



HANDBOOK ON WTO - TRIPS CASES AND VIETNAM

This document has been prepared with financial assistance from the Commission of the European Union. The views expressed herein are those of the author and therefore in no way reflect the official opinion of the Commission nor the Ministry of Industry and Trade

Contents

Abbreviations	4
Foreword	5
I. The World Trade Organization Dispute Settlement System	6
<i>I.1. Functions and Purpose of the WTO Dispute Settlement System</i>	6
<i>I.2. Structure and Powers of the WTO Dispute Settlement System</i>	9
<i>I.3. WTO Dispute Settlement Procedural Rules</i>	16
<i>I.4. Policy Issues relevant for Vietnam</i>	27
II. WTO Cases Concerning Patents	32
India - Patent Protection for Pharmaceutical and Agricultural Chemical Products	33
India - Patent Protection for Pharmaceutical and Agricultural Chemical Products	53
Canada - Patent Protection of Pharmaceutical Products.....	67
Canada - Term of Patent Protection.....	78
Pakistan - Patent Protection for Pharmaceutical and Agricultural Chemical Products	92
European Communities - Patent Protection for Pharmaceutical and Agricultural Chemical Products	96
Argentina - Patent Protection for Pharmaceutical and Agricultural Chemical Products	97
Argentina - Certain Measures on the Protection of Patents and Test Data	97
Portugal - Patent Protection under the Industrial Property Act	105
Brazil - Measures Affecting Patent Protection	109
United States - US Patents Code	112
III. WTO Cases Concerning Trademarks and Geographical Indications	115
European Communities - Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs	116
Indonesia - Certain Measures Affecting the Automobile Industry	164
Australia - Tobacco Plain Packaging Cases	173
IV. WTO Cases Concerning Copyright and Related Rights	188
United States - Section 110(5) of the US Copyright Act.....	189
Japan - Measures Concerning Sounds Recordings	210
Ireland - Measures Affecting the Grant of Copyright and Neighboring Rights	217
European Communities - Measures Affecting the Grant of Copyright and Neighboring Rights	217
V. WTO Cases Concerning IPR Enforcement and other issues	227
European Union and a Member State - Seizure of generic Drugs in Transit	228
China - Measures Affecting the Enforcement of Intellectual Property Rights	238
European Communities - Enforcement of Intellectual Property Rights for Motion Pictures and Television Programs	271

Greece - Enforcement of Intellectual Property Rights for Motion Pictures and Television Programs	271
Denmark - Measures Affecting the Enforcement of Intellectual Property Rights	274
Sweden - Measures Affecting the Enforcement of Intellectual Property Rights	278
United States - Section 211 Omnibus Appropriations Act of 1998	282
United States - Section 337 of the Tariff Act of 1930 and Amendments Thereto	313
China - Measures Affecting Financial Information Services and Foreign Financial Information Suppliers	320
VI. Considerations of relevant issues in Viet Nam intellectual property legal and policy contexts....	324
VI.1 Overview of Viet Nam’s intellectual property system	324
VI.2 Considerations of relevant issues in Vietnamese contexts.....	326
Conclusions.....	355

Abbreviations

AB	Appellate Body
Anti - Dumping Agreement	Agreement on the Implementation of Article VI of the General Agreement on Tariffs and Trade
Berne Convention	Berne Convention for the Protection of Literary and Artistic Works
COV	Copyright Office of Viet Nam
DSB	Dispute Settlement Body
DSU	Understanding on Rules and Procedures Governing the Settlement of Disputes
EC/EEC	European Communities
EU	European Union
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GI	Geographical Indication
ICTSD	International Centre for Trade and Sustainable Development
IP	Intellectual Property
Paris Convention	Paris Convention for the Protection of Industrial Property
RIAV	Recording Industry Association of Viet Nam
SCM Agreement	Agreement on Subsidies and Countervailing Measures
TBT Agreement	Agreement on Technical Barriers to Trade
TPP	Canada's Therapeutic Products Program
TRIMS Agreement	Agreement on Trade - Related Investment Measures
TRIPS Agreement	Agreement on Trade - Related Aspects of Intellectual Property Rights
US	United States of America
VCLT	Vienna Convention on the Law of Treaties
VCPMC	Viet Nam Center for Protection of Music Copyright
VIETRRO	Viet Nam Reproduction Rights Organization
VLCC	Viet Nam Literary Copyright Center
VTC	Viet Nam Multimedia Corporation
WIPO	World Intellectual Property Organization
Working Procedures	Working Procedures for Appellate Review
WTO	World Trade Organization

Foreword

This Handbook has been prepared with the support of the EU Multilateral Trade Assistance Project (EU-MUTRAP) funded by the European Union and it is the result of the contribution of one international expert, Professor Laurent Manderieux and a number of local experts under the supervision of the National Office of Intellectual Property – NOIP, of the Ministry of Science and Technology. The Handbook targets all the Vietnamese stakeholders having a role in drafting legislative, executive and administrative acts dealing with intellectual property rights (IPRs), officials involved in the implementation and enforcement of IPRs in Viet Nam (Government officials, customs, judges) and trade negotiators. However, this handbook can be a very useful reference book for undergraduate and graduate courses on IPRs and international trade law at universities.

The Handbook analyzes of all the WTO cases dealing with IPRs. The cases are grouped according to each relevant IPR (Patents, trademarks and geographical indications, copyrights and other Intellectual property issues). The final chapter provides considerations on relevant issues in Viet Nam intellectual property legal and policy context. The main objective of the book is to promote a clear understanding of the main legal and economic implications of WTO IPRs cases, through the adoption of a plain language and a didactic methodology. Each case includes the analysis of the background (i.e. description of the reasons causing the dispute), the legal sources (the related provisions of WTO/TRIPs agreement – reported in the text), the positions of complainant and respondent, the panel findings, rules and recommendations and (eventually) the Appellate Body reasoning. Moreover, for each case there is the description of further developments after the adoption of final decision of the WTO/Dispute Settlement Body (e.g. the implementation of the WTO/DSB recommendations by the parties, focusing, in particular, on their difficulties, later cases on similar or connected subjects, and other relevant issues).

The reader will be then able to acquire all the relevant information about each case. The Handbook is not limited to provide the mere description of the technical and legal aspects of the disputes. Indeed, each case is part of a story, describing the legal and economic situation before and after the formal procedure to settle the dispute of the WTO. This allows the reader to understand the context, the main actors and the impact of the WTO/DSB procedure and decisions on the legal system of the parties to the dispute as well as to the application of TRIPs in other WTO members.

The last chapter, focused on the Viet Nam IPRs regime, is a further value added of the book. It shows the progress of the country towards the modernization of its intellectual property regime, and the efforts of policymakers to set up a legal system in compliance with the international commitments but taking into consideration also the specific needs of a developing country. The legislation of Viet Nam is now almost fully in line with the most advanced IPRs regulatory systems; however, the last chapter acknowledges that shortcomings in implementation and enforcement are the main concerns about IPRs protection in Viet Nam. This is due to the lack of human resources and infrastructures necessary to set up an effective enforcement system. The international experience shows that investing in the education of human resources is the best way to promote the economic and social development. We hope that this Handbook might contribute to this important aim.

Claudio Dordi

EU-MUTRAP Technical Assistance Team Leader

I. The World Trade Organization Dispute Settlement System

I.1. Functions and Purpose of the WTO Dispute Settlement System

I.1.a. The Purpose of WTO Dispute Settlement System

The World Trade Organization dispute settlement system has been established together with the creation of the WTO itself and has been in operation since 1 January 1995. Prior to the creation of the WTO, the GATT 1947 did not provide for a legal dispute settlement mechanism. Under Article XXII of GATT 1947, consultations were provided for where one Contracting Party officially had presented a complaint to another Contracting Party with regard to any matter affecting the operation of GATT 1947. Under Article XXIII of GATT 1947, where a Contracting Party considered that a benefit under the GATT had been nullified or impaired, the Contracting Parties collectively (in the GATT Council) might have made investigation, recommendations and rulings on the matter. In the case of serious circumstances, they could have also authorized a Contracting Party to suspend trade concessions made under the GATT in respect another Contracting Party. The principles for the management of disputes applied under Articles XXII and XXIII of the GATT 1947, and the rules and procedures as further elaborated and modified therein, have been incorporated in the current WTO dispute settlement system.

The *Understanding on Rules and Procedures Governing the Settlement of Disputes* (“DSU”) set forth rules and procedures to be followed in the case of disputes arising in the context of the WTO. Rules and procedures of the DSU apply to disputes brought pursuant to the consultation and dispute settlement provisions of the agreements listed in Appendix 1 to the DSU (the s.c. “covered agreements”).¹ Although the DSU itself is not included in the definition of “covered agreements” under Article 1.1 of the DSU, in *India - Patents (EC)* it has been stressed that the second sentence of Article 1.1 of the DSU makes it clear that rules and procedures of the DSU are applicable to disputes in respect of Members’ rights and obligations under the DSU itself.² However, other covered agreements may contain further provisions on dispute settlement. In this case it is worth noting that the rules and procedures of the DSU apply subject to the special and additional rules and procedures on dispute settlement that other covered agreements may contain as identified in Appendix 2 to the DSU.³ Where there is no difference between the DSU rules and procedures and the special and additional rules and procedures of the covered agreements, both these two sets of rules apply together.⁴ To the contrary, if and to the extent that there is a difference between the rules and procedures of the DSU and the special or additional rules and procedures of a covered agreement, the special or additional rules and procedures will prevail.⁵ This latter case subsists only where the provisions of the

¹ Article 1.1 of the DSU.

² Panel Report, *India - Patent Protection for Pharmaceutical and Agricultural Chemical Products*, (“*India - Patents (EC)*”), WT/DS79/R, adopted on 22 September 1998, footnote 96.

³ Article 1.2 of the DSU.

⁴ Appellate Body Report, *Guatemala - Anti-Dumping Investigation Regarding Portland Cement from Mexico*, (“*Guatemala - Cement I*”) WT/DS60/AB/R, adopted on 15 November 1998, para. 65.

⁵ *Id.*

DSU and the special or additional rules and procedures of a covered agreement cannot be read as complementing each other.⁶

The WTO dispute settlement system has been created taking into account the fundamental need to ensure the security and predictability of the multilateral trading system.⁷ To this end, the legal interpretation embodied in adopted panel and Appellate Body reports is considered an integral part of the *acquis* of the WTO dispute settlement system.⁸ The dispute settlement mechanism serves to preserve the rights and obligations of Members under the covered agreements, and to clarify the existing provisions of those agreements in accordance with customary rules of interpretation of public international law.⁹

The DSU further explains that the primary aim of the dispute settlement system is to secure a positive solution to a dispute.¹⁰ Accordingly, the reach of a positive solution and effective settlement of a dispute could legally bar Members from bringing certain challenges against the measures dealt with in the solution.¹¹ In order to achieve a positive solution to disputes, Members are required to engage in the procedures under the DSU in good faith and in an effort to resolve the dispute.¹² For this reason, requests for consultations and the use of dispute settlement procedures cannot be considered or qualified as contentious acts.¹³ On the same line, for a Member to be found to have failed to act in good faith, two conditions have to be met: the Member must have violated a substantive provision of the WTO Agreements, and there must be something more than a mere violation.¹⁴

1.1.b. The Various Dispute Settlement Methods

Under the DSU, Members have a number of dispute settlement methods at disposal. In order to strengthen the multilateral trading system, whenever a dispute arises, it has to be settled through the multilateral rules under the DSU.¹⁵ Under Article 23 of the DSU, Members have an obligation not to take unilateral action in redressing perceived breaches of WTO obligations by other WTO Members.¹⁶ They have an obligation to follow the general discipline set forth in the

⁶ Id.

⁷ Article 3.2 of the DSU; Panel Report, *United States - Section 301 - 310 of the Trade Act of 1974*, (“US - Section 301 Trade Act”), WT/DS152/R, adopted on 27 January 2000, para. 7.75.

⁸ Appellate Body Report, *United States - Final Anti-Dumping Measures on Stainless Steel from Mexico*, (“US - Stainless Steel (Mexico)”), WT/DS344/AB/R, adopted on 20 May 2008, para. 160.

⁹ Article 3.2 of the DSU.

¹⁰ Article 3.7 of the DSU.

¹¹ Panel Report, *European Communities - Regime for the Importation, Sale and Distribution of Bananas, Second Recourse to Article 21.5 of the DSU by Ecuador*, (“EC - Bananas III”), WT/DS27/RW2/ECU, Appellate Body Report adopted on 11 December 2008, para. 7.75.

¹² Article 3.10 of the DSU.

¹³ Id. ; Panel Report, *EC - Bananas III, Second Recourse to Article 21.5 of the DSU by Ecuador*, para. 7.125 - 7.126.

¹⁴ Panel Report, *Argentina - Definitive Anti-Dumping Duties on Poultry from Brazil*, (“Argentina - Poultry Anti-Dumping Duties”), WT/DS241/R, adopted on 19 May 2003, para. 7.36.

¹⁵ Article 23 of the DSU.

¹⁶ Appellate Body Report, *United States - Import Measures on Certain Products from the European Communities*, (“US - Certain EC Products”), WT/DS165/AB/R, adopted on 10 January 2001, paras. 58,111.

DSU to redress WTO inconsistencies.¹⁷ Further, as already mentioned, the DSU expresses a clear preference for solutions mutually acceptable to the parties, and consistent with the covered agreements, reached through negotiations, rather than resulting from adjudication.¹⁸

It could happen however, and has actually happened in several cases, that Members do not reach a mutually agreed solution through consultations and the settlement of the dispute is reached through adjudication by panels and the Appellate Body (See below ***1.2.a. The WTO Dispute Settlement Institutions***). Rules and procedures for adjudication by panels and the Appellate Body are established in Article 6 through 20 of the DSU. Although the *Dispute Settlement Body* (“DSB”) administers the dispute settlement mechanism, its recommendations and rulings cannot add to or diminish the rights and obligations provided in the covered agreements.¹⁹ In *India - Patents (EC)*, India expressed concerns that the possibility to bring successive complaints by different parties based on the same facts and legal claims would have entailed serious risks for the multilateral trade order.²⁰ While in that case the Panel recognized that these were serious systemic concerns, it considered that under the DSU, panels are required to make their findings on the language of the DSU.²¹ They cannot make a ruling *ex aequo et bono* to address systemic concerns diverging from the explicit language of the *Understanding*.²² In any case, a correct interpretation and application of a provision of a covered agreement would unlikely add or diminish WTO Members’ rights and obligations.²³

Panels and the Appellate Body interpretation can be provided only in the context of adjudication. If they wish so, Members are free to seek authoritative interpretation of provisions of a covered agreement,²⁴ but only the Ministerial Conference and the General Council have competence to adopt authoritative interpretations of the provisions of the WTO Agreement and the multilateral trade agreements.²⁵ It is worth stressing that engagement in DSU procedures in order to resolve a dispute is made in good faith in an effort to resolve the dispute.

Besides consultations and adjudication through panels and the Appellate Body, Members can resort to good offices, conciliation and mediation.²⁶ These proceedings are undertaken voluntarily by the parties in dispute.²⁷ In addition, the WTO Director - General, acting in an *ex officio* capacity, can offer good offices, conciliation or mediation with the view to assisting

¹⁷ Panel Report, *US - Section 301 Trade Act*, paras. 7.45 - 7.46

¹⁸ Article 3.7 of the DSU.

¹⁹ Articles 3.2 and 19.2 of the DSU.

²⁰ Panel Report, *India - Patents (EC)*, para. 7.22.

²¹ *Ibid.*, para. 7.23.

²² *Id.*

²³ Appellate Body Report, *Chile - Taxes on Alcoholic Beverages*, (“*Chile - Alcoholic Beverages*”), WT/DS87/AB/R, WT/DS110/AB/R, adopted on 12 January 2000, para. 79.

²⁴ Article 3.9 of the DSU.

²⁵ Article IX:2, Decision - Making, of the Agreement Establishing the World Trade Organization.

²⁶ Article 5 of the DSU.

²⁷ *Id.*

Members to settle a dispute.²⁸ Parties may begin and terminate good offices, mediation and conciliation at any time and once terminated, a party may proceed with the request for establishment of a panel.²⁹ The positions taken by the parties during consultations are confidential.³⁰

The DSU provides as well the possibility for parties to resort to expeditious arbitration as an alternative means of dispute settlement.³¹ In *US - Section 110(5) Copyright Act*, the arbitrators stressed that expeditious arbitration under Article 25 of the DSU must be distinguished from the arbitration provided for under Article 21.3 (c) and Article 22.6 of the DSU.³² In both these latter cases, arbitrations are not an alternative dispute resolution method within the meaning of Article 25.³³ These arbitration proceedings concern specific issues that may arise in the context of a dispute, such as the determination of the reasonable period of time for implementation of the DSB rulings and recommendations (Article 21.3 (c) of the DSU) and the appropriate level of suspension of trade concessions (Article 22.6 of the DSU).³⁴ Conversely, the procedure under Article 25 is an alternative to a panel procedure and covers the complete process of dispute resolution under the DSU, rather than one aspect of it.³⁵ Moreover, there is no need of a decision from the DSB for a matter to be referred to arbitration under Article 25 of the DSU.³⁶

1.2. Structure and Powers of the WTO Dispute Settlement System

1.2.a. The WTO Dispute Settlement Institutions

Except as otherwise provided in a covered agreement, in order to administer its rules and procedures and the consultations and the dispute settlement provisions of the covered agreements, the DSU has established the *Dispute Settlement Body*.³⁷ The DSB has the authority to establish panels, adopt panel and Appellate Body reports, maintain surveillance of implementation of rulings and recommendations, and authorize suspension of concessions and other obligations under the covered agreements.³⁸ To discharge the responsibility of the DSB according to the DSU, the General Council convenes when appropriate.³⁹ In particular, where the DSB takes decisions, it does so if no Member present at the meeting of the DSB when the

²⁸ Article 5.6 of the DSU; see also Communication from the Director - General, *Article 5 of the Dispute Settlement Understanding*, WT/DSB/25, 17 July 2001.

²⁹ Article 5.3 of the DSU.

³⁰ Article 5.2 of the DSU.

³¹ Article 25 of the DSU:

³² Award of the Arbitrators, *United States - Section 110 (5) of the US Copyright Act, Recourse to Arbitration under DSU Article 25*, (“*US - Section 110(5) Copyright Act*”), WT/DS160/ARB25/1, circulated on 9 November 2001, para. 2.1.

³³ *Id.*

³⁴ *Ibid.*, para. 2.3.

³⁵ *Id.*

³⁶ *Ibid.*, para. 2.1.

³⁷ Article 2.1 of the DSU.

³⁸ *Id.*

³⁹ Article IV:3 of the Agreement Establishing the World Trade Organization.

decision is taken formally objects to the proposed decision (the s.c. “consensus”).⁴⁰ When the DSB has to decide on the establishment of a panel,⁴¹ on the adoption of a panel and the Appellate Body report,⁴² and on the authorization of suspension of concession and other obligations,⁴³ consensus is required for such a decision not to be taken (the s.c. “reverse” or “negative consensus”). To the extent that they are at issue in a specific dispute, even the provisions relating to the functioning of the DSB are properly the subject of interpretation by panels and the Appellate Body, since the content of such provisions also affects the rights and obligations of WTO Members.⁴⁴

Panels are established in order to help the DSB discharge its responsibilities under the DSU and the covered agreements.⁴⁵ They are composed of three panelists who are well - qualified governmental and/or non - governmental individuals, have a trade law background, are independent, and have a sufficiently diverse background and a wide spectrum of experience.⁴⁶ Panelists have to serve in their individual capacities and not as government representatives, nor as representatives of any organization.⁴⁷ Panels are assisted by the WTO Secretariat, which provides secretarial and technical support, and assists them in particular when they deal with the legal, historical and procedural aspects of the matters before them.⁴⁸ With a view to discharge its responsibilities under the DSU and the covered agreements, a panel has to make an objective assessment of the matter before it, including of the facts of the case and the applicability and conformity with the relevant covered agreements.⁴⁹ To make an “*objective assessment*”, a panel, among other things, must consider all the evidence presented to it, assess its credibility, determine its weight, and ensure that its factual findings have a proper basis in that evidence.⁵⁰ A panel has a certain discretion to decide which evidence should be used to make its findings and can accord to factual evidence a different meaning and weight than the one accorded by the parties.⁵¹ Consequently, the Appellate Body does not interfere

⁴⁰ Article 2.4 and Footnote 1 of the DSU.

⁴¹ Article 6.1 of the DSU.

⁴² Articles 16.4 and 17.14 of the DSU.

⁴³ Article 22.6 of the DSU.

⁴⁴ Appellate Body Report, *United States - Measures Affecting Trade in Large Civil Aircraft (Second Complaint)*, (“*US - Large Civil Aircraft (2nd complaint)*”), WT/DS353/AB/R, adopted on 23 March 2012, para. 502.

⁴⁵ Article 11 of the DSU.

⁴⁶ Article 8.1, 8.2 and 8.5 of the DSU.

⁴⁷ Article 8.9 of the DSU.

⁴⁸ Article 27.1 of the DSU:

⁴⁹ Article 11 of the DSU.

⁵⁰ Appellate Body Report, *Brazil - Measures Affecting Imports of Retreated Tyres*, (“*Brazil - Retreated Tyres*”), WT/DS332/AB/R, adopted on 17 December 2007, para. 185; Appellate Body Report, *European Communities - Measures Concerning Meat and Meat Products (Hormones)*, (“*EC - Hormones*”), WT/DS26/AB/R, adopted on 13 February 1998, paras. 132 - 133; Appellate Body Report, *European Communities - Measures Affecting Asbestos and Products Containing Asbestos*, (“*EC - Asbestos*”), WT/DS135/AB/R, adopted on 5 April 2001, para. 161; Appellate Body Report, *Korea - Taxes on Alcoholic Beverages*, (“*Korea - Alcoholic Beverages*”), WT/DS75/AB/R, WT/DS84/AB/R, adopted on 17 February 1999, paras. 161 - 162.

⁵¹ Appellate Body Report, *Brazil - Retreated Tyres*, para. 185; Appellate Body Report, *EC - Hormones*, para. 135; Appellate Body Report, *Australia - Measures Affecting the Importation of Salmon*, (“*Australia - Salmon*”), WT/18/AB/R, adopted on 6 November 1998, para. 267.

lightly with a panel's exercise of its discretion,⁵² and a party who challenges a panel's findings under Article 11 of the DSU is required to demonstrate that the panel has exceeded the bounds of its discretion as the trier of facts.⁵³ Further, a panel is not required to address all legal claims presented in a dispute:⁵⁴ a Panel has to make findings only on those claims that it concludes to be necessary to resolve the particular matter in dispute.⁵⁵ In *India - Patents (US)*, the Appellate Body further confirmed that a panel has the discretion to determine the claims it must address in order to resolve the dispute between the parties.⁵⁶ This discretion is not however unlimited. A panel has to address all the claims on which a finding is necessary having in mind the need for the DSB to make recommendations and rulings precise enough so as to allow the prompt compliance of the Member concerned.⁵⁷ To the contrary, when a panel makes findings on a provision that is not before it, it does not make an objective assessment and thus acts *ultra petita* and inconsistently with Article 11 of the DSU.⁵⁸

In order to hear appeals from panel cases, the DSB has established a standing Appellate Body.⁵⁹ The Appellate Body is composed of seven persons of high caliber,⁶⁰ and recognized authority and expertise in law, international trade or the subject matter of covered agreements, each appointed for a four - year term and who may be reappointed once. The Appellate Body has the power to draw its own working procedures in consultation with the Chairman of the DSB and the Director - General.⁶¹ Accordingly, specific Working Procedures are established for appellate review, regulating how members of the Appellate Body share their work and responsibilities.⁶² The creation of the Appellate Body was made pursuant to the WTO Members recognition of the importance of consistency and stability in the interpretation of their rights and obligations under the covered agreements.⁶³

With a view to maintain the integrity, impartiality and confidentiality of proceedings conducted under the DSB, thereby enhancing confidence in the dispute settlement mechanism, panelists, arbitrators and Appellate Body members have to be independent and impartial, avoid direct or indirect conflicts of interest and respect the confidentiality of proceedings of bodies pursuant

⁵² Appellate Body Report, *United States - Definitive Safeguards Measures on Imports of Wheat Gluten from the European Communities*, ("US - Wheat Gluten"), WT/DS166/AB/R, adopted on 19 January 2001, para. 151.

⁵³ Appellate Body Report, *Brazil - Retreated Tyres*, para. 186.

⁵⁴ Appellate Body Report, *United States - Measures Affecting Imports of Woven Wool Shirts and Blouses from India*, ("US - Wool Shirts and Blouses"), WT/DS33/AB/R, adopted on 23 May 1997, p. 18.

⁵⁵ *Ibid.*, p. 18 - 19.

⁵⁶ Appellate Body Report, *India - Patent Protection for Pharmaceutical and Agricultural Chemical Products*, ("India - Patents (US)"), WT/DS50/AB/R, adopted on 16 January 1998, para. 87.

⁵⁷ Appellate Body Report, *Australia - Salmon*, para. 223.

⁵⁸ Appellate Body report, *Chile - Price Band System and Safeguard Measures Relating to Certain Agricultural Products*, ("Chile - Price Band System"), WT/DS207/AB/R, adopted on 23 October 2002, para. 173.

⁵⁹ Article 17.1 of the DSU.

⁶⁰ Dispute Settlement Body, *Decision Establishing the Appellate Body*, 10 February 1995, WT/DSB/1, dated 19 June 1995, para. 4.

⁶¹ Article 17.9 of the DSU.

⁶² Appellate Body, *Working Procedures for Appellate Review*, ("Working Procedures"), WT/AB/WP/6.

⁶³ Appellate Body Report, *US - Stainless Steel (Mexico)*, para. 161.

to the dispute settlement mechanism.⁶⁴ The staff of the WTO Secretariat as well as the staff of the Appellate Body Secretariat and experts consulted by panels is also subject to the Rules of Conduct.⁶⁵ In order to ensure observance of the Rules of Conduct, panelists, arbitrators and Appellate Body members are expected to adhere strictly to the provisions of the DSU.⁶⁶ Also, they are required to disclose the existence or development of any interest, relationship or matter that that person could reasonably be expected to know and that is likely to affect, or give rise to justifiable doubts as to, that person's independence or impartiality.⁶⁷ They have to take due care in the performance of their duties to fulfill these expectations, including through avoidance of any direct or indirect conflicts of interest in respect of the subject matter of the proceedings.⁶⁸ All those subject to the rules of conducts have to respect certain self - disclosure requirements,⁶⁹ and specific procedures are set forth in case of subsequent disclosure or material violations by the persons covered by the rules of conduct.⁷⁰ As for the conduct of legal counsels representing WTO Members in a particular dispute, no rule has been elaborated until now in the context of the WTO.⁷¹ It therefore seems that the conduct of legal counsels will be evaluated on a case by case basis.

Other bodies and subjects are involved in the WTO dispute settlement mechanism in various positions and capacities, such as the Permanent Group of Experts⁷² or the Expert Review Groups,⁷³ depending on the specific covered agreement in issue.

1.2.b. Jurisdictional Issues

Whenever a dispute arises under the covered agreements, Members are obliged to have recourse to, and abide by, the rules and procedures of the DSU.⁷⁴ This makes the jurisdiction under the WTO dispute settlement mechanism compulsory and exclusive. Members have a general obligation to redress a violation of obligation or nullification or impairment of benefits under the covered agreements only by recourse to the rules and procedures of the DSU, to the exclusion of any other system and, in particular, unilateral actions.⁷⁵ These rules match the "reverse consensus" rule for the establishment of a panel,⁷⁶ which allows to establish almost

⁶⁴ I. Preamble and II. Governing Principles of the Rules of Conduct for the Understanding on Rules and Procedures Governing the Settlement of Disputes, ("Rules of Conduct") WT/DSB/RC/1, dated 11 December 1996.

⁶⁵ III. Observance of the Governing Principles, Rules of Conduct.

⁶⁶ Id.

⁶⁷ Id.

⁶⁸ Id.

⁶⁹ VI. Self - Disclosure Requirements by Covered Persons, Rules of Conduct.

⁷⁰ VIII. Procedures Concerning Subsequent Disclosure and Possible Material Violations, Rules of Conduct

⁷¹ Panel Report, *European Communities - Conditions for the Granting of Tariff Preferences to Developing Countries*, ("EC - Tariff Preferences"), WT/DS246/R, adopted on 20 April 2004, ad modified by the Appellate Body report, para. 7.5.

⁷² Article 4.5 of the *Agreement on Subsidies and Countervailing Measures*.

⁷³ Article 13.2 of the DSU and Appendix 4 to the DSU.

⁷⁴ Article 23.1 of the DSU.

⁷⁵ Appellate Body Report, *US - Certain EC Products*, para. 111; Panel Report, *US - Section 301 Trade Act*, para. 7.43.

⁷⁶ Article 6.1 of the DSU.

automatically a panel, upon request of the complaining party and in the absence of a mutually agreed solution. Specific provisions are set forth for the case where Members seek redress of a violation of obligations or other nullification or impairment of benefits under a covered agreement.⁷⁷

Access to the WTO dispute settlement process is not available to all the subjects of the international community. Only WTO members have access to the WTO dispute settlement process.⁷⁸ Individuals and international organizations, whether governmental or non-governmental, are excluded.⁷⁹ Further, only those Members which have a substantial interest in a matter before a panel may become third parties in the proceedings before that panel. Thus, only Members which are party to a dispute or third party in a dispute have a legal right to make submissions to, and have a legal right to have those submissions considered by a panel.⁸⁰ In addition, each covered agreement contains provisions specifically aimed at indicating when a Member may have recourse to consultations and the WTO dispute settlement process. These provisions normally make a reference and thus incorporate Articles XXII and XXIII of GATT 1994. Thus, in the WTO, a cause of action is generally recognized when a Member considers that any benefit accruing to it directly or indirectly under the covered agreement is being nullified or impaired or that the attainment of any objective of the covered agreement is being impeded. This could be the result of a violation of an obligation prescribed by a covered agreement (the s.c. “violation complaints”), or of the application by another Member of any measure, whether or not it conflicts with the provisions of a covered agreement (the s.c. “non-violation complaints”), or of the existence of any other situation (the s.c. “situation complaints”). It is noteworthy that situation complaints are not allowed in disputes arising under the GATS,⁸¹ whereas non-violation complaints and situation complaints are currently not allowed in disputes arising under the TRIPS Agreement.⁸²

Before bringing a case, Members have to exercise their judgment as to whether an action under the DSU rules and procedures would be fruitful.⁸³ As suggested in the DSU and in Article XXIII:1 of the GATT 1994, Members are largely self-regulating in deciding whether any action would be fruitful.⁸⁴ It follows that they have broad discretion in deciding whether to bring a case against another Member under the DSU.⁸⁵ Concurrently, a panel is not required nor

⁷⁷ Article 23.2 of the DSU.

⁷⁸ Appellate Body Report, *United States - Import Prohibition of Certain Shrimp and Shrimp Products*, (“US - Shrimp”), WT/DS58/AB/R, adopted on 6 November 1998, para. 101.

⁷⁹ *Id.*

⁸⁰ *Id.*

⁸¹ Article XXIII:3 of the GATS.

⁸² Article 64.2 of the TRIPS Agreement.

⁸³ Article 3.7 of the DSU.

⁸⁴ Appellate Body Report, *EC - Bananas III*, para. 135.

⁸⁵ *Id.*

authorized by the DSU to look behind a Member's decision to bring a case and to question its exercise of judgment.⁸⁶

Disputes can be brought about WTO Members' "measure[s]".⁸⁷ Given that the WTO Agreement is an international agreement, and only national governments and separate customs territories are directly subject to obligations stemming from it, it logically follows that the term "measure" refers only to policies or actions of governments, not those of private parties.⁸⁸ This does not exclude the possibility for private actions to be attributable to a government because there is a governmental connection to the private action or the government has endorsed it.⁸⁹ In addition, governmental measures, even though not trade restrictive, may enable private parties, directly or indirectly, to restrict trade.⁹⁰

Since the DSU refers to "specific measures at issue",⁹¹ as a general rule measures included in the panel's terms of reference must be in existence at the time of the establishment of the panel.⁹² The status of the measure(s) which is at issue in the dispute (whether the measure is still in force, terminated, amended or not yet in existence after the commencement of the panel proceedings) has a limited bearing on the capacity of a panel or the Appellate Body to make findings on it. That is because whether or not a measure is still in force is not dispositive of whether that measure is currently affecting the operation of any covered agreement, an issue which must be resolved on the facts of each case.⁹³ However, the revocation of a challenged measure could be relevant to the recommendations that a panel or the Appellate Body may make on it⁹⁴ and the implementation stage of the dispute settlement process.⁹⁵ It is also possible for a panel to examine a measure enacted after its establishment, if the amendment does not change the essence of the identified measure.⁹⁶

⁸⁶ Appellate Body Report, *Mexico - Anti-Dumping Investigation of High Fructose Corn Syrup (HFCS) from the United States - Recourse to Article 21.5 of the DSU by the United States*, ("Mexico - Corn Syrup - Recourse to Article 21.5 of the DSU by the United States"), WT/DS132/AB/RW, adopted on 21 November 2001, para. 74.

⁸⁷ Article 26.1 DSU, and Article XXIII:1 (b) of the GATT 1994.

⁸⁸ Panel Report, *Japan - Measures Affecting Consumer Photographic Film and Paper*, ("Japan - Film"), WT/DS44/R, adopted on 22 April 1998, para. 10.52.

⁸⁹ *Id.*

⁹⁰ Panel Report, *Argentina - Measures Affecting the Export of Bovine Hides and the Import of Finished Leather*, ("Argentina - Hides and Leather"), WT/DS155/R, adopted on 16 February 2001, para. 11.19.

⁹¹ Article 6.2 of the DSU.

⁹² Appellate Body Report, *European Communities - Selected Customs Matters*, ("EC - Selected Customs Matters"), WT/DS315/AB/R, adopted on 11 December 2006, para. 184; Appellate Body Report, *European Communities - Customs Classification of Frozen Boneless Chicken Cuts*, ("EC - Chicken Cuts"), WT/DS269/AB/R, WT/DS286/AB/R, adopted on 27 September 2005, para. 156.

⁹³ Appellate Body Report, *United States - Subsidies on Upland Cotton*, ("US - Upland Cotton"), WT/DS267/AB/R, adopted on 21 March 2005, para. 262.

⁹⁴ Appellate Body Report, *US - Upland Cotton*, para. 272; Appellate Body Report, *US - Certain EC Products*, para. 81; Appellate Body Report, *European Communities - Measures Affecting the Approval and Marketing of Biotech Products*, ("EC - Approval and Marketing of Biotech Products"), WT/DS291/AB/R, adopted on 21 November 2006, para. 7.1650.

⁹⁵ Panel Report, *Indonesia - Certain Measures Affecting the Automobile Industry*, ("Indonesia - Autos"), WT/DS54/R, adopted on 23 July 1998, para. 14.9.

⁹⁶ Appellate Body Report, *EC - Selected Customs Matters*, para. 184; Appellate Body Report, *Chile - Price Band*, para. 139.

Eventually, it is important to understand whether Members may challenge measures as such, that is independently from the application of the measure in specific instances, or only as applied. WTO panels and the Appellate Body have followed previous GATT practice, according to which a distinction should be made between mandatory and discretionary legislation when dealing with a challenge to a measure as such. Only legislation that mandates a violation of obligations under WTO Agreements can be found as such to be inconsistent with those obligations.⁹⁷ Legislation which gives discretion to the executive authorities of Members to act inconsistently with the WTO Agreements cannot be challenged as such.⁹⁸ Finally, as already mentioned, Members have the possibility to seek authoritative interpretation of a provision of a covered agreement.⁹⁹ However, panels and the Appellate Body cannot render authoritative interpretations of provisions of the covered agreements. It is the Ministerial Conference and the General Council which have the exclusive authority to adopt interpretations of the WTO Agreement and the Multilateral Trade Agreements.¹⁰⁰

1.2.c. Third Parties and Non - State Actors

The WTO is a member - driven organization: rights and obligations under the DSU belong to WTO Members alone.¹⁰¹ It has been already stressed that only Members may become party or third party to a dispute and only parties and third parties have a legal right to make submissions to, and have a legal right to have those submissions considered by, a panel.¹⁰² By implication, those subjects which do not have a governmental nature, such as Non - Governmental Organizations (“NGOs”), labor unions or industry associations, do not have direct access to the WTO dispute settlement system. They do not have the right to be heard or to participate in the proceedings. This has generated much debate in the WTO on *amicus curiae* briefs that is unsolicited submissions that panels and the Appellate Body receive during disputes from entities which are not party or third party to the dispute. In particular, one has to distinguish different cases. When a brief or other material is attached to the submissions of the appellant or the appellee, no matter who is the author of this material, the brief or material is at least *prima facie* an integral part of that participant’s submission.¹⁰³ Indeed, the participant in an appeal determines for itself what to include in its submission, and it assumes responsibility for the content of its submission, including any annexes or attachments.¹⁰⁴ In the

⁹⁷Panel Report, *United States - Sunset Review of Anti-Dumping Duties on Corrosion - Resistant Carbon Steel Flat Products from Japan*, (“US - Corrosion - Resistant Steel Sunset Review”), WT/DS244/AB/R, adopted on 9 January 2004 as modified by the Appellate Body, paras. 7.124 - 7.127; Appellate Body Report, *United States - Anti-Dumping Act of 1916*, (“US - 1916 Act (EC)”), WT/DS136/AB/R, adopted on 26 September 2000, para. 60; GATT Panel Report, *United States - Measures Affecting the Importation, Internal Sale and Use of Tobacco*, (“US - Tobacco”), DS44/R, adopted by the Council on 4 October 1994, para. 118.

⁹⁸*Id.*

⁹⁹Article 3.9 of the DSU.

¹⁰⁰Appellate Body Report, *US - Wool Shirts and Blouses*, p. 20.

¹⁰¹General Council, *Minutes of the Meeting of 22 November 2000*, WT/GC/M/60, dated 23 January 2001, para. 114.

¹⁰²Appellate Body Report, *US - Shrimp*, para. 101.

¹⁰³*Ibid.*, para. 89.

¹⁰⁴*Id.*

case of unsolicited *amicus curiae* briefs which are not attached to any submissions of a party or third party to the dispute, one has to turn to the DSU,¹⁰⁵ which enables panels to seek information and advice as they deem appropriate in a particular case.¹⁰⁶ Further, taking into account other provisions of the DSU,¹⁰⁷ one can conclude that panels have the discretionary authority either to accept and consider or to reject information and advice submitted to it, whether requested by them or not.¹⁰⁸

Neither the *Working Procedures for Appellate Review* (“Working Procedures”), nor the DSU, specifically address the possibility for the Appellate Body to accept and consider submissions from sources other than parties or third parties to the dispute.¹⁰⁹ Nonetheless, under Article 17.9 of the DSU, the Appellate Body has the authority to adopt procedural rules which do not conflict with any rule or procedure of the DSU and the covered agreements. It follows that the Appellate Body has the authority to decide to accept and consider any information that it believes is pertinent and useful in an appeal, as long as this is consistent with the DSU and the covered agreements.¹¹⁰

1.3. WTO Dispute Settlement Procedural Rules

1.3.a. Rules of the WTO Dispute Settlement Process

The DSU sets forth specific rules for Members to have recourse to the WTO dispute settlement mechanism. Beyond the steps or phases of the dispute settlement process (consultations, panel proceedings, appellate review, arbitral proceedings, see **Chapter 1.3.b The Stages of WTO Dispute Settlement Process**), the DSU stipulates a number of rules on the functioning of the dispute settlement mechanism.

First, when faced with a dispute, panels and the Appellate Body have clearly to interpret the provisions of the relevant covered agreement. The DSU explicitly stipulates that the provisions of the covered agreements have to be interpreted in accordance with the customary rules of interpretation of public international law.¹¹¹ The customary rules of treaty interpretation referred to in the DSU are expressed in Articles 31 and 32 of the *Vienna Convention on the Law of Treaties* (“VCLT”).¹¹² With specific regard to Article 31 of the VCLT, this has to be read as one holistic rule of interpretation, rather than a sequence of separate tests to be applied in a

¹⁰⁵ Article 13 of the DSU.

¹⁰⁶ Appellate Body Report, *EC - Hormones*, para. 147.

¹⁰⁷ Articles 11 and 12 of the DSU.

¹⁰⁸ Appellate Body Report, *US - Shrimp*, para. 108.

¹⁰⁹ Appellate Body Report, *United States - Imposition of Countervailing Duties on Certain Hot - Rolled Lead and Bismuth Carbon Steel Products Originating in the United Kingdom*, (“*US - Lead and Bismuth II*”), WT/DS138/AB/R, adopted on 7 June 2000, para. 39.

¹¹⁰ *Id.*

¹¹¹ Article 3.2 of the DSU.

¹¹² Appellate Body Report, *United States - Standards for Reformulated and Conventional Gasoline*, (“*US - Gasoline*”), WT/DS2/AB/R, adopted on 20 May 1996, p. 17; Appellate Body Report, *Japan - Taxes on Alcoholic Beverages*, (“*Japan - Alcoholic Beverages II*”), WT/DS8/AB/R, WT/DS10/AB/R, WT/DS11/AB/R, adopted on 1 November 1996, p. 9.

hierarchical order, based on the different elements referred therein (text, context, object and purpose, good faith).¹¹³

The DSU does not explicitly address however each and every single issue which could arise in a dispute. For instance, the DSU does not set forth any specific rule on the burden of proof in the WTO dispute settlement system. It is nevertheless important to identify the party which bears the burden of proof in a dispute (*onus probandi*), that is which party has the duty to prove a fact or facts relating to the issue in dispute. Consequently, it has been for panels and the Appellate Body to clarify on this point. The burden of proof rests upon the party, complainant or defendant, which asserts the affirmative of a particular claim or defense.¹¹⁴ The burden of proof will shift to the other party if the one who asserts the claim or defense adduces sufficient evidence to raise a presumption that what is claimed is true.¹¹⁵ The other party will have in turn to adduce sufficient evidence to rebut the presumption.¹¹⁶ How much and what kind of evidence is required to establish a presumption that what is claimed is true will depend on the specific measure at issue, the specific provision at issue and the circumstances of the specific case.¹¹⁷ Also, the DSU is silent on the issue of representation of the parties before panels and the Appellate Body. The Appellate Body has pointed out that it could find no rule in the WTO Agreement, the DSU, the Working Procedures, customary law or the prevailing practice of international tribunals preventing a WTO Member from determining the composition of its delegation in Appellate Body proceedings.¹¹⁸ It has therefore ruled that WTO Members are free to decide the composition of the delegation representing it in oral hearings of the Appellate Body.¹¹⁹ The same solution has been provided for in the context of panel proceedings, with specific regard to private lawyers.¹²⁰

As a general rule, the WTO dispute settlement mechanism is characterized by confidentiality. This is clearly indicated for panels and the Appellate Body proceedings.¹²¹ This is however tempered by the provision of Article 18.2 of the DSU, according to which a party to a dispute can disclose statements of its own positions to the public. Further, under the same provision, upon request of a Member, a party to a dispute has to provide a non - confidential summary of the information contained in its written submissions that could be disclosed to the public. Further, panels and the Appellate Body can adopt additional special procedures for the

¹¹³ Panel Report, *US - Section 301 Trade Act*, para. 7.22.

¹¹⁴ Appellate Body Report, *US - Wool Shirts and Blouses*, p. 14; Appellate Body Report, *European Communities - Trade Description of Sardines*, (“*EC - Sardines*”), WT/DS231/R, adopted on 23 October 2002, para. 270; Appellate Body Report, *India - Quantitative Restrictions on Imports of Agricultural, Textile and Industrial Products*, (“*India - Quantitative Restrictions*”), WT/DS90/AB/R, adopted on 22 September 1999, para. 135.

¹¹⁵ *Id.*

¹¹⁶ *Id.*

¹¹⁷ Appellate Body Report, *US - Wool Shirts and Blouses*, p. 14.

¹¹⁸ Appellate Body Report, *EC - Bananas III*, para. 10.

¹¹⁹ *Id.*

¹²⁰ Panel Report, *Indonesia - Autos*, para. 14.1.

¹²¹ Articles 14, 17.10 and 18.2 of the DSU, and Paragraph 3 of Appendix 3 of the DSU.

protection of confidential business information, depending on the circumstances of the case and their own considerations.¹²²

Where the parties to a dispute do not reach a mutually agreed solution, and the measure(s) at issue is inconsistent with the provisions of any of the covered agreements, the DSU provides for a specific range of remedies available to parties. Namely, the DSU specifies that the first objective of the dispute settlement mechanism is to secure the withdrawal (or amendment) of such measure.¹²³ If immediate withdrawal is impracticable, compensation can be an alternative remedy, while awaiting withdrawal.¹²⁴ Eventually, the suspension of concessions or other obligations (s.c. “retaliation”) awaiting withdrawal can be authorized by the DSB as a last resort.¹²⁵ When Panels and the Appellate Body conclude that a measure is inconsistent with a covered agreement, they can only recommend that the Member concerned generally “*bring the measure into conformity with that agreement*”.¹²⁶ In exceptional cases, panels can also suggest ways in which such recommendations could be implemented, taking into account the circumstances of the specific case.¹²⁷ Prompt compliance with recommendations and rulings of the DSB is generally required.¹²⁸ Where it results however impracticable for the Member concerned to immediately comply with the recommendations and rulings of the DSB, a reasonable period of time for compliance is available under the DSU.¹²⁹ The reasonable period of time may be determined by the DSB, or mutually agreed on by the parties to the dispute or, eventually, determined through binding arbitration at the request of either party.¹³⁰

As already clarified, compensation and retaliation are only temporary measures which are available only where the preferred solution of the full implementation of DSB recommendations and rulings within a reasonable period of time is not practicable. The DSU sets forth specific rules on the sequencing of steps and the principles and procedures to be followed when a Member resorts to compensation and retaliation.¹³¹ In particular, Members are not free to determine what concessions and obligations to suspend. The complaining party has to first seek to suspend concessions or other obligations with respect to the same sector in which the panel or the Appellate Body has found a violation or other nullification and

¹²² This happened in several cases, see e.g. Panel Report, *Canada - Measures Affecting the Export of Civilian Aircraft, Annex 1 - Procedures Governing Business Confidential Information and Declaration of Non - Disclosure*, WT/DS71/R, adopted on 4 August 2000, as modified by the Appellate Body report; Panel Report, *Canada - Measures Relating to the Exports of Wheat and Treatment of Imported Grain, (“Canada - Wheat Exports and Grain Imports”)*, WT/DS276/R, adopted on 27 September 2004, as modified by the Appellate Body report, paras. 6.8 - 6.9, referring to the adoption by the Panel of *Additional Working Procedures for the Protection of Strictly Confidential Information (“SCI”)*.

¹²³ Article 3.7 and 22.1 of the DSU.

¹²⁴ *Id.*

¹²⁵ *Id.*

¹²⁶ Article 19.1 of the DSU.

¹²⁷ Panel Report, *Korea - Anti-Dumping Duties on Imports of Certain Paper from Indonesia, (“Korea - Certain Paper”)*, WT/DS312/R, adopted on 28 November 2005, paras. 9.3.

¹²⁸ Article 21.1 of the DSU.

¹²⁹ Article 21.3 of the DSU.

¹³⁰ Article 21.3 (a), (b) and (c) of the DSU.

¹³¹ In particular, Article 22.2 and 22.3 of the DSU.

impairment.¹³² In the alternative, where the complaining party considers this first option impracticable or ineffective, the complaining party may seek to suspend concessions or other obligations in other sectors under the same agreement.¹³³ Eventually, if the complaining party considers these two options impracticable or ineffective, the complaining party may seek to suspend concessions or other obligations under another covered agreement.¹³⁴ Where Members adopt measures which consist in unauthorized suspension of concessions, they do so inconsistently with the DSU.¹³⁵

1.3.b. The stages of WTO Dispute Settlement Process

As clearly set forth in the DSU, the WTO dispute settlement process always commence with an attempt of the complainant to hold consultations with the respondent, with the aim to reach a positive solution, mutually acceptable to the parties to a dispute.¹³⁶ If the consultations fail to settle the dispute, the complaining party may resort to adjudication, by requesting the establishment of a panel.¹³⁷ At the end of the panel proceedings, the panel submits its findings to the DSB in the form of a written report.¹³⁸ This report will have to be adopted at a DSB meeting, unless the DSB decides by consensus not to adopt the report or a party to the dispute decides to appeal.¹³⁹ The Appellate Body will hear appeal from the panel cases and,¹⁴⁰ at the end of the appellate review proceedings, will issue a report where it may uphold, modify or reverse the legal findings and conclusions of the panel.¹⁴¹ An Appellate Body report has to be adopted by the DSB, without prejudice to the right of Members to express their views on it, and it has to be unconditionally accepted by the parties to the dispute unless the DSB decides by consensus not to adopt it.¹⁴² Accordingly, if a report is adopted and a Member has been found to have breached any WTO Agreement, there should be prompt compliance with recommendations and rulings of the DSB.¹⁴³ A specific timeframe and procedures for surveillance of implementation for recommendations and rulings are set forth in the DSU.¹⁴⁴

The DSU set out a specific time - frame for consultations to take place. Unless differently agreed by the complaining and the responding party, the responding party has to reply to the request for consultations of the complaining party within 10 days after the date of its receipt and has to enter in good faith into consultations with it within a period of no more than 30 days after the date of receipt of the request, with a view to reaching a mutually satisfactory

¹³² Article 22.3 (a) of the DSU.

¹³³ Article 22.3 (b) of the DSU.

¹³⁴ Article 22.3 (c) of the DSU.

¹³⁵ Appellate Body Report, *US - Certain EC Products*, paras. 116 - 121.

¹³⁶ Articles 1, 3.7 and 4 of the DSU.

¹³⁷ Article 4.7 of the DSU.

¹³⁸ Article 12.7 of the DSU.

¹³⁹ Article 16.4 of the DSU.

¹⁴⁰ Article 17.1 of the DSU.

¹⁴¹ Article 17.13 and 17.14 of the DSU.

¹⁴² Article 17.14 of the DSU.

¹⁴³ Article 21.1. of the DSU.

¹⁴⁴ Article 21 of the DSU.

solution.¹⁴⁵ If the Member to which the request of consultations is made does not respond or enter into consultations within the above-mentioned periods, the party which requested consultations may proceed directly to request the establishment of a panel.¹⁴⁶ Similarly, if the consultations fail to settle a dispute within 60 days after the date of receipt of the request for consultations, the complaining party may request the establishment of a panel.¹⁴⁷ This request may be made also during the 60 - day period if the consulting parties jointly consider that consultations have failed to settle the dispute.¹⁴⁸ Consultations are extremely important: through them, parties exchange information, assess their respective cases and could reach a mutually agreed solution.¹⁴⁹ Moreover, consultations are positive and afford benefits not only to complaining and responding parties, but to third parties and to the dispute settlement system as a whole.¹⁵⁰ To this end, the request for consultations, which has to be notified to the DSB and the relevant councils and committees by the Member requesting consultations, has to be submitted in writing and has to give the reasons for the request, including identification of the measures at issue and an indication of the legal basis for the complaint.¹⁵¹ In *India - Patents (US)*, the Appellate Body stressed that during consultations (as well as during panel proceedings) parties have to clearly state their claims and to freely disclose facts, for the claims that are made and the facts that are established during consultations do much to shape the substance and the scope of the subsequent panel proceedings.¹⁵² Panels however can examine only the request for consultations, with the exclusion of what actually happened during consultations.¹⁵³ The DSU only requires that consultations are in fact held, since what takes place in consultations is confidential and no public record of them exists.¹⁵⁴ A mutually agreed solution to a matter formally raised under the consultation and dispute settlement provisions of the covered agreement has to be notified to the DSB and the relevant councils and committees.¹⁵⁵ If a mutually agreed solution is reached when the dispute is already before a panel, the panel report has to be confined to a brief description of the case and to reporting that a solution has been reached.¹⁵⁶

Where no mutually agreed solution is reached through consultations, the complaining party may request the establishment of a panel. The request for the establishment of a panel has to be in writing and indicate whether consultations were held, identify the specific measures at issue, provide a brief summary of the legal basis of the complaint sufficient to present the

¹⁴⁵ Article 4.3 of the DSU.

¹⁴⁶ Article 4.3 of the DSU.

¹⁴⁷ Article 4.7 of the DSU.

¹⁴⁸ Article 4.7 of the DSU.

¹⁴⁹ Appellate Body Report, *Mexico - Corn Syrup, Recourse to Article 21.5 of the DSU by the United States*, para. 54.

¹⁵⁰ *Id.*

¹⁵¹ Article 4.4 of the DSU.

¹⁵² Appellate Body Report, *India - Patents (US)*, para. 94.

¹⁵³ Appellate Body Report, *US - Upland Cotton*, para. 287.

¹⁵⁴ *Id.*

¹⁵⁵ Article 3.6 of the DSU.

¹⁵⁶ Article 12.7 of the DSU.

problem clearly.¹⁵⁷ The DSU does not require identity between the request for establishment of a panel and the request for consultations, provided that the legal basis in the panel request may reasonably be said to be shaped by, and an evolution of, the legal basis that formed the subject of consultations.¹⁵⁸ On this line, and in parallel with the request for consultations, the request for the establishment of a panel forms the basis for the terms of reference of the panel pursuant to Article 7 of the DSU, and informs the defending party and the third parties of the legal basis of the complaint.¹⁵⁹ In particular, the measure at issue must be sufficiently identified so as to allow the respondent to defend itself, in the respect of the rule of due process.¹⁶⁰

After the panel request is made, a panel is established at the latest at the DSB meeting following that at which the request first appears as an item on the DSB's agenda, unless at that meeting the DSB decides by consensus not to establish a panel.¹⁶¹ If multiple complaints are made with regard to the same subject matter, a single panel may be established to examine these complaints taking into account the rights of all Members concerned.¹⁶² If more than one panel is established in practice to examine the complaints related to the same matters, the same persons shall serve as panelists on each of the separate panels and the timetable for the panel process in such disputes shall be harmonized to the greatest extent possible.¹⁶³ However, if one of the parties to the dispute so requests, the panel has to submit separate reports on the dispute concerned.¹⁶⁴

A panel's terms of reference are established by the claims raised in the complainant's request for establishment of a panel.¹⁶⁵ Under the DSU, panels have certain standard terms of reference,¹⁶⁶ unless the applicant requests the establishment of a panel with other, special terms of reference included in the request for establishment of a panel.¹⁶⁷ Panels will have the standard terms of reference unless the parties to the dispute agree on special terms of reference within 20 days from the establishment of the panel.¹⁶⁸ In this sense, the panel's terms of reference are governed by the panel request and they have to respect two distinct requirements, namely the identification of the specific measure(s) at issue and the provision of

¹⁵⁷ Article 6.2 of the DSU.

¹⁵⁸ Appellate Body Report, *Mexico - Definitive Anti-Dumping Measures on Beef and Rice, Complaint with Respect to Rice*, ("Mexico - Anti-Dumping Measures on Rice"), WT/DS295/AB/R, adopted on 20 December 2005, para. 136 - 138.

¹⁵⁹ Appellate Body Report, *EC - Bananas III*, para. 142.

¹⁶⁰ Appellate Body Report, *European Communities - Customs Classification of Certain Computer Equipment*, ("EC - Computer Equipment"), WT/DS62/AB/R, WT/DS67/AB/R, WT/DS68/ABR, adopted on 22 June 1998, para. 70; Panel Report, *Japan - Film*, paras. 10.8 - 10.10.

¹⁶¹ Article 6.1 of the DSU.

¹⁶² Article 9.1 of the DSU.

¹⁶³ Article 9.3 of the DSU.

¹⁶⁴ Article 9.2 of the DSU.

¹⁶⁵ Appellate Body Report, *United States - Continued Existence and Application of Zeroing Methodology*, ("US - Continued Zeroing"), WT/DS350/AB/R, adopted on 19 February 2009, para. 161.

¹⁶⁶ Article 7 of the DSU.

¹⁶⁷ Article 6.2 of the DSU.

¹⁶⁸ Article 7.1 of the DSU.

a brief summary of the legal basis of the complaint or claim.¹⁶⁹ These two elements form together the “*matter referred to the DSB*”, which is the basis for a panel’s terms of reference.¹⁷⁰ The panel’s terms of reference are therefore important because they fulfill a due process objective, giving parties and third parties sufficient information on the claims so as to respond to the complainant’s case.¹⁷¹ Further, they establish the jurisdiction of the panel by defining the precise claims at issue in the dispute.¹⁷² As clarified by the Appellate Body in *US - Shrimp (Viet Nam)*, with regard to the need to identify the specific measure at issue in the panel request,¹⁷³ although it is not possible to identify a measure without some indication of its content, a measure has to be identified only with sufficient particularity so as to indicate its nature and the gist of what is at issue.¹⁷⁴

During panel proceedings, panels have to follow the *Working Procedures in Appendix 3* to the DSU, unless they decide to do otherwise after consulting the parties to the dispute.¹⁷⁵ In fact, panels enjoy a certain margin of discretion to deal with specific situations that may arise in a particular case and are not explicitly regulated.¹⁷⁶ Nevertheless, panels’ discretion does not extend to modifying the substantive provisions of the DSU.¹⁷⁷

After consideration of submissions, rebuttal submissions and oral arguments of the parties, the panel shall issue a descriptive (factual and arguments) sections of its draft report to the parties to the dispute. Within a period of time set by the panel, the parties have to submit their comments in writing.¹⁷⁸ After the expiration of this period, the panel will issue an interim report and will set a period of time for the revision of aspects of the report or to hold meetings, if parties so request.¹⁷⁹ When the panel reaches its findings and conclusions on the dispute before it, or if no comments are received during the specific period for comments on the interim report, the panel submits a final written report to the DSB.¹⁸⁰ The panel report must set out at least the findings of fact, the applicability of relevant provisions and the basic rationale behind any findings and recommendations that it makes.¹⁸¹ In particular, panels have to make explicit the basic rationale behind their findings and recommendations so as to assist

¹⁶⁹ Appellate Body Report, *United States - Countervailing Duties on Certain Corrosion - Resistant Carbon Steel Flat Products from Germany*, (“*US - Carbon Steel*”), WT/DS213/AB/R, adopted on 19 December 2002, paras. 124 - 125; Appellate Body Report, *US - Continued Zeroing*, para. 160.

¹⁷⁰ Appellate Body Report, *US - Carbon Steel*, paras. 124 - 125; Appellate Body Report, *US - Continued Zeroing*, WT/DS350/AB/R, adopted on 19 February 2009, para. 160.

¹⁷¹ Appellate Body Report, *Brazil - Desiccated Coconut*, p. 22.

¹⁷² *Id.*

¹⁷³ Article 6.2 of the DSU.

¹⁷⁴ Panel Report, *United States - Anti-Dumping Measures on Certain Shrimp from Viet Nam*, (“*US - Shrimp (Viet Nam)*”), WT/DS404/R, adopted on 2 September 2011, para. 7.50.

¹⁷⁵ Article 12 of the DSU.

¹⁷⁶ Appellate Body Report, *EC - Hormones*, footnote 138.

¹⁷⁷ Appellate Body Report, *India - Patents (US)*, para. 92.

¹⁷⁸ Article 15.1 of the DSU.

¹⁷⁹ Article 15.2 of the DSU.

¹⁸⁰ Article 12.7 and Article 15.2 of the DSU.

