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# TRIPS in Seattle: The Not-So-Surprising Failure and the Future of the TRIPS Agenda

By  
Frederick M. Abbott\*

## I.

### INTRODUCTION

Government trade ministers arrived at the World Trade Organization (hereinafter WTO) Seattle Ministerial Conference in late November 1999 without preliminary agreement on the future course of multilateral trade negotiations, and they departed without reaching consensus on a new WTO agenda. There was ample warning that the WTO Ministerial Conference in Seattle would face serious difficulties, with or without the public protests that disrupted the meeting. Only a few months before, WTO Members had completed the selection of a new Director-General—in fact, the selection of two new Director-Generals to serve sequentially—in a tortuous process that lasted nearly a year.<sup>1</sup> The Seattle agenda included a host of divisive issues involving serious substantive differences that Members had been unable to resolve in months of pre-meeting negotiations.<sup>2</sup> Beyond the hope in some quarters that pressure to maintain “momentum” would cause Members to abandon or compromise strongly held views, it is not clear why the Seattle Ministerial might have been approached with optimism towards reaching a comprehensive result.

The failure to reach consensus on a WTO negotiating agenda in Seattle left considerable unfinished business on the table. In a number of areas, such as agriculture, existing WTO texts prescribed that negotiations would be resumed.<sup>3</sup> Since the ministerial, the WTO General Council has agreed to move forward with negotiations in agriculture and services, at least to the extent of seeking to

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1. See, e.g., Frances Williams, *WTO Ends Leadership Row as Rivals Agree Three-Year Terms*, *FIN. TIMES*, July 21, 1999, at 18.

2. See, e.g., Nathaniel Harrison, *Huge WTO Trade Conference Set to Open Under Cloud of Discord*, *AGENCE FRANCE PRESSE*, Nov. 28, 1999.

3. See Agreement on Agriculture, art. 20 (headed “Continuation of the Reform Process”), reprinted in *WTO Services and Agriculture Negotiations: Meetings Set for February and March*, WTO PRESS RELEASE NO. 167, Feb. 2, 2000 <<http://www.wto.org/wto/new/pres167.htm>>.

clarify the subject matter to be pursued.<sup>4</sup> There has been no agreement on a future agenda for negotiations regarding trade-related aspects of intellectual property rights (hereinafter TRIPS), although a number of “built-in” agenda items remain before the TRIPS Council.<sup>5</sup> The lack of agreement on a “new” TRIPS agenda is not surprising in view of the wide gulf in perspectives on this subject among WTO Members.

This brief essay seeks to explain the absence of consensus on TRIPS, and why the near-to-medium term prospects for the setting of an ambitious agenda are not too bright. It reflects in modest detail on the particular controversy surrounding the potential for non-violation nullification or impairment complaints to be brought in the TRIPS dispute settlement context.<sup>6</sup> This essay suggests that WTO Members might be best served in the near term by concentrating their efforts on establishing improved multilateral mechanisms to aid in the transfer of information and technology to developing and newly-industrialized countries.

## II. THE ON-GOING TRIPS DIALOGUE

The reasons for controversy over TRIPS are complex, and reflect the increasing importance of technology in maintaining competitive advantages in world trade, the existing disparity in the capacity of WTO Members to create and commercialize new technologies, and the view held by a number of Members that the present focus of intellectual property rights (hereinafter IPRs) on new technologies substantially undervalues existing stocks of knowledge and information.<sup>7</sup>

The highly industrialized Members of the WTO—led by the United States, the European Union and Japan—achieved a major diplomatic breakthrough in the GATT Uruguay Round when they persuaded developing country Members to adopt and enforce high levels of IPRs protection as part of an integrated WTO framework. These highly industrialized Members took a minimalist approach regarding any TRIPS-related negotiations to be launched in Seattle, recommending that WTO Members focus for the next several years on implementing

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4. See *WTO Services and Agriculture Negotiations: Meetings Set for February and March*, WTO PRESS RELEASE NO. 167, Feb. 2, 2000 <<http://www.wto.org/wto/new/pres167.htm>>.

5. See *Intellectual Property, Council Debates Call to Expand Geographical Indications Protection*, WTO PRESS RELEASE, Mar. 28, 2000 <<http://www.wto.org/wto/new/Trips.htm>>.

6. The author has suggested that intellectual property negotiations are more likely to proceed among more limited groups of countries at the World Intellectual Property Organization [hereinafter WIPO] than at the WTO. See Frederick M. Abbott, *Distributed Governance at the WTO-WIPO: An Evolving Model for Open-Architecture Integrated Governance*, 3 J. INT'L ECON. L. 63 (2000).

