign applications and grants.<sup>74</sup> The provision does not, however, indicate the method of disclosure which may be made in cases of inventions in which the invention is not susceptible to full disclosure because the processes involved are not themselves fully understood. This may be the case where, for example, biotechnological processes are involved.

Once a patent is granted, the rights which are to be conferred upon an owner are set down in Article 28. This distinguishes between the two categories of invention: products and processes. In relation to a product, the patent-holder enjoys the right to prevent unauthorised third parties from making, using, offering for sale, selling or importing for any of these purposes the product to which the patent applies.<sup>75</sup> Where the patent applies to a process, the patent owner has the right to prevent unauthorised third parties from the act of using the process and from the acts of using, offering for sale, selling or importing for any of these purposes, the product obtained directly by that process.<sup>76</sup> The extension of protection to products obtained directly by the use of a patented process is designed to strengthen the protection in this area, since a large number of states do not, as yet, offer clear protection in such circumstances. Patent owners are also to enjoy the right to alienate their rights either by assignment or transfer by succession, and to conclude licensing contracts with third parties.<sup>77</sup> There are, however, certain exceptions to the rights conferred by TRIPs on patent owners. These are similar to the exceptions for other categories of intellectual property covered by the Agreement. Article 30 thus provides that members may provide limited exceptions to the exclusive rights conferred by a patent provided that three criteria are fulfilled. First, the exceptions must be limited or construed narrowly. Second, they must not conflict unreasonably with a normal exploitation of a patent and third, they must not unreasonably prejudice the legitimate interests of the patent owner while at the same time taking account of the legitimate interests of third parties. Article 30 appears to give members considerable latitude in granting exceptions and will require analysis on a case by case basis, presumably by the Council. Correa suggests, however, that the following will be legitimate under Article 30: importation of a product that has been put in the market elsewhere by the patentee or with his consent; acts done privately and on a non-commercial scale or for a non-commercial purpose; using the invention for research and experimentation or teaching purposes; preparation of

72 Article 27(2)(b).

73 Article 29(1).

74 Article 29(2).

75 Article 28(1)(a).

76 Article 28(1)(b).

77 Article 28(2).

medicines for individual cases according to a prescription; compulsory licensing and the use of the invention by a third party who started such use before the application for the patent or its publication.<sup>78</sup>

Although TRIPs does not use the term ‘compulsory licensing’ it deals with this concept *in extenso* in Article 31. Compulsory licensing arises in circumstances in which the law of a state permits the subject matter of a patent to be used by a third party, including the government of the state itself, without the consent of the owner. While TRIPs does not require members to permit compulsory licensing, it nonetheless lays down detailed criteria governing its application where they decide to adopt such a practice. The primary requirement is that a compulsory licence may only be permitted following consideration of each application on its individual merits.<sup>79</sup> This clearly precludes the use of ‘blanket’ licensing. Furthermore, all matters relating to compulsory licensing must be subject to judicial review or ‘other independent review by a distinct higher authority’ in the state in question.<sup>80</sup> In considering each application the following criteria are to be applied:

1. The applicant must have made efforts to obtain authorisation from the right holder on reasonable commercial terms and conditions.<sup>81</sup> If such efforts have not produced an appropriate result within a ‘reasonable period of time’, then an application may be made for a compulsory licence.<sup>82</sup> Although in normal circumstances applicants will be required to negotiate in good faith according to normal commercial practice, this requirement may be waived in cases of national emergency or other circumstances of extreme urgency or in cases of public non-commercial use.<sup>83</sup> In all cases involving emergency or urgency, the right holder must be notified as soon as reasonably possible.<sup>84</sup> Where the need for compulsory licensing has arisen as a result of the patent owner’s anti-competitive behaviour, following determination as such by a competent judicial or administrative authority, the member is absolved from applying these criteria.<sup>85</sup>
2. The scope and duration of use of the patent must be limited to the purpose for which it was authorised.<sup>86</sup> In the case of semi-conductor technology, the authorisation may only be for public non-commercial use or to remedy an anti-competitive practice following determination as such by a judicial or administrative process.<sup>87</sup> This provision may be seen as an application of the general principle of proportionality which requires public policy exceptions to be limited strictly to the exigency which gave rise to their adoption.
3. Any compulsory licence must be non-exclusive<sup>88</sup> and non-assignable,<sup>89</sup> except with that part of the enterprise or goodwill which uses it. Since a compulsory licence is to be non-exclusive, the possibility of either

78 Correa, *op cit*, above note xx.

79 Article 31(a).

80 Article 31(i).

81 Article 31(b).

82 *Ibid.*

83 *Ibid.*

84 *Ibid.*

85 Article 31(k).

86 Article 31(c).

87 *Ibid.*

88 Article 31(d).

89 Article 31(e).

the patent owner or his voluntary licensee participating in the market by way of manufacture or parallel imports remains alive.

4. A licence may only be granted 'predominantly for the domestic market' of the authorising member.<sup>90</sup> This requirement is logical considering that the state of emergency or urgency giving rise to the initial authorisation will usually have its major impact within the domestic market. The award of a compulsory licence to satisfy an export market alone will contravene this requirement. Members are absolved from applying this condition where the licence is awarded to remedy a practice which has been determined by a judicial or administrative authority to be anti-competitive.<sup>91</sup>
5. A compulsory licence is liable to termination when the circumstances which gave rise to it have ceased to exist and are unlikely to recur.<sup>92</sup> A 'competent authority' must be given the authority to review 'upon motivated request' whether these circumstances are still extant. A patent owner who considers that the situation of emergency or urgency which gave rise to the granting of a compulsory licence may thus apply for its termination. It should be noted, however, that the protection of the legitimate interests of the licence holder must be taken into account when deciding whether or not to terminate a licence.<sup>93</sup> It is not difficult to discern what these legitimate interests might be. It is possible to postulate circumstances in which a licence holder has undertaken considerable capital expenditure in order to manufacture a product subject to a patent. An authority considering termination of the licence would therefore be obliged to take into account the size of the investment undertaken and the possibility of plant being readily adaptable to other uses. It is thus tolerably clear that a review authority must balance the rights of the patent owner against the likelihood of substantial injury to the licence holder should the licence be terminated.
6. Patent owners must be paid 'adequate remuneration' in cases of compulsory licensing.<sup>94</sup> There is no definition of what is 'adequate' in this context, but members are enjoined to take into account the circumstances of each case and the economic value of the authorisation.<sup>95</sup> It would seem by implication therefore, that 'adequate' remuneration is intimately connected with the market value of the of the process or product which is subject to the patent. This view is supported by Article 31(k) which provides that anti-competitive behaviour by a patent owner may be taken into account when determining the level of compensation to be granted. Any decision on remuneration must be subject either to judicial review or to independent review by a 'distinct higher authority'.<sup>96</sup>
7. In certain circumstances it may not be possible to exploit a patent (the 'subsequent patent') for which a compulsory licence has been granted without infringing the rights of another patent (the 'dominant patent') owner. Usually the process will involve the whole or partial application