¹⁸¹ Article 12.7 of the DSU.

the Member concerned to understand the nature of its obligation(s), and to make informed decisions on with regard to the report.¹⁸² However, it is not possible (nor desirable) to determine, in the abstract, the minimum standard of reasoning that constitutes basic rationale for the findings and recommendations made by the panel.¹⁸³ A case - by - case examination is necessary to determine whether a panel has articulated adequately the basic rationale for its findings and recommendations.¹⁸⁴ Panelists can also express dissenting opinions, but they are obliged to do so anonymously.¹⁸⁵

As a general rule, the time limit for the panel proceedings, from the date of the agreement upon the composition and the terms of reference until the date of the issuance of the panel report to the parties to the dispute, is six months.¹⁸⁶ Three months is the time limit in cases of urgency.¹⁸⁷ However, panels can exceed this time frame, when they consider that they cannot issue the report within this time limit, informing the DSB in writing of the reasons for the delay together with an estimate of the period within which it will issue its report.¹⁸⁸ This period cannot exceed in any case nine months.¹⁸⁹

The appellate review proceeding starts with a party's appeal. Only the parties to the dispute may appeal the panel report.¹⁹⁰ Within 60 days after the date of circulation of a panel report, the report will be adopted at a DSB meeting unless a party to the dispute formally notifies the DSB of its decision to appeal or the DSB decides by consensus not to adopt the report.¹⁹¹ Where a party has notified its decision to appeal, the panel report will not be considered for adoption by the DSB until after completion of the appeal.¹⁹² In any case, Members retain their right to express their views on the panel report.¹⁹³ Third parties in the panel proceedings may make written submissions to, and be given an opportunity to be heard by, the Appellate Body.¹⁹⁴

When a party notifies in writing to the DSB its decision to appeal, it has to simultaneously file the notice of appeal with the Secretariat.¹⁹⁵ A notice of appeal has to indicate certain information, such as the title of the panel report under appeal, a brief statement of the nature of the appeal identifying the alleged errors in the issues of law covered in the panel report and legal interpretations developed by the panel, and a list of legal provisions of the covered

¹⁸² Appellate Body Report, *Mexico - Corn Syrup (Article 21.5 US)*, para. 107.

¹⁸³ Appellate Body Report, *Korea - Alcoholic Beverages*, para. 168.

¹⁸⁴ Appellate Body Report, *Mexico - Corn Syrup (Article 21.5 US)*, para. 108.

¹⁸⁵ Article 14 of the DSU:

¹⁸⁶ Article 12.8 of the DSU.

¹⁸⁷ *Id.*

¹⁸⁸ Article 12.9 of the DSU.

¹⁸⁹ *Id.*

¹⁹⁰ Article 17.4 of the DSU.

¹⁹¹ Article 16.4 of the DSU.

¹⁹² *Id.*

¹⁹³ *Id.*

¹⁹⁴ Article 10.2 of the DSU.

¹⁹⁵ Rule 20 (1) of the Working Procedures.

agreement that the panel is alleged to have erred in interpreting or applying.¹⁹⁶ This latter indication is without prejudice of the ability of the appellant to refer to other paragraphs of the panel report in the context of its appeal.¹⁹⁷ The Appellate Body members in charge of a case (the s.c. “division”) draws up an appropriate working schedule for the appeal, setting forth the dates for the filings of documents and a timetable for the division’s work including, where possible, the date for the oral hearing.¹⁹⁸ The time period could be modified upon request by a party to the dispute, a participant, a third party or a third participant.¹⁹⁹ Multiple appeals are allowed.²⁰⁰ Further, at any time during the appellate proceeding, the appellant may withdraw its appeal by notifying the Appellate Body, which in turn has to notify the DSB.²⁰¹ Where a mutually agreed solution to a dispute which is the subject of an appeal has been notified to the DSB according to Article 3.6 of the DSU, it shall be notified to the Appellate Body.²⁰² The Working Procedures set out precise requirements and time limits for the appellant and the appellee’s submissions.²⁰³ As a general rule, the relevant division of the Appellate Body has to hold an oral hearing between 30 and 45 days after the date of the filing of a notice of appeal.²⁰⁴ Pursuant to the rule of collegiality,²⁰⁵ the members of the relevant division of the Appellate Body exchange views and proceed to deliberations.

An appeal has to be limited to issues of law covered in the panel report and legal interpretations developed by the panel.²⁰⁶ Therefore, a panel’s findings of facts are not subject to review by the Appellate Body. However, the consistency or inconsistency of a given fact or set of facts with a given treaty provision is a legal characterization and thus a legal question,²⁰⁷ as it is the question of whether a panel has made an objective assessment of the facts before it.²⁰⁸ In *US - Section 211 Appropriations Act*, the Appellate Body, recalling also its findings in *India - Patents (US)*, further clarified that the examination by a panel of a municipal law of a WTO Member for the purpose of determining whether that Member has complied with its obligations under the WTO Agreement is a legal characterization and is therefore subject to Appellate Review.²⁰⁹ The Appellate Body has to address each of the issues of law covered in the panel report and legal interpretations developed by the panel raised during the appellate

¹⁹⁶ Rule 20 (2) of the Working Procedures for Appellate Review, WT/AB/WP/6, 16 August 2010.

¹⁹⁷ *Id.*

¹⁹⁸ Rule 26 of the Working Procedures.

¹⁹⁹ Rule 16 (2) of the Working Procedures.

²⁰⁰ Rule 23 of the Working Procedures.

²⁰¹ Rule 30 (1) of the Working Procedures.

²⁰² Rule 30 (2) of the Working Procedures.

²⁰³ Rules 21 and 22 of the Working Procedures.

²⁰⁴ Rule 27 (1) of the Working Procedures.

²⁰⁵ Rule 4 of the Working Procedures.

²⁰⁶ Article 17.6 of the DSU.

²⁰⁷ Appellate Body Report, *EC - Hormones*, para. 132.

²⁰⁸ *Id.*; Appellate Body Report, *Korea - Alcoholic Beverages*, para. 162.

²⁰⁹ Appellate Body Report, *United States - Section 211 Omnibus Appropriations Act of 1998*, (“*US - Section 211 Appropriations Act*”), WT/DS176/AB/R, adopted on 1 February 2002, para. 105.

proceeding.²¹⁰ At the end of the Appellate Body proceedings, the Appellate Body relevant division issues a written report. Within 30 days following the circulation of the report to the Members, the Appellate Body report has to be adopted by the DSB and unconditionally accepted by the parties to the dispute unless the DSB decides by consensus not to adopt the report. The Appellate Body may uphold, modify or reverse the legal findings and conclusions of the panels.²¹¹ As a general rule, Appellate Body proceedings do not have to exceed 60 days from the date a party to the dispute formally notifies its decision to appeal to the date the Appellate Body circulates its report.²¹² This is not a strict time limit since, when the Appellate Body considers that it cannot provide its report within 60 days; it has to inform the DSB in writing of the reasons for the delay together with an estimate of the period within which it will submit its report.²¹³ The proceedings should not exceed in any case 90 days.²¹⁴ Still, it often happens that the Appellate Body completes its proceedings exceeding the 90-day time limit.²¹⁵

At the DSB meeting held within 30 days after the date of adoption of the panel or the Appellate Body report, the Member concerned has to inform the DSB of its intentions in respect of implementation of the recommendations and rulings of the DSB.²¹⁶ The DSB keeps under surveillance the implementation of adopted recommendations or rulings.²¹⁷

If immediate compliance with the recommendations and rulings is impracticable, the Member concerned has a reasonable period of time at disposal, which must be proposed by the Member concerned and approved by the DSB.²¹⁸ In the absence of such approval, it must be mutually agreed by the parties to the dispute within 45 days after the date of adoption of the recommendations and rulings.²¹⁹ If it is not possible to reach a mutual agreement on this period, it must be determined through binding arbitration within 90 days after the date of adoption of the recommendations and rulings.²²⁰ Specific rules are set forth in the DSU for these arbitral proceedings.²²¹ In *Canada - Pharmaceutical Patents (Article 21.3 (c) of the DSU)*, it has been clarified that, under Article 21.3 (c), arbitrator's mandate is only to determine the reasonable period of time for implementation of the DSB recommendations and rulings, to the

²¹⁰ Article 17.12 of the DSU.

²¹¹ Article 17.14 of the DSU.

²¹² Article 17.5 of the DSU.

²¹³ Article 17.5 of the DSU.

²¹⁴ *Id.*

²¹⁵ See e.g. Appellate Body Report, *EC - Asbestos*, para. 8; Appellate Body Report, *Thailand - Anti-Dumping Duties on Angles, Shapes and Sections of Iron or Non - Alloy Steel and H - Beams from Poland*, ("Thailand - H - Beams"), WT/DS122/AB/R, adopted on 5 April 2001, para. 7; Appellate Body Report, *US - Upland Cotton*, para. 8.

²¹⁶ Article 21.3 of the DSU.

²¹⁷ Article 21.6 of the DSU.

²¹⁸ Article 21.3 (a) of the DSU.

²¹⁹ Article 21.3 (b) of the DSU.

²²⁰ Article 21.3 (c) of the DSU.

²²¹ *Id.*

exclusion of any determination on the consistency of the proposed implementing measure with those recommendations and rulings.²²²

It could happen that, although the Member concerned has taken measures to comply with the DSB recommendations and rulings, there is disagreement on the existence or consistency of these measures with a covered agreement. In such a case, recourse to the dispute settlement procedures is envisaged, including, wherever possible, resort to the original panel.²²³ In this way, the complaining Member does not have to initiate dispute settlement proceedings afresh when an original measure found to be inconsistent has not been brought into conformity with the DSB recommendations and rulings.²²⁴ A panel constituted according to Article 21.5 will examine the factual and legal background of a measure allegedly taken to comply with recommendations and rulings. Only after such an analysis, an Article 21.5 panel will be able to determine whether the measure has been taken to comply with rulings and recommendations and will assess its consistency with the covered agreements.²²⁵

As already discussed, where DSB recommendations and rulings are not complied with, within a reasonable period of time, compensation and retaliation are the available temporary remedies.²²⁶ Compensation is voluntary and, if granted, has to be consistent with the covered agreements. Upon request of the complaining party and no later than the expiry of the reasonable period of time, the respondent has to enter into negotiations, with a view to developing mutually acceptable compensation.²²⁷ If within 20 days after the date of expiry of the reasonable period of time, the parties have not reached an agreement on mutually acceptable compensation, the complaining party may request authorization to the DSB to retaliate.²²⁸ In such a case, within 30 days after the date of expiry of the reasonable period of time, the DSB grants authorization to retaliate.²²⁹ However if the non-complying Member objects to the level of suspension proposed, or claims that the principles and procedures for suspension have not been followed, the matter may be referred to arbitration before the DSB takes a decision.²³⁰ According to Article 22.6, such arbitration is carried out under the auspices of the original panel, if the same members are available, or by an arbitrator appointed by the WTO Director-General.²³¹ In this respect, it must be noted that the relationship between the procedures sets forth in Article 21.5, for the institution of compliance panels, and Article 22, on

²²² Award of the Arbitrator, *Canada - Patent Protection of Pharmaceutical Products, Arbitration under Article 21.3 (c) of the Understanding on Rules and Procedures Governing the Settlement of Disputes*, ("Canada - Pharmaceutical Patents (Article 21.3 (c) Arbitration)"), WT/DS114/13, para. 41.

²²³ Article 21.5 of the DSU.

²²⁴ Appellate Body Report, *United States - Final Countervailing Duty Determination with Respect to Certain Softwood Lumber from Canada, Recourse by Canada to Article 21.5 of the DSU*, ("US - Softwood Lumber IV (Article 21.5 - Canada)"), WT/DS257/AB/RW, adopted on 20 December 2005, para. 72.

²²⁵ Appellate Body Report, *US - Softwood Lumber IV (Article 21.5 - Canada)*, para. 73.

²²⁶ Article 22 of the DSB.

²²⁷ Article 22.2 of the DSU.

²²⁸ *Id.*

²²⁹ Article 22.6 of the DSU.

²³⁰ *Id.*

²³¹ *Id.*

compensation and suspension of concessions, has given rise to debates on the so-called 'sequencing of the Dispute Settlement system'. The debate has focused on the connection and right sequence of the procedures contained in these two Articles. Different solutions, specific to each dispute, have been provided for this problem in a number of cases.

The arbitration must be completed within 60 days after the date of expiry of the reasonable period of time.²³² The decision of the arbitrator is final.²³³

1.4. Policy Issues relevant for Vietnam

1.4.a. The Importance of the WTO Dispute Settlement Process for the Country

The WTO dispute settlement process has proven to be an effective, efficient and reliable way to resolve trade disputes under the WTO Agreements. These advantages have been available for developed as well as for developing and least - developed countries. In several cases, these country Members have successfully challenged measures of developed country Members, obtaining compliance with WTO rules (this happened for instance with Costa Rica, Peru, Thailand, Malaysia or Pakistan).²³⁴ In this sense, the WTO dispute settlement process can address developing and least - developed countries concerns and expectations. In particular, the DSU sets forth special rules for developing and least - developed countries. Where a developing country Member brings a complaint against a developed country, the complaining party can invoke certain special provisions.²³⁵ The problems and interests of developing countries should be duly considered during consultations.²³⁶ If no mutually agreed solution is reached and the developing country Member so requests, the subsequently established panel will have to include at least one panelist from one developing country Member.²³⁷ Specific provisions are set out as well for the case where a developing country Member is the respondent in a dispute. The time limits for consultations might be extended in the case where the measure at issue has been taken by a developing country Member.²³⁸ This Member shall be accorded by a panel sufficient time to prepare and present its argumentations.²³⁹ Further, the panel dealing with a dispute where one of the parties is a developing country will have to explicitly indicate in its report how it took into consideration the differential and more - favorable treatment for developing country Members.²⁴⁰ The WTO Secretariat might provide

²³² Id.

²³³ Article 22.7 of the DSU.

²³⁴ See e.g. Appellate Body Report, *United States - Restrictions on Imports of Cotton and Man - Made Fibre Underwear*, WT/DS24/AB/R, adopted on 25 February 1997; Appellate Body Report, *European Communities - trade Description of Sardines*, WT/DS231/AB/R, adopted on 23 October 2002; Appellate Body Report, *United States - Import Prohibition of Certain Shrimp and Shrimp Products*, WT/DS58/AB/R, adopted on 6 November 1998.

²³⁵ Article 3.12 of the DSU.

²³⁶ Article 4.10 of the DSU.

²³⁷ Article 8.10 of the DSU.

²³⁸ Article 12.10 of the DSU.

²³⁹ Article 12.10 of the DSU.

²⁴⁰ Article 12.11 of the DSU.

additional assistance for developing country Members that so request.²⁴¹ The above-mentioned special treatment provisions for developing countries apply also to Viet Nam.

In addition, special procedures are set forth where least - developed country Members are involved in a dispute. Under Article 24.1 of the DSU, when a least - developed country is involved in a dispute, particular consideration has to be given to the special situation of this Member and the other WTO Members have to exercise due restraint in raising matters under DSU procedures. However, Vietnam cannot benefit from this provision, the Country being not a least - developed country.

Viet Nam has been a Member of the WTO since 11 January 2007.²⁴² Accession to the WTO has come after a long process of economic reforms, which have greatly benefitted the country. Acceding to the WTO, Viet Nam has clearly gained access also to the WTO dispute settlement system under the DSU. To date, Viet Nam has been involved in only two cases. It acted in both cases as a complainant, in order to defend its interest in the export of shrimps and shrimp products. In *US - Shrimp (Viet Nam)*, Viet Nam challenged several United States' anti - dumping measures on warm water shrimps from Viet Nam. The panel found that the United States had acted inconsistently with the GATT 1994 and the *Agreement on the Implementation of Article VI of the General Agreement on Tariffs and Trade 1994* ("Anti - Dumping Agreement") and that it had to bring its measures into conformity with its obligations under the two Agreements.²⁴³ In a subsequent dispute,²⁴⁴ Viet Nam challenged certain United States' anti - dumping measures concerning again frozen warm water shrimps from Viet Nam. No mutually agreed solution was reached. Consequently, Viet Nam requested establishment of a panel. On 17 November 2014, the report of the panel was circulated to Members.²⁴⁵ The panel found that the United States had acted inconsistently with the GATT 1994 and the Anti - Dumping Agreement and that it had to bring its measures into conformity with its obligations under the two Agreements.²⁴⁶ The panel declined however to exercise its discretion to suggest a specific way to implement its recommendation under Article 19.1 of the DSU, as requested by Viet Nam.²⁴⁷ On 6 January 2015, Viet Nam has notified the DSB of its appeal of certain conclusions and recommendations of the panel.²⁴⁸

²⁴¹ Article 27 of the DSU.

²⁴² World Trade Organization, *Viet Nam and the WTO*, member Information, available at http://www.wto.org/english/thewto_e/countries_e/vietnam_e.htm.

²⁴³ Panel Report, *US - Shrimp (Viet Nam)*, paras. 8.1 - 8.3.

²⁴⁴ *United States - Anti-Dumping Measures on Certain Shrimp from Viet Nam*, ("*US - Shrimp II (Viet Nam)*"), WT/DS429.

²⁴⁵ Panel Report, *US - Shrimp II (Viet Nam)*, WT/DS429/R.

²⁴⁶ Panel Report, *US - Shrimp II (Viet Nam)*, WT/DS429/R, paras. 8.1 - 8.3.

²⁴⁷ *Ibid.*, paras. 8.4 - 8.6.

²⁴⁸ *US - Shrimp II (Viet Nam) - Notification of an Appeal by Viet Nam Under Article 16.4 and Article 17 of the Understanding of Rules and Procedures Governing the Settlement of Disputes (DSU), and Under Rule 20 (1) of the Working Procedures for Appellate Review*, WT/DS429/5, circulated on 9 January 2015.

The involvement in only two trade disputes in seven years of membership put Viet Nam in line with a trend common to other Asian countries.²⁴⁹ The positive outcome of Viet Nam's first dispute, against a major player such as the United States, clearly shows the relevance of the WTO system of disputes settlement for the country. Viet Nam can take significant advantage from this system, in particular if compared with the alternative of bilateral trade disputes outside the WTO.²⁵⁰ Prior to its accession to the WTO, Viet Nam had been involved in a dispute against the United States over Viet Nam's exports of catfish.²⁵¹ Following United States' labeling measures and the application of anti - dumping duties on catfish from Viet Nam, Vietnam had suffered significant losses in U.S. market share. In 2001, a bilateral trade agreement between Viet Nam and the United States had entered into force.²⁵² The Agreement contained a provision on commercial disputes between private parties (Article 7 of Chapter I), and a provision on investment disputes (Article 4 of Chapter IV). No provision addressed however the case of a trade dispute between Viet Nam and the United States. Scholars have highlighted that, if Viet Nam were already a Member of the WTO at the time of its dispute with the United States, it might have tested the United States anti - dumping duties consistency with the Anti - Dumping Agreement.²⁵³ This example is particularly fitting, since Viet Nam has entered into a certain number of bilateral and plurilateral free trade agreements.²⁵⁴ Further, in the WTO, Members seem to be more inclined to comply with rulings of panels and the Appellate Body than in the case of bilateral dispute settlement mechanisms provided for in certain trade agreements. There seems to be in fact a higher reputational cost at stake in the WTO context, for the above-mentioned reasons.²⁵⁵ Defendants worry about the normative condemnation that goes along with a legal defeat, something much more effective than threats of direct retaliation.²⁵⁶ The non-compliant label could damage defendants in their prospects of gaining compliance when they, in turn, file a complaint.²⁵⁷

1.4.b. The Importance of Drawing Conclusions from Existing Foreign Cases

It is not possible to overestimate the importance of existing WTO cases for all WTO Members.

Under Article 3.2 of the DSU, "*the dispute settlement system of the WTO is a central element in providing security and predictability to the multilateral trading system.*" In this sense, the DSU

²⁴⁹ G.C. Schaffer, R. Meléndez - Ortiz (Eds.), *Dispute Settlement at the WTO - The Developing Country Experience*, (Cambridge University Press: 2011, UK), p. 9.

²⁵⁰ P. Drahos, *The Bilateral Web of Trade Disputes Settlement*, p. 17.

²⁵¹ Id.

²⁵² *Agreement Between the United States of America and the Socialist Republic of Vietnam on Trade Relations*, available at <http://www.usvtc.org/trade/bta/text/>.

²⁵³ P. Drahos, *The Bilateral Web of Trade Disputes Settlement*, presented at the *WTO Dispute Settlement and Developing Countries: Use, Implications, Strategies, Reforms*, University of Wisconsin, Madison, May 20 - 21, 2005, p. 18.

²⁵⁴ For instance, it seems that, to date, Viet Nam has entered into 20 free trade agreements, see Asian Regional Integration Center, *Free Trade Agreements by Country/Economy*, available at <http://aric.adb.org/fta-country>.

²⁵⁵ P. Drahos, *op. Cit.*, p. 19.

²⁵⁶ M. L. Busch, E. Reinhardt, *The WTO Dispute Settlement Mechanism and Developing Countries*, p. 4, <http://faculty.georgetown.edu/mlb66/SIDA.pdf>.

²⁵⁷ Id.

is one of the most important instruments to protect the security and predictability of the multilateral trading system.²⁵⁸ Panels should follow previously adopted Appellate Body reports addressing the same issues.²⁵⁹ To do otherwise would undermine the development of a coherent and predictable body of jurisprudence.²⁶⁰ By implication, in the absence of cogent reasons, an adjudicatory body has to resolve the same legal question in the same way in a subsequent case.²⁶¹ This is not however to imply that prior panels and Appellate Body's decisions have an unlimited bearing on future decisions. For instance, as clarified in *US - Shrimp (Viet Nam)*, even where prior panels and the Appellate Body's findings have been based on the same or similar set of facts of a current dispute, although relevant, they cannot go as far as alleviating parties of their burden of proof.²⁶² Even though tempered, the principles stemming from Article 3.2 of the DSU, as further elaborated in the WTO case law, show how relevant panels and the Appellate Body's decisions are, even for those Members which are not a party or third party to the dispute. Existing foreign cases can provide for guidance on how current and future disputes will be adjudicated.

Further, through disputes, panels and the Appellate Body discharge the fundamental task of clarifying the existing provisions of the covered agreements.²⁶³ This is extremely relevant, in particular where provisions are vague or have not been tested yet, and their precise meaning and scope could thus be partially obscure. In *China - Intellectual Property Rights*,²⁶⁴ the Panel was faced with many novel issues with regard to the enforcement of the obligations under the TRIPS Agreement. The panel's decision attracted therefore much attention both from practitioners and academia precisely for the opportunity to better understand what are the obligations of WTO Members overall under the TRIPS Agreement. In *Australia - Tobacco Plain Packaging Cases*,²⁶⁵ several issues on the extension of trademark owners' rights and trademark regulation are at issue. Unexpectedly, there is great expectation on the rulings so as to further understand what States can do and what they cannot do to regulate intellectual property for public purposes under the TRIPS Agreement.

²⁵⁸ Panel Report, *US - Section 301 Trade Act*, para. 7.75.

²⁵⁹ Appellate Body Report, *US - Stainless Steel (Mexico)*, para. 161.

²⁶⁰ *Id.*

²⁶¹ *Ibid.*, para. 160.

²⁶² Panel Report, *US - Shrimp (Viet Nam)*, footnote 163.

²⁶³ Article 3.2 of the DSU.

²⁶⁴ Panel Report, *China - Measures Affecting the Enforcement of Intellectual Property Rights*, ("*China - Intellectual Property Rights*"), WT/DS362/AB/R, adopted on 20 March 2009.

²⁶⁵ *Australia - Certain Measures Concerning Trademarks, Geographical Indications and other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, ("*Australia - Tobacco Plain Packaging (Indonesia)*"), WT/DS467; *Australia - Certain Measures Concerning Trademarks, Geographical Indications and other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, WT/DS458; *Australia - Certain Measures Concerning Trademarks, Geographical Indications and other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, WT/DS441; *Australia - Certain Measures Concerning Trademarks, Geographical Indications and other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, ("*Australia - Tobacco Plain Packaging (Honduras)*"), WT/DS435; *Australia - Certain Measures Concerning Trademarks and other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, ("*Australia - Tobacco Plain Packaging (Ukraine)*"), WT/DS434

Foreign cases also provide Members with the opportunity to “become familiar” with the WTO dispute settlement system, without being directly involved in the dispute. Members can simply pay attention to the cases litigated and the strategies adopted by parties and third parties, or they can act as third party in a foreign case. Some studies have indeed focused on the positive effect that acting as a third party has had in improving certain WTO Members participation in the dispute settlement system.²⁶⁶ This “close” participation to foreign disputes allows to be inside the WTO dispute settlement process to better understand the process do’s and don’ts.

Last but not least, foreign cases can provide useful guidance on interpretative issues and thus influence subsequent negotiation of bilateral, plurilateral or multilateral trade agreements. Due consideration to the litigation strategies and interpretation proposed in disputes can in fact shed light on the outcome and results of a certain drafting of a legal provision. As a result, Members have the possibility to address problems getting at the bottom of the question, and changing the wording of problematic provisions during (re)negotiations.

²⁶⁶ See for instance K. Thomas, *China and the WTO Dispute Settlement System: From passive Observer to Active Participant?*, (2011), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1866259.

II. WTO Cases Concerning Patents

India - Patent Protection for Pharmaceutical and Agricultural Chemical Products

IP/D5/WT/DS50 - Panel Report WT/DS50/R

IP/D5/WT/DS50 - Appellate Body Report WT/DS50/AB/R

General Background of the case

On 2 July 1996 the United States requested India to hold consultations on certain issues related to patents.

No mutually satisfactory solution was reached in the consultations and a panel was subsequently established on 20 November 1996.

Under Indian patent law, product patents could not be granted to pharmaceutical and agricultural chemical products. However, it was possible to file patent applications on these products through unpublished administrative practices. No system was providing for exclusive marketing rights on such products.

Under Article 27 of the TRIPS Agreement, Members have the obligation to make patents available for any inventions, whether product or process, in any field of technology. This obligation used to be however subject to the transitional provisions of Article 65 the Agreement: that is, some Members could avail themselves of the possibility to delay the application of certain obligations of the TRIPS Agreement, such as the one under consideration. India, as a developing country, was entitled to a delay of up to ten years from the date of entry into force of the Agreement to extend product patent protection to pharmaceutical and agricultural chemical products.²⁶⁷ At the end of this ten years from the date of entry into force of the Agreement (1 January 1995), that is on 1 January 2005, India had to make available patent protection to these products.

Under Article 27 of the TRIPS Agreement however patents shall be available for any invention provided that three elements are present: the invention must be new, involve an inventive step and be capable of industrial application.²⁶⁸ Therefore, with the purpose to preserve the priority and novelty of inventions during the transitional period, in order to grant patent protection at the end of the transitional period, Members deciding to avail themselves of the transitional period had the obligation under the Agreement to make available a system to allow for the filing of patent applications for pharmaceutical and agricultural chemical products (the so-called “*mailbox system*”),²⁶⁹ and a system to grant exclusive marketing rights for such products.²⁷⁰

²⁶⁷ Article 65.4 of the TRIPS Agreement, Transitional Arrangements.

²⁶⁸ Article 27 of the TRIPS Agreement, Patentable Subject Matter.

²⁶⁹ Article 70.8 of the TRIPS Agreement, Protection of Existing Subject Matter.

²⁷⁰ Article 70.9 of the TRIPS Agreement, Protection of Existing Subject Matter.

Moreover, under Article 63 the TRIPS Agreement, Members have some obligations with regard to the publication and notification of their laws, regulations, final judicial decisions and administrative ruling of general applications and to supply information in response to requests from other Members.

Legal Basis of the case: related provisions in the TRIPS and interpretation

Article 1.1 of the TRIPS Agreement, Nature and Scope of Obligations:

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

Under Article 1.1, it is up to Members to decide how to implement obligations under the TRIPS Agreement within their legal systems. (Panel Report, para. 7.33; Appellate Body Report, para. 59)

Article 27.1 of the TRIPS Agreement, Patentable Subject Matter:

“1. Subject to the provisions of paragraphs 2 and 3, patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application. Subject to paragraph 4 of Article 65, paragraph 8 of Article 70 and paragraph 3 of this Article, patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced.”

Article 27 requires that patents be made available in all fields of technology, subject to certain narrow exceptions, and to make patent protection available for, at least, those inventions that are new, involve an inventive step and are capable of industrial application. (Panel Report, paras. 7.27 - 7.28)

Pursuant to Article 65.1, 65.2 and 65.4, a developing country Member may delay providing product patent protection in areas of technology not protectable in its territory on the general date of application of the TRIPS Agreement for that Member until 1 January 2005. (Appellate Body Report, para. 52)

Article 63 of the TRIPS Agreement, Transparency:

“1. Laws and regulations, and final judicial decisions and administrative rulings of general application, made effective by a Member pertaining to the subject matter of this Agreement (the availability, scope, acquisition, enforcement and prevention of the abuse of intellectual property rights) shall be published, or where such publication is not practicable made publicly available, in a national language, in such a manner as to enable governments and right holders to become acquainted with them. Agreements concerning the subject matter of this Agreement

which are in force between the government or a governmental agency of a Member and the government or a governmental agency of another Member shall also be published.

2. Members shall notify the laws and regulations referred to in paragraph 1 to the Council for TRIPS in order to assist that Council in its review of the operation of this Agreement. The Council shall attempt to minimize the burden on Members in carrying out this obligation and may decide to waive the obligation to notify such laws and regulations directly to the Council if consultations with WIPO on the establishment of a common register containing these laws and regulations are successful. The Council shall also consider in this connection any action required regarding notifications pursuant to the obligations under this Agreement stemming from the provisions of Article 6ter of the Paris Convention (1967).

3. Each Member shall be prepared to supply, in response to a written request from another Member, information of the sort referred to in paragraph 1. A Member, having reason to believe that a specific judicial decision or administrative ruling or bilateral agreement in the area of intellectual property rights affects its rights under this Agreement, may also request in writing to be given access to or be informed in sufficient detail of such specific judicial decisions or administrative rulings or bilateral agreements.

4. Nothing in paragraphs 1, 2 and 3 shall require Members to disclose confidential information which would impede law enforcement or otherwise be contrary to the public interest or would prejudice the legitimate commercial interests of particular enterprises, public or private.”

Article 64 of the TRIPS Agreement, Dispute Settlement:

“1. The provisions of Articles XXII and XXIII of GATT 1994 as elaborated and applied by the Dispute Settlement Understanding shall apply to consultations and the settlement of disputes under this Agreement except as otherwise specifically provided herein.

2. Subparagraphs 1(b) and 1(c) of Article XXIII of GATT 1994 shall not apply to the settlement of disputes under this Agreement for a period of five years from the date of entry into force of the WTO Agreement.

3. During the time period referred to in paragraph 2, the Council for TRIPS shall examine the scope and modalities for complaints of the type provided for under subparagraphs 1(b) and 1(c) of Article XXIII of GATT 1994 made pursuant to this Agreement, and submit its recommendations to the Ministerial Conference for approval. Any decision of the Ministerial Conference to approve such recommendations or to extend the period in paragraph 2 shall be made only by consensus, and approved recommendations shall be effective for all Members without further formal acceptance process.”

Pursuant to Article 64.3, it is a matter for the Council for Trade - related Aspects of Intellectual property Rights to decide whether or not non - violation complaints should be available for disputes under the TRIPS Agreement. (Appellate Body Report, para. 42)

Article 70.8 (a) of the TRIPS Agreement, Protection of Existing Subject Matter:

“8. Where a Member does not make available as of the date of entry into force of the WTO Agreement patent protection for pharmaceutical and agricultural chemical products commensurate with its obligations under Article 27, that Member shall:

(a) notwithstanding the provisions of Part VI, provide as from the date of entry into force of the WTO Agreement a means by which applications for patents for such inventions can be filed;”

The purpose of Article 70.8 is to ensure that each patent applicant obtains a date of filing on the basis of which a patent can be granted later, as from the date on which Article 27 applies. (Panel Report, para. 7.27) Article 70.8 relates exclusively to the situation where a Member does not provide, as of 1 January 1995, patent protection for pharmaceutical and agricultural chemical products. The transitional periods which allow a member to delay the application of some of the obligations of the TRIPS Agreement, do not apply to Article 70.8. (Appellate Body Report, para. 52 - 53)

Under Article 70.8, a means of filing patent applications on pharmaceutical and agricultural chemical products has to prevent the loss of novelty of an invention, and therefore to provide for a sound legal basis for the record of filing and priority dates. It does not serve however to eliminate any reasonable doubts on the patentability of pharmaceutical and agricultural chemical products, because, at the filing or priority date, these products were not patentable. (Appellate Body Report, paras. 56 - 58)

Article 70.9 of the TRIPS Agreement, Protection of Existing Subject Matter:

“9. Where a product is the subject of a patent application in a Member in accordance with paragraph 8(a), exclusive marketing rights shall be granted, notwithstanding the provisions of Part VI, for a period of five years after obtaining marketing approval in that Member or until a product patent is granted or rejected in that Member, whichever period is shorter, provided that, subsequent to the entry into force of the WTO Agreement, a patent application has been filed and a patent granted for that product in another Member and marketing approval obtained in such other Member.”

The effective date of application of the provision in Article 70.9 is the date of entry into force of the WTO Agreement that is 1 January 1995, since members cannot avail themselves of the transitional periods of Article 65 for the application of this provision. (Panel Report, para. 7.54 - 7.57)

Article 6.2 of the Dispute Settlement Understanding, Establishment of a Panel:

“1. If the complaining party so requests, a panel shall be established at the latest at the DSB meeting following that at which the request first appears as an item on the DSB's agenda, unless at that meeting the DSB decides by consensus not to establish a panel (5).

2. The request for the establishment of a panel shall be made in writing. It shall indicate whether consultations were held, identify the specific measures at issue and provide a brief summary of the legal basis of the complaint sufficient to present the problem clearly. In case

the applicant requests the establishment of a panel with other than standard terms of reference, the written request shall include the proposed text of special terms of reference.”

Article 7.1 of the Dispute Settlement Understanding, Terms of Reference of Panels:

“1. Panels shall have the following terms of reference unless the parties to the dispute agree otherwise within 20 days from the establishment of the panel:

“To examine, in the light of the relevant provisions in (name of the covered agreement(s) cited by the parties to the dispute), the matter referred to the DSB by (name of party) in document .. and to make such findings as will assist the DSB in making the recommendations or in giving the rulings provided for in that/those agreement(s).”

2. Panels shall address the relevant provisions in any covered agreement or agreements cited by the parties to the dispute.

3. In establishing a panel, the DSB may authorize its Chairman to draw up the terms of reference of the panel in consultation with the parties to the dispute, subject to the provisions of paragraph 1. The terms of reference thus drawn up shall be circulated to all Members. If other than standard terms of reference are agreed upon, any Member may raise any point relating thereto in the DSB.”

Article 12.1 of the Dispute Settlement Understanding, Panel Procedures:

“1. Panels shall follow the Working Procedures in Appendix 3 unless the panel decides otherwise after consulting the parties to the dispute.”

Article 12.1 only stipulates the possibility for the panel to consult the parties to the dispute and to establish their own working procedures, different from those in Appendix 3 of the DSU. It does not give however a panel the authority either to disregard or to modify other explicit provisions of the Dispute Settlement Understanding. (Appellate Body Report, para. 92)

Article 19 of the Dispute Settlement Understanding, Panel and Appellate Body Recommendations:

“1. Where a panel or the Appellate Body concludes that a measure is inconsistent with a covered agreement, it shall recommend that the Member concerned bring the measure into conformity with that agreement. In addition to its recommendations, the panel or Appellate Body may suggest ways in which the Member concerned could implement the recommendations.

2. In accordance with paragraph 2 of Article 3, in their findings and recommendations, the panel and Appellate Body cannot add to or diminish the rights and obligations provided in the covered agreements.”

Under Article 19 of the Dispute Settlement Understanding, the Panel has a discretionary authority to suggest ways in which a Member could implement its recommendations. (Panel Report, para. 7.16)

Article XXIII:1 of the General Agreement on Tariffs and Trade 1994, Nullification or Impairment:

“1. If any contracting party should consider that any benefit accruing to it directly or indirectly under this Agreement is being nullified or impaired or that the attainment of any objective of the Agreement is being impeded as the result of

(a) the failure of another contracting party to carry out its obligations under this Agreement, or

(b) the application by another contracting party of any measure, whether or not it conflicts with the provisions of this Agreement, or

(c) the existence of any other situation,

the contracting party may, with a view to the satisfactory adjustment of the matter, make written representations or proposals to the other contracting party or parties which it considers to be concerned. Any contracting party thus approached shall give sympathetic consideration to the representations or proposals made to it.”

Under Article XXIII:1 (a) Members may bring violation complaints, that is complaints of alleged failure by a member to carry out its obligations; under Article XXIII:1 (b) Members may bring non - violation complaints, that is a complaint that the application of a measure upset the negotiated balance of concessions between Members, regardless to the consistency of this measure with the covered agreements. (Appellate Body Report, paras. 36 - 41)

The Complainant position: the United States

The United States claimed that India had violated its obligations under the TRIPS Agreement.

a) Under the Indian patent law, no system for the filing of patent applications on pharmaceutical and agricultural chemical products (a so-called *“mailbox system”*) was in place.

i) India had violated its obligation under Article 70.8 of the TRIPS Agreement to put into place a valid system which could allow for the filing of patent applications on pharmaceutical and agricultural chemical products. India was obligated to do so since, availing itself of the transitional periods of Article 65 of the TRIPS Agreement, it was not making available patent protection for these products as of the date of entry into force of the TRIPS Agreement.

ii) India itself had recognized that a change to its law was necessary to put in place a system to file patent applications on pharmaceutical and agricultural chemical products. This change had to deal specifically with the handling of applications for these products. In fact, Indian patent law did not allow patent protection for these products and applications were forwarded to examiners for a review of patentability, without any distinction as to the invention protected. As a result, since no alternative procedure was provided for the filing of patent applications on pharmaceutical and agricultural products, these applications would have been rejected by examiners.

iii) The fact that India had never notified the existence of such a system to the Council for TRIPS supported the United States' claim.

iv) India had violated its obligation to put in place a mechanism to allow patent applications on pharmaceutical and agricultural chemical products, since the Indian system did not protect the legal expectations of applicants and therefore did not fulfill the underlying purpose of Article 70.8 of the TRIPS Agreement. The purpose of a system to file patent applications on pharmaceutical and agricultural chemical products was to allow patent applications filed in the transitional period not to lose the novelty of the invention: patent applicants would have been able to obtain patent protection for pharmaceutical and agricultural chemical products under Article 27 of the TRIPS Agreement (which requires that an invention be new, involve an inventive step and is capable of industrial application, for it to be patentable) at the end of the transitional period in a Member taking advantage of it. The rationale behind such a system was therefore to protect expectations of the contracting parties as to the competitive relationship between their products and those of other contracting parties.

v) The number of applications filed in India for pharmaceutical and agricultural chemical products was irrelevant. India had violated its obligations under the TRIPS Agreement and this had showed a *prima facie* nullification or impairment of benefits under the TRIPS Agreement.²⁷¹ It was not necessary to prove an actual damage for the Panel to find that India had violated its obligation under the TRIPS Agreement.

vi) Many potential patent applicants had not filed any application since no valid mechanism for patent applications on pharmaceutical and agricultural chemical products was in place in India. Therefore, additional measures had to be taken by India to assign applicants an effective filing date that reflected the filing date they would have received had a valid application system been in place. This did not intend to seek a specific remedy on the matter, but to ensure that applications filed in the transitional period did not lose their novelty.

b) If the Panel were to find that India had a valid system for the filing of patent applications on pharmaceutical and agricultural chemical products as required under Article 70.8 of the TRIPS Agreement, then in the alternative, India had failed to comply with its transparency obligations under Article 63 of the TRIPS Agreement.

i) Under the TRIPS Agreement, Members have a transparency obligation that is an obligation to publish and notify laws, regulations, final judicial decisions and administrative ruling of general application on subject matters covered by the TRIPS Agreement and to supply related information, except when this would entail the disclosure of particular confidential information.²⁷²

ii) The claim of India's violation of the transparency obligation was inexorably linked to the central claim of India's violation of its obligation to put in place a "*mailbox system*" under Article 70.8 of the Agreement. This latter claim had been clearly referred to by the United

²⁷¹ Under Article 3.8 of the Dispute settlement System, General Provisions.

²⁷² Article 63 of the TRIPS Agreement, Transparency.

States both in its request to consult with India and in its request for establishment of a panel. The claim on transparency had not been explicitly referred to only because India had maintained for two years that no valid mechanism of filing of patent applications on the above-mentioned products was in place. In this sense, India gave misleading information during consultations, an extremely serious matter according to previous panels.²⁷³

iii) India had violated its obligations under Article 63 of the TRIPS Agreement to publish or make publicly available the specific terms and provisions of its mechanism for the filing of patent applications on pharmaceutical and agricultural chemical products in such a manner as to enable governments and right holders to become acquainted with them. Not only India did not make the system known to the public, but its relevant authorities were not providing the necessary information to individual companies that wished to submit an application.

c) Under the Indian patent law, no mechanism to grant exclusive marketing rights to pharmaceutical and agricultural chemical products subject to patent applications was in place.

i) Under Article 70.9 of the TRIPS Agreement, Members had an obligation to provide exclusive marketing rights to pharmaceutical and agricultural chemical products subject to patent applications, where the Member was not providing patent protection for these as from the date of entry into force of the WTO Agreement,²⁷⁴ and certain other conditions occurred.²⁷⁵

ii) It was not in dispute between the parties that India was subject to the provisions of Art. 70.9, given that it did not provide patent protection for pharmaceutical and agricultural chemical products as from the date of entry into force of the WTO Agreement (1 January 1995).

iii) India was in violation of its obligations under the TRIPS Agreement, since it had to put in place a formal system to grant exclusive marketing rights as from the date of the entry into force of the TRIPS Agreement (1 January 1995), regardless of whether any request for exclusive marketing rights had been made and subsequently denied in practice.

iv) India was in violation of its obligations under the TRIPS Agreement, since it had to put in place a formal system to grant exclusive marketing rights, that is a system prohibiting competitors to be on the market without the consent of the holder of the exclusive marketing rights.

d) India could have met its obligations to provide a means of filing patent applications and a system to grant exclusive marketing rights on pharmaceutical and agricultural chemical products under Article 70.8 and 70.9 of the TRIPS Agreement, in a manner similar to the way in which Pakistan had implemented these obligations.

²⁷³ Panel Report, *Brazil - Measures Affecting Desiccated Coconut*, WT/DS22/R, adopted on 20 March 1997, as modified by the Appellate Body Report, para. 287.

²⁷⁴ Under Article 65 of the TRIPS Agreement, Transitional Arrangements.

²⁷⁵ Article 70.9 of the TRIPS Agreement, Protection of Existing Subject Matter; for the grant of exclusive marketing rights under the TRIPS Agreement a product has to meet the following conditions: (a) A patent application had been filed in respect of that product in another Member of the WTO *after 1 January 1995*. (b) The other Member of the WTO had *granted the patent*. (c) The *other Member had approved the marketing* of the product. (d) *India had approved the marketing* of the product.

The respondent position: India

India rebutted all claims by the United States.

a) Under the Indian patent law, it was possible to effectively file, register and store patent protection for pharmaceutical and agricultural chemical products. Therefore, India was fully complying with its obligations under Article 70.8 of the TRIPS Agreement.

i) Although formally the patentability of pharmaceutical and agricultural chemical products was not allowed by the Indian patent law, patent application could be filed for these products through the administrative practices. It was true that patent examiners would have raised objections on the patentability of pharmaceutical and agricultural chemical products at the stage of examination, but to avoid this result these patent applications were not referred to the competent authority to be examined.²⁷⁶ Thus, patent applications on pharmaceutical and agricultural chemical products would have not been refused or withdrawn from consideration prior to the date when patent protection would become available to them. A complete record going back to the date of entry into force of the WTO Agreement of all patent applications on these products, including the date of the sequence of the applications, would have been available. On this line, the Indian system fully attained the objectives under the TRIPS Agreement, that is to assign a filing date to patents for the purpose of determining the remaining patent term when it eventually would have granted patents on pharmaceutical and agricultural chemical products.²⁷⁷

iii) Under Article 70.8 of the TRIPS Agreement, Members only had the obligation to provide “*a means*” for filing patent applications for pharmaceutical and agricultural chemical products. No obligation existed on the particular method of implementation of this obligation. This freedom that Members have to determine the appropriate method in the implementation of the provision of the Agreement within their legal systems is recognized as well in other provisions of the Agreement.²⁷⁸

iv) Companies concerned with patent applications on pharmaceutical and agricultural chemical products had not experienced any difficulty as indicated by the number of filings submitted under the Indian system.

v) Since under the Indian patent law, there were different methods to file patent applications on pharmaceutical and agricultural chemical products (through statute, regulations or administrative practices), it was not necessary to change Indian law in order to comply with India’s obligations under the TRIPS Agreement. Using the *Vienna Convention on the Law of Treaties* principles of interpretation it was clear that India’s obligation under Article 65 of the TRIPS Agreement were to provide a means of filing patent applications on pharmaceutical and agricultural chemical products from 1 January 1995 on, but to accord patent protection only

²⁷⁶ The Controller General of Patents, Trademarks and Designs for examination.

²⁷⁷ Article 70.8 of the TRIPS Agreement, Protection of Existing Subject Matter.

²⁷⁸ Article 1.1 of the TRIPS Agreement, Nature and Scope of Obligations.

from 1 January 2005 on. This system was created in order to enable developing countries to accept the WTO Agreement without having to change their patent law at the same time.

b) The United States had requested a finding that India was violating its transparency obligation under Article 63 of the TRIPS Agreement. This request was not justified.

i) The claim of India's violation of the transparency obligation under Article 63 of the TRIPS Agreement was not justified on procedural grounds: the Panel's terms of reference did not cover this claim. Under Article 7.1 of the Dispute Settlement Understanding, the mandate of the Panel is to examine the matter referred to the Dispute Settlement Body as expressed in the request for establishment of a panel.²⁷⁹ The United States made the claim of India's violation of the transparency obligation for the first time in its oral statement at the first meeting of the Panel. The issue of transparency was neither raised in the request for consultations of the United States, nor in the request for the establishment of a panel. Therefore, the United States claim did not comply with the need to identify the specific measure(s) at issue and to provide a brief summary of the legal basis of the complaint, as required under Article 6.2 of the Dispute Settlement Understanding, for a panel to decide on the matter. A similar situation had been decided in this sense by other WTO panels.²⁸⁰ In addition, there was a well-established practice under the Dispute Settlement Understanding that the complainant had to incorporate all its legal claims and requests to the panel in its first written submission.²⁸¹ This practice had been recognized by previous panels.²⁸² India had indeed duly informed the United States during consultations of the existence of valid means of filing patent applications on pharmaceutical and agricultural chemical products.

ii) The claim of India's violation of the transparency obligation under the TRIPS Agreement was not justified on substantive grounds: developing country Members such as India were entitled to delay the application of certain obligations until the end of a transitional period of five years from the date of entry into force of the Agreement (that is until 1 January 2000). The transparency obligation was among those obligations. In any case India had published its law on which the mechanism of filing patent applications on pharmaceutical and agricultural chemical products was based.

c) Under Article 70.9 of the TRIPS Agreement, Members have the obligation to grant exclusive marketing rights once certain conditions have occurred.²⁸³ These conditions had not occurred

²⁷⁹ Under Article 7.1 of the Dispute Settlement Understanding, Terms of Reference of Panels, which remand to the matter referred to the Dispute Settlement Body in the document in which the contracting party requests the establishment of a panel under Article 6.2 of the Dispute Settlement Understanding, Establishment of Panels.

²⁸⁰ Panel Report, *European Communities - Regime for the Importation, Sale and Distribution of Bananas*, WT/DS27/R, adopted on 25 September 1997 as modified by the Appellate Body Report.

²⁸¹ A practice reflected in Appendix 3 to the Dispute Settlement Understanding, Working Procedures, Paragraphs 5 and 7, and Article 10 of the Dispute Settlement Understanding, Third Parties.

²⁸² Panel Report, *European Communities - Regime for the Importation, Sale and Distribution of Bananas*, WT/DS27/R, adopted on 25 September 1997 as modified by the Appellate Body Report, para. 7.57.

²⁸³ a) A patent application had been filed in respect of that product in another Member of the WTO after 1 January 1995; (b) The other Member of the WTO had granted the patent; (c) The other Member had approved the marketing of the product; (d) India had approved the marketing of the product.

with respect to any specific pharmaceutical or agricultural chemical product, and India therefore had not violated its obligations under Article 70.9 of the TRIPS Agreement.

i) Under Article 70.9 of the TRIPS Agreement, Members were explicitly given the right to choose between the grant of exclusive marketing rights or the grant of patentability. Therefore, since they were alternative, both obligations were not arising as from 1 January 1995.

ii) Until the dispute, no exclusive marketing rights had been sought (and therefore neither denied) in practice on any specific product. Thus, the United States were seeking a ruling on a potential future measure, which did not exist at the time of the dispute. The WTO dispute settlement procedures do not permit ruling on potential future measures. Only existing measures nullifying or impairing benefits and capable of being brought into conformity with the obligations under the WTO Agreements, could be challenged and ruled on.²⁸⁴

d) The United States had made an explicit request for the Panel to suggest a method for India to implement its obligations under Article 70.8 and 70.9 of the TRIPS Agreement. The specific method referred to by the United States was an implementation similar to the way in which Pakistan had implemented these obligations.

i) However, the United States had submitted this request after the first submission and the first substantive meeting of the Panel with the parties. Previous panels had considered this situation procedurally unacceptable.²⁸⁵

ii) Further technical reasons and the settlement bilaterally negotiated between the United States and Pakistan made the consistency of this solution with the TRIPS Agreement doubtful.

The Panel's findings, rulings and recommendations:

a) The first claim of the United States was that India had violated its obligation to establish a mechanism of filing of patent applications on pharmaceutical and agricultural chemical products under Article 70.8 of the TRIPS Agreement.

i) Under Article 27 of the TRIPS Agreement, Members have the obligation to make patents available for any invention, no matter whether product or process, in any field of technology. This obligation is however subject to the transitional provisions of the Agreement: developing country Members such as India could decide not to comply with the above-mentioned obligation as of the date of entry into force of the WTO Agreement, and to delay its application at the latest until 1 January 2005. However, they had to provide a means for patents on pharmaceutical and agricultural chemical products to be filed: this was necessary since under Article 27 of the TRIPS Agreement inventions are eligible for patent protection if they are new,

²⁸⁴ This is clear under Article XXIII:1 (a) of the GATT 1994, Nullification or Impairment, Article 19.1 of the Dispute Settlement Understanding, Panel and Appellate Body Recommendations, and Article 22.8 of the Dispute Settlement Understanding, Compensation and the Suspension of Concessions.

²⁸⁵ Panel Report, *European Communities - Regime for the Importation, Sale and Distribution of Bananas*, WT/DS27/R, adopted on 25 September 1997 as modified by the Appellate Body Report.

involve an inventive step and are capable of industrial application.²⁸⁶ Therefore, it was necessary to have in place a mechanism to prove novelty and priority later on when pharmaceutical and agricultural chemical products would have been subject to patent protection at the end of the transitional periods.²⁸⁷ Thus, Article 70.8 (a) requires not only a means to file applications on pharmaceutical and agricultural chemical products and to allocate them filing and priority dates, but also to preserve novelty and priority as of those dates, so as to eliminate any doubts as to the patentability of an invention in the case where problems on filing or priority dates emerged later at the time of granting patent protection. The United States had claimed that in order for India to create such a means of filing as required under the TRIPS Agreement, Indian law had to be modified. Under Article 1.1 of the TRIPS Agreement, Members have the freedom to determine which method they consider more appropriate to implement the provisions of the Agreement within their own legal system and practice. Thus, India had the freedom to determine how to implement the obligation to establish a mechanism of filing of patent applications on pharmaceutical and agricultural chemical products under the Agreement: India's reliance on administrative practices rather than a change in the legislation did not amount to a violation of Article 70.8 of the TRIPS Agreement. However, the Indian patent law generated legal insecurity and uncertainty with regard to patent applications on the relevant products. In fact, under the Indian patent law any application for the grant of a patent on a pharmaceutical or agricultural chemical product was deemed to be refused by patent examiners for lack of patentability under mandatory provision of the Indian patent law. In previous panel cases, the lack of enforcement of WTO - inconsistent legislation had not been considered as a sufficient justification to defend the legislation: mandatory legislation, even if not applied, remains mandatory and may influence the decisions of economic operators.²⁸⁸ Consequently, India had violated its obligations under Article 70.8 of the TRIPS because it had failed to put in place a mechanism that adequately preserved novelty and priority of applications for product patents on pharmaceutical and agricultural chemical products during the transitional period under Article 65 of the TRIPS Agreement.

b) The United States had argued that, if the Panel were to consider that India complied with its obligation to establish a valid means of filing under Article 70.8 of the TRIPS Agreement, then in the alternative India had violated its transparency obligations under Article 63 of the TRIPS Agreement with regard to the means of filing. An analysis of this issue was necessary.

i) This claim had not been put forward in the request for the establishment of a panel nor in the first written submission by the United States and India had contended that the Panel's terms of reference did not cover this claim. Under Articles 7.1 and 6.2 of the Dispute Settlement Understanding, the mandate of the Panel is to examine the matter referred to the

²⁸⁶ Article 27 of the TRIPS Agreement, Patentable Subject Matter.

²⁸⁷ Article 70.8 of the TRIPS Agreement, Protection of Existing Subject Matter.

²⁸⁸ GATT Panel Report, *United States - Measures Affecting Alcoholic and Malt Beverages*, adopted on 19 June 1992, BISD39S/206, para. 5.60; In addition, competitors could have sought judicial orders to force Indian Patent Office officials to reject patent applications on the considered products and potentially render the filing meaningless.

Dispute Settlement Body as expressed in the request for establishment of a panel.²⁸⁹ Although this had been confirmed as well by previous panels, the case under consideration was different.²⁹⁰ The claim of transparency was within the terms of reference of the Panel. First, both parties accepted this Panel ruling that all legal claims made prior to the end of the first meeting of the Panel with the parties would have been considered in the panel proceedings. Second, according to Article 6.2 of the Dispute Settlement Understanding, a contracting party should provide in the request for the establishment of a panel a brief summary of the legal basis of the complaint sufficient to present the problem clearly. The United States described it sufficiently in order to raise the issue of whether India complied with the transparency obligation under Article 63 of the TRIPS Agreement in its panel request. Third, the United States claim on transparency was in response of India's argument that a valid means of filing was in place.

ii) Under the TRIPS Agreement, developing country Members were entitled to delay the date of application of the Agreement for five years from the date of entry into force of the Agreement (until 1 January 2000).²⁹¹ The transparency obligation under Article 63 of the TRIPS Agreement is a procedural obligation. The central question was whether this procedural obligation was a function of the substantive obligations and therefore would apply at the same time or its application could be delayed until 1 January 2000. Since the TRIPS Agreement contains a range of other procedural and institutional provisions, such as those relating to dispute settlement, which were applicable, by comparison even the transparency obligation was applicable. India had an obligation to make publicly available terms and provisions of its system of patent applications on pharmaceutical and agricultural chemical products so as to allow governments and right holders to become acquainted with them. Thus, India had violated its obligations under the Article 63 of the TRIPS Agreement to publish and make available its laws and regulations.

c) The United States had argued that India had violated its obligation to put in place a mechanism for the grant of exclusive marketing rights under Article 70.9 of the TRIPS Agreement.

i) Under Article 70.9 of the TRIPS Agreement, where a Member had not granted patent protection to pharmaceutical and agricultural chemical products from the date of entry into force of the Agreement and certain conditions occurred,²⁹² that Member had the obligation to grant exclusive marketing rights. The obligation to make available a system to grant exclusive

²⁸⁹ Under Article 7.1 of the Dispute Settlement Understanding, Terms of Reference of Panels, which remand to the matter referred to the Dispute Settlement Body in the document in which the contracting party requests the establishment of a panel under Article 6.2 of the Dispute Settlement Understanding, Establishment of Panels.

²⁹⁰ Panel Report, *European Communities - Regime for the Importation, Sale and Distribution of Bananas*, WT/DS27/R, adopted on 25 September 1997 as modified by the Appellate Body Report.

²⁹¹ Article 65.1 and 65.2 of the TRIPS Agreement.

²⁹² i) a patent application had been filed for pharmaceutical and agricultural chemical products, ii) a patent application had been filed in another WTO Member after 1 January 1995, iii) the other member had granted the patent, iv) the other member had approved the marketing of the product and v) the member had approved the marketing of the product.

marketing rights meant that a Member had to be ready to grant exclusive marketing rights at any point in time subsequent to 1 January 1995.²⁹³ Consequently, the lack of the executive branch of the Indian government of the authority to give effect to this obligation was in breach of the TRIPS Agreement, even though no request for the grant of exclusive marketing right had been made (and consequently neither refused) with regard to any eligible specific products at the time of the dispute. The object and purpose of this provision was to provide specific marketing rights to partly compensate for the absence of effective patent protection in countries which availed themselves of the transitional periods under the TRIPS Agreement. It was not necessary to make a finding on the nature of exclusive marketing rights as requested by the United States.

India had violated its obligations under Article 70.9 of the TRIPS Agreement because it had failed to establish a system for the grant of exclusive marketing rights.

d) The United States had made a request to the Panel to suggest that India comply with its obligations under Article 70.8 and 70.9 of the TRIPS Agreement in a manner similar to the one in which Pakistan had implemented these obligations. This claim had not been put forward in the request for the establishment of a panel nor in the first written submission by the United States. However, no reason was running against its examination: it was not *strictu sensu* a legal claim. This was a simple request for the Panel to exercise its discretionary authority under Article 19 of the Dispute Settlement Understanding, to suggest ways in which the Member could implement its recommendations.²⁹⁴ However, this request was not appropriate. It would have impaired India's freedom as to the choice on how to implement the TRIPS obligation within its legal system.²⁹⁵

In light of the above:

India had violated its obligations to establish a mechanism that adequately preserved novelty and priority in respect of applications for product patents in respect of pharmaceutical and agricultural chemical inventions during the transitional period to which it was entitled under Article 65 of the Agreement, and to publish and notify adequately information about such a mechanism;

India had not complied with its obligations under Article 70.9 of the TRIPS Agreement, because it had failed to establish a system for the grant of exclusive marketing rights.

The Appellate Body proceedings:

²⁹³ Article 70.9, as Article 70.8, uses the term "notwithstanding the provisions of Part VI". This term indicates that Members to which this provision applied, as India in this case, could not avail themselves of the transitional arrangements under Part VI, including Article 65. Thus, the effective date of this provision was the date of entry into force of the WTO Agreement, that is 1 January 1995.

²⁹⁴ Article 19 of the Dispute settlement Understanding, Panel and Appellate Body Recommendations.

²⁹⁵ Article 1.1 of the TRIPS Agreement.

India was not satisfied with the Panel findings, rulings and recommendations. Consequently, on 15 October 1997 it notified the Dispute Settlement Body of its intention to appeal certain law and legal interpretations covered and developed by the Panel in the Report.

a) India appealed certain aspects of the legal findings and conclusions of the Panel relating to the obligations under Article 70.8, 70.9 and 63 of the TRIPS Agreement.

i) Through administrative instructions it had put into place a valid system by which applications for patents on pharmaceutical and agricultural chemical products ("*mailbox applications*") could be filed and filing dates assigned to them. The means of filing provided by India ensured that patents could have been granted when they were going to be due, as from 1 January 2005. The Panel had erred when it had ruled that under Article 70.8 of the TRIPS Agreement there are two obligations: one to put in place such a system to assign filing and priority dates to patent applications, and the other to create legal certainty that patent applications and patents based on them would not have been rejected or invalidated in the future. This second obligation was a creation of the Panel and was incorrectly imported into the TRIPS Agreement. Moreover, the Panel had erred when it had not assessed Indian law as a fact to be established by the United States as established by previous panels²⁹⁶, but as a law to be interpreted by the Panel.

ii) A system to grant exclusive marketing rights under Article 70.9 of the TRIPS Agreement is required only when all the events necessary to grant in practice such rights have occurred.²⁹⁷ This provision of the TRIPS Agreement has the function to enable developing countries to postpone legislative changes. The notion of predictable conditions of competition used by the Panel to justify its approach transform future obligations under the TRIPS to immediate obligations.

iii) Under Articles 3, 7 and 11 of the Dispute settlement Understanding, findings and recommendations of panels have to be only on matters submitted to them by the parties to the dispute. The panel exceeded therefore its authority when it accepted to rule on the United States' claim on the violation of the transparency obligation under Article 63 of the TRIPS Agreement. If the Appellate Body were to consider that the panel did not exceed its authority, then the panel was not entitled to ask India to bring its mailbox system in conformity with both "*mailbox system*" provision and transparency obligation in the TRIPS Agreement.

b) The United States fully endorsed the legal findings and conclusions of the Panel.

c) The report of the Appellate Body was circulated to Members on 19 December 1997. The Appellate Body upheld with modifications the Panel findings on Articles 70.8 and 70.9, but ruled that Article 63.1 was not within the Panel's terms of reference. In particular:

²⁹⁶ India cites Panel Report, *Canada - Measures Affecting the Sale of Gold Coins*, L/5863, 17 September 1985, unadopted, paras. 58 and 59; and Panel Report, *United States - Measures Affecting the Importation, Internal Sale and Use of Tobacco*, adopted 4 October 1994, DS44/R, para. 75.