7. For a discussion of the economics of the TRIPS Agreement, see Frederick M. Abbott, *The Enduring Enigma of TRIPS: A Challenge for the World Economic System*, 1 J. INT'L ECON. L. 497 (1998). For policy background and analysis of the TRIPS Agreement, and data regarding its implementation by the WTO and WIPO, see articles collected in *Special Issue on Trade-Related Aspects of Intellectual Property Rights*, 1 J. INT'L ECON. L. 497-698 (1998).

existing commitments and guarding against any backsliding from existing TRIPS Agreement rules.<sup>8</sup>

A number of developing Members of the WTO took a decidedly different view, urging that the Seattle Ministerial initiate the negotiation of rules that take into account their specific interests—in large measure to work a rebalancing of the TRIPS Agreement.<sup>9</sup>

The WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (hereinafter TRIPS Agreement), like the General Agreement on Trade in Services (hereinafter GATS) and the Agreement on Trade-Related Investment Measures (hereinafter TRIMS Agreement), established a “new area” of trade regulation in the WTO. The TRIPS Agreement (1) established minimum substantive standards of IPRs protection that all WTO Members must implement; (2) it required each WTO Member to maintain adequate measures for securing and enforcing IPRs; and (3) it subjected TRIPS-related controversies to dispute settlement under the WTO Dispute Settlement Understanding (hereinafter DSU).<sup>10</sup>

When the Uruguay Round was concluded, many developing country Members of the WTO did not have IPRs protection systems in place that would meet the new TRIPS Agreement standards. Since putting these systems into place would be administratively difficult and would involve economic dislocation, the TRIPS Agreement established certain transition arrangements in favor of developing Members (and Members transforming from non-market to market orientation).<sup>11</sup> The initial transition period for developing Members ended on January 1, 2000,<sup>12</sup> and thus the main implementation obligations of the TRIPS Agreement just became effective for most developing Members. Certain important obligations relating to new areas of patent subject matter coverage are allowed a ten-year transition period, and obligations regarding such new subject matter coverage become effective on January 1, 2005.<sup>13</sup>

The Uruguay Round TRIPS Agreement negotiations did not resolve all the issues that were on the table, and the agreement includes its own “built-in agenda” for future negotiations. The TRIPS Agreement also requires a review of

8. See *EC Approach to Trade-Related Aspects of Intellectual Property in the New Round*, WTO Doc. WT/GC/W/193 (June 2, 1999) (Communication from the European Communities to the WTO General Council); *Proposal on Trade-Related Aspects of Intellectual Property*, WTO Doc. WT/GC/W/242 (July 6, 1999) (Communication from Japan to the WTO General Council). The position of the United States was confirmed to the author in an e-mail from Joseph Papovich, Assistant Trade Representative for Services, Investment and Intellectual Property, Office of the United States Trade Representative, dated October 13, 1999.

9. See references to various government communications cited throughout.

10. See Adrian Otten and Hannu Wager, *Compliance with TRIPS: The Emerging World View*, 29 VAND. J. TRANSNAT'L L. 391 (1996).

11. See Adrian Otten, *Implementation of the TRIPS Agreement and Prospects for Its Further Development*, 1 J. INT'L ECON. LAW 523 (1998).

12. See Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, art. 65:2, LEGAL INSTRUMENTS—RESULTS OF THE URUGUAY ROUND vol. 31; 33 I.L.M. 81 (1994) [hereinafter TRIPS Agreement].

13. See *id.* art. 65:4.

its implementation beginning in 2000.<sup>14</sup> In this sense, WTO Members were bound to include certain items on the future agenda of the TRIPS Council. These built-in agenda items included negotiations concerning geographical indications of origin<sup>15</sup> and review of rules applicable to the protection of plant varieties.<sup>16</sup> Moreover, on January 1, 2000, a moratorium on the use of the “non-violation nullification or impairment” dispute settlement cause of action in the TRIPS Agreement context expired.<sup>17</sup> In a “non-violation complaint,” a WTO Member may allege that, while another Member is meeting its express legal obligations under the terms of the applicable WTO agreement (for example, the TRIPS Agreement), that other Member is preventing the complaining Member from securing the benefits the complainant expected to receive when it entered into the agreement. The non-violation issue is discussed in more detail in the next section of this essay.

The United States, which was the main proponent of the TRIPS Agreement, did not offer a proposal for TRIPS negotiations at Seattle. It took the position that the focus of the TRIPS Council should be on assuring that developing Members fulfill their TRIPS obligations as transition periods expire.<sup>18</sup> Both the E.U. and Japan proposed a “North-North” agenda, which appeared principally aimed at persuading the United States to abandon its “first-to-invent” system for granting patents in favor of the “first-to-file” system near-universally used by other WTO Members.<sup>19</sup> This involves a long-standing point of contention among these three major patenting powers, but it is mainly of a technical character.

One item that the United States, the E.U. and Japan might have wished to see included on a TRIPS agenda is the negotiation of additional rules for the protection of IPRs in the digital environment. Some rules in this area were negotiated at the World Intellectual Property Organization (hereinafter WIPO) in 1996, and one approach might be to recommend that these rules be incorporated in the TRIPS Agreement.<sup>20</sup> However, certain IP industry interests are not entirely satisfied with the new WIPO rules,<sup>21</sup> and industrialized Member negotiators might prefer to tighten these WIPO rules in the WTO context.

OECD-based pharmaceuticals companies urged the tightening of TRIPS Agreement rules, which provide flexibility to take into account public health interests and allow Members to authorize parallel trade in IPRs protected

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14. *See id.* art. 71:1.

15. *See id.* arts. 23:4, 24:1.

16. *See id.* art. 27:3(b).

17. *See id.* art. 64:2-3.