90 Article 31(f).

91 Article 31(k).

92 Article 31(g).

93 Ibid.

94 Article 31(h).

95 Ibid.

96 Article 31(j).

of another patented process or product in order to manufacture the final product. In such cases TRIPs provides that additional criteria must apply to the award of a compulsory licence. First, the use of the subsequent patent must involve an important technical advance of considerable economic significance in relation to the invention claimed in the dominant patent.<sup>97</sup> Second, the owner of the dominant patent is to be entitled to a cross-licence on reasonable terms to use the invention claimed in the subsequent patent<sup>98</sup> and third, the use authorised in respect of the dominant patent is not to be assignable except with the assignment of the subsequent patent.<sup>99</sup>

The minimum duration of protection for a patent must be 20 years from its filing date.<sup>100</sup> The effect of this provisions will be to provide a uniform period of protection worldwide, and should lend a degree of certainty to multi-jurisdictional patent applications. The grounds for revocation or forfeiture of any patent are not specified in TRIPs, but it provides that patent owners shall enjoy the opportunity of judicial review in such circumstances.<sup>101</sup> Typical grounds for revocation or forfeiture might be failure to pay maintenance fees or anti-competitive behaviour by a patent owner.

One of the most important changes made by TRIPs in the field of patent law is the international harmonisation of standards of justice in patent infringement proceedings. The main effect of the Agreement is to reverse the burden of proof in such proceedings and to introduce certain presumptions. Article 34(1) provides that the competent judicial authorities in infringement proceedings may 'order the defendant to prove that the process to obtain an identical product is different from the patented process.' It would seem that this provision would of itself have been sufficient since it would permit the court to apply the normal standards of proof which are applicable in the jurisdiction in question. The reversal of the burden of proof is, however, supplemented by certain presumptions which tend to limit the court in its assessment of the appropriate standard of proof. Article 34(1) provides members with a choice of two presumptions which they are bound to adopt in circumstances where an identical product has been produced without the consent of the patent owner. In the absence of proof to the contrary a product will be deemed to have been obtained by the patented process if either first, the product itself is new<sup>102</sup> or second, if there is a 'substantial likelihood' that the identical product was made by the process and the owner of the patent has been unable through reasonable effort to determine the process actually used.<sup>103</sup> The question of 'newness' is not addressed by the agreement, so members are free to apply their own standards in such a situation. It would seem, however, that a 'new' product produced by a patented process need not necessarily conform to the requirements of novelty required by domestic patent law. The second presumption is clearly broader than the first, although the effects of the presumption are mitigated to a certain degree by requiring the patent owner to take reasonable efforts to discover the actual process used. This should

97 Article 31(l)(i).

98 Article 31(l)(ii).

99 Article 31(l)(iii).

100 Article 33.

101 Article 32.

102 Article 34(1)(a).

103 Article 34(1)(b).

operate to prevent frivolous or vexatious claims by patent owners. Defendants in infringement proceedings are further protected by Article 34(3) which provides that when providing contrary evidence in their defence, they are to have their legitimate interests of protecting their manufacturing and business secrets taken into account. While Correa argues that 'the reversal of burden proof could negatively affect innovation in small and medium-sized enterprises due to the risk of facing legal impediments and high litigation costs',<sup>104</sup> the US law firm Ladas and Parry considers it will produce certain beneficial effects. It says, 'since few countries outside the US have discovery proceedings similar to those available to parties in US litigation and obtaining proof of infringement of a process patent is often very difficult in foreign countries, this provision should help increase the value of process patents in such countries.'<sup>105</sup>

### VIII. LAYOUT DESIGNS (TOPOGRAPHIES) OF INTEGRATED CIRCUITS

Members are required to provide protection for topographies of integrated circuits in accordance with the provisions of the Treaty on Intellectual Property in Respect of Integrated Circuits (IPIC)<sup>106</sup> and are obliged to make a number of acts unlawful when performed without the authorisation of the right holder. These include importing, selling or otherwise distributing for commercial purposes a protected topography, an integrated circuit in which a protected topography is incorporated or an article incorporating such an integrated circuit, but only if it continues to contain an unlawfully reproduced topography.<sup>107</sup> Members are, however, to provide defences to persons in respect of any of the above acts which relate to an integrand circuit which incorporates an unlawfully reproduced topography or any article incorporating such an integrated circuit where the person performing or ordering such acts did not know and had not reasonable ground to know that it incorporated an unlawfully reproduced topography at the time of acquisition.<sup>108</sup> This provision will generally serve to protect the innocent dealer in electronic products who might not be expected to make extensive inquiries concerning such products when they are acquired from a reputable overseas' dealer. TRIPs also provides some protection for the right holder in such circumstances by requiring members to provide that a sum equivalent to a royalty under a freely negotiated licence should be paid in respect of the topography.<sup>109</sup> This applies only where the trader has had reasonable notice of the infringement, in which case he may choose freely to deal in his stock in hand of the product affected or dispose of it in some other way, such as sending it back to his supplier.<sup>110</sup>

TRIPs also provides for compulsory licensing of topographies. The conditions which are to apply are identical to those which apply in the case of patents under Article 31(a)-(k) of the Agreement.<sup>111</sup> The only paragraph which is not expressly stated to apply to the compulsory licensing of topographies is Article 31(k) which deals with the relationship between dominant and subsequent patents.

104 Correa, *op cit*, above, note 61.

105 Ladas and Parry, 'Intellectual Property Provisions of GATT', <<http://www.ladas.com/gatt.html>>.

106 Article 35. Members are obliged to comply with Article 2-7 (other than Article 2(6)), Article 12(3) and Article 16 of IPIC.

107 Article 36.

108 Article 37(1).

109 *Ibid*.

110 *Ibid*.

111 Article 37(20).



Registration is not required for the protection of topographies. In members which do require registration, the period of protection is to be a minimum of ten years which is to run from the date of filing an application for registration or from the first commercial exploitation of the topography wherever this occurs in the world.<sup>112</sup> In states not requiring registration as a condition for protection, topographies are to be protected for a term of no less than ten years from the date of first commercial exploitation, wherever in the world this occurs.<sup>113</sup> Despite the minimum period of protection to be accorded in Article 38, members may, at their discretion, provide that protection is to lapse fifteen years after the creation of the layout design.<sup>114</sup>

#### IX. PROTECTION OF UNDISCLOSED INFORMATION (TRADE SECRETS)

Under TRIPs members are to protect undisclosed information or trade secrets. This is to be undertaken within the context of the Paris Convention<sup>115</sup> as a means of ensuring effective protection against unfair competition.<sup>116</sup> In this field of intellectual property, natural and legal persons are to be entitled to prevent information lawfully within their control from being disclosed to, acquired by or used by others without their consent in a manner which is contrary to honest commercial practices.<sup>117</sup> It is, however, a precondition of protection that such information must be secret.<sup>118</sup> For the purposes of TRIPs, 'secret' means that the information 'is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question.'<sup>119</sup> It is a further requirement of protection that the information must have commercial value because it is secret<sup>120</sup> and that it has been subject to reasonable steps to keep it secret by the person lawfully in control.<sup>121</sup> It is thus clear that protection of trade secrets may be lost if a competitor is capable of analysing the combination of components in a product or a process by using normal analytical techniques or if the holder of the trade secret has been negligent. An example of the latter may be where the holder releases information by which it is possible to discern the configuration or assembly of the process or product.