²⁹⁷ That is i) a patent application had been filed for pharmaceutical and agricultural chemical products, ii) a patent application had been filed in another WTO Member after 1 January 1995, iii) the other member had granted the patent, iv) the other member had approved the marketing of the product and v) India had approved the marketing of the product.

i) The Panel had been correct in concluding that India had violated its obligation to establish a means of filing patents applications on pharmaceutical and agricultural chemical products in order to preserve their novelty and priority,²⁹⁸ during the transitional periods provided for in the TRIPS Agreement.²⁹⁹ However, the Panel had erred in considering that India had as well an obligation to establish a means to eliminate any reasonable doubts regarding patentability, had any issue on filing or priority date emerged at the time a patent had to be granted later on. First, the Panel had ruled that under Article 70.8 of the TRIPS Agreement there are two obligations: one to put in place such a system to assign filing and priority dates to patent applications, and the other to create legal certainty that patent applications and patents based on them would not have been rejected or invalidated in the future. This second obligation was a creation of the Panel on the basis of an incorrect attribution to the TRIPS Agreement of two different concepts merged together: the concept of contracting parties' expectations on the predictability of competitive relationships between their products and the products of other contracting parties and the concept of reasonable expectations of contracting parties. The first concept relates to violation complaints brought under Article XXIII:1 (a), that is complaints of alleged failure by a member to carry out its obligations; the second relates to non - violation complaints brought under Article XXIII:1 (b), that is a complaint that the application of a measure upset the negotiated balance of concessions between Members, regardless of the consistency of this measure with the covered agreements. However, whether non - violation complaints should be available under the TRIPS Agreement should be determined by the Council for TRIPS pursuant to Article 64.3 of the TRIPS Agreement. Second, such a further obligation would have entailed not to consider India's entitlement to delay the obligation to make available patent protection to any field of technology, included pharmaceutical and agricultural chemical products,³⁰⁰ until 1 January 2005.³⁰¹ Under the TRIPS Agreement, Members are free to determine the appropriate method of implementing their obligation under the TRIPS Agreement within the context of their own legal systems.³⁰² India implemented TRIPS obligations on a mailbox system through administrative instructions and asserted that the Panel erred in assessing Indian law not as a fact but as a law to be interpreted by the Panel itself. In public international law, an international tribunal may treat municipal law in many ways: municipal law may serve as evidence of facts, may provide evidence on state practice or may constitute evidence of compliance or non - compliance with international obligations. The Panel had interpreted Indian law to determine whether India's administrative instructions to receive applications on pharmaceutical and agricultural chemical products were in conformity with India' obligations under the TRIPS Agreement. To say that the Panel should have done otherwise would be to say that only India could assess whether Indian law is consistent with India's obligations under the WTO Agreement. This, clearly, cannot be so.³⁰³ For

²⁹⁸ Article 70.8 of the TRIPS Agreement, Protection of Existing Subject Matter.

²⁹⁹ Article 65 of the TRIPS Agreement, Transitional Arrangements.

³⁰⁰ Under Article 27 of the TRIPS Agreement, Patentable Subject Matter.

³⁰¹ Under Article 65.2 and 65.4 of the TRIPS Agreement, Transitional Arrangements.

³⁰² Article 1.1 of the TRIPS Agreement, Nature and Scope.

³⁰³ This had been confirmed by previous GATT panels, such as GATT Panel Report, *United States - Section 337 of the Tariff Act of 1930*, adopted on 7 November 1989, BISD 36S/345.

these reasons, the Panel had been correct in concluding that India's administrative instructions for receiving patent applications on pharmaceutical and agricultural chemical products were inconsistent with India's obligations under Article 70.8 of the TRIPS Agreement. In assessing whether India had violated this obligation under the TRIPS Agreement, the Panel had applied the correct burden of proof: a party claiming a violation of a provision of the WTO Agreement by another Member must assert and prove its claim.³⁰⁴

ii) The Panel had been correct in concluding that India had not complied with its obligations under Article 70.9 of the TRIPS Agreement to put in place a mechanism to provide for the grant of exclusive marketing rights effective as from the date into force of the WTO Agreement.³⁰⁵ India had admitted not to have the necessary legislation to grant exclusive marketing rights as required under the TRIPS Agreement. This obligation had to be complied with as from the date of the entry into force of the WTO Agreement.

iii) The Panel had erred in its findings and conclusions on the possibility for it to consider that India had violated its obligations under the Article 63 of the TRIPS Agreement to publish and make available its laws and regulations. The Panel had no authority to consider the alternative claim by the United States under Article 63 and this conclusion of the Panel was consequently reversed. It had been already clarified by previous Appellate Body's decisions that the panel's terms of reference, as disciplined in Article 7 of the Dispute Settlement Understanding, set out the claims of the complaining parties relating to the matter referred to the Dispute Settlement Body.³⁰⁶ The panel terms of reference are important because they allow parties and third parties to respond to the complainant's case, therefore fulfilling an important due process objective, and because they establish the jurisdiction of the panel by defining the precise claims at issue in the dispute.³⁰⁷ Accordingly, all claims must be included in the request for establishment of a panel in order to come within the panel's terms of reference.³⁰⁸ In this sense, one must distinguish between claims identified in the request for establishment of a panel, which establish the panel's terms of reference under Article 7 of the Dispute Settlement Understanding, and the arguments supporting those claims, which are set out and progressively clarified in the first written submissions, the rebuttal submissions, and the first and second panel meetings with the parties as the case proceeds.³⁰⁹ In previous cases, the listing by the complaining parties of the provisions of the specific agreement alleged to have been violated without setting out detailed arguments as to which specific aspects of the measures at issue related to which specific provisions of those agreements, had been

³⁰⁴ This was already clarified in Appellate Body Report, *United States - Measures Affecting Imports of Woven Wool Shirts and Blouses from India*, adopted on 23 May 1997, WT/DS33/AB/R, p. 16.

³⁰⁵ Article 70.9 of the TRIPS Agreement, Protection of Existing Subject Matter.

³⁰⁶ Appellate Body Report, *European Communities - Regime for the Importation, Sale and Distribution of Bananas*, adopted on 25 September 1997, WT/DS27/AB/R, para. 145

³⁰⁷ Appellate Body Report, *Brazil - Measures Affecting Desiccated Coconut*, adopted on 20 March 1997, WT/DS22/AB/R, p. 22.

³⁰⁸ *Id.*

³⁰⁹ Appellate Body Report, *European Communities - Regime for the Importation, Sale and Distribution of Bananas*, adopted on 25 September 1997, WT/DS27/AB/R, para. 143.

considered sufficiently specific to comply with the minimum standard under the Dispute Settlement Understanding.³¹⁰ In the case under consideration there was a failure to identify a specific provision of an agreement that was alleged to have been violated. The Panel's stated that it "ruled, at the outset of the first substantive meeting held on 15 April 1997, that all legal claims would be considered if they were made prior to the end of that meeting; and this ruling was accepted by both parties". This statement was not consistent with the letter and the spirit of the Dispute Settlement Understanding. Although panels enjoy some discretion in establishing their own working procedures, this discretion does not extend to modifying the substantive provisions of the DSU. Nothing in the Dispute Settlement Understanding gives a panel the authority either to disregard or to modify other explicit provisions of the DSU. Not even Article 12.1 of the DSU, which only stipulates the possibility for the panel to consult the parties to the dispute and not to follow the working procedures in Appendix 3 of the DSU.

In light of the above, the Appellate Body:

- Upheld the Panel's conclusion that India has not complied with its obligations under Article 70.8(a) to establish "a means" that adequately preserves novelty and priority in respect of applications for product patents on pharmaceutical and agricultural chemical inventions during the transitional periods provided for in Article 65 of the TRIPS Agreement; the Panel had however erred in concluding that Article 70.8 of the TRIPS Agreement required parties to establish a mechanism to eliminate any reasonable doubts on the patentability of pharmaceutical and agricultural chemical inventions the patent applications of which had been filed during the transitional periods.
- Upheld the Panel's conclusion that India has not complied with its obligations under Article 70.9 of the TRIPS Agreement.
- Reversed the Panel's alternative findings that India has not complied with paragraphs 1 and 2 of Article 63 of the TRIPS Agreement.

Further development related to the case:

- a) The *India - Patents I* case was the first Intellectual Property case decided by a panel. Previous cases were settled by mutual agreement between the parties.
- b) After the adoption of the Appellate Body Report on 16 January 1998, the United States and India agreed on an implementation period of 15 months from the date of the adoption of the report (therefore expiring on 16 April 1999). At the Dispute settlement Body meeting of 28 April 1999 India presented its final status report on implementation of this matter, disclosing the enactment of relevant legislation to implement the recommendations and rulings of the Dispute Settlement Body.

³¹⁰ Under Article 6.2 of the Dispute Settlement Understanding, Establishment of Panels.

c) This case was followed by another similar case brought by the European Communities and their Member States almost one year later (*India - Patent Protection for Pharmaceutical and Agricultural Chemical Products*, Panel Report WT/DS/79/R).

d) Both the *India - Patents I* case and the *Canada - Pharmaceutical Patents* case concerned a sensitive issue of WTO TRIPS cases: the interpretative authority of respondent countries over their own domestic laws and regulations. In the latter case, the Panel, in the absence of any evidence of Canada's actual discrimination in applying its law, deferred to Canada's interpretation of its statute. To the contrary, in *India - Patents I*, the Appellate Body rejected India's argument that it should be recognized interpretative authority over its laws. The difference apparently lied in the nature of Indian rules, which did not leave any discretion to authorities, while the Canadian rules were discretionary in nature.³¹¹

e) After the two cases regarding a "mailbox system" and the grant of exclusive marketing rights (*India - Patents I* and *India - Patents II*), the issue of patents was the center of attention of public debates in India. Some politicians considered the Patents (Amendment) Ordinance of 1999 as a loss of national sovereignty and a step further toward an increased power of multinational firms.³¹²

f) The process of compliance of the Indian patent system with the TRIPS Agreement has not been only arduous and uncertain, it has created as well some tensions between the pro-competitive strong generic pharmaceutical industry and the growing research-based pharmaceutical sector.³¹³ This is a transition that other countries have made prior to India: the *Paris Convention for the Protection of Industrial Property* had left states free to devise their own patent systems and to grant or deny patent protection for pharmaceuticals. For instance, Switzerland and Italy did not provide patent protection for pharmaceutical products until 1977 and 1978, respectively.³¹⁴

On the other side, as a developing country, Brazil as well could have taken advantage of the ten year transitional periods from the date of entry into force of the TRIPS Agreement to grant patent protection to medicines. However, the Brazilian government granted pharmaceutical products patent protection from 1996 on and put in place a system to extend patent protection beyond what would have been normally available to holders of foreign patents.³¹⁵

To sum up, India's patent system reforms and challenges were certainly similar to what has been happening in many developing countries recently. The process of finding the right balance between private incentives to innovate and the public interest in free competition

³¹¹ Y. Fukunaga, *Enforcing TRIPS: Challenges of Adjudicating Minimum Standards Agreements*, Berkeley Technology Law Journal, Vol. 23: 867, p. 903.

³¹² ICTSD, *India Government Complies with WTO Patent Ruling*, BRIDGES, Volume 3, Number 1, 18 January 1999, available at <http://www.ictsd.org/bridges-news/bridges/news/indian-government-complies-with-wto-patent-ruling>.

³¹³ F.M. Abbott, J. H. Reichmann, *The Doha Round's Public Health Legacy: Strategies for the Production and Diffusion of Patented Medicines Under the Amended TRIPS Provisions*, Journal of International Economic Law 10 (4), p. 957.

³¹⁴ *Ibid.*, p. 927.

³¹⁵ *Ibid.*, p. 949.

with economic growth and development requires time, capacity building and a suitable business structure. Yet, according to part of Legal Doctrine, time and patience seem to be what OECD countries do not want to grant to the developing world in this respect.³¹⁶

g) Part of Legal Doctrine summoned the recognition of patent protection to pharmaceutical inventions in India from 1 January 2005 as a necessary factor for the innovation and rapid development of its pharmaceutical sector and to make possible for the Indian population to have access to a wider range of medicines.³¹⁷

h) Given the issues discussed in the case and the expiration of the transitional periods under the TRIPS Agreement, *India - Patents I* is among those cases regarded as being “very much of their time”. This is even more so if one considers the significant development at the WTO since this panel report.³¹⁸

i) As a part of the TRIPS Council review of Members’ legislation, Members can ask questions on patent enforcement data of other Members. When the United States asks for information on patent enforcement as part of the TRIPS Council review of Members’ legislation, the answer has quite often been that no such data was collected or, if it was collected, for some reasons it was not available. In particular, when at the 2003 TRIPS Council review, India responded to the United States statistical information question, it stated that information concerning injunctions, infringements, seizures, cases resolved, etc. were not maintained by the IP Offices but were administered in various different courts in the country and therefore unavailable.³¹⁹

³¹⁶ CF. *Ibid.*, p. 960.

³¹⁷ CF. Roger Bate, *India and the Drug Patent Wars*, American Enterprise Institute Online, 07 February 2007, available at <http://www.aei.org/article/health/india-and-the-drug-patent-wars/>.

³¹⁸ C. Garrison, *Exceptions to Patent Rights in Developing Countries*, UNCTAD - ICTSD Project on IPRs and Sustainable Development, Issue Paper No. 17, p. 41

³¹⁹ *Ibid.*, p. 68 - 69.

India - Patent Protection for Pharmaceutical and Agricultural Chemical Products

IP/D/7WT/DS79 - Panel Report WT/DS/79/R

General Background of the case

On 27 April 1997, the European Communities and their Member States requested consultations with India concerning some issues on patents.

No mutually satisfactory solutions were reached and a Panel was subsequently established on 16 October 1997.

The disputes concerned the possibility to file patent applications on pharmaceutical and agricultural chemical products in India under Article 70.8 (a) of the TRIPS Agreement and the existence of a system to grant exclusive marketing rights on these products under Article 70.9 of the TRIPS Agreement. The same Indian measures had been previously challenged by the United States and examined by a Panel and the Appellate Body in an earlier dispute (WT/DS50). For a complete general background of the case, see WT/DS50.

In the earlier dispute (WT/DS50) the United States had been the complainant, India the respondent and the European Communities and their Member States a third party. No change in the legal system of India had occurred since the adoption of the Panel and the Appellate Body's reports in the previous dispute. For these reasons, the European Communities and their Member States requested the Panel to extend to them, as the complainant in this proceeding, the Panel's findings in the earlier dispute, as modified by the Appellate Body.

Legal basis of the case: related provisions in the TRIPS and interpretation

Article 1.1 of the TRIPS Agreement, Nature and Scope of Obligations:

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

Pursuant to Article 1.1 of the TRIPS Agreement, it is up to WTO Members to decide how to implement their obligations under the TRIPS Agreement. (Panel Report, para. 7.41)

Article 27.1 of the TRIPS Agreement, Patentable Subject Matter:

"1. Subject to the provisions of paragraphs 2 and 3, patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application. Subject to

paragraph 4 of Article 65, paragraph 8 of Article 70 and paragraph 3 of this Article, patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced.”

Article 27 requires that patents be made available in all fields of technology, subject to certain narrow exceptions. (Panel Report, para. 7.38)

Article 65 of the TRIPS Agreement, Transitional Arrangements:

“1. Subject to the provisions of paragraphs 2, 3 and 4, no Member shall be obliged to apply the provisions of this Agreement before the expiry of a general period of one year following the date of entry into force of the WTO Agreement.

2. A developing country Member is entitled to delay for a further period of four years the date of application, as defined in paragraph 1, of the provisions of this Agreement other than Articles 3, 4 and 5.

3. Any other Member which is in the process of transformation from a centrally - planned into a market, free - enterprise economy and which is undertaking structural reform of its intellectual property system and facing special problems in the preparation and implementation of intellectual property laws and regulations, may also benefit from a period of delay as foreseen in paragraph 2.

4. To the extent that a developing country Member is obliged by this Agreement to extend product patent protection to areas of technology not so protectable in its territory on the general date of application of this Agreement for that Member, as defined in paragraph 2, it may delay the application of the provisions on product patents of Section 5 of Part II to such areas of technology for an additional period of five years.

5. A Member availing itself of a transitional period under paragraphs 1, 2, 3 or 4 shall ensure that any changes in its laws, regulations and practice made during that period do not result in a lesser degree of consistency with the provisions of this Agreement.”

Article 70.8 of the TRIPS Agreement, Protection of Existing Subject Matter:

“8. Where a Member does not make available as of the date of entry into force of the WTO Agreement patent protection for pharmaceutical and agricultural chemical products commensurate with its obligations under Article 27, that Member shall:

(a) notwithstanding the provisions of Part VI, provide as from the date of entry into force of the WTO Agreement a means by which applications for patents for such inventions can be filed;

(b) apply to these applications, as of the date of application of this Agreement, the criteria for patentability as laid down in this Agreement as if those criteria were being applied on the date of filing in that Member or, where priority is available and claimed, the priority date of the application; and

(c) provide patent protection in accordance with this Agreement as from the grant of the patent and for the remainder of the patent term, counted from the filing date in accordance with Article 33 of this Agreement, for those of these applications that meet the criteria for protection referred to in subparagraph (b)."

Under Article 70.8 (a) of the TRIPS Agreement, Members had the obligation as of 1 January 1995 to provide "*a means*" by which applications for patents on pharmaceutical and agricultural chemical products could be filed, if they were availing themselves of the transitional periods and thus, patent protection for these products was not available. (Panel Report, para. 7.36)

The transitional periods under Article 65 of the TRIPS Agreement were not applicable to Article 70.8. This ensured that, where patent protection was not available for these products, as of 1 January 1995 a means had to be in place to allow to file patent applications for such inventions and the allocation of filing and priority dates to them. In this way, the novelty of the inventions in question and the priority of the application claiming their protection could have been preserved and it would have been possible to determine their eligibility for protection by a patent when a product patent protection would have been available for these inventions, i.e. at the latest after the expiry of the transitional period. (Panel Report, paras. 7.38 - 7.39)

Article 70.9 of the TRIPS Agreement, Protection of Existing Subject Matter:

"9. Where a product is the subject of a patent application in a Member in accordance with paragraph 8(a), exclusive marketing rights shall be granted, notwithstanding the provisions of Part VI, for a period of five years after obtaining marketing approval in that Member or until a product patent is granted or rejected in that Member, whichever period is shorter, provided that, subsequent to the entry into force of the WTO Agreement, a patent application has been filed and a patent granted for that product in another Member and marketing approval obtained in such other Member."

The effective date of Article 70.9 is the date of entry into force of the WTO Agreement, which means that a Member subject to the provisions of Article 70.9 had to be ready to grant exclusive marketing rights at any point in time subsequent to 1 January 1995. (Panel Report, para. 7.64)

This was confirmed by the drafting history of the TRIPS Agreement. Exclusive marketing rights were a *quid pro quo* for the delay of the availability of product patents for pharmaceutical and agricultural chemical products until 1 January 2005, based on a careful balancing of obligations between interested parties during the Uruguay Round negotiations. (Panel Report, para. 7.72)

Article 3.2, 3.7 and 3.8 of the Dispute Settlement Understanding, General Provisions:

"2. The dispute settlement system of the WTO is a central element in providing security and predictability to the multilateral trading system. The Members recognize that it serves to

preserve the rights and obligations of Members under the covered agreements, and to clarify the existing provisions of those agreements in accordance with customary rules of interpretation of public international law. Recommendations and rulings of the DSB cannot add to or diminish the rights and obligations provided in the covered agreements.

...

“7. Before bringing a case, a Member shall exercise its judgment as to whether action under these procedures would be fruitful. The aim of the dispute settlement mechanism is to secure a positive solution to a dispute. A solution mutually acceptable to the parties to a dispute and consistent with the covered agreements is clearly to be preferred. In the absence of a mutually agreed solution, the first objective of the dispute settlement mechanism is usually to secure the withdrawal of the measures concerned if these are found to be inconsistent with the provisions of any of the covered agreements. The provision of compensation should be resorted to only if the immediate withdrawal of the measure is impracticable and as a temporary measure pending the withdrawal of the measure which is inconsistent with a covered agreement. The last resort which this Understanding provides to the Member invoking the dispute settlement procedures is the possibility of suspending the application of concessions or other obligations under the covered agreements on a discriminatory basis vis-à-vis the other Member, subject to authorization by the DSB of such measures.”

8. In cases where there is an infringement of the obligations assumed under a covered agreement, the action is considered prima facie to constitute a case of nullification or impairment. This means that there is normally a presumption that a breach of the rules has an adverse impact on other Members parties to that covered agreement, and in such cases, it shall be up to the Member against whom the complaint has been brought to rebut the charge.”

Article 9 of the Dispute Settlement Understanding, Procedures for Multiple Complaints:

“1. Where more than one Member requests the establishment of a panel related to the same matter, a single panel may be established to examine these complaints taking into account the rights of all Members concerned. A single panel should be established to examine such complaints whenever feasible.

2. The single panel shall organize its examination and present its findings to the DSB in such a manner that the rights which the parties to the dispute would have enjoyed had separate panels examined the complaints are in no way impaired. If one of the parties to the dispute so requests, the panel shall submit separate reports on the dispute concerned. The written submissions by each of the complainants shall be made available to the other complainants, and each complainant shall have the right to be present when any one of the other complainants presents its views to the panel.

3. *If more than one panel is established to examine the complaints related to the same matter, to the greatest extent possible the same persons shall serve as panelists on each of the separate panels and the timetable for the panel process in such disputes shall be harmonized.*”

Article 10.4 of the Dispute Settlement Understanding, Third Parties:

“4. If a third party considers that a measure already the subject of a panel proceeding nullifies or impairs benefits accruing to it under any covered agreement, that Member may have recourse to normal dispute settlement procedures under this Understanding. Such a dispute shall be referred to the original panel wherever possible.”

Article 11 of the Dispute Settlement Understanding, Functions of Panels:

“The function of panels is to assist the DSB in discharging its responsibilities under this Understanding and the covered agreements. Accordingly, a panel should make an objective assessment of the matter before it, including an objective assessment of the facts of the case and the applicability of and conformity with the relevant covered agreements, and make such other findings as will assist the DSB in making the recommendations or in giving the rulings provided for in the covered agreements. Panels should consult regularly with the parties to the dispute and give them adequate opportunity to develop a mutually satisfactory solution.”

The complainant position: the European Communities and their Member States

The European Communities and their Member States claimed that India had violated its obligations under the TRIPS Agreement.

a) In a previous case (WT/DS50), the Panel and the Appellate Body had concluded that India had violated its obligations to establish a mechanism of filing of patent applications on pharmaceutical and agricultural chemical products under Article 70.8 of the TRIPS Agreement, and to establish a mechanism for the grant of exclusive marketing rights on these products under Article 70.9 of the TRIPS Agreement. Therefore, the issues discussed in the case under consideration had been already examined by the Panel and the Appellate Body in the previous case (WT/DS50), where the European Communities and their Member States had been a third party. Consequently, the Panel had to extend to the European Communities and their Member States the findings of the earlier dispute, as modified by the Appellate Body.

i) This could be done since no change in factual circumstance and in the domestic legal situation had occurred in India since the previous Panel’s Report had been adopted, as modified by the Appellate Body.

ii) Under Article 10.4 of the Dispute Settlement Understanding (“DSU”), where a third party considers that a measure already the subject of a panel proceeding nullified or impaired benefits accruing to it under a covered agreement, this third party is entitled to bring its complaint on that measure before the original panel. Since the European Communities and their Member States were putting forward a complaint in all aspects identical, from a legal point of view, to the one submitted by the United States in the previous dispute, they were

entitled to bring its complaint in front of the original panel and it not necessary to repeat all the legal arguments that had already been put before this Panel when it dealt with the United States' complaint.

iii) Under Article 3.8 of the Dispute Settlement Understanding, an infringement of the obligations assumed under the covered agreements represents a *prima facie* case of nullification or impairment and the burden to rebut the charge is on the defendant. Since the Panel and the Appellate Body had previously found that India had violated its obligations under Articles 70.8 and 70.9 of the TRIPS Agreement, in the present case there was a presumption of adverse impact on the European Communities and their Member States and the burden to rebut this presumption was on India.

iv) The relevant provision to be applied in the present case was Article 10.4, not Article 9, of the Dispute Settlement Understanding. Article 9 of the Dispute Settlement Procedure addressed the situation where more than one complainant requested the establishment of a panel on the same matter, without however obliging WTO Members to request the establishment of a single panel on the same matter. Conversely, Article 10.4 of the Dispute Settlement System was the relevant provision for the present case, providing that a third party might become a complainant on a measure already the subject of a panel proceeding. This provision required the dispute to be referred to the original panel which had already dealt with the same issue in the earlier procedure where it had already completed its work. In addition, under Article 3.7 of the Dispute Settlement Understanding, Members shall exercise their judgment on whether action under the DSU would be fruitful which means that WTO members enjoy broad discretion whether to bring a case against another Member under the DSU.³²⁰ These provisions had to be considered against the European Communities and their Member States' position as a third party in the previous dispute (WT/DS50).³²¹

v) The normal dispute settlement procedures under Articles 10.4 and 11 of the Dispute Settlement Understanding had to be applied to this case. However, even applying them, points dealt with in the earlier dispute on the same subject should have not been re-litigated in the present dispute. As established by a previous Appellate Body report, panels had to recognize earlier panels and the Appellate Body reports as relevant for the solution of subsequent disputes.³²²

b) Under the Indian patent law, no system for the filing of patent applications on pharmaceutical and agricultural chemical products (a so-called "*mailbox system*") was in place. This was in violation of India's obligation under Article 70.8 of the TRIPS Agreement.

³²⁰ Appellate Body Report, *European Communities - Regime for the Importation, Sale and Distribution of Bananas*, WT/DS27/AB/R, adopted on 9 September 1997, para. 135.

³²¹ This made this case different from previous ones: in the *Bananas* dispute, Panama had attempted to get involved in the implementation of the Dispute Settlement Body recommendations and ruling of a dispute settlement procedure in which it had not participated, while the European Communities and their Member States were third party in the previous dispute without claiming to be entitled to any particular role

³²² Appellate Body Report, *Japan - Taxation of Alcoholic Beverages*, WT/DS8/AB/R, WT/DS10/AB/R, WT/DS11/AB/R, adopted on 4 October 1996, at page 14.

i) No new elements that had not been considered in the earlier dispute or that were otherwise relevant for the resolution of the dispute under discussion, had been advanced by India.

ii) The Panel and the Appellate Body had already found in the earlier dispute (WT/DS50) that the present Indian domestic regime concerning the patent protection of pharmaceutical and agricultural chemical products was inconsistent with India's obligations under Article 70.8 of the TRIPS Agreement. This claim was identical in all aspects to the United States' claim in WT/DS50. Pursuant to Article 3.8 of the Dispute Settlement Understanding, there was a presumption according to which this breach of the relevant WTO rules by India had an adverse effect on the European Communities and their Member States. India had the burden to rebut the contrary presumption.

c) Under the Indian patent law, no mechanism to grant exclusive marketing rights to pharmaceutical and agricultural chemical products subject to patent applications was in place. This was in violation of India's obligation under Article 70.9 of the TRIPS Agreement.

i) No new elements that had not been considered in the earlier dispute or that were otherwise relevant for the resolution of the dispute under discussion, had been advanced by India.

ii) The Panel and the Appellate Body had already found in the earlier dispute that, since no regime concerning the grant of exclusive marketing rights was in place in India, India had violated its obligation under Article 70.9 of the TRIPS Agreement. This claim was identical in all aspects to the United States' claim in WT/DS50.³²³ Pursuant to Article 3.8 of the Dispute Settlement Understanding, there was a presumption according to which this breach of the relevant WTO rules by India had an adverse effect on the European Communities and their Member States. India had the burden to rebut the contrary presumption.

The defendant position: India

India rebutted all the claims by the European Communities and their Member States.

a) Under the Dispute Settlement Understanding, it was not possible to bring successive complaints based on the same facts and legal claims.

i) Under Articles 9.1 and 10.4 of the Dispute Settlement Understanding, which dealt with multiple complaints, the Panel had to dismiss the complaints of the European Communities and their Member States. Under Article 9 and 10 of the Dispute Settlement Understanding, multiple complainants have to submit their case to the same panel whenever possible: the right to resubmit the same matter to a panel is under the condition that a single panel shall be established whenever feasible (Article 9) and a dispute on a measure already under litigation must be referred to the same panel whenever possible (Article 10.4). The European

³²³ See page 32, WT/DS50/R and WT/DS50/AB/R.

Communities and their Member States could not bring their complaints after the first dispute (WT/DS50), since it had been feasible and possible for them to refer their complaints to a single panel under Articles 9 and 10.4 of the DSU and they had not done so. A different interpretation would have created an unmitigated right to bring successive complaints by different parties based on the same facts and legal claims, thus destabilizing the multilateral trade order.

ii) As previously clarified by the Appellate Body, panels' decisions are not binding: conclusions and recommendations in an adopted panel report bind only the parties in that particular case and subsequent panels are not legally bound by the details and the legal reasoning of a previous panel's report.³²⁴

iii) Complainants do not have an unlimited right to delay the initiation of proceedings and defendants and the WTO have the right to be protected against unnecessary re-litigation. On this line, the European Communities and their Member States' complaints were an unwarranted harassment, which wasted the WTO and India's limited human and financial resources.

b) In the alternative, if the Panel were to consider that Article 10.4 of the Dispute Settlement Understanding entitled the European Communities and their Member States to bring their complaints, the Panel had to apply the normal dispute settlement procedures under Article 10.4 of the DSU, and had to make an objective assessment of the facts and arguments put forward in the present proceedings, as required under Article 11 of the DSU. Therefore, the Panel had to determine the facts, to find the applicable law and to apply the law to the facts, allowing India to submit new arguments and new facts.

i) New evidence on the domestic situation of India had been submitted in the case under consideration. Thus, the Panel had to engage in further fact-finding.

ii) There was a significant difference between being guided by the Appellate Body's decision and being guided by the Appellate Body's reasoning in the previous and other cases. If the Panel were to declare that a decision on the matter already existed, it would have denied India its procedural rights under the normal dispute settlement procedures.

c) The European Communities and their Member States had argued that the Panel and the Appellate Body had already found in the earlier dispute that the present Indian domestic regime concerning the patent protection of pharmaceutical and agricultural chemical products was inconsistent with India's obligations under Article 70.8 of the TRIPS Agreement. To reach this conclusion, the Panel had interpreted Indian law. However, the Panel had not been called upon to interpret Indian law, but to give judgment on the question of whether India, in applying that law, had acted in accordance with Article 70.8 (a) of the TRIPS Agreement.

³²⁴ Appellate Body Report on *Japan - Taxes on Alcoholic Beverages*, WT/DS8/AB/R, WT/DS10/AB/R, WT/DS11/AB/R, Section E.

i) The European Communities and their Member States were carrying the burden of proving that India had failed to establish a “*mailbox system*” meeting the requirements of Article 70.8(a) of the TRIPS Agreement and not merely that there were reasonable doubts that it had failed to do so.

ii) Members had to be given the benefit of the doubt on their own interpretations of their municipal law. Moreover, the Panel and the Appellate Body had failed to apply the principle that the conformity of the internal law of each State with its treaty obligations must be presumed and the rulings of the Appellate Body on the interpretation of municipal law by international courts and tribunals were contradictory.

iii) The system of filing patent applications on pharmaceutical and agricultural chemical products under the Indian law was fully consistent with the obligation under Article 70.8 (a) of the TRIPS Agreement. Although formally the patentability of pharmaceutical and agricultural chemical products was not allowed by the Indian patent law, patent application could be filed for these products through the administrative practices. To avoid patent examiners objections on patentability of these products these patent applications were not referred to the competent authority to be examined.³²⁵ Thus, patent applications on pharmaceutical and agricultural chemical products would have not been refused or withdrawn from consideration prior to the date when patent protection would become available to them.

d) Under Article 70.9 of the TRIPS Agreement, Members have the obligation to grant exclusive marketing rights once certain conditions have occurred.³²⁶ These conditions had not occurred with respect to any specific pharmaceutical or agricultural chemical product, and India therefore had not violated its obligations under Article 70.9 of the TRIPS Agreement.

i) The Panel in the earlier case had incorrectly interpreted Article 70.9 of the TRIPS Agreement as requiring implementation of its provisions before specified events had occurred and had not based this interpretation of Article 31 of the *Vienna Convention on the Law of Treaties*, as it should had. Under Article 70.9 of the TRIPS Agreement, India had to grant exclusive marketing rights on pharmaceutical and agricultural chemical products for which a patent application had been filed only after certain specific events had occurred.³²⁷ These rights had not been denied to any products at the time of the dispute.

ii) The concept of predictability of conditions of competition did not justify an interpretation of Article 70.9 of the TRIPS Agreement according to which there had to be a mechanism in place to provide for the grant of exclusive marketing rights before such rights were due. In

³²⁵ The Controller general of Patents, Trademarks and Designs for examination.

³²⁶ a) A patent application had been filed in respect of that product in another Member of the WTO after 1 January 1995; (b) The other Member of the WTO had granted the patent; (c) The other Member had approved the marketing of the product; (d) India had approved the marketing of the product.

³²⁷ (a) A patent application had been filed in respect of that product in another Member of the WTO after 1 January 1995; (b) the other Member of the WTO had granted the patent; (c) the other Member had approved the marketing of the product; (d) India had approved the marketing of the product.

examining India's appeal from the report of the Panel, the Appellate Body had rejected the Panel's reliance on the notion of condition of competition as a means to expand the obligations under the TRIPS Agreement. However, the Appellate Body had failed to reverse the interpretation of Article 70.9 of the TRIPS Agreement by the Panel.

iii) Contrary to what the Appellate Body suggested, India had agreed with the United States in the previous dispute that Article 70.9 of the TRIPS Agreement entered into effect on the date of entry into force of the WTO Agreement. However, Article 70.9 set out an obligation to accord exclusive marketing rights that was triggered by events which had not yet occurred.

The Panel's findings, rulings and recommendations:

a) India had requested the Panel to dismiss the European Communities and their Member States' complaints as inadmissible on procedural grounds. According to India, since it was feasible, the European Communities and their Member States would have had to bring their complaint simultaneously with the United States' complaint (WT/DS50). The European Communities and their Member States disagreed and considered that no obligation to make a complaint at a given point in time existed under Articles 9 and 10.4 of the Dispute Settlement Understanding. In support of this argument, they cited Article 3.7 of the DSU, which provides that Members shall exercise their judgment as to whether action under the DSU would be fruitful, before bringing a case.

i) Article 9 of the Dispute settlement Understanding sets out procedures for multiple complaints. The terms of Article 9 are directory or recommendatory, not mandatory: this Article sets forth a code of conduct for the Dispute Settlement Body, without imposing any limitation on the rights of WTO Members. A different interpretation would be contrary to the aim of the dispute settlement mechanism as set out in Article 3.7 of the DSU: forcing a member to make a complaint when they still wish to continue consultations would frustrate the aim of the DSU to primarily secure a positive solution to a dispute, mutually acceptable to the parties and consistent with the covered agreement. In the case under consideration, it was not disputed by the parties that the complaints by the United States (WT/DS50) and the European Communities and their Member States (WT/DS79) related to the same matter, i.e. India's compliance with Article 70.8 and 70.9 of the TRIPS Agreement. It was not however "*feasible*" in the present case for the Dispute settlement Body to establish a single panel at the time of the United States' panel request in November 1996, since no request for the establishment of a panel had been made by the European Communities that time. Accordingly, there was no violation of Article 9.1 of the Dispute settlement Understanding.

ii) The terms of Article 10.4 had been complied with in the present case. The European Communities and their Member States, which were a third party in the proceeding initiated by the United States in respect of the same Indian measure, decided later to have recourse to a panel under the DSU. This is precisely what Article 10.4 permits: the two members of the Panel in WT/DS50 were reappointed, while the Panel Chairman, who was no longer available,

was replaced. India's claim regarding a violation of Article 10.4 lacked both factual and legal basis.

iii) India was concerned on the danger of inconsistent rulings in the multilateral trade order, if an unmitigated right to bring successive complaints by different parties based on the same facts and legal claims were allowed. These were serious concerns, but this Panel was not the appropriate forum to address these issues. For these reasons, India's request for dismissal of the EC's complaint had to be rejected.

b) The European Communities and their Member States had asked the Panel to extend to them its findings in the earlier dispute. India argued that they were entitled to normal dispute settlement procedures under Article 10.4 of the DSU. His issue involved the question as to what extent was the Panel bound by the reports by the Panel and the Appellate Body regarding the same subject - matter in the dispute between the United States and India (WT/DS50). That is whether there is a principle of *stare decisis* i.e. binding precedents in the WTO/GATT system. A previous panel addressing the issue in the GATT context stressed the need to maintain its precedents and certain coherence in its decisions, coherence needed to provide stability within the international trading system.³²⁸ The Appellate Body had clarified that adopted panel reports are often referred to by subsequent panels and are an important part of the GATT *acquis*. They create legitimate expectations among WTO Members, and, therefore, should be taken into account where they are relevant to any dispute. However they are not binding, except with respect to resolving the particular dispute between the parties to that dispute.³²⁹ Therefore, the Panel, in examining WT/DS79, was not legally bound by the conclusions of the Panel in dispute WT/DS50 as modified by the Appellate Body report: however, the conclusions and reasoning in the Panel and the Appellate Body reports in the dispute WT/DS50 were going to be taken into account. The basis of the requirement to refer to the original panel wherever possible under Article 10.4 of the DSU is formed by Article 3.2 of the DSU, which stresses the role of the WTO dispute settlement system in providing security and predictability to the multilateral trading system and the need to avoid inconsistent rulings.

c) The European Communities and their Member States' claim on India's obligation under Article 70.8(a) of the TRIPS Agreement was identical to the United States' claim in the case WT/DS50. In WT/DS50, the Panel reached the conclusion that India had violated its obligation under Article 70.8(a) of the TRIPS Agreement. A conclusion which had been upheld by the Appellate Body, although with some modifications.³³⁰

i) Although as above-mentioned, this Panel was not bound by the conclusions of the Panel in dispute WT/DS50 as modified by the Appellate Body report, it is worth noting that India had

³²⁸ GATT Panel Report, *United States - Restrictions on Imports of Tuna*, Complaints by the EEC and the Netherlands, DS29/R, circulated on 19 June 1994, paragraph 3.74.

³²⁹ Appellate Body Report, *Japan - Taxes on Alcoholic beverages*, WT/DS8/AB, WT/DS10/AB, WT/DS11/AB, adopted on 1 November 1996, page. 14.

³³⁰ See page 32, WT/DS50.

not introduced any changes to its patent regime since the adoption of the Panel and the Appellate Body reports in dispute WT/DS50. No new development in the legal order of India had taken place since the adoption of the Panel and the Appellate Body reports in dispute WT/DS50. India's arguments on the existence in India of a "mailbox system" were not persuasive.

ii) The current Panel basically developed the same reasoning as the Panel judging dispute WT/DS50, as upheld and modified by the Appellate Body, on this issue.³³¹ India had not successfully rebutted the *prima facie* case of violation of Article 70.8(a) that had been established by the European Communities and their Member States in the present case. In conclusion, India had failed to take the action necessary to implement its obligations under subparagraph (a) of Article 70.8

d) The European Communities and their Member States' claim on India's obligation under Article 70.9 of the TRIPS Agreement was identical to the United States' claim in the case WT/DS50. It was not contested that at the moment of the dispute there was neither legislation nor administrative practice in place in India regarding the grant of exclusive marketing rights on those products that satisfied the conditions of Article 70.9. The situation had remained unchanged since the adoption of the Panel and the Appellate Body reports in dispute WT/DS50. India also had admitted that legislation was needed to effect a system of granting exclusive marketing rights.

i) India did not bring forward any new factual information. It only criticized the Panel and the Appellate Body reports, pointing out certain perceived logical inconsistencies.

ii) The Panel basically developed the same reasoning of the Panel, as upheld by the Appellate Body, on this issue. India had failed to implement its obligation under Article 70.9 to establish a system for the grant of exclusive marketing rights to be available at any time after entry into force of the WTO Agreement.

Pursuant to Article 3.8 of the DSU, India's violation of its obligations under Articles 70.8 and 70.9 of the TRIPS Agreement constituted a case of *prima facie* nullification or impairment of benefits accruing to the European Communities and their Member States under the TRIPS Agreement, which India had not rebutted.

On the basis of the findings set out above, India:

- Had not complied with its obligations under Article 70.8(a) because it had failed to establish a sound legal basis for adequately preserving novelty and priority of applications for product patents on pharmaceutical and agricultural chemical inventions during the transitional period to which it was entitled under Article 65 of the TRIPS Agreement;

³³¹ See page 32, WT/DS50.

- Had not complied with its obligations under Article 70.9 of the TRIPS Agreement because it had failed to establish a system for the grant of exclusive marketing rights.

Further development related to the case:

a) In the India - Patents II case, no claim had been put forward on civil and administrative procedures and remedies. However, some scholars have drawn guidance on the interpretation of Article 43 of the TRIPS Agreement from the Panel brief comparison between the language of Article 70.9 and the language used in Article 42 through 48 of the Agreement: under Article 43, Members would have an obligation to grant courts the relevant authority to order the production of evidence by the party which does not carry the burden of proof, rather than to take legislative measures to this effect only when a specific occasion arose.

b) Although Least Developed Countries governments were all worried about the higher prices that stronger intellectual property rights would entail, no country was more actively involved in opposing the TRIPS Agreement than India, including at DSU. Some scholars describe the national sentiment in India on the issue of pharmaceutical patents as fitting perfectly with India Gandhi's statement at the World Health Assembly in 1982: *"The idea of a better ordered world is one in which medical discoveries will be free of patents and there will be no profiteering from life and death."*

c) Indeed, the original India Patents Acts of 1970 had come into force in 1972. It had imposed substantial limits on patent rights: these limits were intended to encourage indigenous inventions and secure their production in India on a commercial scale. The patent (amendment) Act of 1999 amended the Patent Act of 1970 to implement mail box facilities and a system to grant exclusive marketing rights. Successive amendments were introduced. It is however worth noting that, notwithstanding widespread apprehension, only a few applications for exclusive marketing rights were filed in India through this mechanism (13 exclusive marketing rights applications were filed by August 2004). Some, such as the exclusive marketing rights granted to Novartis for an anti - cancer drug, gave rise to controversy.³³²

Although some amendments to its Patents Act occurred before, the critical step in India's implementation of its TRIPS commitments came in January 2005 with a new system that, according to Indian industry representatives, was taking a calibrated approach to intellectual property protection that sought to take into account concerns for public health and access to medicines as well as the interest of the domestic industry.³³³

Despite these changes, there were still gaps and provisions which raised objections from multinational pharmaceutical companies: first, there was an open issue on the protection of

³³² S. Chaudhuri, *TRIPS and Changes in Pharmaceutical Patent Regime in India*, Indian Institute of Management, Working Paper No. 535, January 2005, p. 6 - 7.

³³³ Office of Industries U.S. International Trade Commission, *Competitive Conditions for Foreign Direct Investment in India*, Publication 3931, July 2007, p. 8-2-8-4.

clinical trial and other data used to obtain marketing approval of pharmaceuticals that utilize new chemical entities and the unclear obligation on data exclusivity under Article 39.3 of the TRIPS Agreement; second, there still were some practical issues such as the backlog of unexamined patents, the lack of patent examiner experience, lengthy pre-grant opposition proceedings, and limited resources in the patent system. All this raised the concern that the patent law changes had not yielded meaningful patent protection.³³⁴

The above-mentioned perceived inadequacies in India's patent law appeared to have impacted multinational pharmaceutical companies' evaluation of the investment environment in India.³³⁵

d) The two cases *India - Patents I* and *India - Patents II* emphasized the centrality of pharmaceutical patent issues in TRIPS implementation. Before *India - Patent I*, in 1995, the Pharmaceutical Research Manufacturers of America (PhRMA) in the United States described India as "one of the world's worst offenders of patent rights." The Indian patent system had apparently been the most direct motivation for US efforts in the Uruguay Round negotiations relating to patents, and the negotiators of the TRIPS Agreement fully expected that India's implementation of its TRIPS obligations would produce the most dramatic level of reforms. Similarly, the European Communities, had stressed, in their request to join consultations between the US and India, that the European pharmaceutical and agro-chemical industry had an important export interest in the Indian market. On this line, the European Federation of Pharmaceutical Industry Associations (EFPIA) had had a significant role in the European Communities will to bring its claims against India in the WTO.³³⁶

³³⁴ Ibid., p. 8-3-8-4.

³³⁵ Ibid., p. 8-5.

³³⁶ C. M. Correa, A. A. Yusuf. (Eds.), *Intellectual Property and International Trade: The TRIPS Agreement*, (Wolters Kluwer: The Netherlands, 2008), p. 344 - 345.

Canada - Patent Protection of Pharmaceutical Products

IP/D/11WT/DS114 - Panel Report WT/DS114/R

General Background of the case

On 19 December 1997 the European Communities their Member States requested consultations with Canada regarding the protection of inventions in the area of pharmaceuticals. The Panel was composed on 25 March 1999. Australia, Brazil, Colombia, Cuba, India, Israel, Japan, Poland, Switzerland, Thailand and the United States reserved their rights as third parties to the dispute.

The Panel Report was adopted on 7 April 2000.

The dispute concerned the conformity of Section 55.2 (1) and 55.2 (2) of Canada's *Patent Act* with Canada's obligations under the TRIPS Agreement. Under Section 55.2 (1) of Canada's Patent Act (the "*regulatory review exception*"):

"It is not an infringement of a patent for any person to make, construct, use or sell the patented invention solely for uses reasonably related to the development and submission of information required under any law of Canada, a province or a country other than Canada that regulates the manufacture, construction, use or sale of any product."

While, under Section 55.2 (2) of Canada's Patent Act (the "*stockpiling exception*"):

"It is not an infringement of a patent for any person who makes, constructs, uses or sells a patented invention in accordance with subsection (1) to make, construct or use the invention, during the applicable period provided for by the regulations, for the manufacture and storage of articles intended for sale after the date on which the term of the patent expire."

Both provisions did not require the consent of the patent owner for a third party to perform these acts and Section 55.2 (2) made reference to an "*applicable period*" provided for by the regulations. Under Canada's Manufacturing and Storage of Patented Medicines Regulations, the period to construct or use the invention for the manufacture and storage was the six months immediately preceding the date on which the term of the patent expired. Furthermore, both Sections had to be considered by reference to the regulatory review procedure for drugs. Under Canada's *Food and Drugs Act* and the *Therapeutic Products Programme (TPP)* of the Canadian *Federal Department of Health*, which was responsible to ensure that "new drugs" meet health and safety requirements, this procedure could be extremely time consuming and take from one to two - and - a - half years to complete. The European Communities and their Member States complained that these provisions were not compatible with the TRIPS Agreement and namely with Articles 27.1,³³⁷ 28³³⁸ and 33 of the TRIPS Agreement.³³⁹

³³⁷ Article 27 of the TRIPS Agreement (Patentable Subject Matter):

1. Subject to the provisions of paragraphs 2 and 3, patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application. (5) Subject to paragraph 4 of Article 65, paragraph 8 of Article 70 and paragraph 3 of this Article,

The complainant position: the European Communities and their Member States

The European Communities and their Member States argued that Canada violated its obligations under the TRIPS Agreement.

a) Section 55.2 (2) and 55.2 (3) of the Patent Act together with the Manufacturing and Storage of Patented Medicines Regulations allowed the manufacturing and stockpiling of pharmaceutical products without the consent of the patent holder during the six months immediately prior to the expiration of the 20 - year patent term. Therefore:

i. Canada violated its obligations under Article 28.1 to grant patent owners certain exclusive rights such as the right to prevent third parties not having their consent to make or use the patented product, and under Article 33 of the TRIPS Agreement to grant a term of protection for patents of at least twenty years counted from the filing date. As an outcome of these legislations and regulations, anybody in Canada was allowed to perform the acts of making, constructing and using of the invention during the last six months of the patent term without the authorization of the patent holder. Canada violated this obligation since the Canadian legislation allowed a too great diminution of the patent owner's rights of exclusivity.

ii. Canada violated its obligations under Article 27.1 of the TRIPS Agreement. Under Article 27.1 of the TRIPS Agreement patents shall be available and patent rights enjoyable without discrimination as to the field of technology. Section 55.2 (2) and the Manufacturing and Storage of Patented

patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced.

2. Members may exclude from patentability inventions, the prevention within their territory of the commercial exploitation of which is necessary to protect *ordre public* or morality, including to protect human, animal or plant life or health or to avoid serious prejudice to the environment, provided that such exclusion is not made merely because the exploitation is prohibited by their law.

3. Members may also exclude from patentability:

(a) diagnostic, therapeutic and surgical methods for the treatment of humans or animals;

(b) plants and animals other than micro - organisms, and essentially biological processes for the production of plants or animals other than non - biological and microbiological processes. However, Members shall provide for the protection of plant varieties either by patents or by an effective *sui generis* system or by any combination thereof. The provisions of this subparagraph shall be reviewed four years after the date of entry into force of the WTO Agreement.

³³⁸ Article 28 of the TRIPS Agreement (Rights Conferred):

1. A patent shall confer on its owner the following exclusive rights:

(a) where the subject matter of a patent is a product, to prevent third parties not having the owner's consent from the acts of: making, using, offering for sale, selling, or importing (6) for these purposes that product;

(b) where the subject matter of a patent is a process, to prevent third parties not having the owner's consent from the act of using the process, and from the acts of: using, offering for sale, selling, or importing for these purposes at least the product obtained directly by that process.

2. Patent owners shall also have the right to assign, or transfer by succession, the patent and to conclude licensing contracts.

³³⁹ Article 33 of the TRIPS Agreement (Term of Protection):

The term of protection available shall not end before the expiration of a period of twenty years counted from the filing date.

Note: It is understood that those Members which do not have a system of original grant may provide that the term of protection shall be computed from the filing date in the system of original grant.

Medicines Regulations applied only to pharmaceutical products and did not provide for the 20 - year term of patent protection under the TRIPS Agreement (but only for a 19½-year term of protection). Section 55.2 (2) of the Canadian legislation applied in practice only to product and process patents in the field of pharmaceutical products. This provision was inoperative alone and created legal effects only through regulations. However, only regulations in the field of pharmaceuticals had been promulgated and, as a consequence, the legislation could not apply to any other product but pharmaceutical patents. Therefore, the Canadian legislation treated pharmaceutical inventions less favorably than inventions in all other fields of technology and discriminated against them.

b) Section 55.2 (1) of the Patent Act allowed all activities related to the development and submission of information required to obtain marketing approval for pharmaceutical products carried out by a third party without the consent of the patent holder at any time during the patent term. Therefore:

i. Canada violated its obligations under Article 28.1 of the TRIPS Agreement. As an outcome of this legislation, there was a too great diminution of the patent owner's rights of exclusivity required by this Article.

ii. Canada violated its obligations under Article 27.1 of the TRIPS Agreement. While Section 55.2 (1) of the Canadian Patent Act did not mention expressly pharmaceuticals or medicines and read as if this provision would apply to all fields of technology, it did in practice only apply to pharmaceuticals. This became apparent from the legislative history of this provision and was confirmed by Canada in the formal consultations under the DSU.

c) In support of the arguments presented and as an outcome of Sections 55.2 (1) and 55.2 (2) of the Patent Act together with the Manufacturing and Storage of Patented Medicines Regulations, the pharmaceutical industries of the European Communities and its Member States had suffered economic losses.

This constituted *prima facie* nullification or impairment under Article 64.1 of the TRIPS Agreement, Article XXIII of GATT 1994 and Article 3.8 of the DSU. Canada should have brought its domestic legislation into conformity with its obligations under the TRIPS Agreement.

The defendant position: Canada

Canada requested the Panel to reject the complaints of the European Communities and their Member States.

a) Neither of these provisions discriminated, within the meaning of Article 27 of the TRIPS Agreement, as to the field of technology in which any relevant invention had occurred. The prohibition in Article 27.1 against discrimination on the basis of field of technology does not apply to allowable limited exceptions. However, if the Panel were to find Article 27.1 applicable, neither of these provisions discriminated, within the meaning of Article 27 of the TRIPS Agreement, since

the limited exceptions of Section 55.2 (1) and 55.2 (2) were not expressly related to any particular field of technology.

b) Neither of these provisions reduced the minimum term of protection referred to in Article 33 of the TRIPS Agreement to a term that was less than that minimum, because they did nothing to impair a patentee's right to exploit its patent for the full term of protection by working the patent for its private commercial advantage, leaving the monopoly of commercial exploitation and the exclusivity of economic benefits unimpaired for the life of the patent.

c) Both Sections 55.2 (1) and 55.2 (2) of the Patent Act conformed with Canada's obligations under the TRIPS Agreement. These provisions represent both exceptions to the right conferred under Article 30 of the TRIPS Agreement.³⁴⁰

i. First, these two measures were "*limited exceptions*" within the meaning of Article 30. They allowed patent owners complete freedom to exploit their rights throughout the full term of patent protection, leaving the monopoly of commercial exploitation and the exclusivity of economic benefits unimpaired for the life of the patent.

ii. Second, there was no conflict with a normal exploitation of a patent or prejudice to the legitimate interests of the patent owner, since they only affected the patent owner's commercial exploitation after the patent had expired.

iii. Third, these measures both took into account Canada's national interest, social welfare and the achievement of a balance between rights and obligations. These were recognized objectives under Article 7 of the TRIPS Agreement.

iv. Fourth, Canada took account of the legitimate interests of third parties when it adopted these measures. This was reflected in the fact that these measures allowed potential competitors to compete freely with the patentee after the patent expired, consistent with the policy of full competition underlying the requirement of Article 29 of the TRIPS Agreement that, in return for the grant of patent protection, patentees must disclose their inventions to the public. They sought to protect public health - a value recognized in Article 8.1 of the TRIPS Agreement - through promoting access to cost-effective generic medicines following patent expiry and, in this connection, they took into account the legitimate interests of individuals, private insurers and public sector entities that financed health care in maintaining access to affordable medicines. Article 30 allowed uses that did not unreasonably conflict with a normal exploitation of the patent or unreasonably prejudice the legitimate interests of the patent owner, taking account of the legitimate interests of third parties.

d) In addition, as for the "*regulatory review exception*", two further considerations applied.

³⁴⁰ Article 30 of the TRIPS Agreement (Exceptions to Rights Conferred):

Members may provide limited exceptions to the exclusive rights conferred by a patent, provided that such exceptions do not unreasonably conflict with a normal exploitation of the patent and do not unreasonably prejudice the legitimate interests of the patent owner, taking account of the legitimate interests of third parties.

i. Some support for this measure could be found in the negotiating history of Article 30 of the TRIPS Agreement. The 1984 United States regulatory review exception, known as the “*Bolar exemption*” was similar to Section 55.2 (1) of Canada's Patent Act. The United States “*Bolar exemption*” was well known during the negotiation of Article 30, and governments were aware that the United States intended to secure an exception that would permit it to retain its “*Bolar exemption*” and that the United States agreed to the general language of Article 30 on the understanding that the provision would do so.

ii. Subsequent practices of certain WTO Members confirmed the possibility to adopt such a “*regulatory review exemption*”. After the conclusion of the TRIPS Agreement other six WTO Members adopted legislation containing similar regulatory review exceptions (Argentina, Australia, Hungary and Israel) or interpretations of existing patent law confirming exemptions for regulatory review submissions (Japan and Portugal). According to Article 31(3) (b) of the Vienna Convention, these subsequent practices by parties to the agreement confirmed its interpretation that regulatory review exceptions are authorized by TRIPS Article 30.

Panel findings, rulings and recommendations:

The Panel started by considering the two Canadian measures at issue, the claims of the parties to the dispute, the principles of interpretation and the burden of proof.

a) The first claims of violation concerned Section 55.2 (2), the “*stockpiling exemption*”. TRIPS Agreement contains two provisions authorizing exceptions to the exclusionary patent rights laid down in Article 28 - Articles 30 and 31.³⁴¹ Of these two, Article 30 - the so-called limited exceptions

³⁴¹ Article 31 of the TRIPS Agreement (Other Use Without Authorization of the Patent Holder):

Where the law of a Member allows for other use (7) of the subject matter of a patent without the authorization of the right holder, including use by the government or third parties authorized by the government, the following provisions shall be respected:

(a) authorization of such use shall be considered on its individual merits;

(b) such use may only be permitted if, prior to such use, the proposed user has made efforts to obtain authorization from the right holder on reasonable commercial terms and conditions and that such efforts have not been successful within a reasonable period of time. This requirement may be waived by a Member in the case of national emergency or other circumstances of extreme urgency or in cases of public non - commercial use. In situations of national emergency or other circumstances of extreme urgency, the right holder shall, nevertheless, be notified as soon as reasonably practicable. In the case of public non - commercial use, where the government or contractor, without making a patent search, knows or has demonstrable grounds to know that a valid patent is or will be used by or for the government, the right holder shall be informed promptly; (c) the scope and duration of such use shall be limited to the purpose for which it was authorized, and in the case of semi - conductor technology shall only be for public non - commercial use or to remedy a practice determined after judicial or administrative process to be anti-competitive;

(d) such use shall be non - exclusive;

(e) such use shall be non - assignable, except with that part of the enterprise or goodwill which enjoys such use;

(f) any such use shall be authorized predominantly for the supply of the domestic market of the Member authorizing such use;

(g) Authorization for such use shall be liable, subject to adequate protection of the legitimate interests of the persons so authorized, to be terminated if and when the circumstances which led to it cease to exist and are unlikely to recur. The competent authority shall have the authority to review, upon motivated request, the continued existence of these circumstances;

provision - had been invoked by Canada in the present case. Canada argued that Section 55.2 (2) complied with each of the three conditions of Article 30, while the European Communities argued that Section 55.2 (2) failed to comply with any of the three conditions.

Both parties agreed on the basic structure of Article 30. Article 30 establishes three criteria that must be met in order to qualify for an exception: (1) the exception must be “*limited*”; (2) the exception must not “*unreasonably conflict with normal exploitation of the patent*”; (3) the exception must not “*unreasonably prejudice the legitimate interests of the patent owner, taking account of the legitimate interests of third parties*”. It was clear that the three conditions are cumulative, each being a separate and independent requirement that must be satisfied for a measure to fall under the scope of Article 30.