18. *See supra* note 8.

19. *See id.*

20. Regarding the details of the amendment process, see Frederick M. Abbott, *The Future of the Multilateral Trading System in the Context of TRIPS*, 20 HASTINGS INT'L & COMP. L. REV. 661 (1997).

21. *See, e.g.,* Pamela Samuelson, *The U.S. Digital Agenda at WIPO*, 37 VA. J. INT'L L. 369 (1997) (discussing failure of copyright industries to secure preferred outcomes).

drugs.<sup>22</sup> The U.S., E.U. and Japanese governments did not appear inclined to pursue these urgings, at least for the time being. Nonetheless, it should be apparent that the United States, the E.U. and Japan were prepared to react to developing Member TRIPS-related demands with demands of their own, and that the reticence of these industrialized Members to initiate demands may have simply involved a question of negotiating tactics.

There were a number of possible agenda items that were of interest from the developing Member side, bearing in mind their diverse interests. First, just as the E.U.-Japan-U.S. group sought assurance that existing TRIPS compliance deadlines would be met, many developing Members urged an extension of those deadlines—or at least a moratorium on the initiation of dispute settlement proceedings against them as they sought to achieve compliance.<sup>23</sup> There is widespread acknowledgement that the difficulties and costs facing the developing countries in implementing the TRIPS Agreement were probably underestimated.<sup>24</sup>

A number of developing Members sought to expand the scope of specific protection for geographical indications of origin beyond that set out in the TRIPS Agreement.<sup>25</sup> A geographical indication is a name that associates a product with a place (such as “Bordeaux” wine), protecting producers’ goodwill in that place. The TRIPS Agreement gives special attention to wines and spirits, and it includes a provision that negotiations on the establishment of a multilateral registration system (for wines) should be undertaken. Some developing countries would like to see similar specific attention extended to other products, such as India’s “Basmati” rice and “Darjeeling” tea.<sup>26</sup>

The TRIPS Agreement provides at article 27:3(b) that Members may exclude from the scope of patentable subject matter “plants and animals other than micro-organisms, and essentially biological processes for the production of plants and animals other than non-biological and microbiological processes.”<sup>27</sup> Members must, however, provide plant varieties either with patent protection or some other unique form of protection.<sup>28</sup> The rules of this subparagraph were to be reviewed by the TRIPS Council beginning in 1999.<sup>29</sup>

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22. See, e.g., Harvey E. Bale, Jr., *The Conflicts Between Parallel Trade and Product Access and Innovation: The Case of Pharmaceuticals*, 1 J. INT’L ECON. L. 637 (1998).

23. See, e.g., Daniel Pruzin, *Quad Group, Developing Countries Split Over Trims Deadline Extensions*, 17 BNA INT’L TRADE. REP. 143, Jan. 27, 2000.

24. On the challenges, see Carlos A. Primo Braga and Carsten Fink, *Reforming Intellectual Property Rights Regimes: Challenges for Developing Countries*, 1 J. INT’L ECON. L. 537 (1998).

25. See, e.g., *Extension of the Additional Protection for Geographical Indications to Other Products*, WT/GC/W/249 (July 13, 1999) (Communication from Turkey to the WTO General Counsel).

26. See Adrian Otten, *Implementation of the TRIPS Agreement and Prospects for Its Further Development*, 1 J. INT’L ECON. L. 523, 532 (1998). For continued demands for negotiations on geographical indications post-Seattle, see *Intellectual Property, Council Debates Call to Expand Geographical Indications Protection*, WTO PRESS RELEASE, Mar. 28, 2000 <<http://www.wto.org/wto/new/Trips.htm>>.

27. TRIPS Agreement, *supra* note 12, art. 27:3(b).

28. See *id.*

29. See *id.*

Many of today's most important technological advances occur in the field of biotechnology and include the creation of new life forms both in the animal and plant kingdoms. Article 27:3(b) of the TRIPS Agreement addresses this new technology in a way that is confusing even to highly trained IPRs specialists. The language is derived from article 53 of the European Patent Convention, the meaning of which has been the subject of debate for many years.<sup>30</sup> The language leaves considerable uncertainty, for example, as to whether genetic material may be excluded from patentability.<sup>31</sup>

Developing Members, in particular, have expressed concern as to the conditions under which patents or other forms of IPRs protection might be obtained on plant varieties that are indigenous to their countries but genetically modified to improve certain characteristics.<sup>32</sup> Should it be possible for the developer of a new variety to obtain a monopoly when the plant variety is almost wholly based on an indigenous species cultivated over the course of centuries?<sup>33</sup>

One important set of questions raised by a number of developing countries concerns the status of so-called "traditional intellectual property rights" (hereinafter TIPRs).<sup>34</sup> Historically, IPRs protection has been granted to ideas or expressions that are "new" or "original." Patent protection is granted to an invention that is new, capable of industrial application and involves an inventive step. Copyright protection is granted to an artist's creative expression. From the time such protection is granted, the inventor or artist is able to commercially exploit "intellectual property" while benefiting from certain legal protections. In many countries, there exist "inventions" that have been developed and passed down through generations, such as traditional medicinal practices. Likewise, there are bodies of creative expression, such as folk songs and stories, that are rooted in long tradition. These inventions and expressions are not "new" or "original" in the sense of existing forms of IPRs embodied in the TRIPS Agreement. Some developing Members have asked why their existing stock of valuable knowledge should not be worthy of some protection against uncompensated exploitation by nationals of other Members.