Special rules apply to the marketing of pharmaceutical and agricultural chemical products which utilise new chemical entities. Where members require the submission of undisclosed tests or other data as condition of granting marketing approval to such products, they must protect such data against unfair commercial use if its compilation has taken the marketer 'considerable effort'.<sup>122</sup> Furthermore, members are obliged to protect such

112 Article 38(1).

113 Article 38(2).

114 Article 38(30).

115 Article 10(bis).

116 Article 39(1).

117 Article 39(2).

118 Article 39(2), indent 1.

119 Ibid.

120 Article 39(2), indent 2.

121 Article 39(2), indent 3.

122 Article 34(3). There is no definition of what constitutes 'considerable effort'. *Quaere* whether there would be a difference between a marketer which had already previously established mechanisms for data collection which worked well and a new entrant to the area which had to establish data collection mechanisms *de novo*?

data against disclosure, except where disclosure is necessary to protect the public or unless steps are taken to protect use of the data from unfair commercial use.<sup>123</sup>

#### X. CONTROL OF ANTI-COMPETITIVE PRACTICES IN CONTRACTUAL LICENCES

As noted above, the general thrust of the Uruguay Round was to secure further comprehensive liberalisation of world trade by both broadening and deepening the application of GATT. It was also noted that much of the *raison d'être* of TRIPs itself is based upon this premise. As a consequence of this, Section 8 of the Agreement seeks to address the issue of limitation of competition by the use of restrictive licensing practices in members. Article 40 itself reinforces the rationale for this part of TRIPs by stating the proposition that 'members agree that some licensing practices or condition pertaining to intellectual property rights which restrain competition may have adverse effects on trade and may impede the transfer and dissemination of technology.'<sup>124</sup> The Agreement therefore gives members the right to adopt legislation which specifies the kinds of licensing agreements which constitute abuses of intellectual property rights and which may have an adverse effect on competition in the relevant market.<sup>125</sup> Examples of such abuses might be exclusive grant back conditions, conditions preventing challenges to validity or coercive package licensing.<sup>126</sup> It should be noted that the adverse effect on competition must take place in the 'relevant market'. This is a term of art in competition law which normally defined by reference to product substitution or to use the appropriate economic term, cross elasticity of demand in a product market. Where a product occupies a dominant position in a relevant market, that is, it has all but eliminated competition and occupies a monopolistic or near monopolistic position, anti-competitive behaviour such as refusal to supply, supply restrictions or monopoly pricing may occur. It is primarily against such practices which the instant provision is directed.

In order to combat such practices, TRIPs provides for a system of consultation between members.<sup>127</sup> This system of consultation may be invoked in two circumstances: first, where a member believes that an intellectual property right owner who is a national or domiciliary of another member is engaged in practices which violate the laws of the former member relating to the subject matter of Article 40, it may issue a request for consultations<sup>128</sup> and second, where the nationals or domiciliaries of a member are subject to legal proceedings in another member in the same circumstances.<sup>129</sup> The purpose of such consultations is to secure compliance with the requesting state's legislation, and they are to be conducted without prejudice to any action under the law and without prejudice to the full freedom of an ultimate decision by either member on the issue in question.<sup>130</sup> In the conduct of consultations, the requested member is to accord 'full and sympathetic consideration' to the requesting member and

123 Ibid

124 Article 40(1).

125 Article 40(2).

126 Ibid.

127 Article 40(3).

128 Ibid.

129 Article 40(4).

130 Ibid.

is to afford adequate opportunity for that member to engage in consultations.<sup>131</sup> The requested member is also to cooperate in the process by supplying publicly available and non-confidential information of relevance to the issue.<sup>132</sup> This, however, is still subject to the provisions of the requested state's own domestic law and to the conclusion of mutually satisfactory agreements with the requesting member concerning the safeguarding of the confidentiality of such information.<sup>133</sup> It is apparent that the main issue here is the conflict of state jurisdiction. An enterprise may be behaving in a perfectly lawful manner in its own state, while violating the trade or competition laws of a state to which it exports. The purpose of Article 40 therefore is to provide a way to solve such disputes by a system of coordination of members' jurisdictional competences rather than seeking to regulate them. The means by which this is to be achieved is by providing a broad framework for the conduct of consultations. It will be noted, however, that while there is an obligation to consult, there is no obligation to reach a mutually satisfactory conclusion. Where there exists an obligation to consult it is a general principle of international law that such consultations should be undertaken in good faith with a view to obtaining an agreement if possible.

## XI. ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS

### **General Principles**

Part III of TRIPs is devoted to the harmonisation of standards for the enforcement of intellectual property rights. The general requirement is that members are obliged to adopt or modify their national laws in order to permit individual and legal persons to take effective action against infringement of any of the intellectual property rights protected by the Agreement.<sup>134</sup> Members are not, however required to put in place a judicial system for intellectual property issues which is separate and distinct from that which is in place for the enforcement of laws in general, nor does it require members to give priority to the enforcement of laws relating to intellectual property.<sup>135</sup> In adopting or modifying its national laws, members are to ensure that expeditious remedies are available which are directed at preventing infringements and deterring future infringements.<sup>136</sup> This suggests that there should be a suitably punitive element in any available remedy, perhaps in the nature of multiple damages similar to those under US anti-trust law. Article 41 also establishes the due process requirements which must be followed by national laws in this area. Procedures are thus to be fair and equitable, but they must not be unnecessarily complicated or costly, or entail unreasonable time limits or unwarranted delay.<sup>137</sup> While these requirements may seem nebulous, they are consistent with due process requirements contained in international human rights instruments, and there is a considerable body of jurisprudence arising from international human

131 Ibid.

132 Ibid.

133 Ibid.

134 Article 41(1).

135 Article 41(5).

136 Ibid.

137 Article 41(2).

rights institutions which elaborate the meaning of these concepts.<sup>138</sup> Further due process requirements are contained in Article 41(3) and (4). Article 41(3) states that decisions on the merits of the case shall ‘preferably be in writing and reasoned’ and must be delivered without undue delay. This provision also incorporates the principle of *audi alteram partem* by requiring that the merits of a case are to be based only on evidence in respect of which the parties to proceedings were offered an opportunity to be heard. Intimately connected with the provision of reasoned decisions in cases is the right of appeal. Article 41(4) thus provides that parties to proceedings shall have an opportunity for review of final administrative decisions by a judicial authority. In criminal cases, however, members are under no obligation to provide for appeals against acquittals.<sup>139</sup>