Canada invoked as well a number of other provisions of the TRIPS Agreement which were relevant to the purpose and objective of Article 30. These provisions were the text of the first recital in the Preamble to the TRIPS Agreement,³⁴² to part of the text of Article 1.1.,³⁴³ Article 7 and Article 8.1 of the TRIPS Agreement.³⁴⁴

(h) the right holder shall be paid adequate remuneration in the circumstances of each case, taking into account the economic value of the authorization;

(i) the legal validity of any decision relating to the authorization of such use shall be subject to judicial review or other independent review by a distinct higher authority in that Member;

(j) any decision relating to the remuneration provided in respect of such use shall be subject to judicial review or other independent review by a distinct higher authority in that Member;

(k) Members are not obliged to apply the conditions set forth in subparagraphs (b) and (f) where such use is permitted to remedy a practice determined after judicial or administrative process to be anti-competitive. The need to correct anti-competitive practices may be taken into account in determining the amount of remuneration in such cases. Competent authorities shall have the authority to refuse termination of authorization if and when the conditions which led to such authorization are likely to recur;

(l) where such use is authorized to permit the exploitation of a patent (“the second patent”) which cannot be exploited without infringing another patent (“the first patent”), the following additional conditions shall apply:

(i) the invention claimed in the second patent shall involve an important technical advance of considerable economic significance in relation to the invention claimed in the first patent;

(ii) the owner of the first patent shall be entitled to a cross - license on reasonable terms to use the invention claimed in the second patent; and

(iii) the use authorized in respect of the first patent shall be non - assignable except with the assignment of the second patent.

³⁴² The first recital in the Preamble of the TRIPS Agreement reads as follows:

“Desiring to reduce distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, *and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade;*” (emphasis added by Canada).

³⁴³ Article 1 of the TRIPS Agreement (Nature and Scope of Obligations):

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

2. For the purposes of this Agreement, the term “intellectual property” refers to all categories of intellectual property that are the subject of Sections 1 through 7 of Part II.

3. Members shall accord the treatment provided for in this Agreement to the nationals of other Members. (1) In respect of the relevant intellectual property right, the nationals of other Members shall be understood as those

i. Article 30 is very existence amounts to a recognition that the definition of patent rights contained in Article 28 would need certain adjustments. On the other hand, the three limiting conditions attached to Article 30 testify strongly that the negotiators of the Agreement did not intend Article 30 to bring about what would be equivalent to a renegotiation of the basic balance of the Agreement.

ii. As for the three criteria that must be met in order to qualify for an exception under Article 30 of the TRIPS Agreement were met in the case under its consideration, the first criterion was for an exception to be “*limited*”. Article 30 stipulates that “*Members may provide limited exceptions to the exclusive rights conferred by a patent*”. By using the term “*limited exception*”, it is clear that the word “*limited*” must be given a meaning separate from the limitation implicit in the word “*exception*” itself and the exception must be a narrow one. The European Communities and its Member States correctly argued that an interpretation that is “*limited*” is to be measured by the extent to which the exclusive rights of the patent owner have been curtailed. Conversely, it could not be supported Canada’s view that the curtailment of the patent owner’s legal rights is “*limited*” just so long as the exception preserves the exclusive right to sell to the ultimate consumer during the patent term. Following this latter argument, one would have supported the idea that the essential right conveyed by a patent is the right to exclude sales to consumers during the patent term, while the rights to exclude “*making*” and “*using*” the patented product during the term of the patent would have been in some way secondary. To the contrary, there is no support for creating such a hierarchy of patent rights within the TRIPS Agreement.

iii. For these reasons, the “*stockpiling exception*” of Section 55.2 (2) constituted a substantial curtailment of the exclusionary rights required to be granted to patent owners under Article 28.1 of the TRIPS Agreement and could not be considered a “*limited exception*” within the meaning of Article 30 of the Agreement. No definition was however provided as for the level of curtailment

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, were all Members of the WTO members of those conventions. (2) Any Member availing itself of the possibilities provided in paragraph 3 of Article 5 or paragraph 2 of Article 6 of the Rome Convention shall make a notification as foreseen in those provisions to the Council for Trade - Related Aspects of Intellectual Property Rights (the “Council for TRIPS”).

(emphasis added on the part referred to by Canada).

³⁴⁴ Article 7 of the TRIPS Agreement (Objectives):

The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations.

Article 8 of the TRIPS Agreement (Principles):

1. Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio - economic and technological development, provided that such measures are consistent with the provisions of this Agreement.

2. Appropriate measures, provided that they are consistent with the provisions of this Agreement, may be needed to prevent the abuse of intellectual property rights by right holders or the resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology.

that would be disqualifying. Section 55.2 (2) was inconsistent with Canada's obligations under Article 28.1 of the Agreement and this conclusion, in turn, made it unnecessary to consider any of the other claims of inconsistency raised by the European Communities and its Member States.³⁴⁵

b) The second claims of violation concerned Section 55.2 (1), the “*regulatory review exception*”. Both parties agreed that, if the regulatory review exception of Section 55.2 (1) met the conditions of Article 30 of the TRIPS Agreement, the acts permitted by that Section would not be in violation of Article 28.1 of the TRIPS Agreement. Canada argued that Section 55.2 (1) complies with each of the three conditions of Article 30. The European Communities argued that Section 55.2 (1) failed to comply with any of the three conditions.

i. The first criterion for an exception to fall under the scope of Article 30 is that the exception must be limited. As above mentioned, with regard to the parties to the dispute’s position, Canada had asserted that the regulatory review exception of Section 55.2 (1) can be regarded as “*limited*” because the rights given to third parties did not deprive the patent holder of his right to exclude all other “*commercial sales*” of the patented product during the term of the patent. Conversely, the European Communities and its Member States argued that the regulatory review exception was not limited, since it diminished too much the patent owner's rights of exclusivity required by Article 28.1 of the TRIPS Agreement.

Canada's regulatory review exception was a “*limited exception*” within the meaning of TRIPS Article 30. It was “*limited*” because of the narrow scope of its curtailment of Article 28.1 rights.

ii. The second condition of Article 30 prohibits exceptions that “*unreasonably conflict with a normal exploitation of the patent*”.

“*Exploitation*” refers to the commercial activity by which patent owners employ their exclusive patent rights to extract economic value from their patent. The normal practice of exploitation by patent owners, as with owners of any other intellectual property right, is to exclude all forms of competition that could detract significantly from the economic returns anticipated from a patent's grant of market exclusivity. The regulatory review exception of Section 55.2 (1) did not conflict with a normal exploitation of patents, within the meaning of the second condition of Article 30 of the TRIPS Agreement. The fact that no conflict had been found made it unnecessary to consider the question of whether, if a conflict were found, the conflict would be “*unreasonable*”.

iii. The third condition of Article 30 is the requirement that the proposed exception must not “*unreasonably prejudice the legitimate interests of the patent owner, taking into account the legitimate interests of third parties*”. The ultimate issue with regard to the regulatory review exception's compliance with the third condition of Article 30 involved similar considerations to those arising under the second condition (“*normal exploitation*”) - the fact that the exception would remove the additional period of *de facto* market exclusivity that patent owners could achieve if they were permitted to employ their rights to exclude “*making*” and “*using*” (and

³⁴⁵ Accordingly, the Panel did not consider the claims of inconsistency under the second and third conditions of Article 30, the claim of inconsistency with TRIPS Article 27.1, and the claim of inconsistency with Article 33.

“selling”) the patented product during the term of the patent to prevent potential competitors from preparing and/or applying for regulatory approval during the term of the patent.

Canada had demonstrated that Section 55.2 (1) of Canada's Patent Act did not prejudice “legitimate interests” of affected patent owners within the meaning of Article 30.

iv. Having reviewed the conformity of Section 55.2 (1) with each of the three conditions for an exception under Article 30 of the TRIPS Agreement, Section 55.2 (1) did satisfy all three conditions of Article 30, and thus was not inconsistent with Canada's obligations under Article 28.1 of the TRIPS Agreement.

v. The European Communities and their member States claimed that Section 55.2 (1) of the Canada Patent Act was conflicting with the obligations under Article 27.1 of the TRIPS Agreement. According to them, despite the potential coverage of many industries and the absence of any specific reference to the pharmaceutical patents sector, pharmaceuticals were the only products mentioned in Canada's 1991 legislative debates on the enactment of the provision under consideration and it had applied in effect only to pharmaceutical industries. For the European Communities and their Member States on the one hand the legal scope of the measure was governed by the legislative history's reference only to pharmaceutical determining a *de jure* discrimination, that is a discrimination already present in the provision; on the other, since the actual effects of this provision were limited to pharmaceutical products, there was a *de facto* discrimination, that is a discrimination as an outcome of the application of the provision.

Canada denied both claims. In particular, the wording of the provision made it clear that the exception was available to any product for which marketing approval was needed.

The anti - discrimination rule of Article 27.1 does apply to exceptions of the kind authorized by Article 30. As for the question of whether Section 55.2 (1) of the Canadian Patent Act discriminated as to fields of technology, although there have been numerous legal rulings under the GATT and the WTO on *de jure* and *de facto* claims of discrimination, according to the WTO Appellate Body each rulings had a precise legal text in issue and it is not possible to consider them as applications of the general concept of discrimination. It is worth to stress that “*discrimination*” means something different than “*differentiation*”. It is, in this sense, a pejorative or negative term. As for the claim of *de jure* discrimination, the European Communities and their Member States did not explain why the scope of the provision under consideration should have been considered as limited to pharmaceutical products. Therefore, the words of the statute had to be considered decisive in accepting Canada's argument on the availability of this exception to any product subject to marketing approval requirements. As for the claim of *de facto* discrimination, there was no systematic information on the industries that had actually made use of the provision, nor was it demonstrated that the provision under discussion had a discriminatory purpose. It is true that in the public discussion concerning the provision under consideration all relevant participants had been concerned with the impact of the measure on pharmaceutical products and Canada did not contest this issue. However, although the primary reason for adopting this provision was to promote competition in the pharmaceutical sector, this provision was important for many other

areas where the same problems occurred. Legislative actions with a broad scope are normally driven by individual problems and the arguments by the European Communities and their Member States were not persuasive evidence of a discriminatory purpose. Therefore, there was no plausible claim of discrimination under Article 27.1 of the TRIPS Agreement. Section 55.2 (1) was not inconsistent with Canada's obligations under Article 27.1 of the TRIPS Agreement.

In light of the findings above, Section 55.2 (1) of Canada's *Patent Act* was not inconsistent with Canada's obligations under Article 27.1 and Article 28.1 of the TRIPS Agreement.

Section 55.2 (2) of Canada's *Patent Act* was not consistent with the requirements of Article 28.1 of the TRIPS Agreement.

Accordingly, the Dispute Settlement Body had to request that Canada bring Section 55.2 (2) into conformity with Canada's obligations under the TRIPS Agreement.

Follow up to the dispute:

a) After the circulation and the adoption of the Panel Report by the WTO Dispute Settlement Body European Communities and their Member States requested that the "*reasonable period of time*" for compliance be determined by means of binding arbitration as provided for in Article 21.3(c) DSU.

The arbitrator, rendering his Award on 18 August 2000, determined that the reasonable period of time for Canada to implement the recommendations and rulings of the DSB in this case was *six months* from the date of adoption of the Panel Report by the DSB on 7 April 2000. The reasonable period of time was thus ending on *7 October 2000*.

b) The *Doha Declaration on the TRIPS Agreement and Public Health*, adopted at the WTO Ministerial Conference of 2001³⁴⁶ has been eminently regarded as a "*further development*" since the *Canada - Pharmaceutical Patents* case.³⁴⁷ The *Doha Declaration* recognized certain flexibilities, including that "*each provision of the TRIPS Agreement shall be read in the light of the object and purpose of the Agreement as expressed, in particular, in its objectives and principles*".³⁴⁸ In this sense, it is important to note that the *Doha Declaration* affirms the right of member Parties to take advantage of the TRIPS Agreement but refers more specifically to compulsory licensing and parallel importation.³⁴⁹

c) This case, together with the *US - Section 110(5) Copyright Act* and *US - Section 211 Appropriations Act* cases, *India - Patents (US)* and *Canada - Patent Term* cases, was one of the WTO TRIPS cases where the negotiating history of the TRIPS Agreement played a prominent role in

³⁴⁶ Ministerial Conference, *Doha Declaration on the TRIPS Agreement and Public Health*, adopted on 14 November 2001, WT/MIN(01)/DEC/2, dated 20 November 2001.

³⁴⁷ P. Van den Bossche, *The Law and Policy of the World Trade Organization: Text, Cases and Materials*, (Cambridge: Cambridge University Press, 2011), p. 745.

³⁴⁸ *Ibid.*, para. 5.

³⁴⁹ F. Abbott, *UNCTAD Course on Dispute Settlement in International Trade, Investment and Intellectual Property - World Trade Organization*, 3.14 TRIPS, (2003), p. 10.

driving the decision of the Panel.³⁵⁰ To the contrary, Article 7 and 8 of the TRIPS Agreement, which were invoked in many cases including the one under consideration, have not been considered decisive in influencing the outcome of them.³⁵¹ In addition, the Panel did not resolve the many questions surrounding the meaning of Article 30 of the TRIPS Agreement.³⁵²

d) The *Canada - Pharmaceutical Patents* case has been as well heavily criticized: the Panel has been accused of ignoring the balance and mutual advantage that intellectual property should create in a society and to have interpreted the TRIPS Agreement from the perspective of intellectual property right holders. Even if Canada was satisfied with the ruling and the decision of this case could appear as a victory for those pushing for limitation of intellectual property rights in the face of public policy reasons, this is not the case. Both provisions (the “*stockpiling exception*” and “*regulatory review exception*”) are extremely important in achieving social goals related to the low cost of medications or facilitating entry into market. The result is a decision completely abstracted from competing social interests and a reduced range of regulatory diversity permitted under the TRIPS.³⁵³

e) Part of the criticism has touched upon the reasoning and decision of the Panel on Article 27.1 of the TRIPS Agreement. In particular, it has been underlined that the Panel substantially superimposed the “*technological neutrality principle*” of Article 27.1 on Article 30. However, Article 27.1 relates to specific issues and, according as well to its position in the TRIPS Agreement, is not and does not possess the character of a general provision or a basic principle (allowing this superimposition.)³⁵⁴

f) The *Canada - Pharmaceutical Patents* Panel’s narrow interpretation of Article 30 could have an impact, to some extent, on the untested possibility to use Article 30 as an exception for the production and export by third parties of patented medicines 30 as an alternative route to compulsory licenses.³⁵⁵

³⁵⁰ Id., p. 38.

³⁵¹ Id., p. 9

³⁵² Id., p. 21.

³⁵³ R. Howse, *The Canadian generic Medicines Panel: A Dangerous Precedent in Dangerous Times*, the Journal of World Intellectual Property, Vol. 3, Issue 4, (July 2000), p. 494 - 495.

³⁵⁴ G. B. Dinwoodie, R. C. Dreyfuss, *WTO Dispute Resolution and the Preservation of the Public Domain of Science Under International Law*, in K. Maskus, J. H. Reichmann (Eds.), *International Public Goods and Transfer of Technology Under Globalized Intellectual Property Regime*, (Cambridge University Press 2005), p. 879.

³⁵⁵ F. M. Abbott, J. H. Reichmann, *The Doha Round’s Public Health Legacy: Strategies for the Production and Diffusion of Patented Medicines Under the Amended TRIPS Provisions*, Journal of International Economic Law 10 (4), p. 956 - 957.

Canada - Term of Patent Protection

IP/D/17/WT/DS170 - Panel Report WT/DS170/R

IP/D/17/WT/DS170 - Appellate Body Report WT/DS170/AB/R

General background of the case

On 6 May 1999, the United States requested consultations with Canada regarding the term of protection granted to patent holders under the Canadian patent law. Failing to reach a mutually satisfactory solution to the dispute, a Panel was established on 22 September 1999.

The dispute related to the conformity of Canada's Patent Act (Section 45) with Canada's international obligations under the Article 33 of the TRIPS Agreement relating Term of protection for patents. Indeed, Under the Canadian Patent Act effective 1 October 1989, patents filed before 1 October 1989 had a duration of 17 years from the date on which the patent was issued:³⁵⁶ this was the historical term for patents in Canada. At the same time the said law provided for new rule, establishing a different term of protection (20 years from the filing date) for patents filed on or after 1 October 1989,³⁵⁷ more in line with existing legislation in many trade partner countries of Canada.

These two provisions of Canada's Patent Act (1989) therefore served the purpose of effecting a transition from a term of protection of 17 years from the grant of a patent to a system allowing a 20 years term of protection from the filing of the patent.

Since these provisions of the Canadian patent law were brought into force on 1 October 1989, this very date of 1 October 1989 was the chosen date by the Canadian Legislator to apply different terms of protection for patents filed either before and on or after the date.

Successively, Canada joined the WTO as a Founding Member, and the WTO TRIPS Provisions fully applied to Canada effective 1 January 1996.³⁵⁸ Under Article 33 of the TRIPS Agreement the term of protection available for patents shall not end before the expiration of a period of twenty years counted from the filing date.

The legal issue at stake had much practical consequences for right holders: according to some non - criticized statistics, it was considered that as of 1 October 1996, around 40 per cent of the

³⁵⁶ Section 45 of Canada's Patent Act:

"45. Subject to Section 46, the term limited for the duration of every patent issued under this Act on the basis of an application filed before October 1, 1989, is seventeen years from the date on which the patent is issued."

³⁵⁷ Section 44 of Canada's Patent Act:

"44. Subject to Section 46, where an application for a patent is filed under this Act on or after October 1, 1989, the term limited for the duration of the patent is twenty years from the filing date."

³⁵⁸ As per WTO TRIPS Rules, The TRIPS Agreement gives all WTO Members transitional periods so that they can meet their obligations under it. The transitional periods, which depend on the level of development of the country concerned, are contained in Articles 65 and 66. Developed country Members have had to comply with all of the provisions of the TRIPS Agreement since 1 January 1996

patents filed before 1 October 1989 would have expired in less than 20 years from their application date measured from their filing dates: therefore the question was whether Patent right holders, with a Patent Term limited to 17 years after granting, would enjoy a shorter term of protection than the 20 years period of time as of filing date established under the TRIPS Agreement, and whether Canada's TRIPS obligations were consistent in respect of patents filed before 1 October 1989.

Legal basis: related provisions in TRIPS and brief interpretation

Article 1.1 of the TRIPS Agreement, Nature and Scope of Obligations:

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

The TRIPS Agreement is a minimum standard agreement: Article 1.1 stipulates that Members may implement more stringent standards of protection of intellectual property rights than those required by the Agreement, but they have no obligation to do so, so long as they do not contravene to the obligations of the Agreement. (Panel Report, para. 6.87)

Article 33 of the TRIPS Agreement, Term of Protection:

"The term of protection available shall not end before the expiration of a period of twenty years counted from the filing date."

The language of Article 33, which refers to a period that "shall not end before" a 20 - year term of protection as of the filing date, suggests that this is a minimum term of protection for patents to be made available by Members. This idea is supported by Article 1.1 of the TRIPS Agreement, which forms part of the context of Article 33. (Panel Report, paras. 6.85 - 6.86)

The word "*available*" in Article 33 reflects the fact that patent rights holders must pay fees from time to time to maintain their term of protection. Patent holders have the right to maintain the exclusive rights conferred by the patent (Panel Report, Para. 6.110). As such it must be "*available*" to everyone and not only to those who are able to meander successfully through a maze of administrative procedures. (Appellate Body, para. 92 - 95)

Article 70.1 of the TRIPS Agreement, Protection of Existing Subject Matter:

"1. This Agreement does not give rise to obligations in respect of acts which occurred before the date of application of the Agreement for the Member in question."

The word "*acts*" of Article 70.1 is different from the term "*subject matter...which is protected*" of Article 70.2 of the TRIPS Agreement. The administrative act of granting a patent results in the protection of the underlying "*subject matter*" and this protection is still existing and can continue past 1 January 1996. (Panel Report, para. 6.41)

Article 70.2 of the TRIPS Agreement, Protection of Existing Subject Matter:

“2. Except as otherwise provided for in this Agreement, this Agreement gives rise to obligations in respect of all subject matter existing at the date of application of this Agreement for the Member in question, and which is protected in that Member on the said date, or which meets or comes subsequently to meet the criteria for protection under the terms of this Agreement. In respect of this paragraph and paragraphs 3 and 4, copyright obligations with respect to existing works shall be solely determined under Article 18 of the Berne Convention (1971), and obligations with respect to the rights of producers of phonograms and performers in existing phonograms shall be determined solely under Article 18 of the Berne Convention (1971) as made applicable under paragraph 6 of Article 14 of this Agreement.”

Article 70.2 gives rise to obligations under the TRIPS Agreement in respect to all subject matter protected on the date of application of the TRIPS Agreement. Reading Article 70.2 together with Article 27 of the TRIPS Agreement makes clear that inventions are the relevant subject matter, the three criteria to be met for patentability (novelty, inventive step and usefulness) are the requirements for their protection and a patent is the form of protection. Therefore, the term *“subject matter...which is protected”* on the date of application of the TRIPS Agreement, include inventions that were under patent protection on 1 January 1996 (Panel Report, para. 6.33 - 6.36)

The phrase *“except as otherwise provided for in this Agreement”* creates an exception relevant only where another provision is inconsistent with this first sentence, in which case the other provision prevails. Since the word *“acts”* and the term *“subject matter”* are different concepts with disparate meanings, Article 70.1 does provide otherwise with regard to Article 70.2 and consequently does not fall within the exception and does not set aside Article 70.2. (Panel Report, para. 6.44)

Article 62.2 of the TRIPS Agreement, PART IV - Acquisition and maintenance of intellectual property rights and related *inter - partes* procedures:

“2. Where the acquisition of an intellectual property right is subject to the right being granted or registered, Members shall ensure that the procedures for grant or registration, subject to compliance with the substantive conditions for acquisition of the right, permit the granting or registration of the right within a reasonable period of time so as to avoid unwarranted curtailment of the period of protection.”

Article 62.2 contains a different obligation than the one of Article 33 and prohibits acquisition procedures which lead to unwarranted curtailment of the period of protection. Article 62.2 allows some curtailment of the term of protection of a patent due to a later commencement date, but it does not allow a reduction of the expiration period. (Panel Report, paras. 6.94 - 6.95)

Article 4.9 of the TRIPS Agreement, Consultations:

“9. In cases of urgency, including those which concern perishable goods, the parties to the dispute, panels and the Appellate Body shall make every effort to accelerate the proceedings to the greatest extent possible.”

The Complainant position: the United States

The United States argued that Canada violated its obligations under the TRIPS Agreement and that there was a matter of urgency in settling it.

a) Under Article 4.9 of the Dispute Settlement Understanding, in cases of urgency, the parties to the dispute, panels and the Appellate Body shall make every effort to accelerate the proceedings to the greatest extent possible. The cases of urgency could be determined by various reasons, including concerns on perishable goods. The USA argued that this dispute had to be subject to expedited consideration on the grounds that premature expiration of patents during the dispute settlement procedure could cause irreparable harm to the patent owners. The reasons for expedited consideration were the alleged simplicity of the issues in dispute, the absence of third parties and other non - specified circumstances.

b) On substance, under the Canadian patent law, different terms of protection were provided for patents depending on the date of their filing. For patents filed before a certain date (1 October 1989) and still in force on 1 January 1996 (date on which Canada, as a developed country, had to comply with the Agreement) the term of protection was 17 years from grant. However, the TRIPS Agreement requires a 20 - year term of protection counted from the date of filing, and under the TRIPS Agreement, obligations arise in respect of all patents existing at the date of the application of the Agreement.

i) Under the TRIPS Agreement, Canada had an obligation to apply the provisions of the Agreement to all patents existing at the date of application of the TRIPS Agreement (since January 1996).³⁵⁹ Canada had violated its obligations under the TRIPS Agreement, since its patent law did not comply entirely with the term of protection of patents required by the TRIPS Agreement.

ii) The obligations of the TRIPS Agreement are in respect of all subject matter existing and protected at the date of application of the Agreement.³⁶⁰ This means that the obligations of the TRIPS Agreement apply to patents, to patented inventions, to protected inventions, to inventions that may already be patented, all existing at the date of the application of the Agreement. Accordingly, under the TRIPS Agreement, Canada had the obligation to make available a term of protection of 20 years from the filing date for all patents applied for and still in force on 1 January 1996.³⁶¹

iii) The TRIPS Agreement does not give rise to obligations in respect of acts that occurred before the date of application of the Agreement.³⁶² However, patents filed before 1 October 1989 and still in force on 1 January 1996 could not be considered “acts” occurred before the date of

³⁵⁹ Article 70.2 of the TRIPS Agreement, Protection of Existing Subject Matter; the TRIPS Agreement came into effect on 1 January 1995, but developed countries had the obligation to comply with all the provisions of the Agreement since 1 January 1996.

³⁶⁰ Article 70.2 of the TRIPS Agreement, Protection of Existing Subject Matter.

³⁶¹ Article 33 of the TRIPS Agreement, Term of Protection.

³⁶² Article 70.1 of the TRIPS Agreement, Protection of Existing Subject Matter.

application of the Agreement. This interpretation had the advantage of avoiding any conflict between two different provisions of the TRIPS Agreement and gave them both meaning. A different interpretation would have excluded all intellectual property rights that existed before 1996 from the operation of the TRIPS Agreement.

iv) It is true that the obligations of the TRIPS Agreement are in respect of all subject matter existing and protected at the date of application of the Agreement, “*except as otherwise provided for in the TRIPS Agreement*,”³⁶³ but this had no bearing on the legal issues involved in this case. No other provision considered in the case provided otherwise. A different interpretation would essentially read the provision applying the obligations of the Agreement on subject matter existing at the date of its application out of the Agreement.

v) Canada had acknowledged that pre-1996 acts did not preclude the applications of other obligations under the TRIPS Agreement to existing subject matter,³⁶⁴ but was unable to distinguish and explain the difference between these obligations and the one on the term of protection.

c) Under the Canadian patent law, patents filed before 1 October 1989 had a 17 - year term of protection from the date of issuance of the patent. A significant number of these patents still in force at the date of the application of the TRIPS Agreement would have expired in less than 20 years measured from their filing dates.³⁶⁵

i) Under Article 33 the TRIPS Agreement, Members have the obligation to grant to patent holders no less than a 20 - year term of protection before the expiration of the patent counted from the filing date. This is a minimum term obligation (no less than 20 - year term of protection) and this interpretation is supported contextually by other provisions of the Agreement that leave the possibility to Members to implement a more extensive protection than the one required by the Agreement.³⁶⁶ Canada had violated this obligation since under the Canadian patent law the term of protection granted to patents filed before 1 October 1989 was 17 years from the date on which the patent had been issued and the term of protection of these patents often ended before a term of 20 years from the date of filing.

ii) Under the *Vienna Convention on the Law of Treaties*, subsequent practice in the application of the treaty establishes the agreement of the parties regarding its interpretation.³⁶⁷ The action taken by many Members to change their legislation to provide a term of protection that did not end before 20 years from the date of filing demonstrated that the 20 - year protection is legally required by the TRIPS.

iii) It is right that under Canadian patent law, it was possible for patents filed before 1 October 1989 to obtain a term of protection of 20 years. To do so, patent applicants could avail themselves

³⁶³ Article 70.2 of the TRIPS Agreement, Protection of Existing Subject Matter.

³⁶⁴ Such as Articles 27.1, 28 and 31 (h) of the TRIPS Agreement.

³⁶⁵ The reference was to part of those patents filed before 1 October 1989 and still in force on 1 January 1996 (date of application of the TRIPS Agreement for Canada), for which a 17 - year term of protection from the grant was provided for.

³⁶⁶ Article 1.1 of the TRIPS Agreement, Nature and Scope of Obligations.

³⁶⁷ Article 31.3 (b) of the Vienna Convention on the Law of Treaties, General Rule of Interpretation.

of other regulatory and statutory provisions which provided for a system of delays and reinstatement of the application in order to reach the 20 - year term of protection counted from filing date. But in reality this term of protection was available only if the period between the filing and the issuance of the patent was equal or greater than three years.³⁶⁸ In addition, these extended terms of protection were granted by Canadian authorities on a discretionary basis and the procedure of abandoning and reinstating the patent application was very complex. Thus, there was no equivalence between the term of protection made available under the Canadian patent law and the one made available under the TRIPS Agreement, nor the Canadian term of protection was superior to the one required under the TRIPS Agreement.³⁶⁹

All these elements made impossible to consider that the Canadian system was in conformity with Canadian obligations under Article 33 of the TRIPS Agreement.³⁷⁰ In this sense, it was necessary to consider every patent which had a term that ended before a period of 20 years from the date of filing, since many patents filed before 1 October 1989 were expiring before that term.

The defendant position: Canada

Canada rebutted the claims made by the United States.

a) The TRIPS Agreement does not give rise to obligations in respect of acts which occurred before the date of application of the Agreement.³⁷¹ Both the acts of filing an application and the act of issuance of patents by patent authorities fall under the scope of the term “acts” of the TRIPS Agreement. For patents filed before 1 October 1989 (and still in force on 1 January 1996) these two acts were complete when they were made and were not subject to the TRIPS Agreement because they occurred before its date of application. Consequently, under the TRIPS Agreement, these patents were exempt from the obligations of the TRIPS Agreement. The 20 - years term of protection counted from the filing date under Article 33 of the TRIPS Agreement had to be applied prospectively to acts of grant that occurred on or after 1 January 1996 (date of the application of the TRIPS Agreement for Canada) and not retroactively to acts of filing or grant that occurred before that date.

i) The obligations of the TRIPS Agreement are in respect of all subject matter existing and protected at the date of application of the Agreement,³⁷² but only if it is not otherwise provided in

³⁶⁸ So as to add at least 3 years from the filing date to the 17 from the issuance of the patent and reach the 20 - year term from the filing date.

³⁶⁹ Section 45 of Canada’s Patent Act and Article 33 of the TRIPS Agreement.

³⁷⁰ Article 33 of the TRIPS Agreement, Term of Protection.

³⁷¹ Article 70.1 of the TRIPS Agreement, “Protection of Existing Subject Matter:

1. This Agreement does not give rise to obligations in respect of acts which occurred before the date of application of the Agreement for the Member in question.”

³⁷² Article 70.2 of the TRIPS Agreement, Protection of Existing Subject Matter (first sentence):

“2. Except as otherwise provided for in this Agreement, this Agreement gives rise to obligations in respect of all subject matter existing at the date of application of this Agreement for the Member in question, and which is protected in that Member on the said date, or which meets or comes subsequently to meet the criteria for protection under the terms of this Agreement.”

the Agreement. Accordingly, since in the TRIPS Agreement it is otherwise provided that its obligations do not apply to acts which occurred before its date of application,³⁷³ it was this latter provision, not the former, to apply in the case under consideration. In this sense, Article 28 of the *Vienna Convention on the Law of Treaties* introduced a presumption against retroactivity “*unless a different intention appears from the treaty or is otherwise established*”.³⁷⁴ It was the burden of the United States to prove such a different intention.

ii) Even though the Panel considered to apply to existing patents the obligations of the TRIPS Agreement,³⁷⁵ then only some obligations of the Agreement had to be applied (such as the one on the scope of patent rights)³⁷⁶ but not the obligation to make available the 20 - year term of protection counted from the filing date. Unlike the rights conferred by a patent which are in respect of the invention (subject matter), the term of protection is an integral part of the procedural act of filing a patent application and the act of granting it and thus is not subject to the TRIPS provision on obligations arising with respect of subject matter existing and protected on the date of application of the Agreement.

b) Were the Panel to consider that Canada was required to apply obligations under the TRIPS Agreement, including the one to grant a 20 - year term of protection counted from the filing date,³⁷⁷ to patents filed before 1 October 1989 and still in force on 1 January 1996, the Canadian patent law was in conformity with the TRIPS Agreement.

i) There was an equivalence or superiority of the term of protection made available by the Canadian patent law with regard to the one required by the TRIPS Agreement. Indeed, as a matter of fact, the TRIPS Agreement did not provide for a minimum of 20 full years of protection for the exclusive privilege and property rights of patent holders because this term of protection would have been eroded by the operation of reasonable procedures which are prerequisites to the grant of patents. In Canada the average period between the filing date and issuance of patents was on average five years: in cases where the term of protection was measured from the filing date, such as under the TRIPS Agreement, the period during which a successful applicant would have actually enjoyed the rights conferred by a patent once issued would have been, in the normal course, 15 years. Furthermore, under the TRIPS Agreement it is only required that a protection term of 20 years be “*available*”.³⁷⁸ Under the Canadian patent law the longevity of patent protection could be strategically controlled by the applicant so as to obtain a patent protection term of 20 years from the date of filing by means of delaying the patent prosecution process and reinstating the application. This was possible through other statutory and regulatory provisions. This brought the Canadian system in conformity with its obligations under the TRIPS Agreement, since a 20 - year

³⁷³ Article 70.2 of the TRIPS Agreement, Protection of Existing Subject Matter.

³⁷⁴ Article 28 of the Vienna Convention on the Law of Treaties, Non - retroactivity of Treaties.

³⁷⁵ Article 70.2 of the TRIPS Agreement, Protection of Existing Subject Matter.

³⁷⁶ Article 28 of the TRIPS Agreement, Rights Conferred.

³⁷⁷ Article 33 of the TRIPS Agreement, Term of Protection.

³⁷⁸ Article 33 of the TRIPS Agreement, Term of Protection.

term of protection counted from the filing date was in effect available for patents filed before 1 October 1989.

ii) Under Article 1.1 of the TRIPS Agreement, Members have certain freedom in the implementation method of the provisions of the Agreement within their own legal system and practice, that Canada could avail itself of.

Panel findings, rulings and recommendations

a) The United States requested an expedited consideration of the dispute. Due to other demands on the Panel's members' time, the timetable could not be accelerated prior to the first substantive meeting. After a meeting, the timetable was fixed based on the minimum periods suggested in Appendix 3 to the Dispute Settlement Understanding. Every effort was made to issue the report as soon as possible after the second substantive meeting.

b) The first substantive issue in the case concerned whether patents filed before 1 October 1989 and existent on 1 January 1996 had to be considered existing and protected subject matter on the date of application of the TRIPS Agreement. This was necessary to determine whether the obligations of the TRIPS Agreement had arisen in respect of these patents.³⁷⁹

i) The TRIPS Agreement gives rise to obligations in respect of all subject matter existing on the date of application of the Agreement, provided that the "*subject matter*" is "*protected*" on that date or comes to meet the criteria for protection under the TRIPS Agreement.³⁸⁰ All inventions that were under patent protection in Canada on 1 January 1996 were subject matter protected on the date of application of the Agreement. Therefore, the TRIPS Agreement gave rise to obligations in their respect.

ii) The TRIPS Agreement does not give rise to obligations in respect of acts which occurred before the date of application of the Agreement.³⁸¹ It was sufficient to clarify that the grant of a patent is an act which results in the protection of the underlying subject matter. The protection of the underlying subject matter, where granted before 1 October 1989, could continue even after 1 January 1996. Consequently, patents filed before 1 October 1989 and still existing on 1 January 1996 could not be considered as acts in respect of which no obligation under the TRIPS Agreement had arisen.

iii) The obligations of the TRIPS Agreement are in respect of all subject matter existing and protected at the date of application of the Agreement, but only except otherwise provided for in the Agreement.³⁸² This practically means that if this provision is inconsistent with another one, the other provision would prevail. However, there is no inconsistency between the provision under consideration and the non - existence of TRIPS obligations for acts which occurred before the date

³⁷⁹ Article 70.2 of the TRIPS Agreement, Protection of Existing Subject Matter.

³⁸⁰ *Id.*

³⁸¹ Article 70.1 of the TRIPS Agreement, Protection of Existing Subject Matter.

³⁸² Article 70.2 of the TRIPS Agreement, Protection of Existing Subject Matter.

of application of the Agreement:³⁸³ acts and subject matter are different concepts with disparate meaning. Consequently, there is no inconsistency between the two provisions. The TRIPS provisions not imposing obligations with respect to acts do not set aside the one imposing obligations with respect to subject matter. This interpretation has the benefit of avoiding any conflict between two or more different provisions pertaining to the same Article of the Agreement and is consistent with the concept of presumption against conflict as it exists in public international law as stressed in previous WTO cases.³⁸⁴ This interpretation is further confirmed by negotiating history. A different interpretation would run against the principle of effective interpretation, since it would reduce certain treaty provisions to redundancy or inutility.³⁸⁵

iv) Canada had also argued that even where the Panel considered to apply to patents filed before 1 October 1989 the obligations of the TRIPS Agreement,³⁸⁶ only some obligations of the Agreement had to be applied (such as those on the scope of patent rights set out in Article 28), but not the obligation to make available the 20 - year term of protection counted from the filing date. The argument was based on the notion that, unlike the rights conferred by a patent which are in respect of the invention (subject matter), the term of protection is an integral part of the act of grant and as such was not subject to the obligations of the Agreement. This distinction did not have however any merit or justification. Holder of patents valid on the date of application of the TRIPS Agreement had to be entitled to protection of all of the rights set out in the Agreement for a term consistent with the 20 - years counted from the filing date required by the Agreement.

Canada was required to apply the relevant obligations of the TRIPS Agreement, including the 20 - year term of protection counted from the filing date, to patents filed before 1 October 1989 still in force on 1 January 1996.

b) The second substantive issue concerned whether the Canadian patent law conformed with the 20 - year term of protection for patents counted from the filing date required by the TRIPS Agreement.³⁸⁷

i) The TRIPS Agreement require that the term of protection available to patent holders shall not end before the expiration of a period of 20 years counted from the filing date. The specific wording of the provision suggests that the term of protection required is a minimum term of protection to be made available by Members. This is confirmed by other provision of the TRIPS Agreement, which is overall a minimum standard agreement in respect of intellectual property rights: TRIPS Members may, but are not obligated to, implement a more stringent standard for the protection of intellectual property rights so long as such measures do not contravene any of the provisions of the TRIPS Agreement.³⁸⁸ By making available a term of protection that runs 17 years

³⁸³ Article 70.1 of the TRIPS Agreement, Protection of Existing Subject Matter.

³⁸⁴ Panel Report, *Indonesia - Certain Measures Affecting the Automobile Industry*, WT/DS54/R, WT/DS55/R, WT/DS59/R, WT/DS64/R, adopted on 23 July 1998.

³⁸⁵ Appellate Body Report, *United States - Standards for Reformulated and Conventional Gasoline*, WT/DS2/AB/R, adopted on 20 May 1996.

³⁸⁶ Article 70.2 of the TRIPS Agreement, Protection of Existing Subject Matter.

³⁸⁷ Article 33 of the TRIPS Agreement, Term of Protection.

³⁸⁸ Article 1.1 of the TRIPS Agreement, Nature and Scope of Obligations.

from the date of grant for those patents that were filed before 1 October 1989, the Canadian patent law, on its face, did not meet the minimum standard required by the TRIPS Agreement in all cases. Since statistical figures showed that there were as many as 66,936 Old Act patents that existed as of the TRIPS application date, and were still in existence on 1 January 2000, that would expire before 20 years from the date of filing despite the payment of all maintenance fees, the Canadian patent law was inconsistent, on a preliminary basis, with the TRIPS Agreement.

ii) Under the TRIPS Agreement, Members have an obligation to grant or allow the registration of the right (where the acquisition of right is subject to the right being granted or registered) within a reasonable period of time so as to avoid unwarranted curtailment of the period of protection. This is subject to compliance with the substantive conditions for acquisition of the right.³⁸⁹ The TRIPS Agreement therefore prohibits acquisition procedures which lead to unwarranted curtailment of the period of protection and requires at the same time a 20 - years term of protection from the filing date for patents.³⁹⁰ These two provisions permit some curtailment. However, although Members have the freedom to determine the appropriate method of implementing those two specific requirements,³⁹¹ they cannot ignore either requirement in order to implement another putative obligation concerning the length of effective protection.

In this contest, it is worth recalling that previous panels rejected any notion of balancing more favorable treatment against less favorable treatment. More favorable treatment is only relevant to the extent that it always offsets differential treatment causing less favorable treatment.³⁹²

Canada had argued that the term of protection provided for by its patent was equivalent or superior to the one required by the TRIPS Agreement. This argument is however not tenable. Canada explained that the applicant could obtain informal delays, granted at the discretion of the patent examiner. These delays were available abandoning the procedure and reinstating the application: following this procedure for at least three times would have allowed a term of protection that did not end before 20 years from the date of the filing. This did not make available, as a matter of right, to a patent applicant the term of protection required by the TRIPS Agreement. The TRIPS Agreement requires that the term of protection of at least 20 years from the filing date be available. "*Available*" in the TRIPS Agreement reflects the fact that patent rights holders must pay fees from time to time to maintain the term of protection, which must be available to the as matter of right. Patent holders have the right to maintain the exclusive rights conferred by the patent. The term of protection provided for by the Canadian patent law was not available as a matter of right and was therefore inconsistent with Canada's obligations under the TRIPS Agreement. To consider the language of the Canadian Patent law equivalent or superior to the one of the TRIPS Agreement would have required a treaty interpreter to read into the text words that

³⁸⁹ Article 62.2 of the TRIPS Agreement, PART IV - Acquisition and Maintenance of Intellectual Property Rights and Related *Inter - Partes* Procedures.

³⁹⁰ Article 33 of the TRIPS Agreement, Term of Protection.

³⁹¹ Article 1.1 of the TRIPS Agreement, Nature and Scope of Obligations.

³⁹² GATT Panel Report, *United States - Section 337 of the Tariff Act of 1930*, L/3469 - 36S/345, adopted on 7 November 1989, para. 5.16.

are not there and the term of protection for patents had not to end before 20 years from the date of filing.

iii) On the issue of whether resorting to informal or statutory delays was consistent with the TRIPS Agreement, requiring applicants to resort to the suggested delays to obtain a term of protection that did not end before 20 years from the date of filing, the Panel also defeated the notion of promoting prompt and diligent prosecution and examination of patents as encapsulated in the TRIPS Agreement.³⁹³ A patent applicant should have not been expected to resort to procedural strategies that produce results inconsistent with the TRIPS Agreement in order to ensure its rights to an adequate patent term of protection. As such, these procedures could not be relied upon in order to defend a claim of violation of another Article of the Agreement.

In light of the findings above, patents filed before 1 October 1989 and still in force on 1 January 1996 had to be considered subject matter existing at the date of application of the Agreement.³⁹⁴ Canada had to apply to these the obligations of the Agreement.

The Canadian patent law did not make available a term of protection of the duration of at least 20 years from the date of filing, as mandated by the TRIPS Agreement.³⁹⁵

The Appellate Body proceedings

Canada was not satisfied with the Panel findings, rulings and recommendations. Consequently, on 19 June 2000 it notified the Dispute Settlement Body of its intention to appeal certain issues of law and legal interpretations developed in the Panel Report.

a) Canada, the appellant, invoking the same arguments it invoked in the panel proceedings, claimed that the Panel had erred:

i) In concluding that Canada had to apply the obligations of the TRIPS Agreement to patents filed before 1 October 1989 and still in force on 1 January 1996, since these were to be considered subject matter existing at the date of application of the Agreement.³⁹⁶ In particular, it erred in considering that Canada had to apply to these patents the obligation to provide a term of protection of no less than 20 years from the date of filing.³⁹⁷

ii) In interpreting and applying the TRIPS provision requiring Members to provide a term of protection of no less than 20 years from the date of filing,³⁹⁸ and in concluding that the Canadian patent law which provided a term of protection of 17 years from the date of grant for patents

³⁹³ Article 33 of the TRIPS Agreement, Term of Protection; Article 60.1 and 62.4 of the TRIPS Agreement, PART IV - Acquisition and Maintenance of Intellectual Property Rights and Related *Inter - Partes* Procedures.

³⁹⁴ Article 70.2 of the TRIPS Agreement, Protection of Existing Subject Matter.

³⁹⁵ Article 33 of the TRIPS Agreement, Term of Protection.

³⁹⁶ Article 70.2 of the TRIPS Agreement, Protection of Existing Subject Matter.

³⁹⁷ Article 33 of the TRIPS Agreement, Term of Protection.

³⁹⁸ Article 33 of the TRIPS Agreement, Term of Protection.

granted before 1 October 1989 and still in force on 1 January 1996, was inconsistent with this provision.

b) The United States, the appellee, requested the Appellate Body to reject Canada's appeal and to uphold the findings of the Panel.

c) The Appellate Body upheld all the findings and conclusions of the panel that had been appealed. In particular:

i) With regard to the applicability of TRIPS obligations to patents filed before 1 October 1989 and still in force on 1 January 1996,³⁹⁹ a treaty applies to existing rights, even when those rights result from acts which occurred before the treaty entered into force. This is supported by a general principle of international law codified in the *Vienna Convention on the Law of Treaties*, which establishes a presumption against retroactive effect of treaties.⁴⁰⁰ The *Vienna Convention* establishes that, in the absence of a contrary intention, treaty provisions do not apply to any situation that ceased to exist before the treaty's entry into force for a party to the treaty. Such a contrary intention is not present in the TRIPS Agreement.⁴⁰¹

ii) A member is required, as from the date of application of the TRIPS Agreement, to implement all the obligations of the TRIPS Agreement in respect of subject matter existing and protected at that date. This includes the obligation to provide a term of protection of no less than 20 years from the date of filing, which cannot be distinguished or insulated from other obligations on patents, as argued by Canada.⁴⁰²

iii) Under the TRIPS Agreement, the term of protection of 20 years from the date of filing of patents has to be available as a matter of right that is available as a matter of legal right and certainty. The opportunity to obtain a 20 - year patent term must not be available only to those who are somehow able to meander successfully through a maze of administrative procedures. The obligation for Members to provide a 20 - year term of protection is straightforward and mandatory and is, on the other side, a specific right of the patent holder under the TRIPS Agreement.

iv) The Canadian patent law granted a term of protection of 17 years from the grant for patent filed before 1 October 1989 and still in force on 1 January 1996. Therefore, the Canadian patent law could have met the minimum term of protection required by the TRIPS Agreement only if the period between the filing and the grant of the patent was equal or greater to 3 years. This might not always be the case. The Panel had therefore correctly interpreted that the Canadian patent law was inconsistent with Canadian obligation to provide a term of protection for patent holders of no less than 20 years under the TRIPS Agreement.

³⁹⁹ Article 70.2 of the TRIPS Agreement, Protection of Existing Subject Matter.

⁴⁰⁰ Article 28 of the Vienna Convention on the Law of Treaties, Non - Retroactivity of Treaties.

⁴⁰¹ Article 70 of the TRIPS Agreement, Protection of Existing Subject Matter.

⁴⁰² Section 5 of the TRIPS Agreement.

Follow Up to the Dispute:

a) Canada was disappointed by the decision of the Appellate Body. After the circulation of the Report, the then Canadian Industry Minister John Manley declared that since the ruling affected only patents filed prior to 1 October 1989, it did not compromise the underlying balance in Canada's patent regime.⁴⁰³

b) It has been signaled that, contrary to most legislative amendments to the Canadian patent law, the amendment which entered into force in 1989 moving to a term of protection of 20 years from the filing date (for patents filed after 1 October 1989) was a choice made by the Canadian Legislator to be closer to international practice, but this choice was not externally dictated. Even NAFTA, signed in 1992, left some flexibility to its signatories by providing that the term of protection should be "at least 20 years from the date of filing or 17 from the date of grant."⁴⁰⁴ The United States took advantage of this flexibility and adopted the 20 - year standard only in 1995, to comply with the TRIPS Agreement.⁴⁰⁵

c) Although there is no direct evidence of their influence, the impact of the *Canada - Patent Term* case and the *Canada - Pharmaceutical Patents* case on Canada's policy on generic medicines export should not be underemphasized.⁴⁰⁶

d) The qualification of Article 8 of the TRIPS Agreement has raised some questions. Namely, it has not been clear whether this provision is an independently applicable norm or a program clause.⁴⁰⁷ In *Canada - Patent Term*, the Appellate Body raised the issue without however taking a stand on it.⁴⁰⁸ In its report it stated that its findings did not in any way prejudge the applicability of Article 7 and 8 of the Agreement in possible future cases with respect to measures to promote the policy objectives of the WTO members that are set out in those Articles. However, it did not provide an appropriate interpretation of the provision.⁴⁰⁹

e) The *Canada - Patent Term* case illustrates what occurs when TRIPS standards are expressly different and detached from the WIPO conventions, i.e. where by definition there was no readily available WIPO source to which a panel could refer. The Paris Convention did not deal historically with patent duration and the problem of retroactivity might have been conceptualized in a different way from the panel and the Appellate Body's view on this basis. The issue could have

⁴⁰³ "Canada disappointed with WTO Appellate Body Decision", DFAIT Press Release, 18 September 2000, in ICTSD, *Canada Also Loses Appellate Body Decision on Patent Protection*, BRIDGES, Volume 4, Number 35, 19 September 2000, available at <http://www.ictsd.org/bridges-news/bridges/news/wto-rules-in-favour-of-french-asbestos-ban-ngos-remain-sceptical>.

⁴⁰⁴ NAFTA, Article 1709 (12).

⁴⁰⁵ Y. Gendreau (Ed.), *An Emerging Intellectual Property Paradigm - Perspectives from Canada*, (Edward Elgar Publishing Limited: UK/USA, 2008), p. 97.

⁴⁰⁶ M. D. Froese, *Canada at the WTO - Trade Litigation and the Future of Public Policy*, (University of Toronto Press, Toronto, 2010), p. 123, 127.

⁴⁰⁷ Article 8 of the TRIPS Agreement, Principles.

⁴⁰⁸ P.T. Stoll, J. Busche, K. Arend (Eds.), *WTO - Trade - Related Aspects of Intellectual Property Rights*, Max Planck Commentaries on World Trade Law, (Martinus Nijhoff Publishers: The Netherlands, 2009), p. 190 - 191.

⁴⁰⁹ Appellate Body Report, *Canada - Term of Patent Protection*, WT/DS170/AB/R, adopted on 12 October 2000, para. 101.

been looked at as one of balancing accessibility interest against the claims of those holding pending patents. Since patent holders had sunk all their investments under the prior regime, in reliance on the rewards that would be generated during an arguably shorter period of time, a possible solution could have been not to require the retroactivity extension of patent terms. There is even part of Legal doctrine currently considering, further to close consideration of the *Paris Convention* and other WIPO Treaties,⁴¹⁰ that the Appellate Body reached a conclusion without weighing the interests involved and Canada's own weighing of the interest.⁴¹¹

⁴¹⁰ Appellate Body Report, *Canada - Term of Patent Protection*, WT/DS170/AB/R, adopted on 12 October 2000, para. 54, footnote 40.

⁴¹¹ C. M. Correa (Eds.), *Research Handbook on the Protection of Intellectual Property under WTO Rules - Intellectual Property in the WTO Volume I*, (Edward Elgar Publishing Limited: UK/USA, 2010), p. 127 - 128.

Pakistan - Patent Protection for Pharmaceutical and Agricultural Chemical Products

IP/D/2WT/DS36 - WT/DS36/4

General background of the case

On 30 April 1996, the United States requested consultations with Pakistan with regard to the absence in Pakistan of either patent protection for pharmaceutical and agricultural chemical products or a system to permit the filing of applications for pharmaceutical and agricultural chemical product patents (a so-called mailbox system) and a system to grant exclusive marketing rights in such products.

The main concern of the United States was the compliance of Pakistan with its alleged obligations under the TRIPS Agreement. Allegedly, under Pakistan's laws no system for the filing of patent applications for pharmaceutical and agricultural chemical products was in place, nor was it in place a mechanism to grant exclusive marketing rights to pharmaceutical and agricultural chemical products subject to patent applications. Under the TRIPS Agreement, Members who did not provide product patent protection for pharmaceutical and agricultural chemical products on the date of entry into force of the WTO Agreement (1 January 1995) had an obligation to establish a means by which applications for patents for such inventions could have been filed and a system by which such applications would have been examined when those Members would have provided protection consistent with Article 27 of the TRIPS Agreement. Such Members had as well an obligation to establish a system whereby exclusive marketing rights would have been granted in products that were the subject of such an application, subject to certain stated requirements. These obligations had to be fulfilled as of the date of entry into force of the WTO Agreement.

According to the United States, Pakistan had violated its obligations under the TRIPS Agreement including, but not limited to: i) its obligations to provide product patent protection for pharmaceutical and agricultural chemical inventions under Article 27 of the TRIPS Agreement, or a system allowing the filing and examination of patent applications and a system allowing the grant of exclusive marketing rights under respectively Articles 70.8 and 70.9 of the TRIPS Agreement. ii) Its obligations on the application of the TRIPS Agreement under Article 65 of the Agreement.

Legal basis of the case: related provisions in the TRIPS Agreement

Article 27 of the TRIPS Agreement, Patentable Subject Matter:

"1. Subject to the provisions of paragraphs 2 and 3, patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application. Subject to paragraph 4 of Article 65, paragraph 8 of Article 70 and paragraph 3 of this Article, patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced.

2. Members may exclude from patentability inventions, the prevention within their territory of the commercial exploitation of which is necessary to protect ordre public or morality, including to protect human, animal or plant life or health or to avoid serious prejudice to the environment, provided that such exclusion is not made merely because the exploitation is prohibited by their law.

3. Members may also exclude from patentability:

(a) diagnostic, therapeutic and surgical methods for the treatment of humans or animals;

(b) plants and animals other than micro - organisms, and essentially biological processes for the production of plants or animals other than non - biological and microbiological processes. However, Members shall provide for the protection of plant varieties either by patents or by an effective sui generis system or by any combination thereof. The provisions of this subparagraph shall be reviewed four years after the date of entry into force of the WTO Agreement.”

Article 65 of the TRIPS Agreement, Transitional Arrangements:

“1. Subject to the provisions of paragraphs 2, 3 and 4, no Member shall be obliged to apply the provisions of this Agreement before the expiry of a general period of one year following the date of entry into force of the WTO Agreement.

2. A developing country Member is entitled to delay for a further period of four years the date of application, as defined in paragraph 1, of the provisions of this Agreement other than Articles 3, 4 and 5.

3. Any other Member which is in the process of transformation from a centrally - planned into a market, free - enterprise economy and which is undertaking structural reform of its intellectual property system and facing special problems in the preparation and implementation of intellectual property laws and regulations, may also benefit from a period of delay as foreseen in paragraph 2.

4. To the extent that a developing country Member is obliged by this Agreement to extend product patent protection to areas of technology not so protectable in its territory on the general date of application of this Agreement for that Member, as defined in paragraph 2, it may delay the application of the provisions on product patents of Section 5 of Part II to such areas of technology for an additional period of five years.

5. A Member availing itself of a transitional period under paragraphs 1, 2, 3 or 4 shall ensure that any changes in its laws, regulations and practice made during that period do not result in a lesser degree of consistency with the provisions of this Agreement.”

Article 70 of the TRIPS Agreement, Protection of Existing Subject Matter:

“1. This Agreement does not give rise to obligations in respect of acts which occurred before the date of application of the Agreement for the Member in question.

2. Except as otherwise provided for in this Agreement, this Agreement gives rise to obligations in respect of all subject matter existing at the date of application of this Agreement for the Member in question, and which is protected in that Member on the said date, or which meets or comes subsequently to meet the criteria for protection under the terms of this Agreement. In respect of

this paragraph and paragraphs 3 and 4, copyright obligations with respect to existing works shall be solely determined under Article 18 of the Berne Convention (1971), and obligations with respect to the rights of producers of phonograms and performers in existing phonograms shall be determined solely under Article 18 of the Berne Convention (1971) as made applicable under paragraph 6 of Article 14 of this Agreement.

3. There shall be no obligation to restore protection to subject matter which on the date of application of this Agreement for the Member in question has fallen into the public domain.

4. In respect of any acts in respect of specific objects embodying protected subject matter which become infringing under the terms of legislation in conformity with this Agreement, and which were commenced, or in respect of which a significant investment was made, before the date of acceptance of the WTO Agreement by that Member, any Member may provide for a limitation of the remedies available to the right holder as to the continued performance of such acts after the date of application of this Agreement for that Member. In such cases the Member shall, however, at least provide for the payment of equitable remuneration.

5. A Member is not obliged to apply the provisions of Article 11 and of paragraph 4 of Article 14 with respect to originals or copies purchased prior to the date of application of this Agreement for that Member.

6. Members shall not be required to apply Article 31, or the requirement in paragraph 1 of Article 27 that patent rights shall be enjoyable without discrimination as to the field of technology, to use without the authorization of the right holder where authorization for such use was granted by the government before the date this Agreement became known.

7. In the case of intellectual property rights for which protection is conditional upon registration, applications for protection which are pending on the date of application of this Agreement for the Member in question shall be permitted to be amended to claim any enhanced protection provided under the provisions of this Agreement. Such amendments shall not include new matter.

8. Where a Member does not make available as of the date of entry into force of the WTO Agreement patent protection for pharmaceutical and agricultural chemical products commensurate with its obligations under Article 27, that Member shall:

- (a) notwithstanding the provisions of Part VI, provide as from the date of entry into force of the WTO Agreement a means by which applications for patents for such inventions can be filed;*
- (b) apply to these applications, as of the date of application of this Agreement, the criteria for patentability as laid down in this Agreement as if those criteria were being applied on the date of filing in that Member or, where priority is available and claimed, the priority date of the application; and*
- (c) provide patent protection in accordance with this Agreement as from the grant of the patent and for the remainder of the patent term, counted from the filing date in accordance with Article 33 of this Agreement, for those of these applications that meet the criteria for protection referred to in subparagraph (b).*

9. *Where a product is the subject of a patent application in a Member in accordance with paragraph 8(a), exclusive marketing rights shall be granted, notwithstanding the provisions of Part VI, for a period of five years after obtaining marketing approval in that Member or until a product patent is granted or rejected in that Member, whichever period is shorter, provided that, subsequent to the entry into force of the WTO Agreement, a patent application has been filed and a patent granted for that product in another Member and marketing approval obtained in such other Member."*

Mutually agreed solution:

On 3 July 1996, the United States requested the establishment of a panel. On 28 February 1997, the United States and Pakistan notified the Dispute Settlement Body a mutually agreed solution. The United States and Pakistan agreed that, since Pakistan did not provide at the time of the dispute patent protection for pharmaceutical and agricultural chemical products, Pakistan was obligated under Article 70.8 of the TRIPS Agreement to establish a system for the filing of patent applications on such inventions by 1 January 1995. Pakistan had as well the obligation under Article 70.9 of the TRIPS Agreement to establish a system to grant exclusive marketing right to such patent applications if they met certain criteria. To fulfill these obligations, on 4 February 1997, the Pakistan's President at the time issued an Ordinance to make Pakistan's legal system conform with its obligations under the TRIPS Agreement. In particular, with regard to Pakistan's obligations under Article 70.8 of the TRIPS Agreement, the Ordinance provided that all applications filed after 1 January 1995 had to be considered validly filed. With regard to Pakistan's obligations under Article 70.9 of the TRIPS Agreement, the Ordinance provided that exclusive marketing rights would have been granted where the applicant had been granted a patent and marketing approval on the product that was the subject of the application in another WTO Member and the applicant had been granted marketing approval in Pakistan. The Government of Pakistan committed to issue regulations implementing the Ordinance as soon as possible.

The matter was therefore withdrawn from further attention under the provisions of the Dispute Settlement Understanding.

Further development related to the case:

The successful resolution of the *DS 36 Pakistan - Patent* case has been considered useful in encouraging other developing countries besides Pakistan to fully enforce their WTO obligations. Separately, it is to be noted that three years after the said amendment of Pakistani legislation, the impact of the legislative changes on the volume of US exports of pharmaceuticals to this country was still limited: in 2000, less than 1 percent of the \$8.8 billion in U.S. world exports of pharmaceuticals went to Pakistan.⁴¹²

⁴¹² United States General Accounting Office, *World Trade Organization - Issues in Dispute Settlement*, GAO Report to the Chairman, Committee on Ways and Means, House of Representatives, (August 2000), p. 100.

European Communities - Patent Protection for Pharmaceutical and Agricultural Chemical Products

IP/D/15WT/DS153

General background of the case

On 2 December 1998, Canada requested consultations with the European Communities and their Member States with regard to the protection of inventions in the area of pharmaceutical and agricultural chemical products under the European Communities legislation.

The main concern of Canada was that the European Communities and their Member States complied with their obligations under the TRIPS Agreement. Under certain European Communities' regulations,⁴¹³ the term of protection of patents had been extended. However, these regulations only applied to pharmaceutical and agricultural chemical products. As a consequence, different terms of protection were granted for patents in different fields of technology.

According to Canada, the European Communities and their Member States had violated their obligations under the TRIPS Agreement and, specifically, the obligation to make patents available and patents and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced, under Article 27.1 of the TRIPS Agreement.