The establishment of TIPRs would present challenging questions. For example, who would benefit from economic rights granted to traditional knowl-

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30. See Joseph Strauss, *Patenting of Life Forms—The European Experience and Perspectives* 6-12 (Aug. 27-28, 1999) (paper presented at World Trade Forum Conference on Intellectual Property: Trade, Competition and Sustainable Development, Berne, Switzerland, on file with author).

31. See *id.* (citing conflicting decisions of European Patent Office Technical Boards of Appeal).

32. See *Proposal on Protection of the Intellectual Property Rights Relating to the Traditional Knowledge of Local and Indigenous Communities*, WT/GC/W/362 (Oct. 12, 1999) (Communication from Bolivia, Colombia, Ecuador, Nicaragua, and Peru to the WTO General Council); *Proposals Regarding the TRIPS Agreement (Paragraph 9(a)(ii) of the Geneva Ministerial Declaration)*, WT/GC/W/282 (Aug. 6, 1999) (Communication from Venezuela to the WTO General Council) [hereinafter Communication from Venezuela].

33. See Statement by H.E. Mr. Murasoli Maran, Minister of Commerce and Industry of India, WTO Seattle Ministerial Conference (Nov. 30, 1999), WTO Doc. WT/MIN(99)/ST/16.

34. See Thomas Cottier, *The Protection of Genetic Resources and Traditional Knowledge: Towards More Specific Rights and Obligations in World Trade Law*, 1 J. INT'L ECON. L. 555 (1998).

edge? Who would be vested with the rights, and who would be responsible for allocating any economic benefits? What would be the duration of such rights?

Alongside TIPRs are issues concerning rights in existing genetic stocks. The Convention on Biological Diversity (hereinafter CBD) recognizes that each member country is sovereign over resources located in its territory, and obligates those seeking to exploit genetic resources to obtain the agreement of the host country. The CBD is not incorporated by reference in the TRIPS Agreement, as are a number of IPRs treaties (such as the Paris Convention on patents and trademarks and the Berne Convention on copyrights). Should the TRIPS Agreement be amended to incorporate rules of the CBD?<sup>35</sup> Might the rules of the CBD be modified in the context of the TRIPS Agreement?

Some developing Members of the WTO, as well as multilateral institutions like the World Health Organization (hereinafter WHO), have expressed increasing concern that the wider granting and enforcement of patents in pharmaceutical products and processes is leading to substantially higher drug prices, with adverse effects on health care services.<sup>36</sup> Some WTO Members have suggested that drugs on the WHO's list of essential pharmaceuticals be subject to exclusion from patent protection<sup>37</sup> or should be entitled to some lesser form of protection than that presently mandated by the TRIPS Agreement.

There is concern as well over the issue of "parallel trade."<sup>38</sup> This involves whether an IPRs holder should be able to block the import or export of a good or service once it has been placed on a national or regional market with the consent of the IPRs holder. In other words, should the first sale of a good or service "exhaust" the right of the IPRs holder to control further movement of the good or service? This issue was not resolved during the Uruguay Round, and remains unfinished business on the TRIPS agenda. Some WTO Members have insisted that IPRs holders be allowed to "re-segregate" the world trading system as tariffs and quotas are otherwise reduced, for reasons which are not entirely clear. These same governments otherwise insist on adherence to the principles of free trade. The parallel trade issue remains intensely controversial, and for that very reason it may be that no WTO Member would consider it worthwhile to place on the active TRIPS Council agenda.

In fact, some of the most significant news to come from Seattle involved the United States' softening of its stand against parallel trade in patented pharmaceuticals. The Office of the United States Trade Representative (hereinafter USTR) announced that it would hereafter consult with the U.S. Secretary for Health and Human Service regarding claims by trading partners that U.S. intellectual property policies are impeding their ability to address health crises,

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35. See Communication from Venezuela, *supra* note 32, at II(1) (including reference to Indian proposal).

36. See *WHO to Address Trade and Pharmaceuticals*, WHO PRESS RELEASE WHA/13, May 22, 1999 (regarding resolution on WHO's Revised Drug Strategy).

37. See, e.g., Communication from Venezuela, *supra* note 32, at II(3).

38. See Frederick M. Abbott, *First Report (Final) to the Committee on International Trade Law of the International Law Association on the Subject of Parallel Importation*, 1 J. INT'L ECON. L. 607 (1998).



and “give full weight to the advice of HHS regarding the health considerations involved.”<sup>39</sup> In connection with its announcement, the USTR removed South Africa from its “special 301” watch list.<sup>40</sup> This announcement followed USTR’s decision, under pressure from Vice President Gore, to reduce pressure on South Africa because of its liberal parallel trade and compulsory licensing activities in respect to addressing the AIDS pandemic.<sup>41</sup>