### Civil and Administrative Procedures and Remedies

Part III, Section 2 of TRIPs begins by elaborating the Agreement’s understanding of what constitutes fair and equitable procedures.<sup>140</sup> Much of this replicates well-understood notions of due process. Civil judicial procedures are to be made available to right holders to allow them to enforce any of the intellectual property rights covered by the Agreement,<sup>141</sup> while defendants in such procedures are to enjoy the right to timely and sufficiently detailed notice concerning the basis of claims against them.<sup>142</sup> Both parties to proceedings are entitled to be represented by independent legal counsel, and procedures are not to impose ‘overly burdensome requirements’ concerning personal appearances.<sup>143</sup> In the conduct of proceedings the *audi alteram partem* principle is to apply and parties are to be given the opportunity to substantiate their claims by presenting all relevant evidence.<sup>144</sup> Of particular importance, however, is the obligation for members to develop procedures which provide the necessary means to protect confidential information.<sup>145</sup> The only exception to this is circumstances where these means of protection would be contrary to existing national constitutional requirements.<sup>146</sup> An example of this might be the constitutional prohibition of *in camera* proceedings, in which case members will be obliged to find other means, such as the development of written procedures, for protecting confidential information. Confidential information is also to be protected in circumstances where the court orders an opposing party to produce evidence of proof.<sup>147</sup> In general, however, the court may only demand the production of evidence where it is relevant to the substantiation of the party’s claim.<sup>148</sup> In circumstances where a party to proceedings refuses access to information, does not provide necessary information within a reasonable period of time or significantly impedes a

138 See D. McGoldrick, *The Human Rights Committee* (1991), pp. 395-458; D. J. Harris, M. O’Boyle and C. Warbrick, *The Law of the European Convention on Human Rights* (1995) pp. 164-273; S. Davidson, *The Inter-American Human Rights System* (1996), pp. 290-307.

139 Article 41(4).

140 While much of this section is phrased in terms of its application to judicial authorities, Article 49 makes clear that the standards contained in the section are applicable to administrative procedures dealing with the merits of any case.

141 Article 42.

142 *Ibid.*

143 *Ibid.*

144 *Ibid.*

145 *Ibid.*

146 *Ibid.*

147 Article 43(1).

148 *Ibid.*

procedure relating to an enforcement action, members may grant their courts the power to make final determination of the claim.<sup>149</sup> Such a determination may be affirmative or negative and may be granted either to the complainant or to the party adversely affected by the refusal whether complainant or defendant.<sup>150</sup> The recusant party must, however, be given the opportunity to make representations on the issue before a final determination is made by the court.<sup>151</sup>

While injunctive relief is available for infringement of intellectual property rights in most states with sophisticated legal systems, TRIPs nonetheless specifically provides that judicial authorities are to be given the power to grant such relief.<sup>152</sup> While the Agreement does not stipulate the kinds of infringement for which forms of interdictive relief might be available, thus leaving the range of its application to the discretion of members, it does single out for special mention the power of the courts to grant injunctions to prevent infringing imported goods from 'entering the channels of commerce' immediately following customs clearance.<sup>153</sup> This seems to suggest that this was a matter of some concern to the negotiating states and worthy of particular emphasis. Members may also limit the use of injunctive relief in circumstances involving compulsory licensing. Here, a member may choose to grant pecuniary relief as an alternative.<sup>154</sup>

TRIPs also requires members to provide their courts with a variety of remedies in addition to injunctive relief. The primary method of relief in cases of infringement of intellectual property rights is the award of damages. Article 45(1) provides that courts should have the competence to award damages for infringement where the infringer knew or had reasonable grounds to know that he was engaged in infringing activity. There is no indication in this provision of how quantum is to be assessed, so it must be assumed that members are entitled to apply their own criteria in making awards in such circumstances. In cases of innocent infringement, however, members may give power to their courts to order either a recovery of profits or the payment of pre-established damages.<sup>155</sup> These provisions relating to damages appear to be unduly limiting, but an application of Article 1(1) which allows members to adopt more rigorous standards than those contained in TRIPs, would appear to leave it open to members to apply more exacting rules in the context of award of damages. As is normal in civil proceedings, the Agreement provides that costs follow the loser.<sup>156</sup>

The other remedies envisaged by TRIPs are directed not so much at preventing or compensating infringement, but rather at deterring it. The Agreement therefore provides for a variety of remedies in the nature of penalties. The courts of members may order infringing goods to be disposed of outside the normal channels of commerce in a manner which is not harmful to the right holder, or destroyed.<sup>157</sup> The same penalties may attach to materials or implements whose predominant use has been the creation of the infringing products.<sup>158</sup> In both cases no compensation is to be granted

149 Article 43(2).

150 *Ibid.*

151 *Ibid.*

152 Article 44.

153 Article 44(1).

154 Article 44(2).

155 Article 45(2).

156 *Ibid.*

157 Article 46.

158 *Ibid.*

to the infringing party.<sup>159</sup> In considering requests to take such action, however, the courts are to take into account the need for proportionality between the seriousness of the infringement and the remedies ordered, as well as the interests of any third parties.<sup>160</sup> In addition to this general principle, the Agreement provides for a specific exception: in cases of counterfeit trademark goods, the removal of the trademark will not be sufficient to secure the release of the goods into the market, other than in exceptional cases.<sup>161</sup> Where third parties are affected by infringement, courts may be given the power to order the infringer to inform the right holder of the identity of such persons involved in the production and distribution of the infringing goods or services.<sup>162</sup> This power is limited to circumstances in which its use would not be out of proportion to the seriousness of the infringement.<sup>163</sup>

While providing members with the legal basis for incorporating a battery of remedies in their domestic legislation, TRIPs also requires members to prevent abuse of such remedies and their associated procedures. Where a party abuses enforcement procedures in respect of claimed intellectual property rights, that party is to provide adequate compensation for any injury sustained to the person wrongfully enjoined or restrained.<sup>164</sup> Costs may also be awarded against a party which is guilty of abuse of process.<sup>165</sup> A specific exception is, however, granted in such circumstances to officials who acted in good faith in the course of the administration of such laws.<sup>166</sup> Officials guilty of misfeasance in office or bad faith will not be able to claim immunity.