Legal basis of the case: related provisions in the TRIPS Agreement

Article 27.1 of the TRIPS Agreement, Patentable Subject Matter:

"1. Subject to the provisions of paragraphs 2 and 3, patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application. Subject to paragraph 4 of Article 65, paragraph 8 of Article 70 and paragraph 3 of this Article, patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced."

Consultations Pending

The case is still in consultations. No panel has been established and no withdrawal or mutually agreed solution has been notified to the Dispute Settlement Body.

⁴¹³Specifically, Council Regulation (EEC) No. 1768/92 and European Parliament and Council Regulation (EC) No.1610/96.

Argentina - Patent Protection for Pharmaceutical and Agricultural Chemical Products

Argentina - Certain Measures on the Protection of Patents and Test Data

IP/D/18WT/DS171 - WT/DS171/3

IP/D/22WT/DS196 - WTDS196/4

General background of the case: Argentina - Patent Protection for Pharmaceutical and Agricultural Chemical Products (WT/DS171)

On 6 May 1999, the United States requested consultations with Argentina with regard to patent protection, exclusive marketing rights and the protection of undisclosed information on pharmaceutical and agricultural chemical products in Argentina.

The main concern of the United States was that Argentina complied with its obligations under the TRIPS Agreement. At the time of the consultations, Argentina was availing itself of the transition periods under the TRIPS Agreement and did not provide patent protection to pharmaceutical inventions. In addition, prior to 1998, Argentina was providing for protection against unfair commercial use of undisclosed data or of other data submitted to Argentina's regulatory authorities but in 1998, Argentina had changed its regulations,⁴¹⁴ and did not provide any more for this effective protection. This had resulted in a lesser degree of consistency with Article 39.3 of the TRIPS Agreement on the protection of undisclosed information.

However, under the TRIPS Agreement, Argentina had to alternatively establish a system to grant exclusive marketing rights for products subject of patent applications, upon compliance with certain conditions. Furthermore, under the TRIPS Agreement, during the transition periods, Argentina had to ensure that any changes in its laws, regulations, and practice made during these periods did not result in a lesser degree of consistency with the provisions of the TRIPS Agreement.

According to the United States, Argentina was in violation of its obligations under the TRIPS Agreement and specifically: i) its obligation to ensure that any changes in its laws, regulations and practice made during transition periods did not result in a lesser degree of consistency with the provisions of the Agreement under Article 65.5 of the TRIPS Agreement. ii) Its obligation to put in place a system for the grant of exclusive marketing rights under Article 70.9 of the TRIPS Agreement, given that Argentina did not provide product patent protection for pharmaceuticals on the date of entry into force of the Agreement (1 January 1995).

General background of the case: Argentina - Certain Measures on the Protection of Patents and Test Data (WT/DS196)

⁴¹⁴ Regulation 440/98.

On 30 May 2000, the United States requested consultations with Argentina with regard to Argentina's legislation on patents⁴¹⁵ and the protection of undisclosed test or data in Argentina.⁴¹⁶ This request for consultations supplemented and did not replace the United States' earlier request for consultations notified on 6 May 1999 (WT/DS171).

The main concern of the United States was that Argentina complied with its obligations under the TRIPS Agreement. With regard to patents, Argentina excluded from patentability certain subject - matters, such as micro - organisms, and denied certain exclusive rights for patents, such as the protection of products produced by patented processes and the right of importation. In addition, Argentina did not provide prompt and effective provisional measures in order to prevent infringements of patent rights, limited the authority of its judiciary to shift the burden of proof in civil proceedings involving the infringements of process patent rights, and did not properly regulate and provide for safeguards in case of compulsory licenses. Also, Argentina limited the exclusive rights conferred by transitional patents. Moreover, Argentina did not protect against unfair commercial use of undisclosed test or data, submitted as a requirement for market approval of pharmaceutical and agricultural chemical products.

According to the United States, Argentina had violated its obligations under the TRIPS Agreement, including: i) its obligations to make patents available for any inventions, whether products or processes, in all fields of technology under Article 27 of the TRIPS Agreement. ii) Its obligations on the rights to be conferred by a patent on its owner under Article 28 of the TRIPS Agreement. iii) its obligations on the conditions to be respected when issuing compulsory licenses under Article 31 of the TRIPS Agreement. iv) Its obligations on the burden of proof in civil proceedings concerning process patents under Article 34 of the TRIPS Agreement. v) Its obligations on the protection of undisclosed information under Article 39 of the TRIPS Agreement. vi) Its obligations to grant judicial authorities the authority to order prompt and effective provisional measures under Article 50 of the TRIPS Agreement. vii) Its obligations on the acquisition and maintenance of intellectual property rights and related *inter - partes* procedures. viii) Its obligations on the conditions to be met when resorting to the transition periods under Article 65 of the TRIPS Agreement. ix) Its obligations on the protection of existing subject matter under Article 70 of the TRIPS Agreement.

Legal basis of the cases: related provisions in the TRIPS

Article 27 of the TRIPS Agreement, Patentable Subject Matter:

"1. Subject to the provisions of paragraphs 2 and 3, patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application. Subject to paragraph 4 of Article 65, paragraph 8 of Article 70 and paragraph 3 of this Article, patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced.

⁴¹⁵ In particular: Law 24.481 (as amended by Law 24.572), Law 24,603 and Decree 260/96.

⁴¹⁶ In particular, in Law 24.766 and Regulation 440/98, and in other related measures.

2. Members may exclude from patentability inventions, the prevention within their territory of the commercial exploitation of which is necessary to protect ordre public or morality, including to protect human, animal or plant life or health or to avoid serious prejudice to the environment, provided that such exclusion is not made merely because the exploitation is prohibited by their law.

3. Members may also exclude from patentability:

(a) diagnostic, therapeutic and surgical methods for the treatment of humans or animals;

(b) plants and animals other than micro - organisms, and essentially biological processes for the production of plants or animals other than non - biological and microbiological processes. However, Members shall provide for the protection of plant varieties either by patents or by an effective sui generis system or by any combination thereof. The provisions of this subparagraph shall be reviewed four years after the date of entry into force of the WTO Agreement.”

Article 28 of the TRIPS Agreement, Rights Conferred:

“1. A patent shall confer on its owner the following exclusive rights:

(a) where the subject matter of a patent is a product, to prevent third parties not having the owner's consent from the acts of: making, using, offering for sale, selling, or importing for these purposes that product;

(b) where the subject matter of a patent is a process, to prevent third parties not having the owner's consent from the act of using the process, and from the acts of: using, offering for sale, selling, or importing for these purposes at least the product obtained directly by that process.

2. Patent owners shall also have the right to assign, or transfer by succession, the patent and to conclude licensing contracts.”

Article 31 of the TRIPS Agreement, Other Use without Authorization of the Right Holder:

“Where the law of a Member allows for other use of the subject matter of a patent without the authorization of the right holder, including use by the government or third parties authorized by the government, the following provisions shall be respected:

(c) authorization of such use shall be considered on its individual merits;

(d) such use may only be permitted if, prior to such use, the proposed user has made efforts to obtain authorization from the right holder on reasonable commercial terms and conditions and that such efforts have not been successful within a reasonable period of time. This requirement may be waived by a Member in the case of national emergency or other circumstances of extreme urgency or in cases of public non - commercial use. In situations of national emergency or other circumstances of extreme urgency, the right holder shall, nevertheless, be notified as soon as reasonably practicable. In the case of public non - commercial use, where the government or contractor, without making a patent search, knows or has demonstrable grounds to know that a valid patent is or will be used by or for the government, the right holder shall be informed promptly;

(a) the scope and duration of such use shall be limited to the purpose for which it was authorized, and in the case of semi-conductor technology shall only be for public non-commercial use or to remedy a practice determined after judicial or administrative process to be anti-competitive;

(b) such use shall be non-exclusive;

(c) such use shall be non-assignable, except with that part of the enterprise or goodwill which enjoys such use;

(d) any such use shall be authorized predominantly for the supply of the domestic market of the Member authorizing such use;

(e) authorization for such use shall be liable, subject to adequate protection of the legitimate interests of the persons so authorized, to be terminated if and when the circumstances which led to it cease to exist and are unlikely to recur. The competent authority shall have the authority to review, upon motivated request, the continued existence of these circumstances;

(f) the right holder shall be paid adequate remuneration in the circumstances of each case, taking into account the economic value of the authorization;

(g) the legal validity of any decision relating to the authorization of such use shall be subject to judicial review or other independent review by a distinct higher authority in that Member;

(h) any decision relating to the remuneration provided in respect of such use shall be subject to judicial review or other independent review by a distinct higher authority in that Member;

(i) Members are not obliged to apply the conditions set forth in subparagraphs (b) and (f) where such use is permitted to remedy a practice determined after judicial or administrative process to be anti-competitive. The need to correct anti-competitive practices may be taken into account in determining the amount of remuneration in such cases. Competent authorities shall have the authority to refuse termination of authorization if and when the conditions which led to such authorization are likely to recur;

(l) where such use is authorized to permit the exploitation of a patent ("the second patent") which cannot be exploited without infringing another patent ("the first patent"), the following additional conditions shall apply:

(i) the invention claimed in the second patent shall involve an important technical advance of considerable economic significance in relation to the invention claimed in the first patent;

(ii) the owner of the first patent shall be entitled to a cross-license on reasonable terms to use the invention claimed in the second patent; and

(iii) the use authorized in respect of the first patent shall be non-assignable except with the assignment of the second patent."

Article 34 of the TRIPS Agreement, Process Patents: Burden of Proof:

"1. For the purposes of civil proceedings in respect of the infringement of the rights of the owner referred to in paragraph 1(b) of Article 28, if the subject matter of a patent is a process for

obtaining a product, the judicial authorities shall have the authority to order the defendant to prove that the process to obtain an identical product is different from the patented process. Therefore, Members shall provide, in at least one of the following circumstances, that any identical product when produced without the consent of the patent owner shall, in the absence of proof to the contrary, be deemed to have been obtained by the patented process:

(a) if the product obtained by the patented process is new;

(b) 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 efforts to determine the process actually used.

2. Any Member shall be free to provide that the burden of proof indicated in paragraph 1 shall be on the alleged infringer only if the condition referred to in subparagraph (a) is fulfilled or only if the condition referred to in subparagraph (b) is fulfilled.

3. In the adduction of proof to the contrary, the legitimate interests of defendants in protecting their manufacturing and business secrets shall be taken into account.”

Article 39.3 of the TRIPS Agreement (Section 7: Protection of Undisclosed Information):

“1. In the course of ensuring effective protection against unfair competition as provided in Article 10bis of the Paris Convention (1967), Members shall protect undisclosed information in accordance with paragraph 2 and data submitted to governments or governmental agencies in accordance with paragraph 3.

2. Natural and legal persons shall have the possibility of preventing information lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices so long as such information:

(a) is secret in the sense that it 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;

(b) has commercial value because it is secret; and

(c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

3. Members, when requiring, as a condition of approving the marketing of pharmaceutical or of agricultural chemical products which utilize new chemical entities, the submission of undisclosed test or other data, the origination of which involves a considerable effort, shall protect such data against unfair commercial use. In addition, Members shall protect such data against disclosure, except where necessary to protect the public, or unless steps are taken to ensure that the data are protected against unfair commercial use.”

Article 50 of the TRIPS Agreement (Section 3: Provisional Measures):

“1. The judicial authorities shall have the authority to order prompt and effective provisional measures:

(a) to prevent an infringement of any intellectual property right from occurring, and in particular to prevent the entry into the channels of commerce in their jurisdiction of goods, including imported goods immediately after customs clearance;

(b) to preserve relevant evidence in regard to the alleged infringement.

2. The judicial authorities shall have the authority to adopt provisional measures inaudita altera parte where appropriate, in particular where any delay is likely to cause irreparable harm to the right holder, or where there is a demonstrable risk of evidence being destroyed.

3. The judicial authorities shall have the authority to require the applicant to provide any reasonably available evidence in order to satisfy themselves with a sufficient degree of certainty that the applicant is the right holder and that the applicant's right is being infringed or that such infringement is imminent, and to order the applicant to provide a security or equivalent assurance sufficient to protect the defendant and to prevent abuse.

4. Where provisional measures have been adopted in audita altera parte, the parties affected shall be given notice, without delay after the execution of the measures at the latest. A review, including a right to be heard, shall take place upon request of the defendant with a view to deciding, within a reasonable period after the notification of the measures, whether these measures shall be modified, revoked or confirmed.

5. The applicant may be required to supply other information necessary for the identification of the goods concerned by the authority that will execute the provisional measures.

6. Without prejudice to paragraph 4, provisional measures taken on the basis of paragraphs 1 and 2 shall, upon request by the defendant, be revoked or otherwise cease to have effect, if proceedings leading to a decision on the merits of the case are not initiated within a reasonable period, to be determined by the judicial authority ordering the measures where a Member's law so permits or, in the absence of such a determination, not to exceed 20 working days or 31 calendar days, whichever is the longer.

7. Where the provisional measures are revoked or where they lapse due to any act or omission by the applicant, or where it is subsequently found that there has been no infringement or threat of infringement of an intellectual property right, the judicial authorities shall have the authority to order the applicant, upon request of the defendant, to provide the defendant appropriate compensation for any injury caused by these measures.

8. To the extent that any provisional measure can be ordered as a result of administrative procedures, such procedures shall conform to principles equivalent in substance to those set forth in this Section."

Article 62 of the TRIPS Agreement (Part IV - Acquisition and Maintenance of Intellectual Property Rights and Related *Inter - Partes* Procedures):

"1. Members may require, as a condition of the acquisition or maintenance of the intellectual property rights provided for under Sections 2 through 6 of Part II, compliance with reasonable

procedures and formalities. Such procedures and formalities shall be consistent with the provisions of this Agreement.

2. Where the acquisition of an intellectual property right is subject to the right being granted or registered, Members shall ensure that the procedures for grant or registration, subject to compliance with the substantive conditions for acquisition of the right, permit the granting or registration of the right within a reasonable period of time so as to avoid unwarranted curtailment of the period of protection.

3. Article 4 of the Paris Convention (1967) shall apply mutatis mutandis to service marks.

4. Procedures concerning the acquisition or maintenance of intellectual property rights and, where a Member's law provides for such procedures, administrative revocation and inter partes procedures such as opposition, revocation and cancellation, shall be governed by the general principles set out in paragraphs 2 and 3 of Article 41.

5. Final administrative decisions in any of the procedures referred to under paragraph 4 shall be subject to review by a judicial or quasi - judicial authority. However, there shall be no obligation to provide an opportunity for such review of decisions in cases of unsuccessful opposition or administrative revocation, provided that the grounds for such procedures can be the subject of invalidation procedures.”

Article 65.5 of the TRIPS Agreement, Transitional Arrangements:

“5. A Member availing itself of a transitional period under paragraphs 1, 2, 3 or 4 shall ensure that any changes in its laws, regulations and practice made during that period do not result in a lesser degree of consistency with the provisions of this Agreement.”

Article 70.9 of the TRIPS Agreement, Protection of Existing Subject Matter:

“9. Where a product is the subject of a patent application in a Member in accordance with paragraph 8(a), exclusive marketing rights shall be granted, notwithstanding the provisions of Part VI, for a period of five years after obtaining marketing approval in that Member or until a product patent is granted or rejected in that Member, whichever period is shorter, provided that, subsequent to the entry into force of the WTO Agreement, a patent application has been filed and a patent granted for that product in another Member and marketing approval obtained in such other Member.”

Mutually agreed solution (common to both WT/DS171 and WT/DS196):

On 31 May 2002, the United States and Argentina notified the Dispute Settlement Body a mutually agreed solution on the matters raised by the United States in both its requests for consultations of 6 May 1999 (WT/DS171) and of 30 May 2000(WT/DS196).

The United States and Argentina agreed that Argentina’s legislation was not in violation of the TRIPS Agreement with regard to the rights granted to patent owners, whereas Argentina would have amended its patent legislation and regulations in order to limit third parties acts concerning

patented processes without the consent of the patent owner. Through legislative amendments, Argentina would have given its judiciary the authority to shift the burden of proof in civil proceedings involving the infringements of process patent rights, and it would have granted judicial authorities the authority to order provisional measures in relation to patents granted under Argentina's law. Argentina had already elaborated and published guidelines about its practices on the patentability of inventions such as micro - organisms.

With regard to Argentina's obligations to protect existing subject matter under Article 70 of the TRIPS Agreement, the United States and Argentina agreed that Argentina's legislation was not in violation of Article 70.4 of the TRIPS Agreement, allowing a Member to limit the remedies available to right holders in specific cases of intellectual property rights infringements. Argentina would have made the necessary changes in its system to fulfill its obligation under Article 70.7 of the TRIPS Agreement.⁴¹⁷ The United States and Argentina further agreed that Argentina's law was not in violation of Argentina's obligation to put in place a system to grant exclusive marketing rights under Article 70.9 of the TRIPS Agreement.

The United States and Argentina agreed that, with regard to compulsory licenses, Argentina's law was not in violation of the TRIPS Agreement. Argentina would not have granted compulsory licenses on the basis of a finding of anti - competitive practices except in situations consistent with specific provisions of Argentina's law.

Finally, since the United States and Argentina had different views on the obligations to protect undisclosed information under Article 39.3 of the TRIPS Agreement, both countries agreed that their different views would have been solved under the Dispute Settlement Understanding rules.

Further development related to the case:

a) Various rounds of consultations were held from June 1999 to April 2002 between Argentina and the United States with regard to Argentina's legal regime governing patents and data protection. The United States, following demand from its pharmaceutical industry, placed the issue of trade in pharmaceuticals high on the bilateral agenda of the two countries for over a decade before the complaint was filed.⁴¹⁸

b) The consultations held between Argentina and the United States on the WTO consistency of Argentina's legislation on patents and data protection have been regarded as a good example of application of Article 4 of the Dispute Settlement Understanding, on consultations, to narrow differences.⁴¹⁹

⁴¹⁷ Article 70.7 of the TRIPS Agreement obliges members to allow amendments of applications for protection of intellectual property rights which were pending on the date of application of the Agreement, to claim enhanced protection under the TRIPS Agreement.

⁴¹⁸ C. M. Correa (Ed.), *Research Handbook on the Interpretation and Enforcement of Intellectual Property Under WTO Rules - Intellectual Property in the WTO Volume II*, (Edward Elgar Publishing: 2010, UK/USA), p. 216.

⁴¹⁹ J. L. Perez Gabilondo, *Argentina's Experience with WTO Dispute Settlement: Development of National Capacity and the Use of In - House Lawyers*, in G. C. Schaffer, R. Meléndez - Ortiz (Eds.), *Dispute Settlement at the WTO - The Developing Country Experience*, (Cambridge University Press: 2011, UK), p. 121 - 123.

Portugal - Patent Protection under the Industrial Property Act

IP/D3/WTDS37 - WT/DS37/2 and Corr.1

General background of the case

On 30 April 1996, the United States requested consultations with Portugal with regard to the term of protection for patents in Portugal.

The main concern of the United States was that Portugal complied with its obligations under the TRIPS Agreement to grant a term of protection for patents of at least twenty years after the filing date of the underlying patent application.⁴²⁰ Under the TRIPS Agreement, Members have the obligation to grant this minimum term of protection also to all patents that were in force in that Member at the date of the application of the Agreement to that Member. Under Portugal's Industrial Property Act, the term of protection granted to existing patents was allegedly in violation of this obligation under the TRIPS Agreement and since Portugal was a developed country, the TRIPS Agreement applied to it on 1 January 1996.

According to the United States, Portugal was in violation of its obligations under the TRIPS Agreement, including, but not limited to: i) its obligations to grant a term of protection for patents of at least twenty years counted from the filing date under Article 33 of the TRIPS Agreement. ii) Its obligation to apply the TRIPS Agreement on 1 January 1996 under Article 65 of the Agreement, and its obligations in respect of all subject matter existing at the date of application of Agreement under Article 70 of the TRIPS Agreement.

Legal basis of the case: related provisions in the TRIPS Agreement

Article 33 of the TRIPS Agreement, Term of Protection:

"The term of protection available shall not end before the expiration of a period of twenty years counted from the filing date."

Article 65 of the TRIPS Agreement, Transitional Arrangements:

"1. Subject to the provisions of paragraphs 2, 3 and 4, no Member shall be obliged to apply the provisions of this Agreement before the expiry of a general period of one year following the date of entry into force of the WTO Agreement.

2. A developing country Member is entitled to delay for a further period of four years the date of application, as defined in paragraph 1, of the provisions of this Agreement other than Articles 3, 4 and 5.

3. Any other Member which is in the process of transformation from a centrally - planned into a market, free - enterprise economy and which is undertaking structural reform of its intellectual

⁴²⁰ As established in Article 33 of the TRIPS Agreement.

property system and facing special problems in the preparation and implementation of intellectual property laws and regulations, may also benefit from a period of delay as foreseen in paragraph 2.

4. To the extent that a developing country Member is obliged by this Agreement to extend product patent protection to areas of technology not so protectable in its territory on the general date of application of this Agreement for that Member, as defined in paragraph 2, it may delay the application of the provisions on product patents of Section 5 of Part II to such areas of technology for an additional period of five years.

5. A Member availing itself of a transitional period under paragraphs 1, 2, 3 or 4 shall ensure that any changes in its laws, regulations and practice made during that period do not result in a lesser degree of consistency with the provisions of this Agreement.”

Article 70 of the TRIPS Agreement, Protection of Existing Subject Matter:

“1. This Agreement does not give rise to obligations in respect of acts which occurred before the date of application of the Agreement for the Member in question.

2. Except as otherwise provided for in this Agreement, this Agreement gives rise to obligations in respect of all subject matter existing at the date of application of this Agreement for the Member in question, and which is protected in that Member on the said date, or which meets or comes subsequently to meet the criteria for protection under the terms of this Agreement. In respect of this paragraph and paragraphs 3 and 4, copyright obligations with respect to existing works shall be solely determined under Article 18 of the Berne Convention (1971), and obligations with respect to the rights of producers of phonograms and performers in existing phonograms shall be determined solely under Article 18 of the Berne Convention (1971) as made applicable under paragraph 6 of Article 14 of this Agreement.

3. There shall be no obligation to restore protection to subject matter which on the date of application of this Agreement for the Member in question has fallen into the public domain.

4. In respect of any acts in respect of specific objects embodying protected subject matter which become infringing under the terms of legislation in conformity with this Agreement, and which were commenced, or in respect of which a significant investment was made, before the date of acceptance of the WTO Agreement by that Member, any Member may provide for a limitation of the remedies available to the right holder as to the continued performance of such acts after the date of application of this Agreement for that Member. In such cases the Member shall, however, at least provide for the payment of equitable remuneration.

5. A Member is not obliged to apply the provisions of Article 11 and of paragraph 4 of Article 14 with respect to originals or copies purchased prior to the date of application of this Agreement for that Member.

6. Members shall not be required to apply Article 31, or the requirement in paragraph 1 of Article 27 that patent rights shall be enjoyable without discrimination as to the field of technology, to use without the authorization of the right holder where authorization for such use was granted by the government before the date this Agreement became known.

7. *In the case of intellectual property rights for which protection is conditional upon registration, applications for protection which are pending on the date of application of this Agreement for the Member in question shall be permitted to be amended to claim any enhanced protection provided under the provisions of this Agreement. Such amendments shall not include new matter.*

8. *Where a Member does not make available as of the date of entry into force of the WTO Agreement patent protection for pharmaceutical and agricultural chemical products commensurate with its obligations under Article 27, that Member shall:*

- (a) notwithstanding the provisions of Part VI, provide as from the date of entry into force of the WTO Agreement a means by which applications for patents for such inventions can be filed;*
- (b) apply to these applications, as of the date of application of this Agreement, the criteria for patentability as laid down in this Agreement as if those criteria were being applied on the date of filing in that Member or, where priority is available and claimed, the priority date of the application; and*
- (c) provide patent protection in accordance with this Agreement as from the grant of the patent and for the remainder of the patent term, counted from the filing date in accordance with Article 33 of this Agreement, for those of these applications that meet the criteria for protection referred to in subparagraph (b).*

9. *Where a product is the subject of a patent application in a Member in accordance with paragraph 8(a), exclusive marketing rights shall be granted, notwithstanding the provisions of Part VI, for a period of five years after obtaining marketing approval in that Member or until a product patent is granted or rejected in that Member, whichever period is shorter, provided that, subsequent to the entry into force of the WTO Agreement, a patent application has been filed and a patent granted for that product in another Member and marketing approval obtained in such other Member.”*

Mutually agreed solutions:

On 3 October 1996, the United States and Portugal notified the Dispute Settlement Body a mutually agreed solution. Both parties to the dispute agreed that the TRIPS Agreement became applicable to developed countries on 1 January 1996, and under Article 33 of the TRIPS Agreement, Members are required to grant a term of protection for patents of no less than 20 years from the filing date. Both parties further mutually agreed that under Article 70.2 of the TRIPS Agreement, developed countries are obliged, *inter alia*, to apply the provisions of Article 33 of the TRIPS Agreement to all patents that were in force on 1 January 1996, and to all patents that were granted based on applications that were pending on 1 January 1996. Accordingly, Portugal had issued a Decree according to which all patents in force on 1 January 1996, and all patents granted after this date based on applications that were pending on 1 January 1996, would have received a term of protection lasting at least either 15 years from the date of grant of the patent or 20 years from the effective filing date of the patent, being valid whichever of the two terms would have been longer.

The matter was therefore withdrawn from further attention under the provisions of the Dispute Settlement Understanding.

Further development related to the case:

It has been argued that the complaint by the United States in *DS37 Portugal - Patent Protection*, together with the complaints made by the United States in order to speed up domestic legislation implementing the TRIPS Agreement by individual EC Member States (such as *DS 83 Denmark - Enforcement of IPRs*, *DS 86 Sweden - Enforcement of IPRs*, *DS 82 Ireland - Copyright* and *DS 124 Greece - Enforcement of IPRs*), was far less acrimonious than most complaints brought under the TRIPS Agreement. The reason is that at the time of these disputes, commitment to the TRIPS Agreement was recent and the desire to comply with the Agreement had already been expressed through proposed domestic legislation. Indeed, panel establishment and litigation never occurred in these disputes.⁴²¹

⁴²¹ M. L. Busch, R. Reinhardt, *Transatlantic Trade Conflicts and GATT/WTO Dispute Settlement*, in E. - U. Petersmann, M. A. Pollack (Eds.), *Transatlantic Economic Disputes: the EU, the US and the WTO*, (Oxford University Press: 2003, US) p. 472, available at <http://faculty.georgetown.edu/mlb66/florence.pdf>.

Brazil - Measures Affecting Patent Protection

IP/D/23WT/DS199 - WT/DS199/4

General background of the case

On 30 May 2000, the United States requested consultations with Brazil with regard to Brazil's 1996 industrial property law⁴²² and other related measures.

The main concern of the United States was that Brazil complied with its obligations under the TRIPS Agreement. Under Brazil's industrial property law,⁴²³ a patent could have been subject to compulsory license if the subject matter of the patent was not "worked" in the territory of Brazil, that is if the patented product was not manufactured in Brazil or if the patented process was not used in Brazil. Moreover, if a patent owner chose to exploit the patent through importation rather than "local working", Brazil's industrial property law would have allowed others to import either the patented product or the product obtained from the patented process. This resulted in a discrimination against United States owners of Brazilian patents whose products were imported into, but not locally produced in, Brazil. Brazil's industrial property law also curtailed the exclusive rights conferred on these owners by their patents.

According to the United States, Brazil had violated its obligations under the WTO Agreements and specifically: i) its obligations to make patents available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced under Article 27.1 of the TRIPS Agreement. ii) Its obligations on the rights that a patent has to confer on its owner under Article 28.1 of the TRIPS Agreement. iii) Its obligations under the *General Agreement on Tariffs and Trade* (GATT 1994).

Legal basis of the case: related provisions in the TRIPS Agreement

Article 27.1 of the TRIPS Agreement, Patentable Subject Matter:

"1. Subject to the provisions of paragraphs 2 and 3, patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application. Subject to paragraph 4 of Article 65, paragraph 8 of Article 70 and paragraph 3 of this Article, patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced."

Article 28.1 of the TRIPS Agreement, Rights Conferred:

"1. A patent shall confer on its owner the following exclusive rights:

⁴²² Law No. 9,279 of 14 May 1996; effective May 1997.

⁴²³ Article 68 of Law No. 9,279 of 14 May 1996.

- (a) *where the subject matter of a patent is a product, to prevent third parties not having the owner's consent from the acts of: making, using, offering for sale, selling, or importing for these purposes that product;*
- (b) *where the subject matter of a patent is a process, to prevent third parties not having the owner's consent from the act of using the process, and from the acts of: using, offering for sale, selling, or importing for these purposes at least the product obtained directly by that process."*

Mutually agreed solution:

At its meeting of 1 February 2001, pursuant to the United States' request, the Dispute Settlement Body established a panel. However, on 5 July 2001, the United States and Brazil notified the Dispute Settlement Body a mutually agreed solution. In the exchange of letters between the United States and the Brazilian Governments, the text of which was attached to the mutually satisfactory solution, the United States reiterated its concerns on Brazil's industrial property law provision on compulsory licensing.⁴²⁴ However, taking into consideration that the provision had never been used to grant a compulsory license, the United States agreed to terminate the WTO panel proceeding. This agreement was based on Brazil's commitment to hold prior talks with the United States with sufficient advance notice to permit constructive discussions in the context of a special session of the US - Brazil Consultative Mechanism, should Brazil have deemed necessary to grant a compulsory license on patents held by United States companies under Brazil's industrial property law. In addition, the United States expected Brazil not to proceed with further dispute settlement action regarding the United States patent law in the case *DS 224 United States - US Patents Code*.

The matter was therefore withdrawn from further attention under the provisions of the Dispute Settlement Understanding.

Further development related to the case:

a) In the exchange of letters between the United States and the Brazilian Governments, the text of which was attached to the mutually satisfactory solution of the case *DS 199 Brazil - Patent Protection*, the United States expressly mentioned that its concerns were never directed at Brazil's "*bold and effective programs to combat HIV/AIDS*".

b) In the above-mentioned exchange of letters, the United States specifically referred to its expectation for Brazil not to proceed further in its dispute settlement proceeding against the United States in the case *DS 224 US - Patents Code*. The United States expected to settle both

⁴²⁴ Article 68 of Law No. 9,279 of 14 May 1996.

cases concurrently. However, since India had joined the latter case, Brazil did not agree to such an all - encompassing settlement.⁴²⁵

c) Some commentators observed that the drop by the United States of its complaint against Brazil over its patent law in *DS 199 Brazil - Patent Protection* left Brazil a certain degree of freedom to pursue its successful health policy to combat AIDS. This enabled as well the US Administration to avoid what would be considered, at that time by the media as a “*public relations disaster*”.⁴²⁶

d) The withdrawal of the original complaint by the United States in *DS 199 Brazil - Patent Protection* was apparently due to several factors: the combined pressure from the Brazilian leadership, Brazil’s reprisal WTO action in DS 224, and Non - Governmental Organizations’ pressure.⁴²⁷

e) For further research, please refer to the case *DS 224 United States - US Patents Code*.

⁴²⁵ Y. Fukunaga, *Enforcing TRIPS: Challenges of Adjudicating Minimum Standards Agreements*, Berkeley Technology Law Journal, Vol. 23:867, p. 884, Footnote 112, available at http://btlj.org/data/articles/23_2/867-931.pdf.

⁴²⁶ C. Raghavan, *US Beats a (Tactical) Retreat Over Brazil’s Patent Law*, Third World Network, Geneva, 25 June 2001, available at <http://www.twinside.org.sg/title/tactical.htm>.

⁴²⁷ R. Bird, D. R. Cahoy, *The Emerging BRIC Economies: Lessons from Intellectual Property Negotiation and Enforcement*, Northwestern Journal of Technology and Intellectual Property, Vol. 5 Iss. 3 Summer Art.1 (2007), p. 408, available at <http://scholarlycommons.law.northwestern.edu/cgi/viewcontent.cgi?article=1131&context=njtip>.

United States - US Patents Code

IP/D/24WT/DS224

General background of the case

On 31 January 2001, Brazil requested consultations with the United States with regard to the United States patent law.⁴²⁸

The main concern of Brazil was that the United States complied with its obligations under the WTO Agreements, and in particular its obligations under the TRIPS Agreement. In the United States, it existed a specific regime for licensing and assignment of patent rights in inventions made with federal assistance. *Inter alia*, small business firms or non - profit organizations which received title to any subject invention were not allowed to grant to any person the right to use or sell the subject invention in the United States unless such person had agreed that any product which embodied the subject invention or which was produced through the use of the subject invention was substantially manufactured in the United States. These requirements had to be respected and appropriate related provisions had to be contained in any funding agreement with a small business firm or non - profit organization. The United States patent law also imposed statutory restrictions according to which the right to use or sell any federally owned inventions could have been licensed only to a licensee that had agreed that any product which embodied the invention or produced through the use of the invention had to be manufactured substantially in the United States.

According to Brazil, the United States should have justified the consistency of the United States patent law with its obligations under the WTO Agreements, including: i) its obligations to make patents available and patents and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced under Article 27 of the TRIPS Agreement. ii) Its obligations on the rights that a patent has to confer on its owner under Article 28 of the TRIPS Agreement. iii) Its obligations under the *Agreement on Trade - Related Investment Measures* (TRIMs Agreement) and the *General Agreement on Tariffs and Trade* (GATT 1994).

Legal basis of the case: related provisions in the TRIPS Agreement

Article 27 of the TRIPS Agreement, Patentable Subject Matter:

"1. Subject to the provisions of paragraphs 2 and 3, patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application. Subject to paragraph 4 of Article 65, paragraph 8 of Article 70 and paragraph 3 of this Article, patents shall be available and patent

⁴²⁸ The United States Patent Code: United States Code - Title 35 - Patents.

rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced.

2. Members may exclude from patentability inventions, the prevention within their territory of the commercial exploitation of which is necessary to protect ordre public or morality, including to protect human, animal or plant life or health or to avoid serious prejudice to the environment, provided that such exclusion is not made merely because the exploitation is prohibited by their law.

3. Members may also exclude from patentability:

- (a) diagnostic, therapeutic and surgical methods for the treatment of humans or animals;*
- (b) plants and animals other than micro - organisms, and essentially biological processes for the production of plants or animals other than non - biological and microbiological processes. However, Members shall provide for the protection of plant varieties either by patents or by an effective sui generis system or by any combination thereof. The provisions of this subparagraph shall be reviewed four years after the date of entry into force of the WTO Agreement."*

Article 28 of the TRIPS Agreement, Rights Conferred:

"1. A patent shall confer on its owner the following exclusive rights:

- (a) where the subject matter of a patent is a product, to prevent third parties not having the owner's consent from the acts of: making, using, offering for sale, selling, or importing for these purposes that product;*
- (b) where the subject matter of a patent is a process, to prevent third parties not having the owner's consent from the act of using the process, and from the acts of: using, offering for sale, selling, or importing for these purposes at least the product obtained directly by that process.*

2. Patent owners shall also have the right to assign, or transfer by succession, the patent and to conclude licensing contracts."

Consultations Pending:

The case is still in consultations. No panel has been established and no withdrawal or mutually agreed solution has been notified to the Dispute Settlement Body.

Further development related to the case

a) The *DS 224 US Patents Code* case was the first case where a developing country took the role of complainant in a TRIPS dispute.⁴²⁹

⁴²⁹Y. Fukunaga, *Enforcing TRIPS: Challenges of Adjudicating Minimum Standards Agreements*, Berkeley Technology Law Journal, Vol. 23:867, p. 884, available at http://btlj.org/data/articles/23_2/867-931.pdf.

b) Apparently, Brazil's use of the dispute settlement system roughly reflected its trade flows, and thus primarily involved cases against the WTO most powerful Members, the United States and the European Union. It has been highlighted that the *US Patents Code* case was a "tit - for - tat" maneuver in response to a United States challenge to the compulsory licensing provisions in Brazil's pharmaceutical patent law (WT/DS199). According to some academics, eventually both complaints (WT/DS199 and WT/DS224) were not pursued further as part of a settlement,⁴³⁰ though it does not result from the WTO Secretariat that the case WT/DS224 has been formally withdrawn.

c) For more information on further development to the case, please refer to the further development section of *DS 199 Brazil - Measures Affecting Patent Protection*.

⁴³⁰ G. Schaffer, M. R. Sanchez, B. Rosenberg, *Brazil's response to the Judicialized WTO Regime: Strengthening the State Through Diffusing Expertise*, ICTSD South America Dialogue on WTO Dispute Settlement and Sustainable Development, Sao Paulo, Brazil 22 - 23 June 2006, p. 17 - 18, available at <http://www.ictsd.org/downloads/2008/05/brazils-response-to-the-judicialized-wto-regime-strengthening-the-state-through-diffusing-expertise.pdf>.

III. WTO Cases Concerning Trademarks and Geographical Indications

European Communities - Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs

IP/D/19WT/DS174, IP/D/19/Add.1WT/DS174/Add.1 - Panel Report WT/DS174/R

IP/D/25WT/DS290/1 - Panel Report WT/DS290/R

General background of the case

On 1 June 1991, the United States requested consultations with the European Communities (“EC”) and their Member States with regard to the protection of trademarks and geographical indications (“GIs”) for agricultural products and foodstuffs. On 4 April 2003, the United States supplemented its earlier request with a request for additional consultations with the European Communities and their Member States with regard to the same matter of the earlier consultations. On 17 April 2003, Australia requested consultations with the European Communities and their Member States with regard to the protection of trademarks and geographical indications for agricultural products and foodstuffs.

No mutually satisfactory solution was reached in neither of the two cases and on 2 October 2003, a single Panel pursuant to the United States and Australia’s requests for establishment of a panel was established.⁴³¹

The measure at issue was a European Community Regulation (“the Regulation”)⁴³² on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, as amended, and its related implementing and enforcement measures. The Regulation contained different procedures. First, it set out two sets of applications procedures with regard to the registration of geographical indications for agricultural products and foodstuffs. Different procedures applied depending on whether the application for registration concerned a name of a geographical area located in the territory of the European Communities,⁴³³ or in the territory of third countries outside the European Communities.⁴³⁴ Second, it set out objection procedures with regard to the objections to applications for registration of geographical indications. Different objections procedures applied depending on the location of the geographical area and the location of the person who wished to file an objection.⁴³⁵ Third, the Regulation set out specific procedures concerning a regulatory committee which came into play where certain decisions on the registration of geographical indications had to be taken.⁴³⁶ Fourth, the Regulation set out

⁴³¹ In accordance with Article 9 of the Dispute Settlement Understanding on procedures for multiple complainants.

⁴³² The European Communities Council Regulation No. 2081/92 of 14 July 1992.

⁴³³ Articles 5 through 7 of the Regulation.

⁴³⁴ Articles 12a and 12b of the Regulation.

⁴³⁵ Articles 7, 12b and 12d of the Regulation.

⁴³⁶ Article 15 of the Regulation.

specific procedures on inspection structures, which were required for the process of registration of individual geographical indications,⁴³⁷ and procedures on certain labeling requirement in case of homonymous names.⁴³⁸

The two complainants raised several claims under the TRIPS Agreement, the *Paris Convention for the Protection of Industrial Property* of 1967 (“Paris Convention”), the most - favored - nation treatment obligation under Article I:1 of GATT 1994, the national treatment obligation under Article III:4 of GATT 1994, the obligations on preparation, adoption and application of technical regulations by central government bodies under Article 2 of the Agreement on Technical Barriers to Trade.

In particular, since certain claims were made in relation to the Paris Convention, and this Convention was administered by the *International Bureau of WIPO*, the Panel requested the *International Bureau* assistance in the form of any factual information available to it on the interpretation of certain provisions of the Convention. The factual information provided by the *International Bureau* consisted of a note it prepared and five annexes.

Moreover, the European Communities and their Member States had argued that the two complainants, Australia and the United States, had raised two non - identical complaints. Therefore, although there was a single Panel established in the dispute, they requested the Panel to submit separate reports on the dispute under discussion, pursuant to Article 9.2 of the Dispute Settlement Understanding (“DSU”). The Panel informed the parties that it would have done so.

Legal basis of the case: related provisions in the TRIPS and interpretation

Article 1.1 and 1.2 of the TRIPS Agreement, Nature and Scope of Obligations:

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

2. For the purposes of this Agreement, the term “intellectual property” refers to all categories of intellectual property that are the subject of Sections 1 through 7 of Part II.”

Article 2.1 of the TRIPS Agreement, Intellectual Property Conventions:

“1. In respect of Parts II, III and IV of this Agreement, Members shall comply with Articles 1 through 12, and Article 19, of the Paris Convention (1967).”

Article 3.1 of the TRIPS Agreement, National Treatment:

⁴³⁷ Article 10 of the Regulation.

⁴³⁸ Article 12 (2) of the Regulation.

“1. Each Member shall accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection of intellectual property, subject to the exceptions already provided in, respectively, the Paris Convention (1967), the Berne Convention (1971), the Rome Convention or the Treaty on Intellectual Property in Respect of Integrated Circuits. In respect of performers, producers of phonograms and broadcasting organizations, this obligation only applies in respect of the rights provided under this Agreement. Any Member availing itself of the possibilities provided in Article 6 of the Berne Convention (1971) or paragraph 1(b) of Article 16 of the Rome Convention shall make a notification as foreseen in those provisions to the Council for TRIPS.”

Two elements must be satisfied to establish an inconsistency with the obligation stemming from Article 3.1 of the TRIPS Agreement: 1) the measure at issue must apply with regard to the protection of intellectual property; and 2) the nationals of other Members must be accorded “less favorable” treatment than the Member’s own nationals. (DS 290 Panel Report, para. 7.175; DS 174 Panel Report, para. 7.125)

The national treatment obligation in Article 3 of the TRIPS Agreement applies “*with regard to the protection of intellectual property rights*”. Footnote 2 provides an inclusive definition of the term “*protection*” as used in Articles 3 and 4, including matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in the TRIPS Agreement. Under Article 1.2 of the TRIPS Agreement, the term “*intellectual property*” refers to all categories of intellectual property that are the subjects of Section 1 through 7 of Part II of the Agreement. (DS 290 Panel Report, paras. 7.176 - 7.177; DS 174 Panel Report, paras. 7.126 - 7 - 127)

Although Article 3.1 of the TRIPS Agreement applies to nationals, not products, reference to previous jurisprudence on this obligation in the context of the GATT 1994 [concerning products] could be useful to interpret this obligation.⁴³⁹ Accordingly, the standard for an assessment under Article 3.1 of the TRIPS Agreement requires to examine whether the difference in treatment affects the “*effective equality of opportunities*” between the nationals of other Members and the European Communities’ own nationals with regard to the “*protection*” of intellectual property rights, to the detriment of nationals of other Members. (DS 174 Panel Report, para. 7.134; DS 290 Panel Report, para. 7.184)

Since the standard of evaluation is based on effective equality of opportunities, it follows that the nationals that are relevant to an examination under Article 3.1 of the TRIPS Agreement should be those who seek opportunities with respect to the same type of intellectual property in comparable situations. On the one hand, this excludes a comparison of opportunities for nationals with respect to different categories of intellectual property, such as geographical indications and copyright. On the other hand, no reason has been advanced

⁴³⁹ Panel Report, *US - Section 211 Omnibus Appropriations Act of 1998*, WT/DS176/R, paras. 8.131 - 8.133, and Appellate Body report, *US - Section 211 Omnibus Appropriations Act of 1998*, WT/DS176/AB/R, adopted on 1 February 2002, para. 258; GATT Panel Report, *US - Section 337 of the Tariff Act of 1930*, L/6439 - 36S/345, adopted on 7 November 1989, para. 5.11.

as to why the equality of opportunities should be limited a priori to rights with a territorial link to a particular Member. (DS 174 Panel Report, para. 7.174; DS290 Panel Report, para. 7.217)

Article 4 of the TRIPS Agreement, Most - Favored - Nation Treatment:

“With regard to the protection of intellectual property, any advantage, favor, 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. Exempted from this obligation are any advantage, favor, privilege or immunity accorded by a Member:

(a) deriving from international agreements on judicial assistance or law enforcement of a general nature and not particularly confined to the protection of intellectual property;

(b) granted in accordance with the provisions of the Berne Convention (1971) or the Rome Convention authorizing that the treatment accorded be a function not of national treatment but of the treatment accorded in another country;

(c) in respect of the rights of performers, producers of phonograms and broadcasting organizations not provided under this Agreement;

(d) deriving from international agreements related to the protection of intellectual property which entered into force prior to the entry into force of the WTO Agreement, provided that such agreements are notified to the Council for TRIPS and do not constitute an arbitrary or unjustifiable discrimination against nationals of other Members.”

Two elements must be satisfied to establish an inconsistency with the most - favored - nation treatment obligation under Article 4 of the TRIPS Agreement: 1) the measure at issue must apply with regard to the protection of intellectual property; and 2) the nationals of other Members are not *“immediately and unconditionally”* accorded any advantage, favor, privilege or immunity granted by a Member to the nationals of any other country. (DS 174, Panel Report, para. 7.698)

Article 16.1 of the TRIPS Agreement, Rights Conferred:

“1. The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's 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 which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed. The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use.”

Article 16.1 of the TRIPS Agreement is included in Part II of the Agreement, which contains minimum standards concerning the availability, scope and use of intellectual property rights. Although each of the Sections in Part II provides for a different category of intellectual property, at times they refer to one another, as certain subject matter may be eligible for protection by more than one category of intellectual property rights. This is particularly

apparent in the case of trademarks and geographical indications, both of which are, in general terms, forms of distinctive signs. Article 16.1 sets out a right which must be conferred on the owner of a registered trademark, and which may also be acquired on the basis of use. The ordinary meaning of the text indicates that, basically, this right applies to use in the course of trade of identical or similar signs, on identical or similar goods, where such use would result in a likelihood of confusion. It does not specifically exclude use of signs protected as geographical indications. The text of Article 16.1 stipulates that the right for which it provides is an “*exclusive*” right. This must signify more than the fact that it is a right to “exclude” others, since that notion is already captured in the use of the word “prevent”. Rather, it indicates that this right belongs to the owner of the registered trademark alone, who may exercise it to prevent certain uses by “*all third parties*” not having the owner’s consent. The last sentence provides for an exception to that right, which is that it shall not prejudice any existing prior rights. Otherwise, the text of Article 16.1 is unqualified. Other exceptions to the right under Article 16.1 are provided for in Article 17 and possibly elsewhere in the TRIPS Agreement. (DS174 Panel Report, paras. 7.600 - 7.603; DS 290 Panel Report, paras. 7.600 - 7.603)

Article 17 of the TRIPS Agreement, Exceptions:

“Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties.”

Article 17 expressly permits Members to provide limited exceptions to the rights conferred by a trademark, which include the right provided for in Article 16.1 of the TRIPS Agreement. Article 17 permits “*limited exceptions*”. It provides an example of a limited exception, and is subject to a proviso that “*such exceptions take account of the legitimate interests of the owner of the trademark and of third parties*”. The ordinary meaning of the terms indicates that an exception must not only be “*limited*” but must also comply with the proviso in order to satisfy Article 17. The example of “*fair use of descriptive terms*” is illustrative only, but it can provide interpretative guidance because, *a priori*, it falls within the meaning of a “*limited*” exception and must be capable of satisfying the proviso in some circumstances. Any interpretation of the term “*limited*” or of the proviso which excluded the example would be manifestly incorrect. The structure of Article 17 differs from that of other exceptions provisions. It can be noted that Articles 13, 26.2 and 30 of the TRIPS Agreement, as well as Article 9(2) of the Berne Convention (1971) as incorporated by Article 9.1 of the TRIPS Agreement, also permit exceptions to intellectual property rights and all contain, to varying degrees, similar language to Article 17. However, unlike these other provisions, Article 17 contains no reference to “*conflict with a [or the] normal exploitation*”, no reference to “*unreasonabl[e] prejudice to the legitimate interests*” of the right holder or owner, and it not only refers to the legitimate interests of third parties but also treats them on par with those of the right holder. It is also the only one of these provisions that contains an example. Further, Article 17 permits exceptions to trademark rights, which differ from each of the

intellectual property rights to which these other exceptions apply. Therefore, whilst it is instructive to refer to the interpretation by two previous panels of certain shared elements found in Articles 13 and 30, it is important to interpret Article 17 according to its own terms. (DS174 Panel Report, paras. 7.647 - 7.649; DS 290 Panel Report, paras. 7.647 - 7.649)

The Panel agrees with the views of the Panel in *Canada - Pharmaceutical Patents*, which interpreted the identical term in Article 30, that “[t]he word ‘exception’ by itself connotes a limited derogation, one that does not undercut the body of rules from which it is made”.⁴⁴⁰ The addition of the word “limited” emphasizes that the exception must be narrow and permit only a small diminution of rights. The issue is whether the exception to the rights conferred by a trademark is narrow. (DS174 Panel Report, paras. 7.650; DS 290 Panel Report, paras. 7.650).

Limited exceptions must satisfy the proviso that “such exceptions take account of the legitimate interests of the owner of the trademark and of third parties” in order to benefit from Article 17. The Panel must first establish what are “legitimate interests”. Read in context, the “legitimate interests” of the trademark owner are contrasted with the “rights conferred by a trademark”, which also belong to the trademark owner. Given that Article 17 creates an exception to the rights conferred by a trademark, the “legitimate interests” of the trademark owner must be something different from full enjoyment of those legal rights. The “legitimate interests” of the trademark owner are also compared with those of “third parties”, who have no rights conferred by the trademark. Therefore, the “legitimate interests”, at least of third parties, are different from simply the enjoyment of their legal rights. This is confirmed by the use of the verb “take account of”, which is less than “protect”. The Panel agrees with the following view of the Panel in *Canada - Pharmaceutical Patents*, which interpreted the term “legitimate interests” of a patent owner and third parties in the context of Article 30 as follows: “To make sense of the term ‘legitimate interests’ in this context, that term must be defined in the way that it is often used in legal discourse - as a normative claim calling for protection of interests that are ‘justifiable’ in the sense that they are supported by relevant public policies or other social norms.” This is also true of the term “legitimate interests” of a trademark owner and third parties in the context of Article 17. (DS174 Panel Report, paras. 7.662 - 7.663; DS 290 Panel Report, paras. 7.662 - 7.663)

The legitimacy of some interest of the trademark owner is assumed because the owner of the trademark is specifically identified in Article 17. Every trademark owner has a legitimate interest in preserving the distinctiveness, or capacity to distinguish, of its trademark so that it can perform that function. The Panel notes that the proviso to Article 17 requires only that exceptions “take account” of the legitimate interests of the owner of the trademark, and does not refer to “unreasonabl[e] prejudice” to those interests, unlike the provisos in Articles 13, 26.2 and 30 of the TRIPS Agreement and Article 9(2) of the Berne Convention (1971) as incorporated by Article 9.1 of the TRIPS Agreement. This suggests that a lesser standard of regard for the legitimate interests of the owner of the trademark is required.

⁴⁴⁰ Panel report on *Canada - Pharmaceutical Patents*, para. 7.30. For easy reference, cf as well Case DS114: *Canada - Pharmaceutical Patents*

Article 22 of the TRIPS Agreement, Protection of Geographical Indications:

“1. Geographical indications are, for the purposes of this Agreement, 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 geographical origin.

2. In respect of geographical indications, Members shall provide the legal means for interested parties to prevent:

(a) the use of any means in the designation or presentation of a good that indicates or suggests that the good in question originates in a geographical area other than the true place of origin in a manner which misleads the public as to the geographical origin of the good;

(b) any use which constitutes an act of unfair competition within the meaning of Article 10bis of the Paris Convention (1967).

.3. A Member shall, ex officio if its legislation so permits or at the request of an interested party, refuse or invalidate the registration of a trademark which contains or consists of a geographical indication with respect to goods not originating in the territory indicated, if use of the indication in the trademark for such goods in that Member is of such a nature as to mislead the public as to the true place of origin.

4. The protection under paragraphs 1, 2 and 3 shall be applicable against a geographical indication which, although literally true as to the territory, region or locality in which the goods originate, falsely represents to the public that the goods originate in another territory.”

Article 22.2 creates an obligation that applies in respect of geographical indications. Read in context, the obligation in Article 22.2 to provide certain legal means “*in respect of*” of geographical indications, is an obligation to provide for the protection of geographical indications. (DS 290 Panel Report, paras. 7.712 - 7.714)

Article 24.3 and 24.5 of the TRIPS Agreement, International Negotiations; Exceptions:

“3. In implementing this Section, a Member shall not diminish the protection of geographical indications that existed in that Member immediately prior to the date of entry into force of the WTO Agreement.

(...)

5. Where a trademark has been applied for or registered in good faith, or where rights to a trademark have been acquired through use in good faith either:

(a) before the date of application of these provisions in that Member as defined in Part VI; or

(b) before the geographical indication is protected in its country of origin;

measures adopted to implement this Section shall not prejudice eligibility for or the validity of the registration of a trademark, or the right to use a trademark, on the basis that such a trademark is identical with, or similar to, a geographical indication.”

Under Article 24.3 of the TRIPS Agreement, in implementing Section 3 of Part II of the Agreement, a Member has an obligation not to diminish the protection of geographical indications that existed in that Member immediately prior to the date of entry into force of the WTO Agreement. Article 24.3 does not apply to measures adopted to implement provisions outside Section 3. This is a standstill provision and is mandatory. (DS174 Panel Report, paras. 7.630 - 7.633; DS 290 Panel Report, paras. 7.630 - 7.633)

The subject of Article 24.5 of the TRIPS Agreement is measures adopted to implement Section 3. The principal verb in Article 24.5 is *“shall not prejudice”*: that is, the provision shall not affect certain other rights, including prior rights. The object of the principal verb in Article 24.5 is *“the eligibility for or the validity of the registration of trademark”* and *“the right to use a trademark”*. This object refers respectively to the obligations to *“refuse or invalidate the registration of a trademark”* and that *“registration of a trademark...shall be refused or invalidated”* in Articles 22.3 and 23.2, and the aspect of trademark protection which would otherwise be prejudiced by the obligations to provide the legal means to prevent certain uses in Articles 22.2 and 23.1. (DS174 Panel Report, paras. 7.606 - 7.609; DS 290 Panel Report, paras. 7.606 - 7.609)

There is no language in Article 24.5 of the TRIPS Agreement that would provide for the conferral of a right to use a trademark. Instead, it is a saving provision that ensures that *“the right to use a trademark”* is not prejudiced, or affected, by measures adopted to implement Section 3 of Part II. Irrespective of how the right to use a trademark arises, there is no obligation under Article 24.5 to confer it. Accordingly, Article 24.5 creates an exception to geographical indication protection - as reflected in the title of Article 24. (DS174 Panel Report, paras. 7.615; DS 290 Panel Report, paras. 7.615). The text of Article 24.5 expressly preserves the right to use a trademark - which is not expressly provided for in the TRIPS Agreement - and is silent as to any limitation on the trademark owner’s exclusive right to prevent confusing uses of signs - which is expressly provided for in the TRIPS Agreement when the sign is used as a geographical indication. (DS174 Panel Report, paras. 7.618; DS 290 Panel Report, paras. 7.618). Accordingly, it is inappropriate to imply in Article 24.5 either the right to prevent confusing uses or a limitation on the right to prevent confusing uses. Under Article 16.1 of the TRIPS Agreement, Members are required to make available to trademark owners a right against certain uses, including uses as a geographical indication. (DS174 Panel Report, paras. 7.625; DS 290 Panel Report, paras. 7.625)

Article 65.1 of the TRIPS Agreement, Transitional Arrangements:

“1. Subject to the provisions of paragraphs 2, 3 and 4, no Member shall be obliged to apply the provisions of this Agreement before the expiry of a general period of one year following the date of entry into force of the WTO Agreement.”

Article 10bis of the Paris Convention, Unfair Competition:

“(1) The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition.

(2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.

(3) The following in particular shall be prohibited:

(i) all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;

(ii) false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;

(iii) indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.”

Article 10ter (1) of the Paris Convention, Marks, Trade Names, False Indications, Unfair Competition: Right to Sue:

“(1) The countries of the Union undertake to assure to nationals of the other countries of the Union appropriate legal remedies effectively to repress all the acts referred to in Articles 9, 10, and 10bis.”

Article 6.2 of the Dispute Settlement Understanding, Establishment of Panels:

“2. The request for the establishment of a panel shall be made in writing. It shall indicate whether consultations were held, identify the specific measures at issue and provide a brief summary of the legal basis of the complaint sufficient to present the problem clearly. In case the applicant requests the establishment of a panel with other than standard terms of reference, the written request shall include the proposed text of special terms of reference.”

The terms of Article 6.2 of the DSU require that a request for establishment of a panel identify the specific measures at issue, but not the specific aspects of the measures at issue. (DS 174 Panel Report, para. 11; DS 290 Panel Report, para. 26)

Article 9 of the Dispute Settlement Understanding, Procedure for Multiple Complainants:

“1. Where more than one Member requests the establishment of a panel related to the same matter, a single panel may be established to examine these complaints taking into account the rights of all Members concerned. A single panel should be established to examine such complaints whenever feasible.

2. The single panel shall organize its examination and present its findings to the DSB in such a manner that the rights which the parties to the dispute would have enjoyed had separate panels examined the complaints are in no way impaired. If one of the parties to the dispute so requests, the panel shall submit separate reports on the dispute concerned. The written submissions by each of the complainants shall be made available to the other complainants,

and each complainant shall have the right to be present when any one of the other complainants presents its views to the panel.

3. If more than one panel is established to examine the complaints related to the same matter, to the greatest extent possible the same persons shall serve as panelists on each of the separate panels and the timetable for the panel process in such disputes shall be harmonized.”

The complainants’ position: the United States and Australia

The United States and Australia had claimed that the European Communities and their Member States had violated, among others, their obligations under the TRIPS Agreement.

a) Under Article 3.1 of the TRIPS Agreement, with regard to the protection of intellectual property, Members have an obligation to accord to the nationals of other Members treatment no less favorable than the one they accord to their own nationals. Members have a national treatment obligation as well under Article 2 of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1.

i) The European Communities and their Member States had violated Article 3.1 of the TRIPS agreement and Article 2 (1) of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1. The Regulation imposed conditions of reciprocity and equivalence on the availability of protection, that is the Regulation only applied to agricultural products or foodstuffs from a third country provided that the third country, in whose territory the GI was located, was able and willing to adopt a system for GI protection that was equivalent to that adopted by the European Communities and provided reciprocal protection to products from the European Communities and their Member States.⁴⁴¹ These conditions applied to WTO Members as well. Thus, unless the WTO Member government in whose territory the geographical location at issue was situated was able and willing to meet the equivalence and reciprocity conditions, non - EC nationals from other WTO Members were not able to access the rights available to EC nationals, including the advantage of GI registration.

ii) Under Article 2 (2) of the Paris Convention, no requirement as to domicile or establishment in the country where protection is claimed may be imposed upon nationals of countries of the Paris Union for the enjoyment of any industrial property rights. The European Communities and their Member States had violated Article 2 (2) of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1. The Regulation imposed a requirement of establishment in the European Communities: a foreign national could have registered a GI for a product only if he was producing or processing it in the European Communities.

b) The European Communities and their Member States, with specific regard to the application procedures of the Regulation,⁴⁴² had violated Article 3.1 of the TRIPS Agreement

⁴⁴¹ Specifically under Article 12 (1) of the Regulation.