Related to the specific issue of parallel trade is a more general concern with assuring that high levels of IPRs protection are balanced by competition rules that allow WTO Members to take action if IPRs are abused. The TRIPS Agreement presently provides Members with discretion to take action against anti-competitive practices, although it mentions only a few of the types of conduct that might be subject to remedial measures. There have been some suggestions both from developed and developing Members that TRIPS Agreement competition rules be further elaborated regarding the types of anti-competitive behaviors that are subject to government action.<sup>42</sup>

### III.

#### NON-VIOLATION COMPLAINTS IN THE CONTEXT OF TRIPS

Leading up to the Seattle Ministerial, developing Members (and many industrialized Members) appeared ready to extend the moratorium on non-violation nullification or impairment causes of action.<sup>43</sup> Developing countries had two concerns: first, that developed Members would allege that the TRIPS Agreement was intended to grant IPRs holders access to their markets, rather than only obligating them to provide IPRs protection; and second, that developed Members would use the non-violation cause of action to expand the literal language of the TRIPS Agreement in light of whatever their “expectations” might have been about its effects. To give a concrete example, an industrialized WTO Member might contend that a developing Member’s pharmaceutical price control regulations effectively deprive its producers of the benefits of patent protection by reducing their profits, although the TRIPS Agreement does not address price controls in any way. A single Member such as the United States

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39. *The Protection of Intellectual Property and Health Policy*, Office of the United States Trade Representative, USTR PRESS RELEASE 99-97, Dec. 1, 1999.

40. *See id.*

41. See Frances Williams, *US to Consider Poor Countries’ Need for Drugs*, FIN. TIMES, Dec. 3, 1999, at 6; Sabin Russell, *Poor Nations Given Hope on AIDS Drugs*, S.F. CHRON., Dec. 3, 1999, at A20.

42. See Robert Anderson, *Intellectual Property Rights, Competition Policy and International Trade: Reflections on the Work of the WTO Working Group on the Interaction between Trade and Competition Policy* (Aug. 27-28, 1999) (paper presented at World Trade Forum Conference on Intellectual Property: Trade, Competition and Sustainable Development, Berne, Switzerland, on file with author).

43. See, e.g., *Extension of the Five-Year Period in Article 64:2 of the Agreement on TRIPS*, WTO Doc. WT/GC/W/256 (July 19, 1999) (Communication from Canada to the WTO General Council); *Proposals Regarding the Agreement on Trade-Related Aspects of Intellectual Property Rights*, WTO Doc. WT/GC/W/316 (Sept. 14, 1999) (Communication from Colombia to the WTO General Council); Communication from Venezuela, *supra* note 32.

had the power to block a consensus on the possible extension of the non-violation moratorium.

WTO Members failed to reach consensus at the Seattle Ministerial on extension or modification of the non-violation moratorium under article 64 of the TRIPS Agreement, and as of January 1, 2000, it became possible for Members to initiate non-violation complaints in the TRIPS Agreement context. It has long been recognized that the non-violation cause of action may present unique issues and problems in the TRIPS context. I want to elaborate here some of the special considerations in light of the language of the TRIPS Agreement and the recent jurisprudence of WTO panels and the Appellate Body. In this brief comment, I will limit discussion to major points.

The non-violation concept was succinctly framed by the WTO Appellate Body in its *India-Mailbox* decision, referring to the cause of action as it was understood in the context of the General Agreement on Tariffs and Trade (hereinafter GATT) 1947 and as it is understood in the context of the GATT 1994:

In the absence of substantive legal rules in many areas relating to international trade, the "non-violation" provision of Article XXIII:1(b) was aimed at preventing contracting parties from using non-tariff barriers or other policy measures to negate the benefits of negotiated tariff concessions. Under Article XXIII:1(b) of the GATT 1994, a Member can bring a "non-violation" complaint when the negotiated balance of concessions between Members is upset by the application of a measure, whether or not this measure is inconsistent with the provisions of the covered agreement. The ultimate goal is not the withdrawal of the measure concerned, but rather achieving a mutually satisfactory adjustment, usually by means of compensation.<sup>44</sup>

During the Uruguay Round TRIPS negotiations there was hesitation on several sides to include the non-violation cause of action as a TRIPS dispute settlement option. European Union negotiators were concerned that the United States would challenge its audio-visual sector market access restrictions as a denial of the benefits of copyright and related IPRs protections. Many developing countries were concerned that the OECD industry side would attempt to use non-violation complaints to expand the literal language of the TRIPS Agreement to accommodate whatever expectations that side might have had about the consequences of the Agreement, and developing countries shared the E.U.'s concern about use of the TRIPS Agreement as a market access tool. The moratorium allayed immediate fears, but little progress was made in the TRIPS Council on addressing concerns in the years subsequent to entry-into-force.