### Provisional Measures

Although provisional measures are closely related to injunctive relief in general, they are, within the context of TRIPs, primarily of a conservatory nature. While members are to grant judicial or administrative authorities<sup>167</sup> the competence to adopt prompt and effective provisional measures to prevent the occurrence of an infringement of any intellectual property right, such measures are aimed primarily at preventing the entry into the market of infringing goods, whether domestically produced or imported, and to preserve evidence relating to any alleged infringement.<sup>168</sup> Such measures may be adopted *inaudita altera parte* in cases where delay is likely to cause irreparable harm to the right holder or in order to preserve evidence where there is a demonstrable risk that the infringing property is likely to be destroyed.<sup>169</sup> Where measures are adopted following such proceedings, the affected parties are to be given notice without delay and after the execution of the measures at the latest.<sup>170</sup> Following notification, the defendant may demand a hearing on the issue which must take place within

159 Ibid.

160 Ibid.

161 Ibid.

162 Article 47.

163 Ibid.

164 Article 48(1).

165 Ibid.

166 Article 48(2).

167 While the relevant provisions are drafted in terms of applicability to judicial authorities, Article 50(7) states explicitly that the relevant standards are to be applied to administrative authorities to the extent to which members grant them jurisdiction in this field.

168 Article 50(1)(a) and (b).

169 Article 50(2).

170 Article 50(4).

a reasonable time.<sup>171</sup> At such a hearing the court may decide to modify, revoke or confirm the adopted measures.<sup>172</sup> Similarly, where measures are adopted either pursuant to normal proceedings or consequent upon proceedings *inaudita altera parte*, the defendant may seek to have the measures revoked if no decision is taken on the merits within a reasonable period.<sup>173</sup> While there is no definition of what constitutes ‘reasonable period’ for the purposes of challenging proceedings *inaudita altera parte* under Article 50(4), Article 50(6) states that a ‘reasonable period’ for seeking revocation of a measure is to be determined by the court where national law so provides, or, in the absence of such provision, within 20 working day or 31 calendar days, whichever is the longer. Given the context of urgency within which precautionary measures are taken, and given the specific time limit which is set for the hearing of proceedings on the merits in Article 50(6), it can be deduced that hearings to challenge proceedings *inaudita altera parte* under Article 50(4) should take place within a shorter period of time. Clearly, the determination of the period is left to the discretion of individual members, but would appear to be limited by the specific periods set down in Article 50(6).

In order to initiate proceedings leading to the adoption of provisional measures, an applicant must provide evidence<sup>174</sup> to demonstrate to the court that he is the right holder and that his right is either being infringed or that infringement is imminent.<sup>175</sup> The court must satisfy itself to a ‘sufficient degree of certainty’ that an infringement has occurred or is imminent, and may order an applicant to provide a security or similar assurance.<sup>176</sup> As in cases of injunctive relief, the reason for the latter is to prevent possible abuse of process by a putative right holder. Applicants must also supply any information necessary for the identification of the goods concerned to enable the measures to be effected by the appropriate enforcement agency within the state.<sup>177</sup> An applicant will be liable to pay compensation to a defendant where injury ensues following circumstances in which the provisional measures are revoked as a result of some act or omission by the applicant or where it is found that there has been no infringement.<sup>178</sup>

### **Border Measures**

The Agreement contains detailed provisions on special measures which may be taken by customs authorities either *proprio motu* or upon request in cases of actual or alleged infringement of intellectual property rights. The main objective of these provisions is to prevent infringing goods from entering a members domestic market. The provisions apply only to material infringements, since Article 60 provides that members may exclude from their application small quantities of goods of a non-commercial nature contained in travellers’ personal luggage or sent in small consignments. Under Article 51 members are to adopt procedures which enable a right holder who has valid grounds for suspecting that counterfeit trademark or

171 Ibid.

172 Ibid.

173 Article 50(6).

174 According to Article 50(3) such evidence must be ‘reasonably available’.

175 Ibid.

176 Ibid.

177 Article 50(5).

178 Article 50(7).

pirated copyright goods are likely to be imported to make an application with the appropriate authorities to prevent the release of such goods into the domestic market. The member may, at its discretion, extend these procedures to protect other intellectual property rights.<sup>179</sup> It will be noted that the applicant must have valid grounds for his belief that the importation of infringing goods is likely. In order to demonstrate such good cause, the applicant must demonstrate a prima facie case of infringement.<sup>180</sup> He must also provide a sufficiently detailed description of the goods which enable them to be readily recognised by the customs authorities of the member.<sup>181</sup> The applicant must be informed by the customs authorities within a reasonable period whether they have accepted the application.<sup>182</sup> They must also indicate the period of time during which they will take appropriate action.<sup>183</sup> As in other cases of interdictive action, applicants may be required to provide appropriate security or other surety in order to prevent abuse of process or potential damage to an innocent defendant.<sup>184</sup> Article 53(1) provides, however, that the level of security or other surety must not be such as unreasonably to deter recourse to the appropriate procedures. Article 53(2) also establishes the circumstances under which a defendant might be required to post security or an equivalent assurance. This may occur where customs have prevented the release of infringing goods involving industrial designs, patents, layout designs or undisclosed information without authorisation by the appropriate judicial or administrative authority. If within a period of ten working days after notification of non-release the action taken by customs has not been confirmed by the appropriate authority, the owner, importer or consignee of the goods may demand their release upon the posting of adequate security or surety, sufficient to protect the right holder for any infringement.<sup>185</sup> Where the putative right holder fails to pursue a right of action against the alleged infringer or importer of infringing goods within a reasonable period of time, the security or other surety is to be released.<sup>186</sup> In order to facilitate appropriate proceedings, both the applicant and importer are to be notified promptly of the suspension of release of goods by the appropriate authorities.<sup>187</sup> The period of suspension or release is specifically limited by Article 55. This provides that the detained goods must be released by customs authorities if within 10 working days after the applicant has been given notice of the suspension the customs have not been informed that proceedings leading to a decision on the merits of the case have been initiated by a party other than the defendant, or that a competent authority has taken precautionary measures containing an extension of time. This 10 working day time limit may be extended by a similar period 'in appropriate cases'.<sup>188</sup> There is no indication in the Agreement of what might constitute appropriate cases, and it is therefore open to members to determine the conditions under which such extension might occur according to their own implementing domestic law. Under Article 55(2) judicial review of measures of suspension must be

179 Article 51.

180 Article 52.

181 Ibid.

182 Ibid.

183 Ibid.

184 Article 53(1).

185 Article 53(2).

186 Ibid.

187 Article 54.

188 Article 55.



available within a reasonable period. Again, given the possibility of damage to both importer and putative right holder, it would appear that 'reasonable' connotes a shorter rather than a longer time period. Provision is also made for the payment of compensation to the owners, importers or consignees of goods for any injury caused by the wrongful detention of goods.<sup>189</sup> Compensation is also payable to right holders who may be injured by the wrongful release of goods.<sup>190</sup>

Where goods are detained by customs authorities, the putative right holder is to be granted sufficient opportunity to inspect those goods in order to substantiate his claim.<sup>191</sup> In permitting such inspection, however, member must have regard to the protection of confidential information.<sup>192</sup> Importers are also to be given an equivalent opportunity to inspect the goods. While TRIPs is not explicit about the purposes for which the importer may inspect detained goods, the logical inference is that this may be necessary in order to allow the importer to discover necessary information to assist him in securing the release of the goods through the appropriate procedures. Where a determination is made in favour of the right holder, members are given the discretion to inform such a person of the names and addresses of the consignor, the importer and the consignee of the goods in question, together with information on the quantity of goods involved.<sup>193</sup> It would appear that the reason for the inclusion of this provision is to enable the right holder to pursue all appropriate avenues of investigation concerning the origin and destination of infringing goods.