⁴⁴² Under Articles 5 and 12a of the Regulation.

and Article 2 of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1.

i) Under the application procedures of the Regulation, non-EC nationals who wished to register a GI located in the territory of another WTO Member could not apply for registration directly to the European Communities - whether to the Commission or another Community - level body. To the contrary, EC nationals could have applied directly to the European Communities through their Member States, which implemented the Regulation as sub-national units of the European Communities. Moreover, WTO Members in which the GI was located were required by the Regulation to pre-approve any GI application. Thus, while EC Member States had an obligation to provide the means for intellectual property right holders (in this case, GI) to exercise their rights, and no intervention by another government was needed, non-EC nationals needed an intervention by another government that had no legal obligation to perform that intervention.

ii) The European Communities and their Member States had violated Article 2 (2) of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1, because the Regulation imposed a requirement of establishment in the European Communities.⁴⁴³

c) The European Communities and their Member States, with specific regard to the objection procedures of the Regulation,⁴⁴⁴ had violated Article 3.1 of the TRIPS Agreement and Article 2 of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1.

i) The European Communities and their Member States had violated the national treatment obligation under Article 3.1 of the TRIPS Agreement and Article 2 (1) of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1. Under the objection procedures, a non-EC national resident or established in EC had to lodge an objection through the government of the WTO Member in which he resided or was established. That government would have been responsible for verification and transmission of the objection to the European Commission. This meant that EC Member States had no obligation to implement the Regulation in the same stringent way, whereas other WTO Members had to. Accordingly, the objection process for non-EC nationals was fundamentally different from the one for EC nationals. The result was that non-EC nationals did not have a direct means to object to GI registrations and the Regulation objection procedures accorded less favorable treatment to non-EC nationals. Any outward appearance of symmetry of treatment masked a fundamentally different situation. In addition, the Regulation limited the persons who might have filed objections to those residents or established in a country that satisfied the conditions of equivalence and reciprocity,⁴⁴⁵ and certain individual GIs were still in force, although registered under articles of the Regulation which had been deleted, without granting a right of objection to WTO Member nationals.

⁴⁴³ This claim had been raised only by Australia.

⁴⁴⁴ Under Articles 7, 12b and 12d of the Regulation.

⁴⁴⁵ Under Article 12d of the Regulation.

ii) The European Communities and their Member States, with specific regard to the objection procedures of the Regulation,⁴⁴⁶ had violated Article 2 (2) of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1, because the Regulation imposed a requirement of domicile or establishment within the territory of the European Communities.

d) The European Communities and their Member States, with specific regard to the procedures on the regulatory committee of the Regulation,⁴⁴⁷ had violated Article 3.1 of the TRIPS Agreement and Article 2 (1) of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1.⁴⁴⁸ Under the Regulation, when certain types of decisions, such as the registration of GIs in the presence of admissible objections, had to be taken, the regulatory committee had to be consulted by the European Commission. Non - EC national trademark right holders did not have a national representative on the Committee speaking for their interests and, therefore, the treatment accorded to them was less favorable than the one accorded to EC - nationals.

e) The European Communities and their Member States, with specific regard to the procedures on inspection structures in the Regulation,⁴⁴⁹ had violated the national treatment obligation under Article 3.1 of the TRIPS Agreement and Article 2 (1) of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1.⁴⁵⁰

i) Under the Regulation, certain inspection structures had to be established in the country where GIs were located. However, while EC Member States had an obligation to establish specific structures under the Regulation, other WTO Member nationals did not have an obligation and, as a matter of fact, many WTO Members did not have such inspection structures. Therefore, while EC nationals automatically had access to qualifying inspection structures, non - EC nationals from other WTO Members could not satisfy this condition, at least where the WTO Member concerned had not established the EC inspection structures. The Regulation did not accord equal treatment to EC nationals and non - EC nationals from other WTO Members.

ii) It was not clear on what basis another WTO Member government authority would have been in a position to assess that the inspection structures which were in place in its territory would meet the requirements of the Regulation. Inspection structure requirements were highly prescriptive and went beyond simply assuring that products met the product specifications. If a WTO Member demanded that other WTO Members established the same particular inspection structures that it had chosen for itself as a precondition for granting TRIPS rights to nationals of other Members, it accorded less favorable treatment.

⁴⁴⁶ Under Articles 7, 12b and 12d of the Regulation.

⁴⁴⁷ Under Article 15 of the Regulation.

⁴⁴⁸ This claim had been raised only by Australia.

⁴⁴⁹ Under Article 10 of the Regulation.

⁴⁵⁰ This claim had been raised only by the United States.

f) The European Communities and their Member States, with specific regard to the labeling requirement of the Regulation,⁴⁵¹ had violated the national treatment obligation under Article 3.1 of the TRIPS Agreement.⁴⁵² Under the Regulation, if a protected name of a third country were identical to a Community protected name, registration would have been granted with due regard for local and traditional usage and the practical risks of confusion. Use of such names would have been granted only on the condition that the country of origin of the product be clearly and visibly indicated on the label. Thus, the Regulation imposed a requirement on the registration of GIs located in third countries that it did not impose on GIs located in the European Communities, in violation of Article 3.1 of the TRIPS Agreement: third country GIs had to be burdened by a clear and visible indication of the country of origin on the label. Moreover, this indication of the country of origin was a qualifier that detracted from the value of the geographical indication by implying that it was something other than the “true” geographical indication.

g) Under Article 16.1 of the TRIPS Agreement, Members have an obligation to provide owners of registered trademarks the exclusive right to prevent all third parties not having the owner’s consent from using in the course of trade signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion.

i) The European Communities and their Member States had violated Article 16.1 of the TRIPS Agreement, because the Regulation denied the owner of a registered (prior) trademark the exclusive right to prevent uses of GIs indications which would have resulted in a likelihood of confusion with prior trademarks. Under the Regulation, registration of a GI could have been denied where, taking into consideration an existing prior trademark’s reputation and renown and the length of time it had been used, the registration of the GI would have been liable to mislead the consumer as to the true identity of the product.⁴⁵³ Thus, the Regulation did not concern use that was liable to “confuse”, as provided for under Article 16.1 of the TRIPS Agreement, but rather concerned use that was liable to “mislead” and misleading was a stricter evidentiary standard than confusing. The Regulation required consideration of a trademark’s reputation, renown and the length of time it had been used, which were not required by Article 16.1 of the TRIPS Agreement. The rights provided for in Article 16.1 of the TRIPS Agreement refers to “where such use would result in a likelihood of confusion”, and this implied that there was, or there was intended to be, active use of a trademark and that the right encompassed pre - emptive action. The only instance in which the Regulation had been applied showed that there was no consideration of the issue whether registration of the GI would have constituted confusing use in relation to the prior trademark.⁴⁵⁴

⁴⁵¹ Under Article 12 (2) of the Regulation.

⁴⁵² This claim had been raised only by the United States.

⁴⁵³ Article 14 (3) of the Regulation.

⁴⁵⁴ The reference was to the registered geographical indication “Bayerisches Bier” and to the previous mark “BAVARIA”.

ii) The European Communities and their Member States had violated Article 16.1 of the TRIPS Agreement because the Regulation denied the owner of a registered (prior) trademark the exclusive right to prevent uses of GIs indications where a mere presumption of a likelihood of confusion in the case of use of an identical sign for identical goods occurred, as provided for in Article 16.1 of the TRIPS Agreement. The provisions of the Regulation did not grant to the authorities the necessary discretion to apply the presumption.⁴⁵⁵

iii) The European Communities and their Member States had violated Article 16.1 of the TRIPS Agreement because it did not ensure that objections to registration were admissible on the grounds that use of the geographical indication would result in a likelihood of confusion.⁴⁵⁶

iv) The European Communities and their Member States had violated Article 16.1 of the TRIPS Agreement because the Regulation did not ensure that an objection by the owner of a registered trademark would have been considered by the “ultimate decision maker”, being the regulatory committee of the EC Member States.⁴⁵⁷

h) Under Article 22.2 of the TRIPS Agreement, in respect of GIs, Members have an obligation to provide the legal means for interested parties to prevent the use of any means in the designation or presentation of a good that indicates or suggests that the good in question originates in a geographical area other than the true place of origin in a manner which misleads the public as to the geographical origin of the good, and any use which constitutes an act of unfair competition within the meaning of Article 10*bis* of the Paris Convention.

i) The European Communities and their Member States had violated Article 22.2 of the TRIPS Agreement, because they had failed to provide at Community level the legal means for interested parties to prevent use in respect of a GI registered, or proposed to be registered, under the Regulation. The obligation to provide certain legal means for interested parties is not limited to GIs, but extends to any situation that concerns GIs, including a situation involving the proposed registration of a GI that potentially constitutes an act of unfair competition within the meaning of Article 10*bis* of the Paris Convention. As an example, it could have been entirely possible that some products, while originally based on a European production process, had been further developed and refined outside the European country of origin and had subsequently come to represent the international trading standard for that product. This could have well constituted misleading use or act of unfair competition within the meaning of Article 10*bis* of the Paris Convention.⁴⁵⁸

ii) The European Communities and their Member States had violated Article 22.2 of the TRIPS Agreement, because the Regulation did not provide interested parties in other WTO Members which did not satisfy the equivalence and reciprocity conditions, including

⁴⁵⁵ This claim had been raised only by Australia.

⁴⁵⁶ This claim had been raised only by Australia.

⁴⁵⁷ This claim had been raised only by Australia.

⁴⁵⁸ This claim had been raised only by Australia.

inspection structures, the legal means to protect their GIs on a uniform basis throughout the territory of the European Communities.⁴⁵⁹

i) Under Article 4 of the TRIPS agreement, any advantage, favor, privilege or immunity granted by a Member to the nationals of any other country has to be accorded immediately and unconditionally to the nationals of all other Members.

i.i) The European Communities and their Member States had violated the most - favored - nation treatment obligation in Article 4 of the TRIPS Agreement and the Paris Convention because the Regulation imposed conditions of reciprocity and equivalence on the availability of protection. Article 4 of the TRIPS Agreement contains some exceptions, but none of the exceptions in Article 4 permits reciprocity in relation to the protection of GIs and the Regulation did not immediately and unconditionally accord the same advantages with respect to availability of protection that it accorded to EC nationals.⁴⁶⁰

i.ii) The European Communities and their Member States, with specific regard to the application and objection procedures,⁴⁶¹ had violated the most-favored-nation treatment obligation in Article 4 of the TRIPS Agreement for the same reasons that it was in violation of the national treatment obligation of the TRIPS Agreement.⁴⁶²

l) The execution of the Regulation by authorities of EC Member States was in violation of the most-favored-nation treatment obligation of Article 4 of the TRIPS Agreement. EC Member States had to be considered WTO Members outside the European Communities and nationals of EC Member States were accorded more favorable treatment than nationals of WTO Members outside the European Communities. A certain treatment was therefore granted to some nationals of WTO Members while a less favorable to nationals of other Members. Measures of EC Member States fell within the Panel terms of reference because the request for establishment of a panel specified not only the Regulation but also “its related implementation and enforcement measures”.⁴⁶³

m) Under Articles 10*bis* (1) and 10*ter* (1) of the Paris Convention, Members of the Paris Union have an obligation to assure to nationals of countries of the Paris Union effective protection against unfair competition and appropriate legal remedies effectively to repress all the acts of unfair competition.⁴⁶⁴ These two Articles were incorporated into the TRIPS Agreement by virtue of its Article 2.1. The European Communities and their Member States had violated Article 2.1 of the TRIPS Agreement, incorporating Articles 10*bis* (1) and 10*ter* (1) of the Paris

⁴⁵⁹ This claim had been raised only by the United States.

⁴⁶⁰ This claim had been raised only by the United States. Australia included a claim of violation of Article 4 of the TRIPS Agreement in its request for establishment of a panel and, in its first written submission, reserved the right to pursue this claim. However, it did not pursue it.

⁴⁶¹ Under Articles 5 and 12 and 7, 12b and 12d of the Regulation.

⁴⁶² This claim had been raised only by the United States. Australia included a claim of violation of Article 4 of the TRIPS Agreement in its request for establishment of a panel and, in its first written submission, reserved the right to pursue this claim. However, it did not pursue it.

⁴⁶³ This claim had been raised only by the United States.

⁴⁶⁴ Referred to in Articles 9, 10 and 10*bis* of the Paris Convention.

Convention, because they denied to nationals of other WTO Members effective protection against unfair competition and appropriate legal remedies to repress effectively all acts of unfair competition. The Regulation provided a Community - wide system of registration of GIs that provided effective protection from acts of unfair competition, including in relation to later trademark applications within the Community, but not a Community - wide system of effective protection of trademarks from acts of unfair competition arising from the later registration of geographical indications under the Regulation. Article 10*bis* (1) includes an obligation to protect trademarks against unfair competition from a GI and Article 10*ter* (1) therefore ensures that a Member provides the mechanism necessary to assure protection against unfair competition “*in any guise*” and to assure to nationals of other Members effective protection against unfair competition that permits account to be taken of honest practices established in international trade.⁴⁶⁵

n) The European Communities and their Member States had violated the TRIPS Agreement provisions stipulating obligations with respect to enforcement procedures.

i) The European Communities and their Member States had violated the TRIPS Agreement provisions stipulating obligations with respect to enforcement procedures,⁴⁶⁶ because of the Regulation provisions concerning objections by a trademark right holders, and the functioning of the regulatory committee.

ii) The European Communities and their Member States had violated the TRIPS Agreement provisions stipulating obligations with respect to enforcement procedures,⁴⁶⁷ because the Regulation denied the owner of a registered trademark the right provided for in Article 16.1 of the TRIPS Agreement, and because it did not provided the rights provided for in Article 22.2 of the TRIPS Agreement with respect to GIs. Enforcement obligations of the TRIPS Agreement applied to the Regulation to the extent that it made unavailable to right holders the requisite enforcement procedures and remedies.

o) The European Communities and their Member States had violated many obligations under the TRIPS Agreement and the Paris Convention.⁴⁶⁸ The Regulations did not ensure that decisions by EC member States to grant transitional national protection to GIs pursuant to the Regulation did not diminish the protection of trademarks under the TRIPS Agreement, in the same way as registration of GIs at the Community level.

p) In April 2003, the Regulation had been amended. As of April 2003, 120 GIs had been registered under the Regulation according to a procedure that granted a right of objection to persons resident or established in an EC member State but not to nationals of other WTO

⁴⁶⁵ This claim had been raised only by Australia.

⁴⁶⁶ More specifically, this was a claim of violation of Articles 41.1, 41.2, 41.3 and 42 of the TRIPS Agreement. This claim had been raised only by Australia.

⁴⁶⁷ More specifically, this was a claim of violation of Articles 41.1, 41.2, 41.3, 42 and 44.1 of the TRIPS Agreement. This claim had been raised only by the United States.

⁴⁶⁸ The Regulation was in violation of Articles 2.1 of the TRIPS Agreement, incorporating Article 10*bis* and 10*ter* of the Paris Convention, and Articles 16.1, 41.1, 41.2, 41.3 and 42 of the TRIPS Agreement. This claim had been raised only by Australia.

Members not resident or established in an EC member State. For this reason, the European Communities and their Member States had violated several obligations under the TRIPS Agreement and the Paris Convention.⁴⁶⁹

q) Under Article 1.1 of the TRIPS Agreement, Members are free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice.

i) The European Communities and their Member States had violated Article 1.1 of the TRIPS Agreement because the Regulation set forth inspection structures requirements which forced Members to adopt a particular set of rules to implement the TRIPS Agreement. Protection was conditioned on the existence of inspection structures that the European Communities unilaterally decided to be equivalent to those in the European Communities. This was not a challenge to the EC inspection system itself, but a challenge to whether the European Communities could unilaterally require that other WTO members adopt its system.⁴⁷⁰

ii) The European Communities and their Member States had violated Article 1.1 of the TRIPS Agreement, because the Regulation was in violation of various provisions of the TRIPS Agreement. A WTO Member is obliged to give effect to the provisions of the TRIPS Agreement before it is able to offer more extensive protection for one particular category of intellectual property right.⁴⁷¹

r) Under Article 65.1 of the TRIPS Agreement, the European Communities and their Member States had an obligation to apply the provisions of the TRIPS Agreement by 1 January 1996. The European Communities and their Member States had violated Article 65.1 of the TRIPS Agreement, since they were still in violation of several provisions of the Agreement although this date had passed. For the same reasons, they were in violation of Article XVI:4 of the WTO Agreement, which obliged them to apply the provisions of the TRIPS Agreement no later than 1 January 1996.⁴⁷²

The respondent position: the European Communities and their Member States

The European Communities and their Member States rejected all claims by the United States and Australia.

a) Two different complainants, Australia and the United States, had brought two complaints that did not appear to contain identical claims and involved a large number of claims, raising

⁴⁶⁹ The European Communities and their Member States had violated the national treatment obligations in Articles 2 (1) and (2) of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1, and in Article 3.1 of the TRIPS Agreement, the obligation in Article 2.1 of the TRIPS Agreement to comply with Articles 1 through 12 and 19 of the Paris Convention, and the obligation in Article 1.3 of the TRIPS Agreement to accord the treatment provided for in the TRIPS Agreement to the nationals of other Members. This claim had been raised only by Australia.

⁴⁷⁰ This claim had been raised only by the United States.

⁴⁷¹ This claim had been raised only by Australia.

⁴⁷² This latter claim had been raised only by Australia.

new and complex issues. In addition, the timetable was unbalanced in favor of the complainants. Consequently, the period for the submission of the first written submission of the European Communities and their Member States had to be extended.

b) Some claims of the United States and Australia were outside the Panel terms of reference and therefore could have not been ruled on.

i) The United States and Australia's respective requests for establishment of a panel were inconsistent with the requirements of Article 6.2 of the Dispute Settlement Understanding, because they failed to identify the specific measures at issue and they did not provide a brief summary of the legal basis of the complaint sufficient to present the problem clearly.

ii) Australia had not made a claim concerning the application procedures under the TRIPS Agreement, but only under GATT 1994. The United States had made a claim in relation to the objection procedures under the TRIPS Agreement but not under the GATT 1994.

iii) Australia's request for establishment of a panel did not make clear that Australia intended to challenge several versions of the same measure resulting from subsequent amendments made over time. An analysis of historical versions of the measure at issue was not useful for the purposes of settling the dispute between the parties.

iv) Some of the measures challenged by Australia and the United States, namely the Commission Regulation (EC) No. 2400/96 and some amendments made up until the time of the first written submissions in the proceedings and some amendments of Council Regulation No. 2081/92, including the Act of Accession of ten new EC Member States, did not yet exist at the time the Panel was established and were therefore outside its terms of reference. In particular, the Act of Accession was subject to ratification, which was not completed on the date of establishment of the Panel, and did not enter into force until 1 May 2004.

v) Australia had expressed its intention to endorse arguments made by the United States in the dispute. However, it was not possible to understand what particular arguments Australia was endorsing because at times the United States arguments contradicted Australia's arguments and, an overall endorsement did not respect the European Communities and their Member States rights of defense.

c) Australia and the United States had claimed that registration of GIs under the Regulation was subject to reciprocity and equivalence conditions. This claim was unfounded.

i) Reciprocity and equivalence conditions in the Regulation did not apply to GIs located in WTO Members. In fact, these conditions applied "*without prejudice to international agreements*",⁴⁷³ which included the WTO agreements. Accordingly, the registration of GIs from other WTO Members was subject to exactly the same conditions as the registration of GIs from the European Communities and their Member States.

ii) Australia and the United States had claimed a violation of Article 3.1 of the TRIPS Agreement and 2 (1) and (2) of the Paris Convention, as incorporated into the TRIPS

⁴⁷³ Article 12 (1) of the Regulation.

Agreement by virtue of its Article 2.1. The nationality of individuals subject to a certain treatment is fundamental to determine whether the national treatment obligations have been respected. The reciprocity and equivalence conditions in the Regulation did not apply to geographical areas located in WTO Members and did not depend on nationality. Whether the geographical area was located within or outside the European Communities was in no way linked to the question of the nationality of the producers concerned, which was simply of no relevance for the registration of the GI.

d) Australia and the United States had claimed, with specific regard to the application procedures of the Regulation,⁴⁷⁴ a violation of Article 3.1 of the TRIPS Agreement and Article 2 of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1. This claim was unfounded. The application procedures did not apply according to the nationality of the producer concerned but according to the location of the geographical areas. In addition, they did not accord less favorable treatment because the role of third country governments corresponded exactly to that of EC Member States. The verification and transmission of an application were not overly burdensome for another WTO Member: there was no intention to impose obligations on third countries, but the protection of GIs located in the territory of third countries depended on their cooperation.

e) Australia and the United States had claimed, with specific regard to the objection procedures of the Regulation,⁴⁷⁵ a violation of Article 3.1 of the TRIPS Agreement and Article 2 of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1. This claim was unfounded. The verification and transmission of an objection by a third country was not particularly burdensome and did not amount to an extra hurdle for third country residents. Further, a third country was not required to conduct a substantive verification, but only to verify whether the person objecting was indeed resident or established in the third country concerned. The conditions of equivalence and reciprocity did not apply to WTO Members' right to object. Otherwise, the specific reference to "WTO Members" contained in the Regulation would have been meaningless. The Regulation⁴⁷⁶ made only a reference to residence or establishment of producers, but this did not amount to discrimination among nationals within the meaning of Article 3.1 of the TRIPS Agreement and 2 of the Paris Convention.

f) Australia had claimed, with specific regard to the procedures on the regulatory committee of the Regulation,⁴⁷⁷ a violation of Article 3.1 of the TRIPS Agreement and Article 2 of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1. This claim was unfounded. EC Member States representatives on the regulatory committee did not speak for particular right holders, but represented the respective Member States. Further, the regulatory committee was simply consulted by the European Commission, which was the decision - maker, together, exceptionally, with the Council of Ministers. The regulatory

⁴⁷⁴ Under Articles 5 and 12a of the Regulation.

⁴⁷⁵ Under Articles 7, 12b and 12d of the Regulation.

⁴⁷⁶ Article 12d of the Regulation.

⁴⁷⁷ Under Article 15 of the Regulation.

committee merely assisted the European Commission but did not take decisions itself. Australia did not provide arguments to substantiate its claim.

g) The United States had claimed, with specific regard to the procedures on inspection structures of the Regulation,⁴⁷⁸ a violation of Article 3.1 of the TRIPS Agreement and Article 2 of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1. This claim was unfounded. The requirement of inspection structures did not involve any less favorable treatment to foreign nationals. Indeed, it represented precisely equal treatment.

i) The procedure on inspection structures did not impose an EC - model because the Regulation merely set out general principles on inspection structures. This left considerable flexibility on the design of the structures, as illustrated by the variety of structures notified by EC Member States. Moreover, a GI would have been less reliable and informative for consumers if its proper use were not ensured by an effective inspection regime. The function of inspection structures was to ensure that products bearing a protected name complied with the product specifications. They were inseparably linked with the object and purpose of the Regulation and their removal would have undermined the EC's system of GI protection.

ii) It had been suggested to resort to unfair competition law, as an alternative to inspection structures. This solution would have not provided an equivalent degree of GI protection as that achieved by the Regulation.

iii) Finally there would have been a free rider problem if producers from third countries would have been able to benefit from the EC system without complying with inspection structures.

h) Australia and the United States had claimed, with specific regard to the labeling requirement of the Regulation,⁴⁷⁹ a violation of the national treatment obligation under Article 3.1 of the TRIPS Agreement. This claim was unfounded.

i) The labeling requirement, that is the requirement to indicate the country of origin under the Regulation, only applied in case of homonyms products and not to third country names in general: to the contrary, although there were no cases in which this provision had been applied in practice, the labeling requirement could have been applied to both third country names and EC names. In practice, the labeling requirement would have meant that whichever indication was registered later would have normally be required to indicate the country of origin.

ii) The United States had claimed, with specific regard to the labeling requirement of the Regulation,⁴⁸⁰ a violation of Article 3.1 of the TRIPS Agreement. It was difficult to see in which way a requirement to indicate truthfully the origin of a product constituted less favorable treatment. In any event, the Regulation did not discriminate between nationals because it applied according to the location of geographical areas, not nationality: it could relate to both EC and third country geographical indications.

⁴⁷⁸ Under Article 10 of the Regulation.

⁴⁷⁹ Under Article 12 (2) of the Regulation.

⁴⁸⁰ Under Article 12 (2) of the Regulation.

i) Australia and the United States had claimed a violation of Article 16.1 of the TRIPS Agreement. This claim was unfounded.

i.i) First, the Regulation prevented the registration of GIs, the use of which would have resulted in a likelihood of confusion with prior trademarks.⁴⁸¹ Second, Article 24.5 of the TRIPS Agreement provides for the possibility for GIs to coexist with prior trademarks. Third, under Article 24.3 of the TRIPS Agreement, the European Communities and their Member States had an obligation to maintain coexistence. Fourth, in any event, under Article 17 of the TRIPS Agreement, members may provide limited exceptions to the rights conferred by a trademark: the Regulation would have been justified as a limited exception under this Article.

i.ii) As a factual matter, the risk of registration of a GI confusingly similar to a prior trademark was very limited due to the criteria for registrability of trademarks applied under EC law. Moreover, the Regulation, if properly interpreted, was sufficient to prevent the registration of any confusing GI. Australia bore the burden of proof. The Regulation required the EC authorities to refuse registrations and did not allow for a margin of discretion. It could be invoked before the courts after registration of a GI, including in trademark infringement proceedings brought against a user of a GI.

i.iii) Australia had claimed a violation of Article 16.1 of the TRIPS Agreement because the Regulation did not specifically provide for or implemented the presumption of a likelihood of confusion in the case of use of an identical sign for identical goods. This claim was unfounded, both for the above-mentioned reasons, and because Members are not required to reproduce explicitly the presumption of Article 16.1 in their domestic law as long as the authorities have the necessary discretion and comply with the presumption in practice.

i.iv) Australia had claimed a violation Article 16.1 of the TRIPS Agreement because the Regulation did not ensure that objections to registration were admissible on the grounds that use of the GI would result in a likelihood of confusion. This claim was unfounded. Article 16.1 of the TRIPS Agreement did not grant a right to object to the registration of trademarks, GIs or other intellectual property rights.

i.v) Australia had claimed a violation of Article 16.1 of the TRIPS Agreement because the Regulation did not ensure representation of WTO Members in the regulatory committee of the EC Member States. This claim was unfounded. A reference to the defense adopted in previous claims was sufficient, with adding that the regulatory committee established under Article 15 of the Regulation was not the “ultimate decision maker”.

l) Australia had claimed that the European Communities and their Member States had failed to provide at Community level the legal means for interested parties to prevent use in respect of a GIs registered, or proposed to be registered, under the Regulation, in violation of Article 22.2. of the TRIPS Agreement. This claim was unfounded.

i) This claim was insufficiently argued. In any case, first, Article 22.2 of the TRIPS Agreement is concerned exclusively with the protection of GIs. It cannot be invoked

⁴⁸¹ Under Article 14 (3) of the Regulation.

by a trademark right holder to prevent the use of a GIs. Second, the use of validly registered GIs, which is otherwise consistent with the TRIPS Agreement, cannot mislead the public as to the geographical origin of the goods. Registration of the GI seeks to avoid precisely that. Third, registration or use of a GI consistently with domestic law cannot constitute an act of unfair competition within the meaning of Article 10*bis* of the Paris Convention. In any event, registered GIs remained subject to EC labeling and misleading advertising legislation and the unfair competition laws of the EC Member States.

ii) The United States had claimed a violation of Article 22.2 of the TRIPS Agreement because the Regulation did not provide interested parties in other WTO Members which did not satisfy the equivalence and reciprocity conditions, including inspection structures, the legal means to protect their GIs on a uniform basis throughout the territory of the European Communities. However, the conditions of equivalence and reciprocity did not apply to WTO Members. In any event, even if all the United States' arguments were correct, the European Communities and their Member States would have still complied with Article 22.2 of the TRIPS Agreement because the Regulation was not the only means made available by the European Communities and its Member States in order to prevent the acts mentioned in Article 22.2. Specifically, additional means of protection were provided in the foodstuffs labeling, misleading advertising and trademarks directives, and the implementing legislation of EC Member States, the Community Trademark Regulation and the unfair competition laws of EC Member States.

m) The United States had claimed a violation of the most - favored - nation obligation in Article 4 of the TRIPS Agreement and the Paris Convention, because the Regulation imposed conditions of reciprocity and equivalence on the availability of GI protection and, with specific regard to application and objection procedures, for the same reasons for which the Regulation was in violation of the national treatment obligation of the TRIPS Agreement. This claim was unfounded.

n) The United States had claimed that the execution of the Regulation by authorities of EC Member States was in violation of the most - favored - nation treatment obligation of Article 4 of the TRIPS Agreement. This claim was unfounded. EC Member States did not grant advantages within the meaning of the most - favored - nation treatment obligation because the Regulation was a Community measure adopted to harmonize Community law and nationals of EC Member States were EC nationals at the same time. Therefore, the treatment accorded to EC Member States nationals was one with the treatment of EC nationals, since they were the same persons.

o) Australia had claimed the European Communities and their Member States had denied to nationals of other WTO Members of effective protection against unfair competition and appropriate legal remedies to repress effectively all acts of unfair competition, in violation of Article 2.1 of the TRIPS Agreement incorporating Articles 10*bis*(1) and 10*ter*(1) of the Paris Convention. This claim was unfounded. This claim was insufficiently argued and difficult to

understand. Australia had not explained how the use of registered GIs, which was otherwise consistent with the TRIPS Agreement, could have constituted an act of unfair competition under the Paris Convention. In any event, the use of a registered GI remained subject to EC legislation on labeling and misleading advertising, as well as EC Member States laws on unfair competition, which were outside the Panel terms of reference. Finally, there was nowhere in the Paris Convention support for Australia's claim.

p) Australia and the United States had claimed, for different reasons, a violation of the TRIPS Agreement provisions stipulating obligations with respect to enforcement procedures. These claims were unfounded for the same reason. Part III of the TRIPS Agreement, where provisions with respect to enforcement procedures are located, did not apply to the Regulation: the Regulation laid down an administrative procedure for the acquisition of GIs and via a system of registration and did not purport to regulate enforcement procedures, which were the subject of Part III of the TRIPS Agreement.

q) Australia had claimed a violation of several obligations under the TRIPS Agreement and the Paris Convention,⁴⁸² because the Regulation did not ensure that decisions by EC member States to grant transitional national protection pursuant to the Regulation did not diminish the protection of trademarks under the TRIPS Agreement, in the same way as registration of GIs at the Community level. This claim was dependent on the substantive claims and was equally unfounded.

r) Australia had claimed a violation of several obligations under the TRIPS Agreement and the Paris Convention,⁴⁸³ for reasons related to the amendment of the Regulation in April 2003. This claim was unfounded. The individual registrations themselves were not in violation of the national treatment obligations. Australia's claim was based exclusively on the argument that no right of objection was available to third country nationals under the Regulation prior to its amendment and it was seeking a retroactive remedy that it could have not obtained had it attacked the measure while it was still in force.

s) The United States and Australia had claimed, although each for different reasons, that the inspection structures requirements in the Regulation forced Members to adopt a particular set of rules to implement the TRIPS Agreement, in violation of Article 1.1 of the TRIPS Agreement. These claims were dependent on the substantive claims and were equally unfounded. The requirement of inspection structures was not in violation of Article 1.1 of the TRIPS Agreement because it exclusively concerned GI protection in the European Communities and not other Members' systems of protection.

⁴⁸² The Regulation was in violation of Articles 2.1 of the TRIPS Agreement, incorporating Article 10bis and 10ter of the Paris Convention, and Articles 16.1, 41.1, 41.2, 41.3 and 42 of the TRIPS Agreement.

⁴⁸³ Specifically, Australia had claimed the violation of the national treatment obligations in Articles 2 (1) and (2) of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1, and in Article 3.1 of the TRIPS Agreement, the obligation in Article 2.1 of the TRIPS Agreement to comply with Articles 1 through 12 and 19 of the Paris Convention, and the obligation in Article 1.3 of the TRIPS Agreement to accord the treatment provided for in the TRIPS Agreement to the nationals of other Members

t) Australia and the United States had claimed a violation of Article 65.1 of the TRIPS Agreement. This claim was dependent on the substantive claims and equally unfounded.

u) Australia had claimed a violation of XVI:4 of the WTO Agreement. This claim was dependent on the substantive claims and was equally unfounded.

The Panel findings, rulings and recommendations

a) The European Communities and their Member States had requested an extension of the period for the submission of the first written submission, on the grounds that the dispute had been brought by two complainants, Australia and the United States, with non - identical complaints. The timetable was revised and the time for the submission of the respondent's first written submission was extended, without affecting the time between any of the subsequent steps as established in the original timetable.

b) The European Communities and their Member States had alleged that some complainants' claims did not fall within the Panel terms of reference.

i) The European Communities and their Member States had requested a preliminary ruling, alleging that the United States and Australia's respective requests for establishment of a panel were in violation of the requirements of Article 6.2 of the Dispute Settlement Understanding. Both request were completely consistent with the requirements of Article 6.2 of the Dispute Settlement Understanding.

ii) The European Communities and their Member States had alleged that certain claims were outside the Panel's terms of reference. On this line, Australia's claim of violation of Article 4 of the Paris Convention and its claim of violation of the obligations on enforcement procedures,⁴⁸⁴ were outside the Panel terms of reference.

iii) Australia allegedly had not made a claim concerning the application procedures under the TRIPS Agreement, but only under GATT 1994. The European Communities and their Member States had not however indicated the reasons for their view and Australia's claim could have been considered. On the other side, the United States allegedly had made a claim in relation to the objection procedures under the TRIPS Agreement but not under GATT 1994. The European Communities and their Member States had not indicated the reasons for their view and the claim could have been considered.

iv) Australia had challenged Council Regulation (EEC) No. 2081/92, including not only the current version of the Regulation as in force at the date of establishment of the Panel but also two prior versions of the Regulation as originally adopted in 1992 and as amended in 1997. The European Communities and their Member States alleged that Australia's panel request was not clear enough and an analysis of prior version of the Regulation under discussion would have not been useful for the purposes of settling the dispute between the parties. Under Article 19.1 of the Dispute Settlement Understanding, a Panel can make

⁴⁸⁴ Specifically, under Article 41 of the TRIPS Agreement in conjunction with Articles 43, 44, 45, 46, 48 and 49.

recommendations that a Member brings a measure into conformity with the covered agreement. It was obvious that previous versions of the Regulation could have not been brought into conformity if they had already ceased to exist and no recommendation could have been made in their respect. However, some individual GIs registrations effected under prior versions of the Regulation had remained into force. Thus, recommendations could have been made to bring them into conformity with a covered agreement. In addition, findings with respect to prior versions of the Regulation could have been made where this would have been useful in reaching conclusions on measures within the Panel terms of reference.

v) The European Communities and their Member States had alleged that certain measures challenged by Australia and the United States were outside the Panel terms of reference since they had been adopted after the establishment of the Panel. However, Council regulation (EEC) No. 2081/92, had been last relevantly amended prior to the date of request for establishment of the Panel. Moreover, the Panel terms of reference included not only the Regulation, but also its related implementing and enforcement measures, therefore including individual registrations that Australia had challenged.⁴⁸⁵ Australia's challenge of the individual registrations included those affected after the date of establishment of the Panel. However, Australia had not sought particular relief in respect of individual registrations affected after the date of establishment of the Panel, as opposed to those affected earlier. Taking into consideration that individual registrations affected after the date of the request for establishment of the Panel could have been among the best evidence of the way in which certain provisions of the Regulation itself, which were at issue, were interpreted and applied, a reference to them could have been made, as factual evidence, in the course of the assessment of the matter of the dispute.

v) Australia had formally endorsed the comments made by the United States in the dispute. However, while at the first substantive meeting it had indicated that it would have endorsed "*certain comments*", later in its closing statement, it indicated that it endorsed "*all of the arguments put forward by the United States*". Contrary to Australia's view, there were material differences between the complainants' respective cases and Australia's endorsement in its closing statement was sweeping and unlimited. The lateness of this endorsement also raised an issue of due process. Accordingly, Australia's statement that it endorsed all of the United States' arguments was not a sufficient basis to consider that Australia's arguments as presented earlier were modified. Nevertheless, Australia's earlier endorsement of certain comments of the United States could have been accepted.

vi) The European Communities and their Member States had submitted six exhibits which consisted of extracts of legislation of Australia and two third parties. These exhibits had not to be removed from the record: they formed part of the respondent's submission. To the extent that they lacked evidentiary worth, they would have suffered from that defect and they would have been disregarded.

⁴⁸⁵ The United States had not challenged any individual registrations and therefore it would have not been necessary to rule on these measures.

c) The claims in the dispute were made under the TRIPS Agreement, GATT 1994 and the TBT Agreement. Certain claims under the TRIPS Agreement and GATT 1994 related to the same aspects of the measure at issue. However, there is no hierarchy between these two agreements, which appeared in separate annexes to the WTO Agreement.

d) Australia and the United States had claimed that the European Communities and their Member States had violated, with specific regard to the application procedures of the Regulation,⁴⁸⁶ Article 3.1 of the TRIPS Agreement and Article 2 of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1, because the Regulation required reciprocity and equivalence conditions to WTO Members. The European Communities and their Member States had argued that this claim was unfounded.

i) The first issue to analyze was the conditions for the registration of GIs under the Regulation.⁴⁸⁷ It had not been disputed by the parties that GIs located outside the European Communities and their Member States had never been registered nor had they been the subject of an application made under the Regulation. The parties agreed that the part of the Regulation challenged under this claim⁴⁸⁸ did not apply to the protection of GIs located within the territory of the European Communities. There was however a disagreement as to whether it applied to the protection of GIs in other WTO Members. Clearly, the measure had been challenged “as such” and the European Communities and their Member States’ interpretation of the Regulation was not binding. The Regulation set forth reciprocity and equivalence conditions⁴⁸⁹ that did not apply to the procedure for GIs located in the European Communities. Reviewing the measure on its face, it was clear that the availability of protection for GIs located in WTO Members was contingent upon satisfaction of the equivalence and reciprocity conditions set out in the Regulation and recognition by the European Commission and that the Regulation failed to provide for any alternative procedure for WTO Members which did not meet those conditions. Although the Regulation stipulated that these conditions were “*without prejudice to international agreements*”, this did not change the fact that WTO Members would still have had to satisfy the equivalence and reciprocity conditions in the Regulation in order for their GIs to gain access to the procedures for the registration of GIs.⁴⁹⁰

ii) Once clarified that the equivalence and reciprocity conditions in the Regulation applied to the protection of GIs located in WTO Members, it was necessary to understand whether these conditions constituted a treatment of the nationals of other WTO Members less favorable

⁴⁸⁶ Under Articles 5 and 12a of the Regulation.

⁴⁸⁷ The Regulation applied to the registration of designations of origin and geographical indications, both referred under geographical indications, just for ease of reference.

⁴⁸⁸ Article 12 (1) of the Regulation.

⁴⁸⁹ The Regulation contained two sets of detailed procedures for the registration of geographical indications for agricultural products and foodstuffs. The first procedure, in Article 5 through 7, applied to the names of geographical areas located in the European Communities and their Member States. The second procedure, principally found in Articles 12a and 12b, applied to the names of geographical areas located in third countries outside the European Communities and their Member States.

⁴⁹⁰ Under Articles 12a and 12b of the Regulation.

than the one accorded to EC nationals, in violation of the national treatment obligation under the TRIPS Agreement and the Paris Convention. In fact, Australia and the United States had claimed that the Regulation was in violation of Article 3.1 of the TRIPS Agreement and Article 2 (1) and (2) of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1.

iii) First, Australia and the United States had claimed a violation of Article 3.1 of the TRIPS Agreement. Two elements must be satisfied to establish a violation of the obligation stemming from Article 3.1 of the TRIPS Agreement: 1) the measure at issue must apply with regard to the protection of intellectual property; and 2) the nationals of other Members must be accorded “*less favorable*” treatment than the Member’s own nationals. The Regulation concerned GIs, a category of intellectual property covered by the Agreement,⁴⁹¹ and the national treatment obligation in Article 3 of the TRIPS Agreement applies “*with regard to the protection of intellectual property rights*”,⁴⁹² including GIs. Consequently, the first condition to establish a violation of Article 3 of the TRIPS Agreement, that is that the measure at issue applies with regard to the protection of intellectual property, had been met. The second condition to be met to establish a violation of Article 3 of the TRIPS Agreement was whether the nationals of other Members were accorded less favorable treatment than the European Communities’ own nationals. Although Article 3.1 of the TRIPS Agreement applies to nationals, not products, reference to previous jurisprudence on this obligation in the context of the GATT 1994 could be useful to interpret this obligation.⁴⁹³ Accordingly, the standard for an assessment under Article 3.1 of the TRIPS Agreement requires to examine whether the difference in treatment affects the “effective equality of opportunities” between the nationals of other Members and the European Communities’ own nationals with regard to the “protection” of intellectual property rights, to the detriment of nationals of other Members. This examination had to be based on the fundamental thrust and effect of the Regulation, including an analysis of its terms and its practical implications on opportunities with regard to the protection of intellectual property. In the case at issue, the parties disagreed on whether the equivalence and reciprocity conditions under the Regulation discriminated in a manner inconsistent with the covered agreements. Indeed, those conditions modified the effective equality of opportunities to obtain protection with respect to intellectual property in two ways: *first*, GI protection was not available under the Regulation in respect of geographical areas located in third countries which the EC Commission had not recognized under the Regulation; *second*, for GIs in respect of geographical areas located in third countries, GI protection under the Regulation might have become available only if the third country in which the GI was located entered into an international agreement or satisfied the equivalence or reciprocity conditions. Both these requirements represented a significant “extra hurdle” in obtaining protection that did not apply to GI in respect of geographical areas located in the European Communities.

⁴⁹¹ Under Article 1.2 of the TRIPS Agreement and Section 3 of Part II of the Agreement.

⁴⁹² Under Footnote 2 to Articles 3 and 4 of the TRIPS Agreement.

⁴⁹³ See the Panel report on *US - Section 211 Appropriations Act*, at paras. 8.131 - 8.133, the Appellate Body report, at para. 258; GATT Panel report on *US - Section 337*, para. 5.11.

The significance of the hurdle was reflected in the fact that at the time of the dispute no third country had entered into such an agreement or satisfied those conditions. Accordingly, the equivalence and reciprocity conditions afforded a less favorable treatment to those who wished to obtain protection in respect of geographical areas located in third countries, including WTO Members. At this point, the examination of the measure at issue under Article 3.1 of the TRIPS Agreement required to identify who were the “nationals” to whom a certain treatment had to be accorded. Article 3.1 does not define nationals, and the parties disagreed on this matter. The European Communities and their Member States had explained that with respect to natural persons, under the domestic law of the European Communities, any person who was a national of an EC Member State was a citizen of the European Union (for ease of the case, citizen of the EC) and, accordingly, an EC national. With respect to legal persons, the domestic law of the European Communities did not contain a specific definition of nationality, but any legal person considered a national under the laws of an EC Member State would also be an EC national. Australia and the United States had not challenged the criteria used by the European Communities Member States to determine the nationality and these criteria appeared the same as those used in public international law. Thus, they could have been used to determine which persons were “nationals” under Article 3.1 of the TRIPS Agreement. Turning to the Regulation, it was agreed that it did not, on its face, referred to “nationals”. It referred to the location of geographical areas, or GIs. In theory, there might have been foreign citizens or corporations who were entitled to use GIs located in the European Communities and obtain protection under the Regulation.

The central issue was therefore to identify the treatment accorded to the nationals of other Members and that accorded to the European Communities’ own nationals, when such treatment depended on the location of GIs. On its face, the Regulation contained formally identical provisions vis-à-vis the nationals of different Members, with respect to the availability of GI protection. However, as previous panels had clarified,⁴⁹⁴ there may be cases where the application of formally identical legal provisions would in practice accord less favorable treatment. Thus, even if the provisions of the Regulation were formally identical in the treatment that they accorded to the nationals of other Members and to the European Communities’ own nationals, this was not sufficient to demonstrate that there was no violation of Article 3.1 of the TRIPS Agreement. The standard of effective equality of opportunities had to be tested on the group of nationals of other WTO Members who might have wished to seek GI protection under the Regulation and the group of the European Communities’ own nationals who might have wished to seek GI protection under the Regulation. The Regulation set out two different procedures depending on whether the GI referred to a geographical area allocated in the territory of the European Communities or in third countries, including WTO Members. Equivalence and reciprocity conditions applied only in this latter case that is only to GIs that referred to geographical areas located in third countries. Despite the reference in the Regulation to the location, and not to the nationality

⁴⁹⁴ GATT Panel report on *US - Section 337*, para. 5.11; Appellate Body report on *Korea - Various Measures on Beef*, para. 137; Panel report on *Canada - Pharmaceutical Patents*, at paras. 7.100 - 7.105.

of the individual seeking protection, there was clearly a link between the geographical area to which a GI referred and certain persons. More, the Regulation created a link between persons, the territory of a particular Member, and the availability of protection: pursuant to the Regulation, “*designations of origin*” required that the applicant and users had to produce, process and prepare the products covered by a registration in the relevant geographical area, whilst the definition of a “*geographical indication*” required that the applicant and users had to carry out at least one, or some combination, of these three activities, in the geographical area, and had to do so in accordance with a GI specification. Accordingly, insofar as the Regulation discriminated with respect to the availability of protection between GIs located in the European Communities, on the one hand, and those located in third countries, including WTO Members, on the other hand, it formally discriminated between those persons who produced, processed and/or prepared a product, in accordance with a specification, in the European Communities, on the one hand, and those persons who produced, processed and/or prepared a product, in accordance with a specification, in third countries, including WTO Members, on the other hand. The vast majority of natural and legal persons who produce, process and/or prepare products according to a GI specification within the territory of a WTO Member party to this dispute were nationals of that Member. The fact that there might have been cases where such persons did not qualify as nationals (no such a case had been showed) did not alter the fact that the distinction made by the Regulation on the basis of the location of a GI operated in practice to discriminate between the group of nationals of EC Members who wished to obtain GI protection, to the detriment of the nationals of other WTO Members. This would have been the result of the design and structure of the system. Accordingly, the European Communities and their Member States defenses on systemic considerations had to be rejected and, with respect to the equivalence and reciprocity conditions, as applicable to the availability of GIs protection, the Regulation accorded treatment to the nationals of other Members less favorable than that it accorded to the European Communities’ own nationals, in violation of Article 3.1 of the TRIPS Agreement.

iv) Second, Australia and the United States had claimed a violation of Article 2 (1) of the Paris Convention. Unlike Article 3.1 of the TRIPS Agreement, Article 2 (1) of the Paris Convention refers to “*the advantages that...laws now grant, or may hereafter grant*” and not to “*no less favorable*” treatment. Therefore, no conclusion had been reached on this claim. However, further findings on this claim would have not provided any additional contribution to a positive solution to this dispute and were therefore unnecessary.

v) Third, Australia and the United States had claimed a violation of Article 2 (2) of the Paris Convention. Under Article 2 (2) of the Paris Convention, no requirement as to domicile or establishment in the country where protection is claimed may be imposed upon nationals of countries of the Union for the enjoyment of any industrial property rights. However, the Regulation did not contain a requirement of domicile or establishment. Accordingly, the Regulation was not in violation of Article 2 (2) of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1.

e) Australia and the United States had claimed, with specific regard to the application procedures,⁴⁹⁵ that the European Communities and their Member States had violated Article 3.1 of the TRIPS Agreement and Article 2 of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1. The European Communities and their Member States had argued that this claim was unfounded.

i) First, Australia and the United States had claimed a violation of Article 3.1 of the TRIPS Agreement. The application procedures concerned the acquisition of GIs covered by the TRIPS Agreement. The standard to be applied for the assessment of measures under Article 3.1 of the TRIPS Agreement had already been clarified. Turning to the measure at issue, according to the application procedures in the Regulation, any application relating to a geographical area located in an EC Member State was filed directly with *de facto* organs of the European Communities, which also carried out the initial examination of the application. These *de facto* organs of the European Communities were normally authorities of EC Member States. An application relating to a geographical area located in a third country could have not been filed directly with an organ of the European Communities, but had to be filed with a foreign government. This was a formal difference in treatment. Further, under the Regulation, an EC Member State had an obligation to examine an application and decide whether it was justified and, if it was justified, to forward it to the European Commission, whereas a third country government did not. Therefore, applicants for GIs located in third countries did not have a right in the application procedures, which was granted to applicants for GIs located in the European Communities. Applicants in third countries faced an extra hurdle in ensuring that the authorities in those countries carried out the functions reserved to them under the Regulation, which applicants in EC Member States did not face. In accordance with its domestic law, the European Communities were entitled to delegate certain functions under its measure to the authorities of EC Member States. However, under the Regulation, the European Communities had purported to delegate part of this obligation to other WTO Members, who had to carry out the application procedures in order to ensure that no less favorable treatment was accorded to their respective nationals. To that extent, the European Communities had failed to accord no less favorable treatment itself to the nationals of other Members. The European Communities did not have the discretion to ensure that applications for GIs that referred to geographical areas located in third countries received no less favorable treatment than those located in the European Communities because it had structured the Regulation in such a way that certain functions were completely outside its control. Accordingly, with respect to the application procedures, insofar as they required examination and transmission of applications by governments, the Regulation accorded other WTO Member nationals less favorable treatment than it accorded the European Communities' own nationals, in violation of Article 3.1 of the TRIPS Agreement.

ii) Second, Australia and the United States had claimed a violation of Article 2 (1) of the Paris Convention. In light of the conclusion that the European Communities and their Member States, with specific regard to the application procedures of the Regulation, had violated

⁴⁹⁵ Under Articles 5 and 12a of the Regulation.

Article 3.1 of the TRIPS Agreement, it was not necessary to consider the claim of violation of Article 2 (1) of the Paris Convention.

iii) Third, Australia had claimed a violation of Article 2 (2) of the Paris Convention. Australia had claimed that the Regulation, with specific regard to the application procedures, was in violation of Article 2 (2) of the Paris Convention. However, as above considered, the Regulation did not impose a requirement of domicile or establishment in violation of Article 2 (2) of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1.

f) Australia and the United States had claimed, with specific regard to the objection procedures of the Regulation,⁴⁹⁶ that the European Communities and their Member States had violated Article 3.1 of the TRIPS Agreement and Article 2 of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1. These claims were on three separate aspects of the measure: i) regarding verification and transmission of GI applications; ii) regarding equivalence and reciprocity conditions; iii) regarding standing requirements to raise an objection.⁴⁹⁷ The European Communities and their Member States had argued that these claims were unfounded.

i) One aspect of the claims concerned the verification and transmission of GI applications. First, it had to be considered the claim of violation of Article 3.1 of the TRIPS Agreement. The coverage of the TRIPS Agreement of GIs and the standard to be applied for the assessment of measures under Article 3.1 of the TRIPS Agreement had been already clarified. Turning to the measure at issue, the procedures for objection to applications, being related to the procedures for acquisition, concerned the acquisition of intellectual property rights. Unlike the application procedures, the objection procedures did not concern the location of the geographical area to which the GI referred. Rather, they referred to the place where the objector resided or was established. As earlier found, the treatment accorded by the Regulation to persons resident or established in certain countries would have, objectively, translated into treatment of persons with the nationality of those countries. The close link between nationality, on the one hand, residence and establishment, on the other, appeared to be recognized in the Regulation itself. Examining the Regulation, it was clear that any objection from a person in an EC Member State was filed directly with a *de facto* organ of the European Communities or authorities of the EC Member States which, in such a situation, acted *de facto* as organs of the European Communities. An objection from a person in a third country could not have been filed directly with the European Communities, but had to be filed with a foreign government. This was a formal difference in treatment. Indeed, an EC Member State had an obligation under Community law to verify the objection and forward it to the European Commission, whereas a third country government had no obligation to transmit it to the European Commission. Persons who submitted an objection in an EC Member State might have enforced these obligations through recourse to judicial procedures

⁴⁹⁶ Under Articles 7, 12b and 12d of the Regulation.

⁴⁹⁷ This latter claim had been raised only by the United States.

based on the Regulation. In contrast, persons who submitted an objection in a third country had no right in the objection procedures. Objectors in third countries faced an extra hurdle in ensuring that the authorities in those countries carried out the functions reserved to them under the Regulation, which objectors in EC Member States did not face. Consequently, certain objections could have not been verified or transmitted. For this reason, the Regulation accorded nationals of other WTO Members less favorable treatment within the meaning of Article 3.1 of the TRIPS Agreement. With respect to the objection procedures, insofar as they required the verification and transmission of objections by governments, the Regulation accorded less favorable treatment to the nationals of other Members, in violation of Article 3.1 of the TRIPS Agreement. Second, it had to be considered the claim of violation of Article 2 (1) of the Paris Convention. In view of the above-mentioned conclusion that, with regard to the objection procedures in the Regulation, the European Communities and their Member States had violated Article 3.1 of the TRIPS Agreement, it was unnecessary to consider the claim of violation of Article 2 (1) of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1. Third, it had to be considered the claim of violation of Article 2 (2) of the Paris Convention. As earlier found, even with respect to opposition procedures, the Regulation did not impose a requirement of domicile or establishment in violation of Article 2 (2) of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1.

ii) A second aspect of the claims concerned the equivalence and reciprocity conditions in the Regulation. Australia and the United States had claimed that the right to file an objection under the Regulation was limited to countries, including WTO Members, that satisfied the equivalence and reciprocity conditions, based on their interpretation of the Regulation. However, this interpretation had not been sufficiently supported by the complainants. Therefore, with respect to the equivalence and reciprocity conditions, as allegedly applicable to objections, the complainants had not made a *prima facie* case in support of their claim under Article 3.1 of the TRIPS Agreement and Article 2 (1) of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1.

iii) The last aspect of the claims concerned the standing requirements to raise an objection. The United States had claimed that there was a difference in the requirements for standing to object under the Regulation, based on the difference in the Regulation between the "*legitimate concerns*" of objectors residing or established in the European Communities, and the "*legitimate interest*" of objectors residing or established in other WTO Members and third countries. However, following an analysis of the ordinary meaning of the terms, it appeared only a minor, irrelevant difference between the two terms. In any event, even if the meaning of these provisions were different, it appeared that the European Communities could apply them in the same manner and the difference in the wording of the standing requirements was not intended to create a lower standard for objectors' resident or established in WTO Members outside the European Communities. Rather, a person that had a legitimate interest and a legitimately concerned person should have been interpreted in the same way. Therefore, with respect to the standing requirements for objections, the United States had

not made a *prima facie* case in support of its claim under Article 3.1 of the TRIPS Agreement and Article 2 (1) of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1.

g) Australia had claimed that, with specific regard to the procedures on the regulatory committee,⁴⁹⁸ the European Communities and their Member States had violated Article 3.1 of the TRIPS Agreement and Article 2 of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1. The European Communities and their Member States had argued that this claim was unfounded.

The procedure on the consultation of the regulatory committee had been applied to the consideration of particular applications to register GIs located within the European Communities in the presence of an admissible objection from an EC Member State. Australia's claims rested on the premise that the representative of the EC Member States on the regulatory committee acted as representatives of groups who submitted an application for registration of a GI located in their respective territories, of persons who wished to object who were resident or established in their respective territories, and of interests in products the subject of an application for registration of a GI located in their respective territories. When the regulatory committee was consulted, that is when there was an admissible objection to the registration of a GI, EC Member States sitting on the committee were acting as *de facto* organs of the European Communities, and they were in no way identified with the applicant or the person raising an objection. These features of the Regulation "as such" did not compel any different treatment of different GIs. Further, Australia had not provided evidence that, in the application of these procedures, the authorities did not, could have not or would have not applied the Regulation in the same way to the nationals of other Members and the European Communities' own nationals. Accordingly, Australia had not made a *prima facie* case in support of its claims with respect of the regulatory committee under Article 3.1 of the TRIPS Agreement and Article 2 (1) of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1.

h) The United States had claimed that, with specific regard to the procedures on inspection structures,⁴⁹⁹ the European Communities and their Member States had violated Article 3.1 of the TRIPS Agreement and Article 2 (1) of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1. The European Communities and their Member States had argued that this claim was unfounded.

i) First, the United States had claimed a violation of Article 3.1 of the TRIPS Agreement. Inspection structures requirements were a matter affecting the availability and acquisition of GIs falling under the TRIPS Agreement. The standard to be applied for the assessment of measures under Article 3.1 of the TRIPS Agreement had already been clarified. The United States had claimed that the treatment accorded under the inspections structure requirements for GIs located in third countries was less favorable than that accorded under the inspection

⁴⁹⁸ Under Article 15 of the Regulation.

⁴⁹⁹ Under Article 10 of the Regulation.

structure requirements for GIs located within the European Communities, based on two main aspects: the first related to the allegedly prescriptive nature of the requirements and the second to the issue of government participation in the creation of inspection structures.

ii) One aspect of the United States claim of violation of Article 3.1 of the TRIPS Agreement concerned the allegedly prescriptive nature of the requirements. The text of the Regulation applied same substantive inspection structures requirements for the design of inspection structures applied to the protection of all GIs registered under the Regulation, without any difference as to whether they were located within the European Communities or outside. The Regulation left freedom with respect to the choice of public inspection authorities, private inspection bodies or both. All authorities and bodies had to offer adequate guarantees of objectivity and impartiality and all had to have permanently at their disposal the qualified staff and resources necessary to carry out inspections. Under Article 3.1 of the TRIPS Agreement, the obligation of the European Communities was to accord no less favorable treatment to the nationals of other Members than the treatment it accorded to its own nationals: the benchmark to establish a violation of this obligation was the treatment by the European Communities to the European Communities' own nationals, while the treatment accorded by other Members to their own respective nationals was not relevant to this claim. The European Communities would have applied the same criteria for protection, the same requirements for product specifications and the same inspection structure requirements to all application for registration under the Regulation, both to GIs located within the European Communities and to GIs located outside. Therefore, in view of the lack of evidence of different treatment, with respect to the allegedly prescriptive requirements for inspection structures, the United States had not made a *prima facie* case in support of its claim under Article 3.1 of the TRIPS Agreement.

iii) The other aspect of the United States claim of violation of Article 3.1 of the TRIPS Agreement concerned government participation in inspections structures. Indeed, the Regulation contained a formal difference between the inspection structures requirements that applied to GIs located within the European Communities and to those located in third countries. Under the Regulation, EC Member States had an obligation to put inspection structures in place and monitor them, while third country governments had to establish inspection structures and had to provide a declaration on their creation and other information. But third countries did not have legal obligations under the Regulation and an applicant in a third country had no right to have inspection structure designated and/or approved, and monitored, by its own government, and had no right to the requisite declaration by its own government. Therefore, applicants for GIs that referred to areas located in third countries did not have a right in the availability of protection and application procedures that was provided to applicants for GIs that referred to areas located within the European Communities. Applicants in third countries faced an extra hurdle in ensuring that the authorities in those countries carried out the functions reserved to them under the Regulation, which applicants in EC Member States did not face. Consequently, certain GI applications by applicants in third countries might have been rejected. This significantly

reduced the opportunities available to the nationals of other WTO Members in the availability and acquisition of rights under the Regulation below the level of those available to the European Communities' own nationals. For this reason, the Regulation accorded nationals of other WTO Members less favorable treatment within the meaning of Article 3.1 of the TRIPS Agreement than it accorded to European Communities' own nationals. For these reasons, with respect to the government participation required in the inspection structures under the Regulation, and the provision of the declaration by governments under the Regulation, the Regulation accorded less favorable treatment to the nationals of other Members than to the European Communities' own nationals, in violation of Article 3.1 of the TRIPS Agreement.

iv) Second, the United States had claimed a violation of Article 2 (1) of the Paris Convention. The United States had not separately argued its claim under Article 2 (1) of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1., with respect to the inspection structures requirements. Accordingly, in that respect, it had not made a *prima facie* case in support of its claim under that provision.

k) Australia and the United States had claimed that, with specific regard to the labeling requirement,⁵⁰⁰ the European Communities and their Member States had violated national treatment obligations. The European Communities and their Member States had argued that this claim was unfounded.

i) The first issue to be clarified was the scope of the labeling requirement under the Regulation. Under the Regulation, if a protected name of a third country was identical to a Community protected name, registration had to be granted with due regard for local and traditional usage and the practical risks of confusion. Use of such names had to be authorized only if the country of origin of the product was clearly and visibly indicated on the label. This provision of the Regulation, including the labeling requirement, referred only to the registration and use of GIs from a third country that was identical to an EC protected name. It referred to a GI that was already registered. With respect to GIs located within the European Communities, the Regulation stipulated that the use of a registered homonymous name had to be subject to there being a clear distinction in practice between the homonym registered subsequently and the name already on the register, having regard to the need to treat the producers concerned in an equitable manner and not to mislead consumers.⁵⁰¹ The language of the two provisions was almost identical.

ii) The United States had claimed that, with specific regard to the labeling requirement, the European Communities and their Member States had violated Article 3.1 of the TRIPS Agreement. The labeling was a matter affecting the acquisition of protection for GIs covered by the TRIPS Agreement. The standard to be applied for the assessment of measures under Article 3.1 of the TRIPS Agreement had been already clarified. Turning to the measure at issue, the labeling requirement only applied to products bearing GIs from third countries that were identical to an EC protected name. The purpose of both provisions under the Regulation

⁵⁰⁰ Under Article 12 (2) of the Regulation.