If a broad reading of the non-violation concept was accepted in the TRIPS context, there is a myriad of potential complaints that could be envisaged under the Agreement. These may be broken down into three broad categories: (1) actions that attempt to limit the range of permissible internal government measures, as these measures are argued to undermine the value of IPRs; (2) actions that effectively seek to expand the express language of the Agreement; and (3)

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44. See *India—Patent Protection for Pharmaceutical and Agricultural Chemical Products*, Report of the Appellate Body, para. 41, WTO Doc. WT/DS50/AB/R (Dec. 19, 1997), available in 1997 WL 781259, at \*11.

actions addressed to enforcement mechanisms and remedial processes. Under each of these broad headings, many possible claims might be foreseen. For example, regarding the range of internal measures, actions challenging price controls on patented pharmaceuticals; liberal compulsory licensing legislation; IPRs-related taxation policies, packaging and labeling requirements; consumer protection legislation; censorship policies; cultural policies; and parallel trade rules are all candidates. Regarding expansive interpretation of the express language of the Agreement, non-violation actions might challenge fair use allowances, public order and public health exceptions, and legislative uncertainty in areas such as industrial design protection. Regarding enforcement mechanisms, there are a number of potential avenues under which failures to effectively enforce IPRs could be pursued as non-violation actions; the aggressive application of competition laws might also be challenged. Finally, non-violation complaints regarding over-protection of IPRs might be considered, as well as complaints against those who use coercive threats without basis in WTO law and practice.

In this brief essay, I do not elaborate on the ways in which such potential non-violation actions might be legally framed under the terms of the TRIPS Agreement. You are welcome to wonder whether such a long list of possible causes of action is within reasonable contemplation. Assuming for the sake of argument that some of these suggestions are plausible, how might the TRIPS Agreement inform the breadth of potential application of the non-violation cause of action? How does existing WTO jurisprudence bear on this question?

Perhaps the most important provision is article 8 of the TRIPS Agreement, entitled "Principles." Article 8:1 authorizes Members to adopt measures "necessary to protect public health and nutrition, and to promote the public interest on sectors of vital importance to their socio-economic and technological development, provided that such measures are consistent with the provisions of this Agreement."<sup>45</sup> This article covers an extensive category of internal (or external) measures that Members might adopt to affect private rights in IP.

Article 8:1 of the TRIPS Agreement establishes a basis for the adoption of internal measures in language similar to that used in article XX(b) of the GATT 1994. However, article XX(b) of the GATT 1994 is used to justify internal measures that are necessary yet otherwise *inconsistent* with the GATT 1994. Article 8:1 of the TRIPS Agreement, in contrast, provides that necessary measures must be *consistent* with the Agreement.

Because article 8:1 may not be used to justify measures inconsistent with the TRIPS Agreement, and because the Appellate Body has stressed that the language of WTO agreements is not to be viewed as surplusage, it seems apparent that article 8:1 is in fact to be read as a statement of TRIPS interpretative principle: it advises us that Members were "expected" (in the non-violation sense) to have the discretion to adopt "necessary" internal measures. This state-

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45. TRIPS Agreement, *supra* note 12, art. 8:1. Article 8:2 is concerned with regulation addressing competitive markets. See *id.* art 8:2.

ment of principle may prove rather important in limiting the application of non-violation doctrine.

Article 8:1 does not by its own terms resolve uncertainty regarding interpretation of "necessary." This term is potentially freighted with interpretative decisions involving GATT article XX(b) and, more recently, the Agreement on Sanitary and Phytosanitary Measures (hereinafter SPS Agreement). Yet "necessary" in TRIPS Agreement article 8:1 probably requires its own jurisprudence because it is used in a context different than the context of its use in the GATT and SPS Agreement. This interpretative avenue remains to be further developed. It bears directly on the potential scope of non-violation causes of action. WTO Members were certainly expected to adopt necessary internal measures, and it is the permissible range of such measures that the WTO Appellate Body must determine.

As Jerome Reichman has pointed out, for those who are concerned about the potential scope of non-violation causes of action under the TRIPS Agreement, the Appellate Body decision in the *India-Mailbox* case is heartening.<sup>46</sup> The Appellate Body stressed that the TRIPS Agreement means what it says in its express language, neither more nor less. Even though the Appellate Body acted to exclude non-violation considerations from its decision (because the moratorium remained in effect), the decision conveys the firm message that the Appellate Body does not intend to be persuaded by arguments about what the parties to the Agreement thought it meant—or expected it to mean—but somehow failed to mention.

Yet if one is looking for non-violation trouble, one need look no further than the panel report in the *Japan – Film and Photographic Paper* case.<sup>47</sup> This is a case the United States lost—yet the USTR was sufficiently pleased by the panel's jurisprudence that it decided against an appeal.

The panel report in the *Japan–Film and Photographic Paper* case included a detailed explanation of the approach to be followed in assessing non-violation complaints.<sup>48</sup> The panel said that, for a measure to form the basis for a non-violation complaint, the complaining Member must not have anticipated it at the time of negotiation of the underlying concession. In its discussion of legitimate expectations (i.e. what the parties might reasonably have anticipated),<sup>49</sup> the panel said that the introduction of a measure by a complained-against Member

46. See Jerome H. Reichman, *Securing Compliance with the TRIPS Agreement after US v India*, 1 J. INT'L ECON. L. 585 (1998).

47. *Japan - Measures Affecting Consumer Photographic Film and Paper*, Report of the Panel, WTO Doc. WT/DS44/R, (Mar. 31, 1998).