As indicated above, the customs authorities of members may be authorised to act *proprio motu* in cases where they have prima facie evidence that intellectual property rights are being infringed. In such circumstances, the competent authorities involved in such detention may seek information from the right holder at any time which may assist them in the exercise of their powers.<sup>194</sup> Where customs authorities act *proprio motu*, both the importer and the right holder are to be notified promptly of any detention of infringing goods, and are to enjoy the same rights in relation to such suspension as if the goods had been detained at the request of a private party.<sup>195</sup> While public authorities and officials are to be immune from liability in the conduct of their duties relating to the detention of infringing goods, such immunity extends to circumstances where their actions are taken or intended in good faith.<sup>196</sup> Thus misfeasance in office or *mala fides* on the part of any official will remove the protection accorded by Article 58(c) in respect of available remedies. While a right holder is entitled to the full panoply of remedies referred to in Part III, Section 2 of TRIPs, Article 60 also requires that authorities are not to allow counterfeit trademark goods to be re-exported in an unaltered state or subject them to a different customs procedure, save in exceptional circumstance.<sup>197</sup>

189 Article 56.

190 Ibid.

191 Article 57.

192 Ibid.

193 Ibid.

194 Article 58(a).

195 Article 58(b). That is the rights and conditions of their exercise established by Article 55.

196 Article 58(c)

197 Article 59.

## Criminal Procedures

Members are given a broad discretion to apply their criminal law in cases of infringement of intellectual property rights. The minimum requirement, however, is that members should make wilful trademark counterfeiting or copyright piracy on a commercial scale criminal offences.<sup>198</sup> The penalties which are to be applied in such cases must include imprisonment and/or monetary fines.<sup>199</sup> Such penalties are not only to be consistent with the level of penalties applied for crimes of corresponding gravity, but they are also to be at such a level as to provide an appropriate deterrent.<sup>200</sup> Where practicable, penalties may also include seizure, forfeiture and destruction of the infringing goods and any materials or implements which were used predominantly in the commission of the crime.<sup>201</sup>

## XII. ACQUISITION AND MAINTENANCE OF INTELLECTUAL PROPERTY RIGHTS AND RELATED INTER-PARTES PROCEDURES

TRIPs provides that members may require compliance with reasonable procedures and formalities for the acquisition or maintenance of any of the intellectual property rights contemplated by the Agreement.<sup>202</sup> Such procedures and formalities must, however, be consistent with the TRIPs provisions. If a right is enjoyable only subject to its being granted or registered, members are required to ensure that the procedures permit the granting or registration of the right within a reasonable period of time.<sup>203</sup> The stated rationale for this requirement is to avoid 'unwarranted curtailment of the period of protection.'<sup>204</sup> Furthermore, where a member's municipal law contains procedures governing acquisition and maintenance of intellectual property and envisages inter partes applications concerning opposition, revocation and cancellation, these procedures are to be governed by the general principles established by Article 41(2) and (3) of the Agreement.<sup>205</sup> It will be recalled that these provisions require procedures to be fair and equitable and not unnecessarily complicated, costly or tardy. They also require hearing to conform to the principle *audi alteram partem* and for decisions on the merits to be in writing, reasoned and delivered timeously.<sup>206</sup> Similarly, final administrative decisions the procedures followed must be subject to review by a judicial or quasi-judicial authority, save in circumstances in which such procedures may themselves be the subject of invalidation procedures.<sup>207</sup>

## XIII. DISPUTE PREVENTION AND SETTLEMENT

As noted in the introduction to this paper, one of the most significant changes to the GATT system following the conclusion of the Uruguay Round was the establishment of the WTO and the creation of a binding

198 Article 61.

199 Ibid.

200 Ibid.

201 Ibid.

202 Article 62(1).

203 Article 62(2).

204 Ibid.

205 Article 62(4).

206 See above, pp 00-00.

207 Article 62(5).

dispute settlement mechanism. This is likely to have an important impact on the functioning of the GATT since TRIPs has been integrated into the GATT dispute settlement framework. The dispute settlement procedures should prove to be particularly useful in the field of intellectual property where there has been a number of smouldering disputes between developed and less developed countries. Developed countries have complained about the absence of effective control in areas such trademark counterfeiting, copyright piracy, while less developed countries have been concerned by what they perceive to be anti-competitive practices by major drug companies.

In order to ensure transparency in dealings between members, each member is required to publish all laws, regulations, final judicial decisions and administrative rulings of general application in a way which gives actual notice of them to other members and right holders.<sup>208</sup> Members are also enjoined to publish agreements between members or agencies within members.<sup>209</sup> As a means of further facilitating the exchange of information in this area and to assist the Council for Trade-Related Aspects of Intellectual Property Rights to review the operation of the Agreement, members are required to notify the legal norms referred to above to the Council<sup>210</sup> TRIPs recognises that this obligation places a considerable burden upon members, but it provides that the Council may waive this obligation if consultations with the World Intellectual Property Organisation results in the establishment of a common register of such laws.<sup>211</sup> Members are also placed under an obligation to provide upon request by another member information relating to its intellectual property laws.<sup>212</sup> Where a members believes that a specific judicial decision, administrative ruling or bilateral agreement affects its rights under TRIPs it may also request in writing that it be given access to, or be informed in sufficient detail of, the matter.<sup>213</sup> The disclosure of information under TRIPs is, however, not required if it relates to confidential information which would impede law enforcement, would be contrary to the public interest or would prejudice the legitimate commercial interests of public or private enterprises.<sup>214</sup> This provision is further reinforced by Article 72(a) which states that nothing in the agreement may be construed to require any member to disclose any information which it considers it essential to its security interests.

Since the settlement of disputes under TRIPs is part of the wider GATT framework, some description of the GATT dispute settlement institutions and mechanisms following the conclusion of the Uruguay Round is necessary to provide a full understanding of the Agreement.

The Understanding on Rules and Procedures Governing the Settlement of Disputes was adopted contemporaneously with the Agreement Establishing the World Trade Organisation. It states that 'the dispute settlement system of the WTO is a central element in providing security and predictability to the multilateral trading system'<sup>215</sup> and as a consequence of this WTO members commit themselves not to take unilateral action

208 Article 63(1).

209 Ibid.

210 Article 63(2).

211 Ibid.

212 Article 63(3).

213 Ibid.

214 Article 63(4).

215 Article 3.1 Understanding on Rules and Procedures Governing the Settlement of Disputes (hereafter 'Understanding').

against alleged violations of the trade rules established by GATT, but to seek redress through the GATT dispute settlement system and to comply with the rulings of the institutions created to administer the system.<sup>216</sup>

The institution which is charged with establishing and administering the GATT dispute settlement system is the General Council of the WTO.<sup>217</sup> This body consists of all WTO members and is required by the Agreement founding the WTO to establish a Dispute Settlement Body (DSB) to deal with disputes arising from any agreement contained in the Final Act of the Uruguay Round, including TRIPs.<sup>218</sup> The DSB is therefore solely competent to establish panels, which are the main institutions within which initial complaints under GATT are heard, and an appellate body. Furthermore, the DSB alone is competent to adopt panel and appellate reports, to maintain surveillance of implementation of rulings and recommendations, and to authorise reprisals where members do not implement recommendations.