⁵⁰¹ Under Article 6 (6) of the Regulation.

dealing with homonymous GIs located within and outside the territory of the European Communities was to minimize the actual, or practical, risks of confusion between the use of two registered identical or homonymous GIs. Although the English version of the two provisions differed, looking at the French and Spanish versions of the Regulation, it was clear that the meaning of the two provisions was the same in English as well. Nothing in the text of the two provisions appeared to prevent the European Communities from implementing the two requirements in the same manner where an application was made to register a GI, whether located within the European Communities or in a third country, that was identical to a prior registered GI. Therefore, for the above reasons, with respect to the labeling requirement, the United States had not made a *prima facie* case in support of its claim under Article 3.1 of the TRIPS Agreement.

l) Australia and the United States had claimed that that the European Communities and their Member States had violated Article 16.1 of the TRIPS Agreement. The European Communities and their Member States had argued that these claims were unfounded.

i) These claims concerned the issue of coexistence. This term refers to a legal regime under which a GI and a trademark could both be concurrently used to some extent even though the use of one or both of them would otherwise infringe the rights conferred by the other. The use of this term would have not entailed the expression of any view on whether such a regime was justified.

ii) Under the Regulation, protection was conferred to registered GIs. The Regulation impliedly granted the positive rights to use GIs in accordance with the product specification and other terms of its registration to the exclusion of any other sign. Under EC domestic law, this positive right prevailed over the rights of trademark owners to prevent the use of a sign that infringed trademark. However, a registered GI might have been used together with other signs or as part of a combination of signs but the registration did not confer a positive right to use any such other signs or combination of signs or to use the name in any linguistic versions not entered into the register. Therefore, the registration did not affect the right of trademark owners to exercise their rights with respect to such uses. The Regulation contained a number of provisions governing the relationship of GIs and trademarks under Community law.⁵⁰² In particular, the Regulation provided for the refusal of trademark applications where use of the trademark would have infringed the rights in a GI already registered under the Regulation.⁵⁰³ This ensured that a GI prevailed over a later trademark. When governing the relationship of GIs with prior trademarks, the Regulation allowed the continued use of a prior trademark even though use of that trademark would have conflicted with the rights conferred by registration of a GI under the Regulation.⁵⁰⁴ This was recognition of the possibility for trademarks to coexist with GIs under Community law. The Community Trademark Regulation then ensured that the rights conferred by a trademark registration against all third parties and uses of any sign did not prevail over a third party using a registered GI in accordance with

⁵⁰² Under Article 14 of the Regulation.

⁵⁰³ Under Article 14 (1) of the Regulation.

⁵⁰⁴ Under Article 14 (2) of the Regulation.

its registration. Consequently, the trademark owner's rights provided by trademark legislation in the implementation of Article 16.1 of the TRIPS Agreement could have not been exercised against a person who used a registered GI following its registration, where the trademark was subject to the Regulation provision on coexistence. However, the Regulation provided that a GI would have not been registered where, in the light of a trademark's reputation and renown and the length of time it had been used, registration would have been liable to mislead the consumer as to the true identity of the product.⁵⁰⁵ This provision, in effect, provided that a prior trademark might have prevailed over a later application for GI registration under certain conditions.

iii) The parties disagreed as to whether the conditions on registrability of GIs under the Regulation, together with the criteria for registrability of trademarks applied under EC law, prevented the registration of a GI, the use of which would have resulted in a likelihood of confusion with a prior trademark, as required under Article 16.1 of the TRIPS Agreement. Clearly, under the EC law, the coexistence of trademarks and GIs and the fact that prior trademarks did not automatically prevail over registered GIs,⁵⁰⁶ limited the trademark owners' exclusive rights. The issue was whether the fact that the Regulation provided that a GI would have not been registered where, in the light of a trademark's reputation and renown and the length of time it had been used, registration would have been liable to mislead the consumer as to the true identity of the product,⁵⁰⁷ could have prevented the above-mentioned limitation of trademark owners exclusive rights. There was no evidence to show that it was possible to seek invalidation of a GI registration under the Regulation in all cases in which use of a GI would have otherwise infringed a prior trademark. Australia had thus made a *prima facie* case that the conditions on GI registration under the Regulation could not prevent all situations from occurring in which the rights of a trademark owner would have been limited under the Regulation. Examining evidence relating to the one instance of application of the Regulation provision denying GI registration for infringement of prior trademark, for the GI "*Bayerisches Bier*", it was possible to conclude that the European Communities and their Member States had failed to rebut the *prima facie* case that the Regulation could have not prevented all situations in which a trademark would have coexisted with a conflicting GI from occurring and, hence, in which the Regulation would have limited the rights of the owner of such a trademark. To understand however whether this entailed a violation of Article 16.1 of the TRIPS Agreement, it was necessary to examine the relationship of GIs and prior trademarks under the TRIPS Agreement, and in particular, whether the TRIPS Agreement required Members to make available to trademark owners' rights against signs when they are used as geographical indications.

iv) Australia had argued that nothing in the TRIPS Agreement justified a failure to grant the right provided for in Article 16.1. The European Communities and their member States had argued that the claim was unfounded since the TRIPS Agreement recognized trademarks and

⁵⁰⁵ Under Article 14 (3) of the Regulation.

⁵⁰⁶ Under Article 14 (2) of the Regulation and under the Community Trademark Regulation.

⁵⁰⁷ Under Article 14 (3) of the Regulation.

GIs as intellectual property rights on the same level, and conferred no superiority to trademarks over geographical indications. According to them, the potential conflict resulting from the simultaneous exercise of both rights would lead to a situation where neither the trademark owner nor the GI right holders could use the sign in question. Neither would be able to fulfill its purpose. According to the European Communities, this conflict would have been resolved in particular by Article 24.5 of the TRIPS Agreement, according to which, among others, Members may prejudice rights of the trademark owner, including the right to prevent others from using the sign of which the trademark consists. However, Article 24.5 is not an exception but defines the boundary between the obligations in Article 16.1 and Member's right to implement geographical indication protection. The examination of whether the TRIPS Agreement requires Members to make available to trademark owners rights against the use of GIs involves two steps:

A) First, an examination of the right of trademark owners provided for in Article 16.1 of the TRIPS Agreement.

B) Second, an examination of whether Article 24.5 of the TRIPS Agreement provides authority to limit that right.

A) Starting with the analysis of the rights provided to trademark owners, Article 16.1 sets out a right which must be conferred on the owner of a registered trademark, and which may also be acquired on the basis of use. The text of Article 16.1 stipulates that the right for which it provides is an "*exclusive*" right. This indicates that this right belongs to the owner of the registered trademark alone, who may exercise it to prevent certain uses by "*all third parties*" not having the owner's consent. The last sentence provides for an exception to that right, which is that it shall not prejudice any existing prior rights. Otherwise, the text of Article 16.1 is unqualified. Other exceptions to the right under Article 16.1 are provided for in Article 17 and possibly elsewhere in the TRIPS Agreement. However, there is no implied limitation vis - à - vis GIs in the text of Article 16.1 on the exclusive right that Members must make available to the owner of a registered trademark.

B) Under Article 24.5 of the TRIPS Agreement, where a trademark has been applied for or registered in good faith, or where rights to a trademark have been acquired through use in good faith either before the date of application of the provisions on GIs in that Member or before the GI is protected in its country of origin, measure adopted to implement the TRIPS Agreement provisions on GIs cannot prejudice eligibility for or the validity of the registration of a trademark, or the right to use a trademark, on the basis that such a trademark is identical with, or similar to, a GI. The principal verb in Article 24.5 is "*shall not prejudice*": that is, the provision shall not affect certain other rights, including prior rights. The text of Article 24.5 expressly preserves the right to use a trademark - which is not expressly provided for in the TRIPS Agreement - and is silent as to any limitation on the trademark owner's exclusive right to prevent confusing uses of signs - which is expressly provided for in the TRIPS Agreement when the sign is used as a GI. Accordingly, it is inappropriate to imply in Article 24.5 either the right to prevent confusing uses or a limitation on the right to prevent confusing uses. Under Article 16.1 of the TRIPS Agreement, Members are required to make available to trademark

owners a right against certain uses, including uses as a geographical indication. The Regulation limits the availability of that right for the owners of trademarks subject to Article 14 (2). Article 24.5 of the TRIPS Agreement was inapplicable and did not provide authority to limit that right.

v) The European Communities and their Member States had argued that the Regulation was justified by the exceptions in Articles 24.3 and 17 of the TRIPS Agreement, since these two provisions allowed the system of coexistence as applied in the EC.

A) The European Communities and their Member States had argued that Article 24.3 of the TRIPS Agreement required to maintain coexistence of GIs and earlier trademarks. This was a standstill obligation that prohibited Members from diminishing the level of GI protection that existed at the time of entry into force of the WTO Agreement. Australia had argued that removal of the coexistence standard in the Regulation would have not diminished that protection. Under Article 24.3 of the TRIPS Agreement, when implementing Section 3 of Part II of the Agreement, a Member has an obligation not to diminish the protection of GIs that existed in that Member immediately prior to the date of entry into force of the WTO Agreement, that is 1 January 1995. Article 24.3 does not apply to measures adopted to implement provisions outside Section 3. Trademark owners' rights, which Members must make available in the implementation of Article 16.1, are found in Section 2. Therefore, Article 24.3 was inapplicable.

B) The European Communities and their Member States had argued that, in the alternative, the coexistence of GIs and earlier trademarks would have been justified under Article 17 of the TRIPS Agreement, which is an exception to the obligation in Article 16 of the Agreement. Australia had argued that the European Communities and their Member States had not met their burden of proof to establish that the conditions of Article 17 of the TRIPS Agreement were fulfilled. Turning to the measure, it had already been found that the Regulation limited the availability of the right provided for in Article 16.1. Therefore, to the extent that the Regulation satisfied the conditions in Article 17, this limitation would have been permitted under the TRIPS Agreement. Article 17 permits "*limited exceptions*". It provides an example of a limited exception, and is subject to a proviso that "*such exceptions take account of the legitimate interests of the owner of the trademark and of third parties*". There is only one right conferred by a trademark at issue in this dispute, namely the exclusive right to prevent certain uses of a sign provided for in Article 16.1. Therefore, it is necessary to examine the exception on an individual "per right" basis. This is a legal assessment of the extent to which the exception curtails that right. Turning to the Regulation, it curtailed the trademark owner's right in respect of certain goods but not all goods identical or similar to those in respect of which the trademark is registered. The Regulation curtailed the trademark owner's right against certain third parties, but not "*all third parties*". Under the Regulation, once a GI had been registered and a prior conflicting trademark was subject to the coexistence regime set forth in the Regulation, the GI might have, in principle, be used without regard to the likelihood of confusion that it might have caused. However, on the basis of the terms of the Regulation and of the Community Trademark Regulation, and the explanation of them

provided by the European Communities and their Member States, not only a prior conflicting trademark might have continued to be used, but the trademark owner's right to prevent confusing uses was unaffected, except with respect to the use of a GI as entered in the GI register in accordance with its registration. Furthermore, the European Communities and their Member States had explained that the use of a name registered as a GI was subject to the applicable provisions of the food labeling and misleading advertising directives so that the ways in which it might have been used were not unlimited. For these reasons, the Regulation created a "*limited exception*" within the meaning of Article 17 of the TRIPS Agreement. In order to benefit from Article 17 of the TRIPS Agreement, limited exceptions must further take account of the legitimate interests of the owner of the trademark and of third parties.

Given that Article 17 creates an exception to the rights conferred by a trademark, the "*legitimate interests*" of the trademark owner must be something different from full enjoyment of those legal rights. The "*legitimate interests*" of the trademark owner are also compared with those of "*third parties*", who have no rights conferred by the trademark. Previous panels observed that "*legitimate interest*" must be intended as a normative claim calling for protection of interests that are 'justifiable' in the sense that they are supported by relevant public policies or other social norms.⁵⁰⁸ Although this was stated in the context of patent rights, it holds true in the case of trademark rights, with regard to trademark owner and third parties in the context of Article 17. Every trademark owner has a legitimate interest in preserving the distinctiveness, or capacity to distinguish, of its trademark so that it can perform that function. The proviso to Article 17 requires only that exceptions "*take account*" of the legitimate interests of the owner of the trademark, and does not refer to "*unreasonabl[e] prejudice*" to those interests. This suggests that a lesser standard of regard for the legitimate interests of the owner of the trademark is required. For these reasons, the exception created by the Regulation took account of the legitimate interests of the owner of the trademark within the meaning of Article 17. This finding is confirmed by responses to a question by the Panel which revealed that, of over 600 GIs registered under the Regulation over a period of eight years, the complainants and third parties were unable to identify any that, in their view, could be used in a way that would result in a likelihood of confusion with a prior trademark, with four exceptions. Under Article 17 of the TRIPS Agreement, a justifiable exception has to take into account the "*legitimate interest*" of third parties as well. The parties to the dispute agreed that "*third parties*" for the purposes of Article 17 include consumers. The Regulation expressly addressed consumers,⁵⁰⁹ by providing for the refusal of GI registration where "*registration [was] liable to mislead the consumer as to the true identity of the product*". The United States had submitted that the "*third parties*" for the purposes of Article 17 include trademark licensees. This might have been correct, but the legitimate interests of trademark licensees are, to a large extent, identified with those of the trademark owner, and can be taken into account at the same time. It is not clear how their interests could have been taken into account as a separate issue. For these reasons, the exception

⁵⁰⁸ See *Canada - Pharmaceutical Patents*.

⁵⁰⁹ Under Article 14 (3) of the Regulation.

created by the Regulation took account of the legitimate interests of third parties within the meaning of Article 17. The European Communities and their Member States had succeeded in raising a presumption that the exception created by the Regulation to the trademark owner's right provided for in Article 16.1 of the TRIPS Agreement was justified by Article 17 of the TRIPS Agreement. Australia has not succeeded in rebutting that presumption. Therefore, with respect to the coexistence of GIs with prior conflicting trademarks, the Regulation was in violation of Article 16.1 of the TRIPS Agreement but this was justified by Article 17 of the TRIPS Agreement. Articles 24.3 and Article 24.5 of the TRIPS Agreement were, on the contrary, inapplicable.

vi) Australia had further claimed that the European Communities and their Member States had violated Article 16.1 of the TRIPS Agreement because the Regulation did not provide for or implemented the presumption of a likelihood of confusion in the case of use of an identical sign for identical goods. The European Communities and their Member States had argued that this claim was unfounded. A finding on this claim would have not provided any additional contribution to a positive solution to this dispute and therefore this claim did not deserve further consideration.

vii) Australia had claimed that the European Communities and their Member States had violated Article 16.1 of the TRIPS Agreement because the Regulation did not ensure that objections to registration were admissible on the grounds that use of the geographical indication would result in a likelihood of confusion. The European Communities and their Member States had argued that this claim was unfounded. Australia had failed to explain why the trademark owner's right to prevent use implies a right to object to GIs registration. For these reasons, Australia had not made a *prima facie* case in support of this claim.

viii) Australia had claimed that the European Communities and their Member States had violated Article 16.1 of the TRIPS Agreement because the Regulation did not ensure that an objection by the owner of a registered trademark would have been considered by the regulatory committee of the EC Member States. The European Communities and their Member States had argued that this claim was unfounded. For the same reasons above-mentioned, Australia had not made a *prima facie* case in support of this claim.

m) The complainants had claimed a violation of Article 22.2 of the TRIPS Agreement. The European Communities and their Member States had argued that these claims were unfounded.

i) Australia had claimed that the European Communities and their Member States had failed to provide at Community level the legal means for interested parties to prevent use in respect of a GI registered, or proposed to be registered, under the Regulation, in violation of Article 22.2. of the TRIPS Agreement. The European Communities and their Member States had argued that this claim was unfounded. It was not disputed that "*designations of origin*" and registered "*geographical indications*" as defined in the Regulation fell within the definition of geographical indication of Article 22.1 of the TRIPS Agreement. Article 22.2 creates an obligation that applies in respect of GIs. Read in context, the obligation in Article 22.2 to

provide certain legal means “*in respect of*” of geographical indications, is an obligation to provide for the protection of GIs. Australia’s claim did not appear to concern the protection of GIs, but rather the protection of other subject matter against the protection of GIs. Therefore, it did not disclose a cause of action under Article 22.2. Moreover, Australia’s specific claim of violation of Article 22.2 of the TRIPS Agreement was not clear enough. For the above reasons, Australia’s claim of violation of Article 22.2 of the TRIPS Agreement had to be rejected.

ii) The United States had claimed that the European Communities and their Member States had violated Article 22.2 of the TRIPS Agreement because the Regulation did not provide interested parties in other WTO Members which did not satisfy the equivalence and reciprocity conditions, including inspection structures, the legal means to protect their GIs on a uniform basis throughout the territory of the European Communities. The European Communities and their Member States had argued that these claims were unfounded. Article 22.2 of the TRIPS Agreement obliges Members to provide legal means for “*interested parties*”, in accordance with the national treatment obligation under Article 1.3 of the TRIPS Agreement. These persons can be private parties. An examination of whether the European Communities and their Member States had provided the legal means required by Article 22.2 for interested parties who were nationals of other WTO members was necessary. The Regulation did not make available protection to interested parties with respect to GIs located in third countries, including WTO Members, that did not satisfy the equivalence and reciprocity conditions, and the government of which did not examine and transmit an application. The United States had made a *prima facie* claim in support of its claim. However, the obligations under Article 22.2 of the TRIPS Agreement were placed on the European Communities and their Member States, not on the Regulation. The United States had challenged the Regulation, which was not the only means by which the European Communities had implemented Article 22.2. Other measures of protection, such as foodstuffs labeling, misleading advertising directives and implementing legislation of EC Member States, while not specifically providing for the protection of GIs, prohibited business practices that could have involved the misuse of GIs. The United States had not demonstrated that these other measures, which lied outside the Panel terms of reference, were inadequate to provide GI protection to interested parties nationals of other Members as required under Article 22.2 of the TRIPS Agreement. Accordingly, with respect to the equivalence and reciprocity conditions and the examination and transmission of applications under the Regulation, the United States had not made a *prima facie* case that the European Communities and their Member States had failed to implement its obligations under Article 22.2 of the TRIPS Agreement. The United States had also based its claim under Article 22.2 of the TRIPS Agreement on some arguments relating to the rights of persons who wished to object to a GI registration, concerning the grounds for objection available to trademark owners. Article 22 of the TRIPS Agreement is located in Part II, Section 3, which provides for the category of geographical indications, of the Agreement. Section 3 does not provide for trademark protection, except to the extent that trademark systems are used to protect GIs. Therefore, the United States’ arguments in support of this claim had to be rejected insofar as they related to objections to GI registrations, including objections by trademark owners. One part

of the United States' claim concerned Article 62 of the TRIPS Agreement, which contains provisions on the acquisition and maintenance of intellectual property rights, including GIs. However, Article 62 lied outside the Panel terms of reference. Finally, it had already been found that equivalence and reciprocity conditions did not apply to the right of objection by persons resident or established in WTO Members. The United States had not made a *prima facie* case that the European Communities and their Member States had failed to implement their obligation under Article 22.2 of the TRIPS Agreement.

n) The United States had claimed that the European Communities and their Member States had violated the most - favored - nation obligation in Article 4 of the TRIPS Agreement and the Paris Convention because the Regulation imposed condition of reciprocity and equivalence on the availability of protection. The European Communities and their Member States had argued that this claim was unfounded. Two elements must be satisfied in order to establish a violation of Article 4 of the TRIPS Agreement: 1) the measure at issue must apply with regard to the protection of intellectual property; and 2) the nationals of other Members are not "*immediately and unconditionally*" accorded any advantage, favor, privilege or immunity granted by a Member to the nationals of any other country. The United States claim concerned the protection of intellectual property, as clarified in footnote 3 to the TRIPS Agreement, within the scope of the most - favored - nation treatment obligation in Article 4 of that Agreement. However, as for the second element, given that it had been already found that the Regulation was in violation of the national treatment obligation in Article 3.1 of the TRIPS Agreement, a further conclusion on the most - favored - nation obligation would have provided no additional positive contribution to a solution to this dispute. Therefore, judicial economy had to be exercised with respect to this claim.

o) The United States had claimed that, with specific regard to the application and objection procedures of the Regulation,⁵¹⁰ the European Communities and their Member States had violated the most - favored - nation treatment obligation in Article 4 of the TRIPS Agreement for the same reasons that they had violated the national treatment obligation of the TRIPS Agreement. The European Communities and their Member States had argued that this claim was unfounded. The United States had not shown how the differences in the treatment accorded to nationals of different Members were granted by the European Communities. Therefore, the United States had not made a *prima facie* case in support of this claim.

p) The United States had claimed that the execution of the Regulation by authorities of EC Member States was in violation of the most - favored - nation treatment obligation of Article 4 of the TRIPS Agreement. The European Communities and their Member States had argued that this claim was unfounded. The premise of the United States' claim was that nationals of EC Member States were "*nationals of any other country*" within the meaning of Article 4 of the TRIPS Agreement. However, persons nationals of the EC Member States are the European Communities' own nationals. To the extent that advantages were granted under the Regulation, by the Community and EC Member States authorities exercising powers under the

⁵¹⁰ Under Articles 5 and 12 and 7, 12b and 12d of the Regulation.

Regulation, to the European Communities' own nationals, those advantages were not granted to the "*nationals of any other country*", within the meaning of Article 4 of the TRIPS Agreement. Therefore, the claim by the United States had to be rejected, to the extent that it was based on the execution of the Regulation by the authorities of EC Member States.

q) Australia had claimed that the European Communities and their Member States denied to nationals of other WTO Members effective protection against unfair competition and appropriate legal remedies to repress effectively all acts of unfair competition, in violation of Article 2.1 of the TRIPS Agreement incorporating Articles 10*bis* (1) and 10*ter* (1) of the Paris Convention. The European Communities and their Member States had argued that this was not correct. Many issues of Australia's claim needed to be explained and Australia could have not been relieved of its responsibility to prove its case. Accordingly, Australia had not made a *prima facie* case in support of its claim under Articles 10*bis* and 10*ter* of the Paris Convention as incorporated into the TRIPS Agreement.

r) Australia and the United States had claimed a violation of the TRIPS Agreement provisions stipulating obligations with respect to enforcement procedures. The European Communities and their Member States had argued that these claims were unfounded.

i) Australia had claimed that the European Communities and their Member States had violated the TRIPS Agreement provisions stipulating obligations with respect to enforcement procedures,⁵¹¹ due to the provisions concerning objections by a trademark right holder, and the functioning of the regulatory committee. The European Communities and their Member States had argued that these claims were unfounded. These claims were made under the obligations with respect to the enforcement procedures found in Part III of the TRIPS Agreement. Australia's claim concerned an *inter partes* procedure permitting objections which was related to the acquisition of intellectual property rights under the Regulation. As such, it was covered by Part IV of the TRIPS Agreement, not Part III. The general principles in Articles 41.2 and 41.3 applied to such *inter partes* procedures, where a Member's law provides for them, by virtue of Article 62.4 of the TRIPS Agreement. However, Article 62.4 of the TRIPS Agreement was outside the Panel terms of reference. Accordingly, this claim had to be rejected.

ii) The United States had claimed that the European Communities and their Member States had violated the TRIPS Agreement provisions stipulating obligations with respect to enforcement procedures,⁵¹² because it did not provide the rights provided for in Articles 16.1 and 22.2 of the TRIPS Agreement. The European Communities and their Member States had argued that these claims were unfounded. These claims were made under the obligations with respect to enforcement procedures found in Part III of the TRIPS Agreement. However, the United States' claims were dependent on its claim concerning the minimum standards in Part II of the Agreement, specifically Articles 16.1 and 22.2. Given that a ruling had been

⁵¹¹ Specifically, Australia had claimed a violation of Articles 41.1, 41.2, 41.3 and 42 of the TRIPS Agreement.

⁵¹² Specifically, the United States had claimed a violation of Articles 41.1, 41.2, 41.4, 42 and 44.1 of the TRIPS Agreement.

already made on the claims under Articles 16.1 and 22.2, further findings on the claims under Part III would have not provided any additional contribution to a positive solution to this dispute. Judicial economy had to be exercised with respect to these claims.

s) The complainants had claimed that the Regulations did not ensure that decisions by EC member States to grant transitional national protection pursuant to the Regulation,⁵¹³ did not diminish the protection of trademarks under the TRIPS Agreement, in the same way as registration of GIs as the Community level. As a consequence, the Regulation was in violation of many obligations under the TRIPS Agreement and the Paris Convention.⁵¹⁴ The European Communities and their Member States had argued that this claim was unfounded. Australia had not explained many issues related to this claim. Accordingly, Australia had not made a *prima facie* case in support of its claim.

t) Australia had claimed that the European Communities and their Member States had violated several obligations under the TRIPS Agreement and the Paris Convention,⁵¹⁵ for reasons related to the amendment of the Regulation in April 2003. The European Communities and their Member States had argued that this claim was unfounded. This claim by Australia concerned individual registrations. Australia had not demonstrated that there was a difference in the procedures or opportunities for objections under the previous version of the Regulation, and did not submit any evidence relating to continuing individual registrations other than the circumstances surrounding the act of registration, and the fact that they remained in force. Therefore, Australia had failed to make a *prima facie* case in support of its claim with respect to individual registrations.

u) Australia and the United States had both claimed, although for different reasons, a violation of Article 1.1 of the TRIPS Agreement. The European Communities and their Member States had argued that these claims were unfounded.

i) The United States had claimed that the inspection structures requirements forced Members to adopt a particular set of rules to implement the TRIPS Agreement, in violation of Article 1.1 of the TRIPS Agreement. The European Communities and their Member States had argued that this claim was unfounded. To the extent that this claim concerned the equivalence and reciprocity conditions in the Regulation,⁵¹⁶ abundant findings had already been made. To the extent that this claim concerned the inspection structures requirement for particular products, these requirements might have required inspections to take place not only within the European Communities but also within the territory of other WTO Members. The evidence did not disclose that these inspections concerned other WTO Members' system of

⁵¹³ Specifically, under Article 5 (5) of the Regulation.

⁵¹⁴ The Regulation was in violation of Articles 2.1 of the TRIPS Agreement, incorporating Article 10bis and 10ter of the Paris Convention, and Articles 16.1, 41.1, 41.2, 41.3 and 42 of the TRIPS Agreement.

⁵¹⁵ Australia had claimed violations of the national treatment obligations in Articles 2 (1) and (2) of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1, and in Article 3.1 of the TRIPS Agreement, the obligation in Article 2.1 of the TRIPS Agreement to comply with Articles 1 through 12 and 19 of the Paris Convention, and the obligation in Article 1.3 of the TRIPS Agreement to accord the treatment provided for in the TRIPS Agreement to the nationals of other Members

⁵¹⁶ Under Article 12 (1) of the Regulation.

protection but, rather, only compliance with the product specifications, which were a feature of the European Communities' system of protection. Therefore, the evidence did not suggest that they were consistent with the freedom granted under the third sentence of Article 1.1 of the TRIPS Agreement. This claim had to be rejected.

ii) Australia had claimed that the Regulation was in violation of Article 1.1 of the TRIPS Agreement, as a consequence of the Regulation's inconsistencies with various provisions of the TRIPS Agreement. The European Communities and their Member States had argued that this claim was unfounded. Australia's claim was consequential and a further finding on it would have not provided any additional contribution to a positive solution to this dispute. Judicial economy had to be exercised on this claim.

v) The United States and Australia had claimed that the European Communities and their Member States had violated Article 65.1 of the TRIPS Agreement. This claim was dependent on the substantive claims and equally unfounded. A finding on this claim would have not provided any additional contribution to a positive solution to this dispute. Judicial economy had to be exercised with respect to this claim.

z) Australia had claimed that the European Communities and their Member States were in violation of XVI:4 of the WTO Agreement. The European Communities and their Member States had argued that these claims were dependent on the substantive claims and were equally unfounded. These were consequential claims and findings on them would have not provided any additional contribution to a positive solution to this dispute. Judicial economy had to be exercised with respect to these claims.

Further development related to the case:

a) At the Dispute Settlement Body meeting of 19 May 2005, the European Communities and their Member States expressed their intention to implement the Dispute Settlement Body recommendations and rulings and stated that they would have needed a reasonable period of time to do so. At the Dispute Settlement Body meeting of 21 April 2006, the European Communities and their Member States stated that they had fully implemented the Dispute Settlement Body recommendations and rulings by adopting a new regulation that entered into force on 31 March 2006. Australia and the United States disagreed that the European Communities and their Member States had fully implemented the Dispute Settlement Body's recommendations and ruling and invited the European Communities and their Member States to take account of their comments and to revise the newly promulgated regulation.

b) The acting United States Trade Representative at the time of the dispute, Peter Allgeier, welcomed the Panel's ruling, referring to it as a "clear win" for United States farmers and food processors. However, the WTO Panel did not support the United States on all its claims, and this had been stressed by some United States trade officials. European Union agriculture spokesman Michael Mann noted that the ruling would have had an insignificant commercial impact on the United States and Australia, as neither of them had ever submitted an

application for geographical indication protection under the European Union's 1992 Regulation.⁵¹⁷

c) One of the claims presented in the *EC - GIs* dispute referred to Article 14 (2) of the Regulation, which allowed for coexistence between a prior trademark and a later identical or confusingly similar geographical indication. The question of coexistence between these two forms of intellectual property, trademarks and geographical indications, is however far from settlement yet in the European Communities and their Member States, as clearly showed by the debate over their relationship.⁵¹⁸

d) The WTO *EC - GIs* dispute has captured the attention of policymakers, negotiators, academia and agricultural and food producers around the world. It has been regarded as only one chapter of the long - standing conflict over the use and control of certain geographical names over agricultural and foodstuffs between European countries and the "new world" countries (the United States, Australia, Argentina, Chile and South Africa, among others). For this reason, both the backdrop and implications of the dispute extended far beyond the specific case. At stake in the dispute, apart for the factual background, their inherently different perspectives on the objective and characteristics of distinctive signs, which had already led to the fragile compromise on the geographical indications discipline in the TRIPS Agreement. The TRIPS Agreement had indeed tried to accommodate different interests and approaches to geographical indications: it had provided a definition of geographical indications and a minimum level of protection, in an attempt to bring coherence in an unsettled area. Nevertheless, the TRIPS Agreement provided - in comparison with other categories of intellectual property - a limited degree of harmonization of geographical indications protection and a system, which is still under construction.

The negotiations on the protection of geographical indications in the TRIPS Agreement were - and have remained since - quite intense and controversial. Two of the main reasons were the significant difference among WTO Members in the recognition of and the value placed on the use of geographical names as signs of reputation and quality of a particular product on the one hand, and the economic importance of geographical indications, which is particularly significant in Europe in comparison with various other WTO Members, on the other. Differences over the status of the built - in agenda, as well as on the implementation following from the inclusion of geographical indications in the TRIPS Agreement, have generated a heated debate in the TRIPS Council. The debate was largely shaped by the positions of the main interested countries - the EC on one side and the United States and Australia on the other. The EC main objective has been to obtain international levels of geographical indications protection comparable to its domestic system, through multilateral, regional and bilateral negotiations. Advancing the protection of European geographical indications was perceived by the "new world" countries as part of a strategy to maintain

⁵¹⁷ ICTSD, *WTO in Brief - WTO Panel Issues Mixed Ruling in Geographical Indications Case*, BRIDGES Volume 9, No. 9, 16 March 2005, available at <http://www.ictsd.org/bridges-news/bridges/news/wto-in-brief-31>.

⁵¹⁸ D.C. Ohlgart, *Geographical Indications and Trademarks: War or Peace?*, European Communities Trademark Association, 25th Annual Meeting in Warsaw.

European and GI supportive countries' market shares throughout the world, eventually in exchange for commitments to provide more market access and to reduce export and domestic subsidies for EU farmers. On the other hand, the United States and Australia, among others, have been reluctant to increase the level of geographical indication protection at the multilateral level. Their careful engagement in discussions on the built - in agenda is geared towards avoiding any new commitments on the matter. Developing countries do not have common interests in the polarity between implementing existing obligations on geographical indications and negotiating new ones, as in many other areas of intellectual property, and each developing country develops its own strategy on GI issues in accordance with its GI diversity and needs.⁵¹⁹

e) Some commentators have stressed that geographical indications stand at the intersection of three different hotly debated fields of international law: international trade, intellectual property and agricultural policy. The greater political salience and economic value recently gained (despite geographical indications long history) could be due to the major changes in the global economy: indeed, proponents of geographical indications raise diffuse concerns about authenticity, heritage and locality in a rapidly globalizing world. The same commentators supported the idea of some protection for geographical indications in international law, which could be justified under the arguments of the moral rights of the communities producing specific products, the incentives given by geographical indications to markets, the prevention of consumer confusion and the lowering of product search and identification costs.⁵²⁰

⁵¹⁹ D. Vivas - Eugui, M. J. Oliva, *The WTO Dispute on Trademarks and Geographical Indications: Some Implications for Trade Policy - Making and Negotiations*, in C. M. Correa, *Research Handbook on the Interpretation and Enforcement of Intellectual Property Under WTO Rules - Intellectual Property in the WTO Volume II*, (Edward Elgar Publishing: 2010, UK/USA).

⁵²⁰ K. Raustiala, S. T. Munzer, *The Global Struggle Over Geographical Indications*, *The European Journal of International Law* Vol. 18 No.2, 2007.

Indonesia - Certain Measures Affecting the Automobile Industry

IP/D/6WT/DS 54, 55, 59, 64 - Panel Report WT/DS59/R

General Background of the case

On 3 October 1996, the European Communities requested consultations with Indonesia on certain measures affecting the automobile industry (WT/DS54). No mutually satisfactory solution was reached and the European Communities requested the establishment of a panel.

On 4 October 1996, Japan requested as well consultations with Indonesia on certain measures affecting the automotive industry (WT/DS55), and, subsequently, additional consultations on Indonesia's *National Car Program* (WT/DS/64). No mutually satisfactory solution was reached and Japan requested the establishment of a panel.

On 8 October 1996, the United States requested consultations with Indonesia on certain measures affecting trade and investment in the motor vehicle sector (WT/DS59). No mutually satisfactory solution was reached and the United States requested the establishment of a panel.

On 12 June 1997, the Dispute Settlement Body (DSB) established a panel pursuant to requests by Japan and the European Communities and on 30 July 1997 agreed on the United States' request for the establishment of a panel. In accordance with the rules on multiple complainants provided for in Article 9 of the Dispute Settlement Understanding, the DSB agreed that the panel previously established to examine Japan and the European Communities' complaints would have also examined the United States' complaint.

The case concerned three general programs adopted by Indonesia in the automotive sector.

First, the *1993 Incentive System*, under which import duty reductions and exemptions were established for automotive parts and subparts based on a certain level (in percentage) of local content of the finished motor vehicle in which these parts were used and on the type of vehicle in which these parts were used.⁵²¹

Second, the *National Car Program*, which encompassed two different programs.⁵²² The first program provided for an exemption from the luxury tax on sales of these cars, and an exemption from import duties on parts and components for Indonesian car companies meeting specified criteria. Among these criteria, the *National Car Program* required vehicles to bear a unique Indonesian trademark owned by Indonesian nationals. The second provided for other benefits under additional conditions.

Third, a series of loans granted to *PT Timor Putra Nasional* (TPN), which was the only company respecting the requisites of the first program of the *National Car Program* at the time.

⁵²¹ The higher the percentage of local content in the finished motor vehicle, the higher the import duty reduction. Local content level in certain categories of motor vehicles granted them an exemption from or a reduction of luxury sales tax.

⁵²² The *February 1996 Program*, the *June 1996 Program*.

The complaining parties raised many claims (not each claim was raised by each party) under GATT most-favored-nation treatment obligation (Article I:1), national treatment obligation (Article III:2) and publication and administration of trade regulation obligations (Article X), the *Subsidies and Countervailing Duties Agreement* Article 6, the *Trade-Related Investment Measures Agreement* and the TRIPS Agreement. Claims under the TRIPS Agreement were put forward by the United States.

Legal basis of the case: related provisions in the TRIPS and interpretation

Article 3 of the TRIPS Agreement, National Treatment:

“1. Each Member shall accord to the nationals of other Members treatment no less favorable than that it accords to its own nationals with regard to the protection⁵²³ of intellectual property, subject to the exceptions already provided in, respectively, the Paris Convention (1967), the Berne Convention (1971), the Rome Convention or the Treaty on Intellectual Property in Respect of Integrated Circuits. In respect of performers, producers of phonograms and broadcasting organizations, this obligation only applies in respect of the rights provided under this Agreement. Any Member availing itself of the possibilities provided in Article 6 of the Berne Convention (1971) or paragraph 1(b) of Article 16 of the Rome Convention shall make a notification as foreseen in those provisions to the Council for TRIPS.

2. Members may avail themselves of the exceptions permitted under paragraph 1 in relation to judicial and administrative procedures, including the designation of an address for service or the appointment of an agent within the jurisdiction of a Member, only where such exceptions are necessary to secure compliance with laws and regulations which are not inconsistent with the provisions of this Agreement and where such practices are not applied in a manner which would constitute a disguised restriction on trade.”

Article 3 of the TRIPS Agreement does not benefit from the additional four years of transition generally provided by Article 65.2 to developing country Members. (Panel Report, para. 14.266)

It would not be reasonable to construe the national treatment obligation of the TRIPS Agreement in relation to the maintenance of trademark rights as preventing the grant of tariff, subsidy or other measures of support to national companies on the grounds that this would render the maintenance of trademark rights by foreign companies wishing to export to that market relatively more difficult. (Panel Report, 14.273)

The national treatment rule set out in that Article does not apply to use of intellectual property rights generally but only to “those matters affecting the use of intellectual property rights specifically addressed in this Agreement”. (Panel Report, para. 14.275)

⁵²³ For the purposes of Articles 3 and 4, “protection” shall include matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in this Agreement

Article 19 of the TRIPS Agreement, Requirement of Use:

“1. If use is required to maintain a registration, the registration may be cancelled only after an uninterrupted period of at least three years of non - use, unless valid reasons based on the existence of obstacles to such use are shown by the trademark owner. Circumstances arising independently of the will of the owner of the trademark which constitute an obstacle to the use of the trademark, such as import restrictions on or other government requirements for goods or services protected by the trademark, shall be recognized as valid reasons for non - use.

2. When subject to the control of its owner, use of a trademark by another person shall be recognized as use of the trademark for the purpose of maintaining the registration.”

Under the TRIPS Agreement, the minimum period of time during which failure to use a trademark may lead to the cancellation of the registration of the mark is three years. (Panel Report, Footnote 776 to para. 14.270)

Article 20 of the TRIPS Agreement, Other Requirements:

“The use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements, such as use with another trademark, use in a special form or use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings. This will not preclude a requirement prescribing the use of the trademark identifying the undertaking producing the goods or services along with, but without linking it to, the trademark distinguishing the specific goods or services in question of that undertaking.”

Article 65 of the TRIPS Agreement, Transitional Arrangements:

“1. Subject to the provisions of paragraphs 2, 3 and 4, no Member shall be obliged to apply the provisions of this Agreement before the expiry of a general period of one year following the date of entry into force of the WTO Agreement.

2. A developing country Member is entitled to delay for a further period of four years the date of application, as defined in paragraph 1, of the provisions of this Agreement other than Articles 3, 4 and 5.

3. Any other Member which is in the process of transformation from a centrally - planned into a market, free - enterprise economy and which is undertaking structural reform of its intellectual property system and facing special problems in the preparation and implementation of intellectual property laws and regulations, may also benefit from a period of delay as foreseen in paragraph 2.

4. To the extent that a developing country Member is obliged by this Agreement to extend product patent protection to areas of technology not so protectable in its territory on the general date of application of this Agreement for that Member, as defined in paragraph 2, it may delay the application of the provisions on product patents of Section 5 of Part II to such areas of technology for an additional period of five years.

5. A Member availing itself of a transitional period under paragraphs 1, 2, 3 or 4 shall ensure that any changes in its laws, regulations and practice made during that period do not result in a lesser degree of consistency with the provisions of this Agreement.”

The complainant position: the United States

The United States claimed that Indonesia had violated, among others, its obligations under the TRIPS Agreement.

Under Article 3 of the TRIPS Agreement, each Member has an obligation to accord to the nationals of other Members treatment no less favorable than that it accords to its own nationals with regard to the protection of intellectual property. “*Protection*” under this provision of the TRIPS Agreement includes matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights and those matters affecting the use of intellectual property rights specifically addressed in the TRIPS Agreement.

Indonesia’s *National Car Program* benefitted only motor vehicles bearing a unique Indonesian trademark owned by Indonesian nationals. Therefore, Indonesia had violated its obligations under Article 3 of the TRIPS Agreement on national treatment, because the provisions of the *National Car Program* discriminated against nationals of other WTO Members (that is, they afforded a more favorable treatment to Indonesian citizens) in respect of the acquisition and maintenance of trademarks, and of the use of trademarks as specifically addressed in Article 20 of the TRIPS Agreement. The United States’ companies successfully becoming partners with Indonesian companies admitted to the *National Car Program*, would have not used their trademarks to avoid confusion of marks (for cars bearing the American and the Indonesian one). Consequently, since many countries included Indonesia provided that the non - use of a trademark during a certain period of time would have caused cancellation of the trademark,⁵²⁴ the United States’ marks would have likely been subject to cancellation for non - use. In addition, Indonesian companies admitted to the *National Car Program* enjoyed many benefits (in terms of tariffs, internal tax and other benefits) which made the marketing of cars bearing Indonesian trademarks easier: foreign companies had a *de facto* disadvantage in meeting use requirements for the maintenance of the trademark, and were encumbered by special requirements in using their trademark in Indonesia.

b) Under Article 65.5 of the TRIPS Agreement, Members availing themselves of the transitional periods under this Article have an obligation to ensure that any changes in their laws, regulations and practice made during those periods do not result in a lesser degree of consistency with the provisions of the Agreement. Since Indonesia had introduced special requirements on the use of trademarks for nationals of other WTO Members reducing the degree of consistency of Indonesia’s legal system with the provisions of Article 20 of the TRIPS Agreement during the transitional periods Indonesia was availing itself of, Indonesia had violated its obligations under Article 65.5 of the TRIPS Agreement

⁵²⁴ Of at least three years under Article 19 of the TRIPS Agreement.

The respondent position: Indonesia

Indonesia rejected all the claims by the United States and the other complainants.

a) On 25 February 1998, Indonesia had sent a letter to the Chairman of the *Subsidies and Countervailing Duties Committee* indicating that on 2 January 1998 the *National Car Program* had been terminated and regulations and decrees there under had been revoked.

b) Under Article 3 of the TRIPS Agreement, each Member has an obligation to accord to the nationals of other Members treatment no less favorable than that it accords to its own nationals with regard to the protection of intellectual property. Indonesia had not violated any of its obligations under Article 3 of the TRIPS Agreement since no discrimination had been made by Indonesia between foreign nationals and Indonesian citizens in respect of acquisition, maintenance and use of trademark. There was no difference between the law applying to the acquisition and maintenance of trademarks of foreign nationals and the law applying to the acquisition and maintenance of trademarks of Indonesian nationals operating under the *National Car Program*. No special requirement had been imposed on the use of trademark.

c) The United States' companies were free to sell their cars in Indonesia using their marks, even where they had entered into an agreement with a company admitted into the *National Car Program*, such as TPN. Clearly, the United States' car, manufactured in the United States would have not been identical to those manufactured under the arrangement with TPN and bearing the Indonesian mark: the cars would differ significantly, occupying different slots of the market.

The Panel's findings, rulings and recommendations:

a) At the beginning of the dispute, the Panel had set a deadline for the submission of information and arguments in the dispute (the deadline was 30 January 1998). Indonesia communicated the termination of its *National Car Program* on 25 February 1998, after the mentioned deadline. Furthermore, the termination of the *National Car Program* had been put into question by the complainants, which had made a request for the Panel to rule on claims regarding this *Program*. In light of the above, it was appropriate to make findings on the *National Car Program*. Even previous panels had made findings in respect of measures included in their terms of reference but terminated or amended after the commencement of the panel proceedings.⁵²⁵

⁵²⁵ See, e.g. Panel Report on *United States - Measures Affecting Imports of Wool Shirts and Blouses from India*, WT/DS33, adopted on 23 May 1997, (hereafter called "*Shirts and Blouses*"), the US restriction was withdrawn shortly before the issuance of the panel report; Panel Report on *EEC - Restrictions on Imports of Dessert Apples, Complaint by Chile*, adopted on 22 June 1989, BISD 36S/93; Panel Report on *EEC - Restrictions on Imports of Apples, Complaint by the United States*, adopted on 22 June 1989, BISD 36S/135; Panel Report on *United States - Prohibition of Imports of Tuna and Tuna Products from Canada*, adopted on 22 February 1982, BISD 29S/91; Panel Report on *EEC - Restrictions on Imports of Apples from Chile*, adopted on 10 November 1980, BISD 27S/98; and Panel Report on *EEC - Measures on Animal Feed Proteins*, adopted on 14 March 1978, BISD 25S/49. In the Panel Report on *United States - Section 337 of the Tariff Act of 1930*, BISD 36S/345, adopted on 7 November 1989 (hereafter called "*Section 337*"), the challenged measure was amended during the panel process but the panel refused to take into account such amendment. We note that this is also the line taken by the Appellate Body in *Argentina - Measures Affecting Imports of Footwear, Textiles, Apparel and Other Items*, WT/DS56, adopted on 22 April 1998, para. 64.

b) The United States had claimed that Indonesia had violated its national treatment obligations under Article 3 of the TRIPS Agreement, with respect to acquisition, maintenance, and use of trademark as specifically addressed under Article 20 of the TRIPS Agreement.

i) Since Article 3 of the TRIPS Agreement does not benefit from the additional four years of transition generally provided by Article 65.2 to developing country Members, Indonesia was subject to the obligations under Article 3 of the TRIPS Agreement since 1 January 1996.

ii) The United States had argued that Indonesia discriminated against foreign nationals in respect of the acquisition of trademarks, i.e. which in respect of the acquisition of trademark Indonesia accorded a less favorable treatment to foreign national than to Indonesian nationals admitted to the *National Car Program*. However, no evidence had been produced to support this claim and no issue concerning the acquisition of trademark arose in this situation: it was true that cars marketed under the *National Car Program* had to bear a trademark belonging to Indonesia - owned companies which had created the trademark, while foreign - companies - owned trademark could not have been used for this purpose, but this was not related to the acquisition of the trademark. Therefore, the United States had not demonstrated that Indonesia had violated its obligations under Article 3 of the TRIPS Agreement with regard to the acquisition of trademark rights.

iii) The United States had argued that Indonesia discriminated against foreign nationals in respect of the maintenance of trademark rights. However, no evidence had been produced to support this claim. On the one side, an arrangement between a foreign company and an Indonesian one admitted under the *National Car Program* would have been concluded on a voluntary basis, with knowledge by the foreign companies of any consequent implications for its ability to maintain their pre - existing trademark rights. On the other, the United States had claimed that Indonesian companies admitted under the *National Car Program* would have been entitled to tariff, internal tax or other benefits, with a consequent *de facto* disadvantage for foreign companies in meeting use requirements for the maintenance of the trademark in relation to *National Car Program* Indonesian companies. Certainly, any customs tariff, subsidy or other governmental measure of support could have a *de facto* effect of giving such an advantage to the beneficiaries of this support. However, it would not be reasonable to construe the national treatment obligation of the TRIPS Agreement in relation to the maintenance of trademark rights as preventing the grant of tariffs, subsidies or other measures of support to national companies on the ground that this would render the maintenance of trademark rights by foreign companies wishing to export to that market relatively more difficult. For these reasons, the United States had not demonstrated that Indonesia had violated its obligations under Article 3 of the TRIPS Agreement in respect of the maintenance of trademark rights.

iv) The United States had argued that Indonesia discriminated against foreign nationals in respect of the use of trademark. The national rule set out in Article 3 of the TRIPS Agreement does not apply to use of intellectual property generally but only to those matters affecting the use of

intellectual property rights specifically addressed in the TRIPS Agreement. The United States had put forward argument relating on the use of trademarks specifically addressed by Article 20 of the TRIPS Agreement. Thus, the first issue to be clarified was whether the *National Car Program* constituted a special requirement that might have encumbered the use of the trademark of nationals of other WTO Members within the meaning of Article 20 of the TRIPS Agreement.

The answer had to be negative: the provisions of the *National Car Program* could not have been construed as “requirements” in the sense of Article 20 of the TRIPS Agreement since, as above-mentioned, the eventual arrangement between a foreign national and an Indonesian national admitted to the *National Car Program* would have been voluntary in nature. As for the alleged *de facto* disadvantage of foreign companies in relation to Indonesian ones admitted to the *National Car Program*, the United States had not explained how the ineligibility for benefits accruing under the *National Car Program* could have constituted “requirements” imposed on foreign trademark holders, in the sense of Article 20 of the TRIPS. For these reasons, the United States had not demonstrated that Indonesia had violated its obligations under Article 3 of the TRIPS Agreement in respect of the use of trademark specifically addressed in Article 20 of the TRIPS Agreement.

c) The United States had claimed that Indonesia had violated its obligations under Article 65.5 of the TRIPS Agreement, since during the transitional periods it was entitled to (and which applied to Article 20 of the TRIPS Agreement), it had made changes to its laws, regulations and practice that had resulted in a lesser degree of consistency with the provisions of Article 20 of the Agreement. However, for the same reasons previously explained on the issue of the maintenance and use of trademark above, the United States had not demonstrated that measures had been taken that reduced the degree of consistency with the provisions of Article 20 and which would therefore be in violation of Indonesia’s obligations under Article 65.5 of the TRIPS Agreement.

In light of the above:

- The United States had not demonstrated that Indonesia had violated its obligations under Article 3 of the TRIPS Agreement in respect of the acquisition or maintenance of a trademark and the use of trademark specifically addressed in Article 20 of the TRIPS Agreement. Nor had it demonstrated that measures had been taken that reduced the degree of consistency with the provisions of Article 20 of the TRIPS Agreement and which would have therefore been in violation of Indonesia’s obligations under Article 65.5 of the TRIPS Agreement.

- Other conclusions and recommendations were made in respect of the claims put forward under the other WTO Agreements.

Further development related to the case:

a) Indonesia is the fourth most populated country in the world with more than 200 million inhabitants. Its GDP places it among the top 20 countries in the world. Recent studies showed that, although innovation has played little role to date in Indonesia’s growth, there has been an

improvement in the contribution of total factor productivity (TFP, a measure of an economy's long - term technological change or dynamisms) to output growth. The country is very slowly moving away from a low technology base with a low share of high - technology product exports and an increasing reliance on imports of these goods. Significant changes to Indonesia's IP legislation were made in 1991 and after 1995, when Indonesia became a member of the TRIPS Agreement upon its accession to the WTO. The country is also a signatory of major international IP treaties. Some reforms are still pending, including for licensing, which remains an area of legal uncertainty.⁵²⁶

b) Although *Indonesia - Autos* Panel addressed trademark - related claims under the TRIPS Agreement, the central issues of the case was discrimination under GATT and the TRIMS Agreement in connection with tax and customs benefit enjoyed by certain car producers within Indonesia.⁵²⁷ The case was one of the few TRIPS cases where no TRIPS violation was found, while GATT, TRIMS Agreement and SCM Agreement violations were found.⁵²⁸

c) Some considered that *Indonesia - Autos* dispute indirectly involved the issue of enforcement of intellectual property rights regarding national treatment in the respect of acquisition of trademark.⁵²⁹

d) The *Indonesia - Autos* case has drawn the attention of the academic community, which has highlighted the Panel's interpretation of Articles 3 and 20 of the TRIPS Agreement. In particular, attention has been paid to the word of caution of the Panel against a too broad reading the TRIPS national treatment obligation under Article 3 of the Agreement,⁵³⁰ and the still contentious nature of the word "encumbered" under Article 20 of the TRIPS Agreement.⁵³¹

e) *Indonesia - Autos* has been to date the only case where Article 20 of the TRIPS Agreement has been interpreted. This uniqueness has made the rulings provided for by the Panel a benchmark for the current plain packaging disputes, which involve Article 20 of the TRIPS Agreement as well (WT/DS434, 435, 441, 458, 467). However, the guidance provided for by the Panel on the term "special requirements" has been limited, leaving space for interpretation on how the current cases on plain packaging measures (which are "special requirements" under Article 20) could be ruled. On this line, while the plain packaging measures are mandatory in nature and apply to all tobacco companies and their trademarks, in Indonesia companies participated voluntarily in the *National*

⁵²⁶ OECD, *National Intellectual Property Systems, Innovation and Economic Development: With Perspectives on Colombia and Indonesia*, (OECD Publishing: 2014), p. 29 - 30.

⁵²⁷ J. Pauwelyn, *The Dog That Barked But Didn't Bite: 15 Years of Intellectual Property Disputes at the WTO*, *Journal of International Dispute Settlement*, Volume 1, No. 2, (2010), p. 396.

⁵²⁸ *Ibid.*, p. 417.

⁵²⁹ J. Nie, K. Lida, *The Enforcement of Intellectual Property Rights in China - Implications of Good Governance, the Rule of Law and Legal Culture*, (Cameron May: 2006, UK), p. 147.

⁵³⁰ *Ibid.*, p. 131.

⁵³¹ J. Malbon, C. Lawson, M. Davison, *The WTO Agreement on Trade - Related Aspects of Intellectual Property Rights: A Commentary*, (Edward Elgar Publishing: 2014, UK/USA), p. 317 - 323.

Car Program and in the knowledge on any consequent implications for their ability to use their pre-existing trademark.⁵³²

f) To date, WTO panels and the Appellate Body have not had occasion to deal with the relationship of the TRIPS Agreement, on the one hand, and GATT or GATS, on the other. Since the *Indonesia - Autos* case concerned claims under GATT, the SCM Agreement, the TRIMS Agreement and the TRIPS Agreement, according to some eminent scholars it would have been a good occasion to consider the question. The Panel however did not deal with relationship between GATT and the TRIPS Agreement. This uncertainty has pushed the doubt that there may be a problem of overlap between the obligations of GATT, GATS and the TRIPS Agreement. The similarities and differences in the beneficiaries of GATT, GATS and TRIPS rules and the variety of similar and conflicting objectives pursued do not give decisive guidance for answering the question whether the rights and obligations contained in the TRIPS Agreement should simply apply on a cumulative basis with those of GATT And GATS, or whether the rules of the TRIPS Agreement should prevail in general or under certain circumstances.⁵³³

⁵³² A. D. Mitchell, *Australia's Move to the Plain Packaging Cigarettes and Its WTO Compatibility*, Asian Journal of WTO and International Health Law and Policy, Volume 5, No. 2, 2010, p. 412.

⁵³³ T. Cottier, P. C. Mavroidis (Eds.), M. Panizzon, S. Lacey (Associate Eds.), *Intellectual Property - Trade, Competition and Sustainable Development*, (The University of Michigan Press: 2003, USA), p. 66 - 68.

Australia - Tobacco Plain Packaging Cases

IP/D/30WT/DS434

IP/D/31WT/DS435

IP/D/32WT/DS441

IP/D/33WT/DS458

IP/D/34WT/DS467

General background of the case: Australia - Certain Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging (WT/DS434)

On 13 March 2012, Ukraine requested consultations with Australia with regard to Australian laws and regulations that imposed trademark restrictions and other plain packaging requirements on tobacco products and packaging.

No mutually satisfactory solution was reached and a Panel was subsequently established on 28 September 2012.

The main concern of Ukraine was that Australia complied with its obligations under the WTO Agreement and the Agreements annexed thereto, in particular the TRIPS Agreement. Under certain measures,⁵³⁴ no trademark was allowed to appear on any tobacco product other than as permitted by the relevant regulations. Further, the color and appearance of tobacco product packages was heavily regulated:⁵³⁵ Health warnings on tobacco product packaging increased from 30 percent to 75 percent of the front surface of each package and continued to cover 90 percent of the back surface of the package, while specific physical features had been imposed on retail tobacco packaging. Cigarette packs and cartons had to respect a standardized shape with no decorative elements, and cigarette packs had to bear flip - top openings.

According to Ukraine, Australia was in violation of its obligations under the WTO Agreements including, but not limited to: i) its obligation that any sign capable of distinguishing the goods of one undertaking from those of other undertakings, be capable of constituting a trademark and that can be affixed on a lawfully available product to which it is to be applied under Article 15.1 of the TRIPS Agreement. ii) Its obligation that the nature of goods to which a trademark is to be applied cannot form an obstacle to registration of the trademark under Article 15.4 of the TRIPS Agreement, and its obligation to give effect and not to contravene to the provisions of the TRIPS Agreement under Article 1.1 of the TRIPS Agreement. iii) Its obligation to grant trademark owners

⁵³⁴ The measures at issue were: a) The Tobacco Plain Packaging Act 2011 (the "Plain Packaging Act") and its implementing Tobacco Plain Packaging Regulations 2011 (the "Regulations"); b) The Trade Marks Amendment (Tobacco Plain Packaging) Act 2011; c) Any further implementing regulations and related acts, policies, or practices adopted by Australia that guide, amend, supplement, replace, and/or implement the above mentioned measures.

⁵³⁵ Tobacco product packages had to be drab dark brown in a matte finish, with no other colors, logos, or brand features visible on the package, other than the brand and variant name in a standard form and font below the graphic health warning.

the exclusive right to use signs and to prevent third parties from using similar signs under Article 16.1 of the TRIPS Agreement, and its obligation to allow entitlement to Well-known trademarks protection and related rights enjoyment under Article 16.3 of the TRIPS Agreement. iv) Its obligation not to unjustifiably encumber the use of trademark in the course of trade with special requirements under Article 20 of the TRIPS Agreement and its obligation to give effect to Article 20 of the TRIPS Agreement in its domestic laws and regulations under Article 1 of the TRIPS Agreement. v) Its obligations under Article 2.1 of the TRIPS Agreement, which incorporates the *Paris Convention on the Protection of Industrial Property* ("Paris Convention"), and its obligations to accord effective protection to the trademark "as is", not to discriminate between trademarks based on the nature of the product, and to prevent acts of such a nature as to create confusion with goods, establishments or competitors under Articles 6*quinques*, 7, and 10*bis* of the Paris Convention. vi) Its obligations to make patents available in all fields of technology and patents and patent rights enjoyable without discrimination as to the field of technology under Article 27 of the TRIPS Agreement. vii) Its obligations under the *Agreement on Technical Barriers to Trade*. viii) Its obligations under the *General Agreement on Tariffs and Trade* (GATT 1994).

General background of the case: Australia - Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging (WT/DS435)

On 4 April 2012, Honduras requested consultations with Australia with regard to Australian laws and regulations that imposed trademark restrictions and other plain packaging requirements on tobacco products and packaging.

No mutually satisfactory solution was reached and a Panel was established on 25 September 2013.