48. The panel observed that in the few non-violation actions that were successfully pursued under the GATT 1947, specific relationships were demonstrated between products as to which tariff concessions had been granted, and domestic subsidy measures that were later adopted to undermine the value of the tariff concessions. The panel identified three elements that must be demonstrated to succeed in the non-violation context: "(1) application of a measure by a WTO Member; (2) a benefit accruing under the relevant agreement; and (3) nullification or impairment of the benefit as the result of the application of the measure." *Id.* para. 10.41. The panel was referring to measures that are otherwise lawful under the WTO Agreement. *See id.*

49. *See id.* paras. 10.79-10.80.

subsequent to the conclusion of negotiations created the rebuttable presumption that it should not have been anticipated by the complaining Member. Rebutting the presumption might require a showing that such after-the-fact measure had clearly been contemplated by earlier measures. It said that, "in our view, it is not sufficient to claim that a *specific* measure should have been anticipated because it is consistent with or a continuation of a past *general* government policy."<sup>50</sup> The panel said that one Member should not have to assume that another Member might adopt similar measures to those adopted by third Members.<sup>51</sup> If measures were in place prior to the conclusion of tariff negotiations, then there would be a rebuttable presumption that those measures should reasonably have been anticipated to remain in effect.<sup>52</sup>

The panel report suggests that internal government measures adopted following the conclusion of trade negotiations may be presumed to be unanticipated and to potentially nullify or impair WTO concessions. However, WTO Members continuously adjust their industrial policies, including intellectual property-related policies, and routinely amend their intellectual property laws and related internal regulations to reflect changing conditions and perceptions as to appropriate public interest balancing.

Consider, for example, the case of a WTO Member that adopts new compulsory legislation or pharmaceutical price control legislation after the entry-into-force of the TRIPS Agreement. Does the fact that the TRIPS Agreement expressly contemplates compulsory licensing preclude an argument that such legislation was not anticipated prior to the conclusion of negotiations? Though price controls are not precluded by the terms of the TRIPS Agreement, might they nevertheless be unanticipated?

There are several reasons to be reluctant to regard the *Japan-Film and Photographic Paper* decision as a sound precedent for the TRIPS context. First, as a general proposition, the Appellate Body has often rejected the legal reasoning of panels of the first instance. There is no reason to believe that this case would have been an exception, particularly in light of the relatively uncharted ground that the panel was covering. Second, this case involved trade in goods, a context considerably different than that likely to arise in respect to TRIPS. Third, some of the general statements made by the panel in this case seem suspect as proper interpretations of WTO law—particularly as they might be extended to the TRIPS Agreement.

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50. *Id.* para. 10.79 (emphasis added).

51. *See id.*

52. *See id.* para. 10.80. Regarding resulting harm, the panel held that the measures must be shown to have caused nullification or impairment – i.e. to have made more than a *de minimis* contribution. *See id.* para. 10.84. In the tariffs concessions context, nullification or impairment of benefits is determined by whether there is *de jure* or *de facto* discrimination such that "the relative conditions of competition which existed between domestic and foreign products as a consequence of the relevant tariff concessions have been upset." *Id.* para. 10.86. Measures may have effects individually or in the aggregate, but if measures are to be aggregated there must be a clear explanation of cause and effect. *See id.*, at para. 10.88. "Intent" is not determinative, but may be relevant. *See id.* para. 10.87.

There seems inadequate basis in the text of the GATT/WTO Agreement to justify the establishment of a presumption that measures adopted after the conclusion of trade negotiations were not anticipated during the negotiations. The WTO Agreement does not purport to place general limitations on the government policies of Members, except as expressly provided by the Agreement. Establishing a blanket presumption against “after-the-fact” adopted measures places a generalized burden on WTO Members to justify their policy measures. In the TRIPS context this might suggest that government measures that affect the exploitation of IP and are adopted after 1994 are presumed to not have been anticipated by the TRIPS negotiators. It would be difficult to ascertain the textual source of such a presumption—bearing in mind that the TRIPS Agreement itself contemplates the adoption of internal measures related to IP. Even assuming, *arguendo*, that the Appellate Body might hold that a domestic subsidy adopted following the grant of a tariff concession was presumptively unanticipated by trade negotiators, it would not seem reasonable to extend such a presumption to internal measures adopted to regulate intellectual property. IP laws and related regulations are constantly being adjusted to reflect changing conditions, and a presumption in favor of a potential non-violation action would not appear warranted in this context. •

There is a close correlation between the concept of non-violation nullification or impairment and the concept of the good faith execution of treaty obligations. The Vienna Convention on the Law of Treaties, which essentially codifies the customary international law applicable to treaties, establishes a requirement that treaties be executed in good faith.<sup>53</sup> The good faith execution of a treaty inherently demands that a party not take actions that undermine the performance of the treaty<sup>54</sup>—that is, that a party to a treaty not seek to defeat the object and purpose of a treaty by actions inconsistent with that object and purpose, even if those actions might not be specifically precluded by the terms of the treaty.<sup>55</sup> Treaty law requires such a good faith doctrine since it is not practicable for parties to specify every possible step that parties should avoid.