Since the Understanding asserts that prompt settlement of disputes is essential to the effective functioning of the WTO, it establishes detailed procedures and a precise timetable to be followed in resolving disputes. Although the dispute settlement system is binding on members, it is not intended to be unduly coercive. The primary objective of the dispute settlement mechanism is 'to secure a positive solution to a dispute', as long as the dispute is resolved to the satisfaction of the disputant members on the basis of the rules and principles of the WTO.<sup>219</sup> The modalities by which such a solution may be achieved is set down in hierarchical fashion in the Understanding. The primary method of dispute settlement possesses a non-adjudicative character and relies upon traditional diplomatic techniques equivalent to those listed in Article 33 of the United Nations Charter. Should these methods be unsuccessful, the WTO may resort to the panel procedures which are clearly adjudicative in nature.

The first stage in settling a dispute requires disputant members to enter into consultations. Implicit in this is the obligation upon members that they should negotiate in good faith with a view to seeking a solution. As already noted above, TRIPs provides for a system of consultations in disputes in circumstances involving alleged anti-competitive practices in the sphere of intellectual property.<sup>220</sup> Strict time limits are established for the conduct of consultation. Response to a request for consultations must take place within ten days and the consultations themselves must be initiated within 30 days of the request.<sup>221</sup> The process of consultations must be completed within a period of 60 days.<sup>222</sup> If any of these deadlines are missed the complaining party may request the immediate establishment of a panel to hear the dispute.<sup>223</sup> If the consultations themselves fail, the disputant members may, if they are both agreed, request the Director-General of the WTO to offer his good offices or to act as a conciliator or mediator in the dispute rather than submit the matter to a panel.<sup>224</sup> In the absence of agreement, however, the complainant can ask the DSB to establish a panel to examine the case. The Understanding requires the DSB to establish a

216 Ibid.

217 Article II.1 Agreement Establishing the WTO.

218 Article IV Agreement Establishing the WTO.

219 Article 3.4 Understanding.

220 See above, pp 00-00.

221 Article 4.3 Understanding.

222 Article 4.7 Understanding.

223 Article 4.6 Understanding.

224 Article 5 Understanding *in fine*.

panel no later than the second time it considers a request from a complainant member, unless there is a consensus against such a course of action.<sup>225</sup> The panel's terms of reference and its composition is provided for in the Understanding.<sup>226</sup> It requires the adoption of standard terms of reference which mandate the panel to examine the complaint in the light of the GATT agreement affected and to make findings which will assist the DSB in making recommendations or in giving rulings provided for in the particular agreement. The panel may operate under different terms of reference, if the parties concerned so agree.<sup>227</sup>

The panel must be constituted within 30 days of its establishment from a list of appropriately qualified persons held by the WTO Secretariat.<sup>228</sup> The disputant parties are expected to agree upon the constitution of the panel, but if they are unable to agree, the Director-General can appoint the panellists.<sup>229</sup> The Understanding provides that members should not oppose nominations to a panel, save for compelling reasons.<sup>230</sup> The panellists, who will usually be government officials from other WTO members, serve in their individual capacities and are not subject to government instructions.<sup>231</sup> The panel's final report should normally be transmitted to the disputant members within six months.<sup>232</sup> In cases of urgency the time period is shortened to three months.<sup>233</sup> The Understanding establishes the panels' *modus operandi*. The main facets of the procedure are:

1. Each disputant party submits its facts and arguments to the panel prior to the first substantive meeting.<sup>234</sup>

2. At the first meeting of the panel, the parties present their case and defence. Third parties may intervene if they have notified the panel of their intention in advance. The parties make their rebuttals at the second substantive meeting of the panel.<sup>235</sup>

3. Where parties raise scientific or other technical issues, the panel may appoint an expert review group to provide it with an advisory report.<sup>236</sup>

4. The panel submits the descriptive (factual and argument) sections of its report to the parties, giving them two weeks to comment. The panel then submits an interim report, including its findings and conclusions, to the parties, giving them one week to request a review. The period of review may not exceed two weeks, during which the panel may hold additional meetings with the parties.<sup>237</sup>

5. A final report is submitted to the parties and twenty days later, it is circulated to all WTO members.<sup>238</sup>

225 Article 6.1 Understanding.

226 Article 7 Understanding.

227 Ibid.

228 Article 8.1 Understanding.

229 Article 8.4 Understanding.

230 Article 8.6 Understanding.

231 Article 8.9 Understanding.

232 Article 12.8 Understanding.

233 Ibid.

234 Article 12.6 Understanding.

235 Ibid.

236 Article 13.1 Understanding.

237 Article 15.1 Understanding.

238 Article 16.1 Understanding.

6. Should the panel decide that the measure in question is inconsistent with the terms of the relevant WTO agreement, the panel may recommend that the member concerned bring the measure into conformity with that agreement. It may also suggest ways in which the member might implement the recommendation.<sup>239</sup>

7. Panel reports are adopted by the DSB within 60 days of issuance, unless one party notifies its decision to appeal or a consensus emerges against the adoption of the report.<sup>240</sup>

As indicated above, the WTO dispute settlement system gives the right of appeal to either party against a panel decision. Such appeal must, however, be limited to issues of law covered in the panel report and the legal interpretation developed by the panel.<sup>241</sup> Appeals are to be heard by a standing Appellate Body established by the DSB.<sup>242</sup> The Appellate Body is to be composed of seven persons who will serve four-year terms.<sup>243</sup> These persons must be broadly representative of the WTO's membership, and are required to be persons of recognised standing in the field of law and international trade, and must serve in an independent capacity.<sup>244</sup> They must not be affiliated with any government and must discharge their duties in a disinterested fashion.<sup>245</sup> Appeals are heard by three members of the Appellate Body.<sup>246</sup> They have the power to uphold, modify or reverse the legal findings and conclusions of the panel. Appeal proceedings are not normally to exceed 60 days, but Article 17.5 provides that in no case must they exceed 90 days. The DSB must adopt the report of the Appellate Body within 30 days of its issuance.<sup>247</sup> The report must be accepted unconditionally by the disputant parties, unless there is a consensus against its adoption within the DSB.<sup>248</sup>

Prompt compliance with recommendations or rulings of the DSB is essential in order to ensure

effective resolution of disputes.<sup>249</sup> The Understanding therefore lays down the measures which members are to take following the adoption of reports by the DSB. At a DSB meeting held within 30 days of the adoption of the panel or appellate report, the party concerned must state its intentions in respect of the implementation of the recommendations.<sup>250</sup> If it is impractical to comply with the recommendations immediately, the member will be given a reasonable period of time within which to do so.<sup>251</sup> This period is to be established by the DSB. If the member fails to act within the established period, it is required to enter into negotiations with the complainant in order to determine a mutually acceptable compensation. If after a period of 20 days, no satisfactory compensation has been agreed upon, the complainant may request authorisation from the DSB to suspend concessions or obligations against the other party.<sup>252</sup> The DSB must grant

239 Article 16.4 Understanding.

240 *Ibid.*

241 Article 17.6 Understanding.

242 Article 17.1 Understanding.

243 Article 17.2 Understanding.

244 Article 17.3 Understanding.

245 *Ibid.*

246 Article 17.1 Understanding.

247 *Ibid.*

248 Article 17.4 Understanding.

249 Article 21.1 Understanding.

250 Article 21.3 Understanding.

251 *Ibid.*

252 Article 22.1 Understanding.

this authorisation within 30 days of the expiry of the stipulated time period unless there is a consensus within the WTO against the request. Usually there should be reciprocity in the suspension of concessions, that is, the suspension should generally apply to the same subject matter over which the dispute has arisen.<sup>253</sup> If this is neither practicable nor effective, the suspension can be made in a different sector of the same agreement.<sup>254</sup> Should this not be possible, and should the circumstances be serious enough, the suspension of concessions may be made under another agreement.<sup>255</sup> The DSB is required to keep the implementation of its recommendations or rulings under surveillance. Outstanding cases are to remain on the WTO's agenda until the issue is resolved.<sup>256</sup>

While certain commentators admit that the dispute settlement system now included in GATT is less than perfect, they nonetheless welcome it as 'a major step in the right direction'<sup>257</sup> The mechanisms established by GATT create a series of legally binding obligations tempered by less formal diplomatic dispute settlement methods. The ebb and flow between these methods are likely to produce mutually acceptable and durable results among the parties which have accepted them. In the field of intellectual property law, the provision of binding system of settling disputes may very well defuse some of the more acute areas of conflict.

#### XIV. TRANSITIONAL ARRANGEMENTS AND FINAL PROVISIONS

There are different transitional arrangements in TRIPs for different categories of member in order to allow members to bring their domestic legislation into line with the standards established in the Agreement. Developed countries are required to bring their legislation and practices into conformity with the Agreement within one year of it entering into force,<sup>258</sup> while developing countries and countries in the process of transformation from a centrally planned to a free market economy are entitled to a period of five years in order to make the appropriate adjustments.<sup>259</sup> Least-developed countries (LDCs) are granted an eleven year period within which to implement their obligations under TRIPs.<sup>260</sup> The rationale for granting LDCs such a lengthy transitional period is based on their economic, financial and administrative constraints and their need for flexibility in order to allow them to create a viable technological base.<sup>261</sup> Where developing country and LDC members are permitted these lengthier transition periods, they are nonetheless still obliged to apply the national and most favoured nation provisions of the Agreement, as well as any special provisions agreed within the framework of WIPO.<sup>262</sup> It should be noted, however, that if an LDC takes advantage of the eleven year transitional period in respect of patent rights in the cases of pharmaceutical and agricultural chemical products, it must nonetheless accept the filing of patent application relating to these products from the commencement

253 Article 22.3 Understanding.

254 Article 22.3(b) Understanding.

255 Article 22.3(c) Understanding.

256 Article 22.8 Understanding.

257 Andreas F Lowenfeld, 'Remedies Along with Rights: Institutional Reform in the New GATT' (1994) 88 AJIL 477 at 488.

258 Article 65(1).

259 Article 65(2) and (3).

260 Article 66(1).

261 Ibid.

262 That is Articles 3, 4 and 5.

of the transitional period.<sup>263</sup> Although the patent need not be granted until after the end of the transitional period, it remains essentially protected until such time as the subject matter of the application becomes patentable, since Article 70(8)(ii) provides that the criteria for patentability which are contained in the Agreement must be applied to such applications. Where a product is subject to this process during the transitional period, its owners must nonetheless be granted exclusive marketing rights for a period of five years or until a product patent is granted or rejected in the member, whichever period is shorter.<sup>264</sup>

A general rule which is applicable to all members and which should be noted, is that, save for a small number of exceptions, the standards contained in TRIPs applies not only to new intellectual property rights but to such pre-existing rights as there may be on the date of its entry into force.<sup>265</sup>

Since TRIPs is part of the GATT infrastructure it is not surprising that it contains provisions concerning certain aspects of international cooperation and trade development. Article 67 thus provides that developed countries are to provide technical and financial cooperation in favour of developing countries and LDCs. Such cooperation is to include assistance in the preparation of domestic legislation and support for the establishment or reinforcement of the appropriate state agencies and the training of their personnel.<sup>266</sup> It is to be granted upon request by the LDC and provided upon mutually agreed terms and conditions.<sup>267</sup> The strength of this wording would appear to suggest that such a request by an LDC member to a developed country member may not be refused unreasonably.

## XV. CONCLUSION

The major effect of TRIPs is to establish minimum universal standards in the field of intellectual property law. Once these standards are fully implemented by all categories of states, the world will possess harmonised levels of domestic legal protection in this area. Some states may choose to implement higher standards, but there will at least be some predictability concerning the property rights protected and the duration and level of protection accorded to the major forms of intellectual property. TRIPs has, of course, other effects. It provides a means for reducing tension in certain areas between developed and developing states, and introduces a dispute settlement system for dealing with the more intractable disputes. The Agreement has not, however, been universally welcomed. It is seen in some quarters as producing undesirable consequences for developing states<sup>268</sup> and for indigenous people, since it is not perceived as protecting

263 Article 70(8)(i). The commencement of the transitional period is either one year after the entry into force of the WTO Agreement or one year after a member has deposited its instrument of accession.

264 Article 70(9).

265 Article 70(2). The main exception is that members are not obliged to restore protection to subject matter which on the date of application of the Agreement had fallen into the public domain (Article 70(3)).

266 Article 67.

267 *Ibid.*

268 Robert M Sherwood, 'The TRIPs Agreement: Implications for Developing Countries' (1997) 37 *The Journal of Law and Technology* 491.



either their interests or their concepts of intellectual property.<sup>269</sup> Whether this will prove to be the case has yet to be seen, but there is no doubt that TRIPs has been widely welcomed by the industrial nations which it will surely benefit.

<sup>269</sup> See Peter W Jones, 'Indigenous Peoples and Intellectual Property Rights' (1996) 4 *Waikato Law Review* 140; Sean Te Marino Lenihan, 'A Time for Change: Intellectual Property Law and Maori' (1996) 8 *Auckland University Law Review* 213.