The concept of non-violation nullification or impairment in the GATT/WTO context may be viewed substantially as a way of restating the good faith requirement.<sup>56</sup> That is, WTO Members should not seek to undermine the value of concessions they have granted in trade negotiations by taking steps that, while

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53. The Vienna Convention on the Law of Treaties [hereinafter VCLT] at article 26, “*Pacta sunt servanda*,” provides: “Every treaty in force is binding upon the parties to it and must be performed by them in good faith.” Vienna Convention on the Law of Treaties, Mar. 21, 1986, 25 I.L.M. 543, 560.

54. A specific obligation to refrain from defeating the object and purpose of a treaty is imposed on states that have signed but not yet ratified a treaty. *See id.* art. 18. Such an obligation would certainly extend to states that had ratified the treaty under the principle of *pacta sunt servanda*.

55. This idea is reflected in Article 31 of the VCLT regarding interpretation, which obligates states to interpret treaties consistently with their object and purpose. *See id.* art. 31.

56. This theme is developed in Thomas Cottier and Krista Nadakavukaren Schefer, *Non-Violation Complaints in WTO/GATT Dispute Settlement: Past, Present and Future*, in *INTERNATIONAL TRADE LAW AND THE GATT/WTO DISPUTE SETTLEMENT SYSTEM* 143, 163-81 (Ernst Ulrich Petersmann ed., 1997).

not specifically precluded by the WTO Agreement, nevertheless are inconsistent with allowing the concessions to be used by their intended beneficiaries. Viewed in this way, at least some non-violation causes of action could quite properly be reframed as causes of action demanding good faith execution of WTO obligations.<sup>57</sup>

So far the WTO Appellate Body has given no indication that it intends to go on a “fishing expedition” to expand the scope of the TRIPS Agreement so as to limit the range of national discretion. It has hewn to the Vienna Convention as its jurisprudential path. Yet it is worthwhile to highlight the risks that inhere in the non-violation cause of action, because an expansive application of non-violation doctrine in the TRIPS context could be quite destabilizing for relations among WTO Members. The Agreement might well take on an Alice-in-Wonderland quality—meaning what I say it means—for whatever Member happens to be speaking. Many of the foreseeable non-violation complaints would involve pitting the interests of OECD producers against the discretion of developing country parliaments and executives. The OECD won the Uruguay Round battle over TRIPS, and the best interests of the WTO community would not appear to be served by pushing this victory to its furthest possible limit.

#### IV.

#### POST-SEATTLE DEVELOPMENTS AND THE POTENTIAL FOR A NEW FOCUS

At the February 7-8, 2000 meeting of the WTO General Council, there was active discussion of requests from developing countries to extend TRIPS transition periods. Debate is reported to have focused on the question whether any extensions should be negotiated as a comprehensive multilateral solution, or whether individual Member requests should be taken up on a case-by-case basis.<sup>58</sup> Further consultations within the TRIPS Council on this subject were reported on at an informal General Council meeting in March.<sup>59</sup> Whatever may be the outcome of these discussions, it is manifest that there is considerable interest among a substantial group of WTO Members to assure that developing countries do not become the targets of excessive litigation as they attempt to meet their TRIPS obligations.

The main item on the agenda of the TRIPS Council in 2000 will be the conducting of reviews of developing countries’ steps to implement their TRIPS commitments. As noted previously, the Council is also obligated by the terms of the TRIPS Agreement to begin a general review of its implementation in 2000. Beyond moving forward on these tasks, all indications are that the TRIPS

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57. To some extent, the differences in view expressed by the panel and the Appellate Body in the *India-Mailbox* case might be characterized as a dispute over the terminology used to characterize the good faith obligation in WTO law.

58. See *General Council Sets Dates for Negotiations*, WTO General Council Meeting Summary, Feb. 7-8, 2000, <[http://www.wto.org/wto/new/gc\\_feb00.htm](http://www.wto.org/wto/new/gc_feb00.htm)>.

59. See *WTO General Council Informal Meeting*, WTO PRESS RELEASE No. 173, Mar. 28, 2000.

Council will move cautiously in adding new items to its agenda. In light of the difference in perspectives among WTO Members concerning new items, a period of reflection may best serve the interests of the WTO as an institution.

There is a global TRIPS-related issue that overshadows the specific rules of the TRIPS Agreement and the interests of intellectual property rights holders in protecting their investments in invention and expression. This is the urgent need to assure that technology and information are made available for effective use in areas of the world where economic development is most needed—whether through providing funds for education, establishing Internet access points, or encouraging the formation of technology-based enterprises by providing or guaranteeing funding. Technologies exist to rapidly improve standards of education and to foster improvements in the production and distribution of goods and services throughout the world. WTO Members have until now focused their attention on achieving higher levels of IPRs protection to redress a situation of underprotection that had threatened to distort commercial trade patterns. But high standards of IPRs protection will not by themselves address the tremendous imbalance between the levels of technological development in the industrialized and developing economies. The WTO needs to begin to work more closely with the World Bank, UNCTAD, UNDP, WIPO, WHO and other multilateral institutions to create an environment that promotes the transfer of knowledge and technology in ways that are productive for both industrialized and developing countries. This may well involve the commitment of billions of dollars, and it will demand creative thinking about ways and means to encourage private sector commitment. Yet this is an enterprise from which all WTO Members will emerge as winners—and the notion of a multilateral trading system from which all Members benefit is the core of WTO economic philosophy.