The main concern of Honduras was that Australia complied with its obligations under the WTO Agreement and the Agreements annexed thereto, in particular the TRIPS Agreement. Australia regulated the appearance of marks and other design features on the retail packaging of tobacco products, as well as on the tobacco themselves. It regulated the appearance of the brand, business, company or variant name in a standard form, font size and location. It prescribed the color and the finish of retail packaging for all tobacco products and also prescribed the requirements for wrappers, inserts and onserts. These measures were maintained through various legal instruments.⁵³⁶

According to Honduras, Australia was in violation of its obligations under the WTO Agreements, including but not limited to: i) its obligations to comply with Articles 1 through 12, and Article 19, of the Paris Convention, as amended by the 1967 Stockholm Act, under Article 2.1 of the TRIPS

⁵³⁶ The measures at issue were: a) Tobacco Plain Packaging Act 2011, Act No. 148 of 2011, "An Act to discourage the use of tobacco products, and for related purposes"; b) The Tobacco Plain Packaging Regulations 2011, Select Legislative Instrument 2011, No. 263 as amended by the Tobacco Plain Packaging Amendment Regulation 2012 (No. 1), Select Legislative Instrument 2012, No. 29. These regulations apply to the retail packaging and appearance of both cigarettes and non - cigarette tobacco products; c) The Trade Marks Amendment (Tobacco Plain Packaging) Act 2011; Act No. 149 of 2011, "An Act to amend the Trade Marks Act 1995 and for related purposes".

Agreement, and in particular the obligation to protect trademark registered in other countries of the Paris Union “*as is*” under Article 6*quinques* of the Paris Convention. In addition, Australia violated its obligation to provide effective protection against unfair competition to nationals of other countries of the Paris Union under Article 10*bis* of the Paris Convention. ii) Its obligation to accord nationals of other Members treatment no less favorable than that it accords to its own nationals with respect to the protection of intellectual property under Article 3.1 of the TRIPS Agreement. iii) Its obligations that the nature of the goods to which a trademark has to be applied cannot be an obstacle to the registration of the trademark under Article 15.4 of the TRIPS Agreement. iv) Its obligations to grant trademark owners the exclusive right to use signs and to prevent third parties from using similar signs under Article 16.1 of the TRIPS Agreement. v) Its obligations not to unjustifiably encumber with special requirements the use of a trademark in the course of trade under Article 20 of the TRIPS Agreement. vi) Its obligations to provide effective protection against acts of unfair competition with respect to geographical indications and not to create confusion among consumers on the origin of the product under Article 22.2 (b) of the TRIPS Agreement. vii) Australia could not justify its measures as necessary to protect human health under Article 8 of the TRIPS Agreement, because they were not consistent with the provisions of the TRIPS Agreement, nor could it justify them as a “*limited exception*” to the rights conferred by a trademark under Article 17 of the TRIPS Agreement. viii) Its obligations under the *Agreement on Technical Barriers to Trade*. ix) Its obligations under the *General Agreement on Tariffs and Trade* (GATT 1994).

General background of the case: Australia - Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging (WT/DS441)

On 18 July 2012, the Dominican Republic requested consultations with Australia with regard to Australia’s comprehensive regulation of the appearance and form of the retail packaging of tobacco products, and of the tobacco products themselves.

No mutually satisfactory solution was reached and a Panel was established on 25 April 2014.

The main concern of the Dominican Republic was that Australia complied with its obligations under the WTO Agreement and the Agreements annexed thereto, in particular the TRIPS Agreement. In particular, under Australia’s plain packaging measures,⁵³⁷ the retail packaging of tobacco products was heavily regulated. Individual cigarettes might not have displayed trademarks, geographical indications or alphanumeric codes, whereas cigars might have carried

⁵³⁷ The measures at issue were: i) *Tobacco Plain Packaging Act 2011*, Act No. 148 of 2011, “An Act to discourage the use of tobacco products, and for related purposes”; ii) *Tobacco Plain Packaging Regulations 2011* (Select Legislative Instrument 2011, No. 263), as amended by the *Tobacco Plain Packaging Amendment Regulation 2012 (No. 1)* (Select Legislative Instrument 2012, No. 29); iii) *Trade Marks Amendment (Tobacco Plain Packaging) Act 2011*, Act No. 149 of 2011, “An Act to amend the *Trade Marks Act 1995*, and for related purposes”; iv) Any related measures adopted by Australia, including measures that implement, complement or add to these laws and regulations, as well as any measures that amend or replace these laws and regulations

the brand name, the variant name, the country of origin or an alphanumeric code. The size, form and material of the retail package for cigarettes was prescribed, cigarettes had to be white and cigar tubes had to be cylindrical and rigid.

According to the Dominican Republic, Australia had violated its obligations under the WTO Agreements, in particular: i) its obligations under Article 2.1 of the TRIPS Agreement, which incorporates the provisions of the Paris Convention and, specifically, its obligation to protect “*as is*” a trademark registered in another country of the Paris Union under Article 6*quinques* of the Paris Convention, and its obligation to provide effective protection against acts of unfair competition under paragraphs (1) and (3) of Article 10*bis* of the Paris Convention. ii) Its obligation to accord to the nationals of other Members treatment no less favorable than that it accords to its own nationals with respect to the protection of intellectual property under Article 3.1 of the TRIPS Agreement. iii) Its obligation that the nature of the goods to which a trademark has to be applied cannot form an obstacle to the registration of the trademark under Article 15.4 of the TRIPS Agreement. iv) Its obligation to grant trademark owners the exclusive right to use signs and to prevent third parties from using similar signs under Article 16.1 of the TRIPS Agreement. v) Its obligation not to unjustifiably encumber the use of trademark in the course of trade with special requirements under Article 20 of the TRIPS Agreement. vi) Its obligations to provide effective protection against acts of unfair competition with respect to geographical indications under Article 22.2 (b) of the TRIPS Agreement. vii) Its obligations not to diminish the level of protection of geographical indications that existed in Australia prior to the date of entry into force of the WTO Agreement under Article 24.3 of the TRIPS Agreement. viii) Its obligations under the *Agreement on Technical Barriers to Trade*. ix) Its obligations under the *General Agreement on Tariffs and Trade* (GATT 1994).

General background of the case: Australia -Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging (WT/DS458)

On 3 May 2013, Cuba requested consultations with Australia with regard to measures adopted by Australia that regulated the appearance and form of retail packaging used in connection with sales of cigars, cigarettes and other tobacco products as well as the appearance and form of such products.

No mutually agreed solution was reached and a Panel was subsequently established on 25 April 2014.

The main concern of Cuba was that Australia complied with its obligations under the WTO Agreement and the Agreements annexed thereto, in particular the TRIPS Agreement. Under Australia’s plain packaging measures,⁵³⁸ the appearance and form of retail packaging used in

⁵³⁸ The measures at issue were: i) the Tobacco Plain Packaging Act 2011, Act No. 148 of 2011, "An Act to discourage the use of tobacco products, and for related purposes"; ii) the Tobacco Plain Packaging Regulations 2011 (Select Legislative Instrument 2011, No. 263), as amended by the Tobacco Plain Packaging Amendment Regulation 2012

connection with sales of cigars, cigarettes and other tobacco products was heavily regulated. Also, the appearance and form of tobacco products themselves was heavily regulated.

According to Cuba, Australia had violated its obligations under the WTO Agreements and in particular: i) its obligations under Article 2.1 of the TRIPS Agreement read together with Article 6quinques of the Paris Convention (as amended by the Stockholm Act of 1967), because a trademarks registered in a country of origin outside Australia was not protected by Australia “*as is*”. ii) its obligations under Article 2.1 of the TRIPS Agreement, which incorporates the Paris Convention, as amended by the Stockholm Act of 1967, and in particular its obligation to protect “*well known*” trademarks under Article 6*bis* of the Paris Convention, and its obligation to provide effective protection against acts of unfair competition under Article 10*bis* of the Paris Convention. iv) Its obligation to accord to nationals of other Members treatment no less favorable than that it accords to its own nationals with respect to the protection of intellectual property under Article 3.1 of the TRIPS Agreement. v) Its obligation that the nature of the goods to which the trademark is to be applied cannot form an obstacle to the registration of certain types of trademarks under Article 15.1 and 15.4 of the TRIPS Agreement. vi) Its obligations to grant trademark owners the exclusive right to use signs and to prevent third parties from using similar signs under Article 16.1 of the TRIPS Agreement, and its obligation to allow entitlement to Well-known trademarks protection and related rights enjoyment under Article 16.3 of the TRIPS Agreement. vii) Australia could not justify its measures as a “*limited exception*” to the rights conferred by a trademark under Article 17 of the TRIPS Agreement. viii) Its obligation not to unjustifiably encumber the use of trademark in the course of trade with special requirements under Article 20 of the TRIPS Agreement. ix) Its obligation to provide effective protection against acts of unfair competition with respect of geographical indications under Article 22.2 (b) of the TRIPS Agreement. x) Its obligation not to diminish the protection of geographical indications that existed in Australia immediately prior to the date of entry into force of the WTO Agreement under Article 24.3 of the TRIPS Agreement, including by restricting the use of Cuban geographical indications, such as the geographical indication “*Habanos*”, on the retail packaging of large handmade cigar products. xi) Its obligations under the *Agreement on Technical Barriers to Trade*. xii) Its obligations under the *General Agreement on Tariffs and Trade* (GATT 1994).

General background of the case: Australia - Certain measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging (WT/DS467)

On 20 September 2013, Indonesia requested consultations with Australia with regard to certain Australian laws and regulations that imposed restrictions on trademarks, geographical indications, and other plain packaging requirements on tobacco products and packaging.

(No.1) (Select Legislative Instrument 2012, No. 29) (“the Regulations”); iii) the Trade Marks Amendment (Tobacco Plain Packaging) Act 2011, Act No. 149 of 2011, “An Act to amend the Trade Marks Act 1995, and for related purposes”; iv) any related measures adopted by Australia, including measures that implement, complement or add to these laws and regulations, as well as any measures that amend or replace these laws and regulations.

No mutually agreed solution was reached and a Panel was subsequently established on 26 March 2014.

The main concern of Indonesia was that Australia complied with its obligations under the WTO Agreement and the Agreements annexed thereto, in particular the TRIPS Agreement. Under certain measures,⁵³⁹ in Australia the retail packaging of tobacco products was heavily regulated. Individual cigarettes might not have displayed trademarks, geographical indications or alphanumeric code, whereas cigars might have carried the brand name, the variant name, the country of origin or an alphanumeric code. The size, form and material of the retail package for cigarettes were prescribed, cigarettes had to be white and cigar tubes had to be cylindrical and rigid.

According to Indonesia, Australia had violated its obligations under the WTO Agreements and in particular: i) Its obligation to give effect to the provisions of the TRIPS Agreement under Article 1.1 of the TRIPS Agreement. ii) Its obligations under Article 2.1 of the TRIPS Agreement, which incorporates the provisions of the Paris Convention, as amended by the Stockholm Act of 1967, and its obligation to protect “*as is*” a trademark registered in another country of the Paris Union under Article 6*quinques* of the Paris Convention, and its obligation to provide effective protection against acts of unfair competition under Article 10*bis* of the Paris Convention. iii) Its obligation to accord to nationals of other Members treatment no less favorable than that it accords to its own nationals with respect to the protection of intellectual property rights under Article 3.1 of the TRIPS Agreement. iv) Its obligation that the nature of the goods to which a trademark is to be applied cannot form an obstacle to the registration of the trademark under Article 15.4 of the TRIPS Agreement. v) Its obligations to grant trademark owners the exclusive right to use signs and to prevent third parties from using similar signs under Article 16.1 of the TRIPS Agreement, and its obligation to allow entitlement to Well-known trademarks protection and related rights enjoyment under Article 16.3 of the TRIPS Agreement. vi) Its obligation not to unjustifiably encumber the use of trademark in the course of trade with special requirements under Article 20 of the TRIPS Agreement. vii) Its obligations to provide effective protection against acts of unfair competition with respect to geographical indications under Article 22.2 (b) of the TRIPS Agreement. viii) Its obligation not to diminish the level of protection that existed in Australia immediately prior to the date of entry into force of the WTO Agreement under Article 24.3 of the TRIPS Agreement. ix) Its obligations under the *Agreement on Technical Barriers to Trade*. x) Its obligations under the *General Agreement on Tariffs and Trade* (GATT 1994).

Legal basis of the case: related provisions in the TRIPS Agreement:

⁵³⁹ The measures at issue were: i) *Tobacco Plain Packaging Act 2011*, Act No. 148 of 2011, "An Act to discourage the use of tobacco products, and for related purposes"; ii) *Tobacco Plain Packaging Regulations 2011* (Select Legislative Instrument 2011, No. 263), as amended by the *Tobacco Plain Packaging Amendment Regulation 2012 (No. 1)* (Select Legislative Instrument 2012, No. 29); iii) *Trade Marks Amendment (Tobacco Plain Packaging) Act 2011*, Act No. 149 of 2011, "An Act to amend the *Trade Marks Act 1995*, and for related purposes"; iv) Any related measures adopted by Australia, including measures that implement, complement or add to these laws and regulations, as well as any measures that amend or replace these laws and regulations.

Article 1 of the TRIPS Agreement, Nature and Scope of Obligations:

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

2. For the purposes of this Agreement, the term “intellectual property” refers to all categories of intellectual property that are the subject of Sections 1 through 7 of Part II.

3. Members shall accord the treatment provided for in this Agreement to the nationals of other Members. In respect of the relevant intellectual property right, the nationals of other Members shall be understood as 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, were all Members of the WTO members of those conventions. Any Member availing itself of the possibilities provided in paragraph 3 of Article 5 or paragraph 2 of Article 6 of the Rome Convention shall make a notification as foreseen in those provisions to the Council for Trade - Related Aspects of Intellectual Property Rights (the “Council for TRIPS”).”

Article 2 of the TRIPS Agreement, Intellectual Property Conventions:

“1. In respect of Parts II, III and IV of this Agreement, Members shall comply with Articles 1 through 12, and Article 19, of the Paris Convention (1967).

2. Nothing in Parts I to IV of this Agreement shall derogate from existing obligations that Members may have to each other under the Paris Convention, the Berne Convention, the Rome Convention and the Treaty on Intellectual Property in Respect of Integrated Circuits.”

Article 3 of the TRIPS Agreement, National Treatment:

“1. Each Member shall accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection of intellectual property, subject to the exceptions already provided in, respectively, the Paris Convention (1967), the Berne Convention (1971), the Rome Convention or the Treaty on Intellectual Property in Respect of Integrated Circuits. In respect of performers, producers of phonograms and broadcasting organizations, this obligation only applies in respect of the rights provided under this Agreement. Any Member availing itself of the possibilities provided in Article 6 of the Berne Convention (1971) or paragraph 1(b) of Article 16 of the Rome Convention shall make a notification as foreseen in those provisions to the Council for TRIPS.

2. Members may avail themselves of the exceptions permitted under paragraph 1 in relation to judicial and administrative procedures, including the designation of an address for service or the appointment of an agent within the jurisdiction of a Member, only where such exceptions are

necessary to secure compliance with laws and regulations which are not inconsistent with the provisions of this Agreement and where such practices are not applied in a manner which would constitute a disguised restriction on trade.”

Article 15 of the TRIPS Agreement, Protectable Subject Matter:

“1. Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark. Such signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colors as well as any combination of such signs, shall be eligible for registration as trademarks. Where signs are not inherently capable of distinguishing the relevant goods or services, Members may make registrability depend on distinctiveness acquired through use. Members may require, as a condition of registration, that signs be visually perceptible.

2. Paragraph 1 shall not be understood to prevent a Member from denying registration of a trademark on other grounds, provided that they do not derogate from the provisions of the Paris Convention (1967).

3. Members may make registrability depend on use. However, actual use of a trademark shall not be a condition for filing an application for registration. An application shall not 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.

4. The nature of the goods or services to which a trademark is to be applied shall in no case form an obstacle to registration of the trademark.

5. Members shall publish each trademark either before it is registered or promptly after it is registered and shall afford a reasonable opportunity for petitions to cancel the registration. In addition, Members may afford an opportunity for the registration of a trademark to be opposed.”

Article 16 of the TRIPS Agreement, Rights Conferred:

“1. The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's 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 which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed. The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use.

2. Article 6bis of the Paris Convention (1967) shall apply, mutatis mutandis, to services. In determining whether a trademark is Well-known, Members shall take account of the knowledge of the trademark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark.

3. Article 6bis of the Paris Convention (1967) shall apply, *mutatis mutandis*, to goods or services which are not similar to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademark and provided that the interests of the owner of the registered trademark are likely to be damaged by such use.”

Article 17 of the TRIPS Agreement, Exceptions:

“Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties.”

Article 20 of the TRIPS Agreement, Other Requirements:

“The use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements, such as use with another trademark, use in a special form or use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings. This will not preclude a requirement prescribing the use of the trademark identifying the undertaking producing the goods or services along with, but without linking it to, the trademark distinguishing the specific goods or services in question of that undertaking.”

Article 22 of the TRIPS Agreement, Protection of Geographical Indications:

“1. Geographical indications are, for the purposes of this Agreement, 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 geographical origin.

2. In respect of geographical indications, Members shall provide the legal means for interested parties to prevent:

(a) the use of any means in the designation or presentation of a good that indicates or suggests that the good in question originates in a geographical area other than the true place of origin in a manner which misleads the public as to the geographical origin of the good;

(b) any use which constitutes an act of unfair competition within the meaning of Article 10bis of the Paris Convention (1967).

3. A Member shall, *ex officio* if its legislation so permits or at the request of an interested party, refuse or invalidate the registration of a trademark which contains or consists of a geographical indication with respect to goods not originating in the territory indicated, if use of the indication in the trademark for such goods in that Member is of such a nature as to mislead the public as to the true place of origin.

4. The protection under paragraphs 1, 2 and 3 shall be applicable against a geographical indication which, although literally true as to the territory, region or locality in which the goods originate, falsely represents to the public that the goods originate in another territory.”

Article 24 of the TRIPS Agreement, International Negotiations; Exceptions:

“1. Members agree to enter into negotiations aimed at increasing the protection of individual geographical indications under Article 23. The provisions of paragraphs 4 through 8 below shall not be used by a Member to refuse to conduct negotiations or to conclude bilateral or multilateral agreements. In the context of such negotiations, Members shall be willing to consider the continued applicability of these provisions to individual geographical indications whose use was the subject of such negotiations.

2. The Council for TRIPS shall keep under review the application of the provisions of this Section; the first such review shall take place within two years of the entry into force of the WTO Agreement. Any matter affecting the compliance with the obligations under these provisions may be drawn to the attention of the Council, which, at the request of a Member, shall consult with any Member or Members in respect of such matter in respect of which it has not been possible to find a satisfactory solution through bilateral or plurilateral consultations between the Members concerned. The Council shall take such action as may be agreed to facilitate the operation and further the objectives of this Section.

3. In implementing this Section, a Member shall not diminish the protection of geographical indications that existed in that Member immediately prior to the date of entry into force of the WTO Agreement.

4. Nothing in this Section shall require a Member to prevent continued and similar use of a particular geographical indication of another Member identifying wines or spirits in connection with goods or services by any of its nationals or domiciliaries who have used that geographical indication in a continuous manner with regard to the same or related goods or services in the territory of that Member either (a) for at least 10 years preceding 15 April 1994 or (b) in good faith preceding that date.

5. Where a trademark has been applied for or registered in good faith, or where rights to a trademark have been acquired through use in good faith either:

- (a) before the date of application of these provisions in that Member as defined in Part VI; or*
- (b) before the geographical indication is protected in its country of origin;*

measures adopted to implement this Section shall not prejudice eligibility for or the validity of the registration of a trademark, or the right to use a trademark, on the basis that such a trademark is identical with, or similar to, a geographical indication.

6. Nothing in this Section shall require a Member to apply its provisions in respect of a geographical indication of any other Member with respect to goods or services for which the relevant indication is identical with the term customary in common language as the common name for such goods or services in the territory of that Member. Nothing in this Section shall require a Member to apply its provisions in respect of a geographical indication of any other Member with respect to products of the vine for which the relevant indication is identical with the customary

name of a grape variety existing in the territory of that Member as of the date of entry into force of the WTO Agreement.

7. A Member may provide that any request made under this Section in connection with the use or registration of a trademark must be presented within five years after the adverse use of the protected indication has become generally known in that Member or after the date of registration of the trademark in that Member provided that the trademark has been published by that date, if such date is earlier than the date on which the adverse use became generally known in that Member, provided that the geographical indication is not used or registered in bad faith.

8. The provisions of this Section shall in no way prejudice the right of any person to use, in the course of trade, that person's name or the name of that person's predecessor in business, except where such name is used in such a manner as to mislead the public.

9. There shall be no obligation under this Agreement to protect geographical indications which are not or cease to be protected in their country of origin, or which have fallen into disuse in that country."

Article 27 of the TRIPS Agreement, Patentable Subject Matter:

"1. Subject to the provisions of paragraphs 2 and 3, patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application. Subject to paragraph 4 of Article 65, paragraph 8 of Article 70 and paragraph 3 of this Article, patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced.

2. Members may exclude from patentability inventions, the prevention within their territory of the commercial exploitation of which is necessary to protect ordre public or morality, including to protect human, animal or plant life or health or to avoid serious prejudice to the environment, provided that such exclusion is not made merely because the exploitation is prohibited by their law.

3. Members may also exclude from patentability:

(a) diagnostic, therapeutic and surgical methods for the treatment of humans or animals;

(b) plants and animals other than micro - organisms, and essentially biological processes for the production of plants or animals other than non - biological and microbiological processes. However, Members shall provide for the protection of plant varieties either by patents or by an effective sui generis system or by any combination thereof. The provisions of this subparagraph shall be reviewed four years after the date of entry into force of the WTO Agreement."

Article 6quinquies of the Paris Convention, Marks: Protection of Marks Registered in One Country of the Union in the Other Countries of the Union:

"A.

(1) Every trademark duly registered in the country of origin shall be accepted for filing and protected as is in the other countries of the Union, subject to the reservations indicated in this

Article. Such countries may, before proceeding to final registration, require the production of a certificate of registration in the country of origin, issued by the competent authority. No authentication shall be required for this certificate.

(2) Shall be considered the country of origin the country of the Union where the applicant has a real and effective industrial or commercial establishment, or, if he has no such establishment within the Union, the country of the Union where he has his domicile, or, if he has no domicile within the Union but is a national of a country of the Union, the country of which he is a national.

B. *Trademarks covered by this Article may be neither denied registration nor invalidated except in the following cases:*

(i) when they are of such a nature as to infringe rights acquired by third parties in the country where protection is claimed;

(ii) when they are devoid of any distinctive character, or consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, place of origin, of the goods, or the time of production, or have become customary in the current language or in the bona fide and established practices of the trade of the country where protection is claimed;

(iii) when they are contrary to morality or public order and, in particular, of such a nature as to deceive the public. It is understood that a mark may not be considered contrary to public order for the sole reason that it does not conform to a provision of the legislation on marks, except if such provision itself relates to public order.

This provision is subject, however, to the application of Article 10bis.

C.

(1) In determining whether a mark is eligible for protection, all the factual circumstances must be taken into consideration, particularly the length of time the mark has been in use.

(2) No trademark shall be refused in the other countries of the Union for the sole reason that it differs from the mark protected in the country of origin only in respect of elements that do not alter its distinctive character and do not affect its identity in the form in which it has been registered in the said country of origin.

D. *No person may benefit from the provisions of this Article if the mark for which he claims protection is not registered in the country of origin.*

E. *However, in no case shall the renewal of the registration of the mark in the country of origin involve an obligation to renew the registration in the other countries of the Union in which the mark has been registered.*

F. *The benefit of priority shall remain unaffected for applications for the registration of marks filed within the period fixed by Article 4, even if registration in the country of origin is effected after the expiration of such period."*

Article 7 of the Paris Convention, Marks: Nature of the Goods to which the Mark is Applied:

“The nature of the goods to which a trademark is to be applied shall in no case form an obstacle to the registration of the mark.”

Article 10bis of the Paris Convention, Unfair Competition:

“(1) The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition.

(2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.

(3) The following in particular shall be prohibited:

(i) all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;

(ii) false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;

(iii) indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.”

Further development related to the case:

a) All five WTO *Plain Packaging* cases commenced between March 2012 and September 2013 and are currently heard by a single Panel. Several countries, such as New Zealand and Ireland, have expressed their intention to adopt more stringent legislation on tobacco products, including plain packaging. Plain packaging for tobacco was first discussed in the TRIPS Council and in the WTO Technical Barriers to Trade Committee in June 2011. There some Members expressed their view that countries have the right to implement public health policies and intellectual property should not be an obstacle to it.⁵⁴⁰

b) Australia’s *Tobacco Plain Packaging Act 2011*, which received royal assent on 1 December 2011 and became law, formed part of a comprehensive range of tobacco control measures to reduce the rate of smoking in Australia. Smoking was one of the leading causes of preventable death and disease in Australia. Tobacco plain packaging was considered a legitimate public health measure, based on a broad range of peer reviewed studies and reports, and supported by leading Australian and international public health experts.⁵⁴¹

⁵⁴⁰ J. Murphy, *Australia’s WTO Plain Cigarettes Packaging Case: An Update*, Parliament of Australia, Posted on 08/07/2014, available at http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/FlagPost/2014/July/WTO_plain_cigarette_packaging_case.

⁵⁴¹ Australian Government, *Tobacco Plain Packaging - Investor - State Arbitration*, Attorney - General’s department, available at <http://www.ag.gov.au/tobaccoplainpackaging>.

c) On 21 May 2003, the *World Health Organization Assembly* adopted the *Framework Convention on Tobacco Control* (“FCTC”). This evidence - based Framework Convention that promotes public health is regarded as one of the first and most widely embraced treaties negotiated under the auspices of the WHO. Its Article 13 requires each Party, in accordance with constitutional limits, to “undertake a comprehensive ban of all tobacco advertising, promotion and sponsorship.” Some scholars have viewed Australia’s move towards plain packaging fully consistent with the *FCTC Guidelines* and with Article 20 of the TRIPS Agreement. Consequently, according to them, no violation of WTO obligations should exist and no concern on any violation of the TRIPS Agreement by plain packages legislation should prevent the Australian government from implementing this relevant step of the public health agenda.⁵⁴²

d) The *Plain Packaging* cases have attracted the attention of the media. This is probably partly due to the different “avenues” used to litigate the case. Indeed, a case against Australia’s *Tobacco Plain Packaging Act 2011* had been previously filed with national courts in Australia. However, the argument that Australian law breached certain rights of tobacco companies had been rejected.⁵⁴³ A dispute has been brought as well by Phillip Morris Asia against Australia on the ground that the *Tobacco Plain Packaging Act 2011* breaches a bilateral treaty between Hong Kong and Australia. This dispute is currently being arbitrated.⁵⁴⁴

e) Prof. Michael Siegel, of the Boston University School of Public Health, has been reported to say that the resolution of this dispute will indicate whether the WTO allows countries to take reasonable actions intended to protect the public’s health in an equitable and non - discriminatory fashion.⁵⁴⁵

f) In a statement to the Dispute Settlement Body, the Dominican Republic apparently said that it fully shared Australia’s health objectives. It considered however that its plain packaging measures were an ineffective health policy and were detrimental to fair competition in the marketplace.⁵⁴⁶

g) Eminent academics have highlighted that the *Plain Packaging* cases revolve mainly around two core issues: a) the precise meaning and scope of Article 20 of the TRIPS Agreement, which prohibits certain unjustified encumbrances on the use of trademarks, and b) the so-called “right to use” debate, on the nature of trademark owners’ rights under the TRIPS Agreement. In particular, while some academics have argued that the issue of use is not relevant given that the TRIPS Agreement does not contain a full or explicit right to use a trademark, others have stressed that a

⁵⁴² A. Mitchell, *Australia’s Move to the Plain Packaging of Cigarettes and its WTO Compatibility*, *Asian Journal of WTO and International Health Law and Policy* Vol. 5 No. 2, 2010, p. 404 - 405, 416, available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1667746.

⁵⁴³ Agence France Presse, *Challenge to Plain Tobacco Packaging is Crucial Test for Trade Rules*, *The Guardian*, available at <http://www.theguardian.com/world/2014/may/04/challenge-australian-tobacco-packaging-critical-test>.

⁵⁴⁴ J. Murphy, *Op. Cit.*

⁵⁴⁵ Agence France Presse, *Op. Cit.*

⁵⁴⁶ C. Saez. W. New, *WTO to Consider Five Australia Plain Packaging Disputes Under One Panel*, *Intellectual Property Watch*, available at <http://www.ip-watch.org/2014/04/26/wto-to-consider-australia-plain-packaging-disputes-under-one-panel/>.

right to some form of use must be presupposed by Article 20 of the TRIPS Agreement, otherwise there would have been no need to prohibit certain encumbrances on the use of trademarks.⁵⁴⁷

⁵⁴⁷ S. Frankel, D. Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, Vanderbilt Journal of Transnational Law Vol.46 No.5, November 2013, p. 1150, 1172, available at <http://www.vanderbilt.edu/jotl/manage/wp-content/uploads/Gervais-Final-Review.pdf>.

IV. WTO Cases Concerning Copyright and Related Rights

United States - Section 110(5) of the US Copyright Act

IP/D/16WT/DS160 - Panel Report WT/DS160/R

General background of the case

On 26 January 1999, the European Communities and their Member States requested consultations with the United States regarding its copyright law.

No mutually satisfactory solution was reached and a panel was subsequently established on 26 May 1999.

The United States' copyright law provided for certain exclusive rights to copyright owners,⁵⁴⁸ such as the right to do and to authorize the acts of performance of copyrighted work publicly or to display the copyrighted work publicly.⁵⁴⁹ It provided as well for two relevant exceptions to these exclusive rights, according to which certain acts were not considered infringements of copyright.⁵⁵⁰ First, the so-called homestyle exemption, which was not directed to any specific category of establishments and allowed broadcasts to be received and transmitted to the public by an equipment (a single apparatus) normally used in private homes.⁵⁵¹ The intent was to exempt from copyright liability small commercial establishments which were not of a sufficient size to justify, as a practical matter, a subscription to a commercial background music service.⁵⁵² Second, the so-called business exemption, which allowed general commercial establishments, bars and restaurants of a limited size to receive and broadcast to the public through a specifically identified equipment.⁵⁵³

⁵⁴⁸ Exclusive rights granted under Section 106 of the Copyright Act.

⁵⁴⁹ Section 106 (4) and 106 (5) of the Copyright Act, respectively.

⁵⁵⁰ In particular, Section 110 (5) of the United States Copyright Act as amended by the *Fairness in Music Licensing Act* enacted on 27 October 1998.

⁵⁵¹ Section 110 (5) (A) of the Copyright Act; it was not infringement of a copyright:

"(5)(A) except as provided in subparagraph (B), communication of a transmission embodying a performance or display of a work by the public reception of the transmission on a single receiving apparatus of a kind commonly used in private homes, unless -

(A) a direct charge is made to see or hear the transmission; or

(B) the transmission thus received is further transmitted to the public;".

⁵⁵² A case decided by the United States Supreme Court had provided for the outer limit of this exemption, *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151 (1975).

⁵⁵³ Thus, the beneficiaries of the business exemption were divided into two categories: establishments other than food service and drinking establishments ("*retail establishments*") and food service and drinking establishments. In each category, establishments under a certain size limit were exempted, regardless of the type of equipment they used.

Section 110 (5) (B) of the Copyright Act; it was not infringement of a copyright:

(B) the transmission thus received is further transmitted to the public;

(B) communication by an establishment of a transmission or retransmission embodying a performance or display of a non-dramatic musical work intended to be received by the general public, originated by a radio or television broadcast station licensed as such by the Federal Communications Commission, or, if an audiovisual transmission, by a cable system or satellite carrier, if—

Both exemptions covered transmissions of original broadcast over the air or by satellite, rebroadcasts by terrestrial means or by satellite, cable retransmissions of original broadcasts, and original cable transmissions or other transmission by wire. They made no distinction between analog and digital transmissions. The two exemptions did not apply to the use of recorded music, such as CDs or cassette tapes, or to live performances of music.

In the dispute, some provisions of the *Berne Convention for the Protection of Literary and Artistic Works* (“Berne Convention”) and the *Paris Act* of 1971 of that Convention, incorporated into the TRIPS Agreement by its Article 9.1, were at issue. The Panel sent a letter to the *International Bureau of the World Intellectual Property Organization* (“WIPO”), which was responsible for the administration of the Berne Convention, requesting factual information on the provisions which were relevant to the matter. The *International Bureau of WIPO* provided such information in a letter.

Legal basis of the case: related provisions in the TRIPS and interpretation

Article 2.2 of the TRIPS Agreement, Intellectual Property Conventions:

(i) in the case of an establishment other than a food service or drinking establishment, either the establishment in which the communication occurs has less than 2,000 gross square feet of space (excluding space used for customer parking and for no other purpose), or the establishment in which the communication occurs has 2,000 or more gross square feet of space (excluding space used for customer parking and for no other purpose) and—

(I) if the performance is by audio means only, the performance is communicated by means of a total of not more than 6 loudspeakers, of which not more than 4 loudspeakers are located in any 1 room or adjoining outdoor space; or

(II) if the performance or display is by audiovisual means, any visual portion of the performance or display is communicated by means of a total of not more than 4 audiovisual devices, of which not more than 1 audiovisual device is located in any 1 room, and no such audiovisual device has a diagonal screen size greater than 55 inches, and any audio portion of the performance or display is communicated by means of a total of not more than 6 loudspeakers, of which not more than 4 loudspeakers are located in any 1 room or adjoining outdoor space;

(ii) in the case of a food service or drinking establishment, either the establishment in which the communication occurs has less than 3,750 gross square feet of space (excluding space used for customer parking and for no other purpose), or the establishment in which the communication occurs has 3,750 gross square feet of space or more (excluding space used for customer parking and for no other purpose) and—

(I) if the performance is by audio means only, the performance is communicated by means of a total of not more than 6 loudspeakers, of which not more than 4 loudspeakers are located in any 1 room or adjoining outdoor space; or

(II) if the performance or display is by audiovisual means, any visual portion of the performance or display is communicated by means of a total of not more than 4 audiovisual devices, of which not more than one audiovisual device is located in any 1 room, and no such audiovisual device has a diagonal screen size greater than 55 inches, and any audio portion of the performance or display is communicated by means of a total of not more than 6 loudspeakers, of which not more than 4 loudspeakers are located in any 1 room or adjoining outdoor space;

(iii) no direct charge is made to see or hear the transmission or retransmission;

(iv) the transmission or retransmission is not further transmitted beyond the establishment where it is received; and

(v) the transmission or retransmission is licensed by the copyright owner of the work so publicly performed or displayed;”.

“2. Nothing in Parts I to IV of this Agreement shall derogate from existing obligations that Members may have to each other under the Paris Convention, the Berne Convention, the Rome Convention and the Treaty on Intellectual Property in Respect of Integrated Circuits.”

Article 9.1 of the TRIPS Agreement, Relation to the Berne Convention:

“1. Members shall comply with Articles 1 through 21 of the Berne Convention (1971) and the Appendix thereto. However, Members shall not have rights or obligations under this Agreement in respect of the rights conferred under Article 6bis of that Convention or of the rights derived there from.”

Article 9 through 13 of the TRIPS Agreement deal with the substantive standards of copyright protection. Article 9.1 of the Agreement obliges WTO Members to comply with Articles 1 - 21 of the Berne Convention (with the exception of Article 6bis on moral rights and the rights derived there from) and Appendix thereto, which through incorporation the Berne Convention provisions have become part of the TRIPS Agreement. (Panel Report, paras. 6.17 - 6.18)

Article 13 of the TRIPS Agreement, Limitations and Exceptions:

“Members shall confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder.”

Article 13 is the general exception clause applicable to exclusive rights of the holders of copyright. (Panel Report, para. 6.31)

The language used in Article 13 has its origin in the similar language used in Article 9 (2) of the Berne Convention, although the latter only applies in the case of the reproduction right (this is the main difference between the two Articles). The wording of Article 13 does not contain an express limitation in terms of the categories of rights under copyright to which it may apply. Limitations or exceptions to exclusive rights can only be made if three conditions are met: 1) the limitations or exceptions are confined to certain special cases, 2) they do not conflict with a normal exploitation of the work, and 3) they do not unreasonably prejudice the legitimate interest of the right holder. These three conditions apply cumulatively: a limitation or exception is consistent with Article 13 only if it fulfills each of the three conditions. (Panel Report, para. 6.74)

Neither the express wording nor the context of Article 13 or any other provision of the TRIPS Agreement supports the interpretation that the scope of application of Article 13 is limited to the exclusive rights newly introduced under the TRIPS Agreement. (Panel Report, para. 6.80).

Article 13 cannot have more than a narrow or limited operation: its tenor, consistent as it is with the provision of Article 9 (2) of the Berne Convention, discloses that it was not intended to provide for exceptions or limitations except for those of a limited nature. (Panel Report, para. 6.97)

The term *“certain”* means that an exception or limitation in national legislation must be clearly defined. However, there is no need to identify explicitly each and every possible situation to which

the exception could apply, provided that the scope of the exception is known and particularized. In addition, an exception or limitation must be limited in its field of application or exceptional in its scope that is narrow in a quantitative as well as in a qualitative sense. “*Certain special cases*” should not lightly be equated with “*special purpose*”: a limitation or exception may be compatible with the first condition even if it pursues a special purpose whose underlying legitimacy in a normative sense cannot be discerned (Panel Report, paras. 6.108 - 6.112)

The term “*normal*” exploitation clearly means something less than full use of an exclusive right. (Panel Report, para. 6.167) “*Work*” in Article 13 is second condition refers to all the exclusive rights relating to it. Whether a limitation or an exception conflicts with a normal exploitation of a work should be judged for each exclusive right individually. Normal exploitation would presuppose the possibility for right holders to exercise separately all three exclusive rights guaranteed under the three subparagraphs of Article 11*bis* (1), as well as the right conferred by other provisions, such as Article 11, of the Berne Convention. (Panel Report, para. 6.173) An exception or limitation to an exclusive right in domestic legislation rises to the level of a conflict with a normal exploitation of a work (that is, the copyright or rather the whole bundle of exclusive rights conferred by the ownership of the copyright), if uses, that in principle are covered by that right but exempted under the exception or limitation, enter into economic competition with the ways that right holders normally extract economic value from that right to the work (i.e. the copyright) and thereby deprive them of significant or tangible commercial gains. (Panel Report, para. 6.183)

The third condition under Article 13 of the TRIPS Agreement implies several steps: first, one has to define what are the interests of the right holders at stake and which attributes make them legitimate; second, to interpret the term “*prejudice*”; and third, determine what amount of prejudice reaches a level that should be considered “unreasonable”. (Panel Report, para. 6.222) First, the word “*interests*” refer to a legal right or title and may also refer to a potential advantage, while legitimate means justifiable in light of the objectives that that underlie the protection of exclusive rights. Second, a “*prejudice*” is a harm or injury; third, “*not unreasonable*” refers to a proportionate harm or injury, which occurs if an exception or limitation causes or had the potential to cause an unreasonable loss of income to the copyright owner. (Panel Report, paras. 6.223 - 6.229)

Article 11 (1) of the Berne Convention, Certain Rights in Dramatic and Musical Works:

“(1) Authors of dramatic, dramatico - musical and musical works shall enjoy the exclusive right of authorizing:

(i) the public performance of their works, including such public performance by any means or process;

(ii) any communication to the public of the performance of their works.”

Article 11 covers public performance. With regard to the relationship between Articles 11 and 11*bis*, we note that the rights conferred in Article 11(1)(ii) concern the communication to the public of performances of works in general. Article 11*bis*(1)(iii) is a specific rule conferring

exclusive rights concerning the public communication by loudspeaker or any other analogous instrument transmitting, by signs, sounds or images, the broadcast of a work. A communication to the public by loudspeaker of a performance of a work transmitted by means other than hertzian waves is covered by the exclusive rights conferred by Article 11(1) of the Berne Convention. (Panel Report, paras. 6.24 - 6.27)

The incorporation of Articles 11 and 11*bis* of the Berne Convention into the Agreement includes the entire *acquis* of these provisions, including the possibility of providing minor exceptions to the respective exclusive rights. (Panel Report, paras. 6.61 - 6.63).

Article 11*bis* (1) and (2) of the Berne Convention, Broadcasting and Related Rights:

“(1) Authors of literary and artistic works shall enjoy the exclusive right of authorizing:

(i) the broadcasting of their works or the communication thereof to the public by any other means of wireless diffusion of signs, sounds or images;

(ii) any communication to the public by wire or by rebroadcasting of the broadcast of the work, when this communication is made by an organization other than the original one;

(iii) the public communication by loudspeaker or any other analogous instrument transmitting, by signs, sounds or images, the broadcast of the work.

(2) It shall be a matter for legislation in the countries of the Union to determine the conditions under which the rights mentioned in the preceding paragraph may be exercised, but these conditions shall apply only in the countries where they have been prescribed. They shall not in any circumstances be prejudicial to the moral rights of the author, nor to his right to obtain equitable remuneration which, in the absence of agreement, shall be fixed by competent authority.”

Article 11*bis* (1) provides that, under subparagraph (i) authors must have the right to authorize the broadcasting of a work and the communication thereof to the public by any other means of wireless diffusion of signs, sounds or images. It applies to both radio and television broadcasts. Subparagraph (ii) concerns the subsequent use of this emission: the authors must have the exclusive right to authorize any communication to the public by wire or by rebroadcasting of the broadcast of the work, when the communication is made by an organization other than the original one. Under subparagraph (iii) authors must have an exclusive right to authorize the public communication of the broadcast of the work by loudspeaker, on a television screen, or by other similar means. Such communication involves a new public performance of a work contained in a broadcast, which requires a license from the right holder. Each of the subparagraphs of Article 11*bis* (1) confers a separate exclusive right: exploitation of a work in a manner covered by any of these subparagraphs requires an authorization by the right holder. (Panel Report, paras. 6.20 - 6.22).

Article 11*bis* (2) relates to the exclusive rights conferred under Article 11*bis* (1), including the communication to the public of broadcast in the meaning of its subparagraph (iii). The reference to “*conditions*” is usually understood to allow countries to substitute, for the author’s exclusive

rights, a system of compulsory licenses, or determine other conditions provided that they are not prejudicial to the right holder's right to obtain an equitable remuneration (Panel Report, para. 6.84).

Articles 11*bis* (2) of the Berne Convention and Article 13 of the TRIPS Agreement cover different situations. On the one hand, Article 11*bis* (2) authorizes Members to determine conditions under which the rights conferred by Article 11*bis* (1) (i - iii) may be exercised. The imposition of such conditions may completely replace the free exercise of the exclusive rights of authorizing the use of the rights embodied in subparagraph (i - iii) provided that equitable remuneration and the author's moral rights are not prejudiced. However, unlike Article 13 of the TRIPS Agreement, Article 11*bis* (2) of the Berne Convention would not in any case justify use free of charge. On the other hand, it is sufficient that a limitation or an exception to the exclusive rights provided under Article 11*bis* (1) of the Berne Convention as incorporated into the TRIPS Agreement meets the three conditions contained in its Article 13 to be permissible. If these three conditions are met, a government may choose between different options for limiting the right in question, including use free of charge and without an authorization by the right holder. This is not in conflict with any of the paragraphs of Article 11*bis* because use free of any charge may be permitted for minor exceptions by virtue of the minor exceptions doctrine which applies, inter alia, also to Article 11*bis*. As regards situations that would not meet the above-mentioned three conditions, a government may not justify an exception, including one involving use free of charge, by Article 13 of the TRIPS Agreement. However, also in these situations Article 11*bis* (2) of the Berne Convention as incorporated into the TRIPS Agreement would nonetheless allow Members to substitute, for an exclusive right, a compulsory license, or determine other conditions provided that they were not prejudicial to the right holder's right to obtain an equitable remuneration. (Panel Report, paras. 6.87 - 6.89)

Article 20 of the Berne Convention, Special Agreement Among Countries of the Union:

"The Governments of the countries of the Union reserve the right to enter into special agreements among themselves, in so far as such agreements grant to authors more extensive rights than those granted by the Convention, or contain other provisions not contrary to this Convention. The provisions of existing agreements which satisfy these conditions shall remain applicable."

Article 13 of the Dispute Settlement Understanding, Right to Seek Information:

"1. Each panel shall have the right to seek information and technical advice from any individual or body which it deems appropriate. However, before a panel seeks such information or advice from any individual or body within the jurisdiction of a Member it shall inform the authorities of that Member. A Member should respond promptly and fully to any request by a panel for such information as the panel considers necessary and appropriate. Confidential information which is provided shall not be revealed without formal authorization from the individual, body, or authorities of the Member providing the information.

2. Panels may seek information from any relevant source and may consult experts to obtain their opinion on certain aspects of the matter. With respect to a factual issue concerning a scientific or

other technical matter raised by a party to a dispute, a panel may request an advisory report in writing from an expert review group. Rules for the establishment of such a group and its procedures are set forth in Appendix 4."

The complainant position: the European Communities and their Member States

The European Communities and their Member States claimed that the United States violated its obligations under the TRIPS Agreement.

a) Under Article 9.1 of the TRIPS Agreement, Members have an obligation to comply with the Articles 1 through 21 of the Berne Convention, with the exception of Article *6bis* of that Convention. Members have therefore an obligation to comply with Articles 11 (1) (ii) and *11bis* (1) (iii). Under Article 1 (1) (ii) of the Berne Convention, authors of dramatic, dramatico-musical and musical works must have an exclusive right to authorize any communication to the public of the performance of their works. Under Article *11bis* (1) (iii) of the Berne Convention, authors of literary and artistic works must have an exclusive right to authorize the public communication by loudspeaker or any other analogous instrument transmitting by signs, sounds or images, the broadcast of the work.

i) Section 110(5) of the United States' copyright law allowed some limitations of the exclusive rights granted under the two above-mentioned Articles of the Berne Convention. It concerned and was primarily in violation of Article *11bis* (1) (iii), which covers communication to the public of a broadcast which has been transmitted at some point by hertzian waves. It concerned and was in violation of Article 11 (1) (ii) as well, to the extent that a communication to the public concerns situations where the entire transmission has been by wire.

ii) The United States itself had acknowledged that the two exemptions under its copyright law implicated Articles *11bis* (1) (iii) and 11 (1) (ii) of the Berne Convention. Thus, the two exemptions provided for in the United States' copyright law (the business exemption and the homestyle exemption) were in violation of the United States obligations under Article 9.1 of the TRIPS Agreement together with Articles *11bis* (1) (iii) and 11 (1) (ii) of the Berne Convention.

b) The business exemption and the homestyle exemption could not be justified under any express or implied exception or limitation permissible under the Berne Convention or the TRIPS Agreement.

i) Under Article 13 of the TRIPS Agreement, Members have an obligation to confine limitations or exceptions to exclusive rights to certain special cases, which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interest of the right holder. Article 13 of the TRIPS Agreement only applies to exclusive rights newly introduced under the TRIPS Agreement and the rights referred to under Articles 1 - 21 of the Berne Convention as incorporated into the TRIPS Agreement can be derogated from only on the grounds of pre-existing exceptions applicable under the Berne Convention.

ii) This view was supported by Article 2.2 of the TRIPS Agreement, which stipulates that nothing in Part I through IV of the TRIPS Agreement derogates from the obligations that Members may have to each other, *inter alia*, under the Berne Convention; and by Article 20 of the Berne Convention, under which the Members of the Berne Union reserved the right to enter into special agreements among themselves, insofar as such agreements granted to authors more extensive rights than those granted by the Berne Convention or contained other provisions not contrary to the Berne Convention. These two provisions should have been interpreted as a prohibition on any derogation from existing standards of protection under the Berne Convention.

iii) The United States had submitted that the “*minor exceptions*” doctrine of the Berne Convention, which allowed for limitations of exclusive rights, was clarified and articulated by Article 13 of the TRIPS Agreement. In the alternative to what previously argued, if Article 13 of the TRIPS Agreement were to be considered applicable to the exclusive rights provided under the Berne Convention provisions incorporated into the TRIPS Agreement, then this Articles confined and limited the scope of the pre - existing limitations and exceptions provided in the Berne Convention, such as the minor exceptions doctrine. It is true that the “*minor exceptions*” doctrine had been referred to in the discussion during the diplomatic conferences for the revision of the Berne Convention held in Brussels in 1948 and Stockholm in 1967, but its legal status under the Berne Convention was unclear. In addition, the “*minor exceptions*” doctrine scope was very narrow, being it limited to public performance of works for religious ceremonies, military bands and the needs of child and adult education. All these uses were characterized by a non - commercial character. This doctrine was intended to grandfather (that is, to exempt) only pre - existing exceptions that existed in national legislation prior to the Stockholm Diplomatic Conference of 1967, regardless of when a particular country acceded to the Berne Convention.

iv) The United States had made reference to Article 10 of the WIPO Copyright Treaty (WCT) as confirming its interpretation that Article 13 of the TRIPS Agreement clarified and articulated the “*minor exceptions*” doctrine. Article 10 of the WCT provides a standard for permissible limitations and exceptions to the rights granted to authors under the WCT, extending this standard to the application of the provisions of the Berne Convention. However, the WCT had been ratified, at the date of the dispute, by only a small number of contracting parties and had not yet reached the threshold of thirty ratifications necessary for its entry into force. Its status was thus not clear and no support for any view could have been drawn from it.

c) As far as the exclusive rights under Article 11*bis* (1) of the Berne Convention were concerned, neither the “*minor exceptions*” doctrine nor Article 13 of the TRIPS Agreement could have been applied in isolation from the requirement to provide an equitable remuneration set forth in Article 11*bis* (2) of the Berne Convention.

Under Article 11*bis* (2) of the Berne Convention, the conditions of exercise of the authors’ rights have to be determined by the domestic legislation of countries of the Berne Union, without any prejudice to the moral rights of the authors and to their right to obtain equitable remuneration which, in the absence of agreement, shall be fixed by competent authority. Accordingly, any exception to the rights contained in Article 11*bis* (1) of the Berne Convention, as incorporated into

the TRIPS Agreement, would have had to provide for an equitable remuneration to the right holder under Article 11*bis* (2) of the Berne Convention. This was not the case for Section 110(5) of the United States' copyright law.

d) Under Article 13 of the TRIPS Agreement, Members may limit the exclusive rights of copyright holders only where the three conditions of the Article are met. These three conditions are cumulative.

i) In assessing Section 110(5) of the United States' copyright law in relation to the three conditions of Article 13 of the TRIPS Agreement, the elements to be taken into consideration were the way in which the business exemption and the homestyle exemption affected the right holders' opportunities to exercise their exclusive rights, as well as the indirect impact of these exemptions.

ii) Under the first condition of Article 13 of the TRIPS Agreement, limitations or exceptions to exclusive rights must be confined to certain special cases. This wording clearly indicated that exceptions had to be well-defined and narrow in scope to meet the requirements of this first condition. Under Section 110(5) of the United States' copyright law, the number of establishments excepted from the duty to pay fees for the use of exclusive rights is such a significant number that the exception was a rule and not an exception. Furthermore, in light of the wording of the first condition in Article 9 (2) of the Berne Convention, which forms part of the context of Article 13, an exemption should serve a "*special purpose*" and no such special public policy or other exceptional circumstance exist under Section 110(5). The imprecise and ambiguous wording of the United States' homestyle exemption did not respect the first condition of Article 13 of the TRIPS Agreement and made the exemption susceptible of further extension due to technological development.

iii) Under the second condition of Article 13 of the TRIPS Agreement, limitations or exceptions to exclusive rights must not conflict with a normal exploitation of the work. The normal exploitation of the work refers to the exclusive rights granted to copyright owners, which are not divided in any hierarchical order between important and unimportant rights under the TRIPS Agreement, as alleged by the United States. There are no secondary rights and the exclusive rights provided for in Article 11*bis* (1) (iii) and 11 (1) (ii) of the Berne Convention are all equally important separate rights.

iv) Under the third condition of Article 13 of the TRIPS Agreement, limitations or exceptions to exclusive right must not unreasonably prejudice the legitimate interests of the right holder. The European Communities and their Member States had argued that legitimate interests should have included, at a minimum, the ability to prevent all commercial uses by a third party of the right holder's exclusive rights.

The respondent position: the United States

The United States rejected all the claims by the European Communities and their Member States.

a) It is true that the two exemptions, the business exemption and the homestyle exemption, of Section 110(5) of the United States' copyright law concerned rights granted under Articles 11*bis* (1) (iii) and 11 (1) (ii) of the Berne Convention. However, Section 110(5) was fully consistent with the United States' obligations under the TRIPS Agreement.

b) Article 13 of the TRIPS Agreement, which clarifies and articulates the "*minor exceptions*" doctrine of the Berne Convention, was the relevant exception provision applicable to the two exemptions of Section 110(5) of the copyright law. This Article applies as well in relation to exclusive rights granted under the Berne Convention, such as those granted under Articles 11*bis* (1) (iii) and 11 (1) (ii) of the Berne Convention.

i) The TRIPS Agreement incorporates the Berne Convention, and under the Berne Convention, Members of the Berne Union were allowed to resort to the "*minor exceptions*" doctrine, which permitted them to place exceptions or limitations on the exclusive rights granted under that Convention. That doctrine had been incorporated into the TRIPS Agreement by Article 9.1 of the Agreement and had been clarified and articulated by Article 13 of the TRIPS Agreement. The "*minor exceptions*" doctrine formed part of the *acquis* of the Berne Convention, since it was a subsequent practice of the Berne Union Members within the meaning of Article 31 (3) (b) of the *Vienna Convention on the Law of Treaties* ("Vienna Convention"). It was not limited to the specific examples mentioned in the reports of the Brussels and Stockholm diplomatic conferences and was not limited to pre - existing exceptions in force prior to 1967 or any other date.

ii) It was true that the business exemption and the homestyle exemption concerned the rights granted under Article 11*bis* (1) (iii) and 11 (1) (ii) of the Berne Convention. However, Article 13 of the TRIPS Agreement provides the standard by which to judge the appropriateness of such exemptions touching upon the copyright owners' exclusive rights. The two exemptions of the copyright law fell within the Article 13 standard, which applies to all copyright - related provisions of the TRIPS Agreement, including Articles 11*bis* (1) (iii), 11 (1) (ii) and the other Articles of the Berne Convention incorporated into it.

iii) Article 10 of the WIPO Copyright Treaty (WCT), adopted at a Diplomatic Conference on 20 December 1996, organized under the auspices of the WIPO, and reflected the standard set forth in Article 13 of the TRIPS Agreement. Article 10 of the WCT provided a standard for permissible limitations and exceptions to the rights granted to authors under the WCT, extending this standard to the application of the provisions of the Berne Convention. This Article contains a clear recognition of the "*minor exceptions*" doctrine by the WCT signatories, and among them the European Communities and their Member States and the United States.

iv) Article 13 is straightforward and applies to limitations or exceptions to exclusive rights (not some limitations, not limitations to some exclusive rights). Contrary to what the European Communities and their Members States had argued, the application of Article 13 to the rights provided under Article 11 (1) and 11*bis* (1) of the Berne Convention did not derogate from the obligations under the Berne Convention in violation of Article 2.2 of the TRIPS Agreement or

Article 20 of the Berne Convention, because Article 13 articulates the standard applicable to minor exceptions under the Berne Convention as far as these Articles are concerned.

c) Article 11bis (2) had no bearing on Section 110(5), since it merely authorizes a country to substitute a compulsory license, or its equivalent, for an exclusive right under Article 11bis of the Berne Convention. Article 11bis (2) is not related to the “*minor exceptions*” doctrine.

d) The two exemptions under Section 110(5) of the United States’ copyright law met the standard of Article 13 of the TRIPS Agreement and the substantive obligations of the Berne Convention.

i) For an exception or limitation to exclusive rights of copyright owners, the three conditions under Article 13 of the TRIPS Agreement have to be met cumulatively.

ii) In the analysis of the business exemption and the homestyle exemption in relation to the three conditions of Article 13 of the TRIPS Agreement, while both actual and potential losses of copyright holders might have been relevant to the analysis, the most important element was an appraisal of the conditions that prevailed in the market, that is the realistic market conditions.

iii) Under the first condition of Article 13 of the TRIPS Agreement, limitations or exceptions to exclusive rights must be confined to certain special cases. Since no further elaboration of what is “*special*” is contained in the TRIPS Agreement, Members have the flexibility to determine whether a particular case is special or not, without prejudice to the need for exceptions to be well - defined and of limited application. The TRIPS Agreement only requires that an exception has a specific policy objective, without imposing any requirement as to the legitimacy of the policy objectives that a particular country might consider special in the light of its own history and national priority. In particular, the homestyle exemption was confined to “*certain special cases*”, because its scope was limited to the use involving a “*homestyle*” receiving apparatus.

iv) Under the second condition of Article 13 of the TRIPS Agreement, limitations or exceptions to exclusive rights must not conflict with a normal exploitation of the work. The relevant element to understand whether a conflict with a normal exploitation of the work exists is the ways in which an author might reasonably be expected to exploit his work in the normal course of events. Article 13 of the TRIPS Agreement does not indeed refer to particular specific rights but to the work as a whole. In this sense, the business exemption and the homestyle exemption affected only secondary uses of broadcast, with this being subject to size and equipment limitations. In particular, the business exemption did not conflict with a normal exploitation of the work since first, due to the enormous number of establishment and consequent licensing difficulties, the exemption codified the existing situation with regard to licensing; second, a significant portion of exempted establishments had been previously exempted under older rules and right owners had no expectation for receiving fees from the establishments; third, many exempted establishments could avail themselves of a similar exemption offered by collective management organizations.

v) Under the third condition of Article 13 of the TRIPS Agreement, limitations or exceptions to exclusive rights must not unreasonably prejudice the legitimate interests of the right holders. In order to assess whether an exception unreasonably prejudices the legitimate interests of the right holder, one should focus on whether the right holder is harmed by the effects of the exception

and whether that prejudice is unreasonable. Only the harm caused in respect of the European Communities and their Member States right holders had to be taken into consideration.

The Panel findings, rulings and recommendations:

a) During the dispute, the Panel had received a letter from a private law firm. The consideration to be given to this letter was therefore a preliminary issue to deal with. The letter had been sent to the United States Trade Representative (“USTR”) and copied to the Panel by a law firm representing ASCAP, one of the three major collective management organizations in the United States. In fact, in the United States, holders of copyright in musical works normally entrust the licensing of non - dramatic public performance of their works to collective management organizations. The parties to the dispute had substantially agreed that the letter did not add any new element to what had already been submitted by them. According to Article 13 of the Dispute Settlement Understanding and its interpretation by the Appellate Body,⁵⁵⁴ a panel has discretionary authority to accept and consider or to reject information and advice submitted to it, whether requested by a panel or not. The information contained in the letter had not to be rejected, but it essentially duplicated information already submitted by the parties and there had been no need to rely on it for the Panel reasoning or findings.

b) The Appellate Body had previously clarified that the burden of proof rests upon the party, whether complaining or defending, who asserts the affirmative of a particular claim or defense. If that party adduces evidence sufficient to raise a presumption that what is claimed is true, then the burden shifts to the other party, who will fail unless it adduces sufficient evidence to rebut the presumption.⁵⁵⁵ Thus, in this dispute, it was for the European Communities and their Member States to establish a *prima facie* violation of the basic rights of copyright under the TRIPS Agreement and the incorporated provisions of the Berne Convention. By the same token, once it had succeeded in doing so, it was for the United States to establish that any exception or limitation was applicable and that the conditions, if any, for invoking such exceptions were fulfilled.

c) The European Communities and their Member States had claimed that the two United States’ exemptions in the copyright law, the business exemptions and the homestyle exemption, were in violation of the United States’ obligations to grant certain exclusive rights to copyright owners under Articles 11bis (1) (iii) and 11 (1) (ii) of the Berne Convention, as incorporated into the TRIPS Agreement. Both the European Communities and their Member States and the United States had agreed that the two exemptions under Section 110(5) of the United States’ copyright law were covered by these provisions of the Berne Convention. However, the United States had argued that these exemptions were covered by the “*minor exceptions*” doctrine under the Berne Convention, which had been incorporated into the TRIPS Agreement by Article 9.1 of the Agreement and

⁵⁵⁴ Appellate Body Report, United States - Shrimp, para. 108.

⁵⁵⁵ Appellate Body Report on *United States - Measures Affecting Woven Wool Shirts and Blouses from India*, adopted on 23 May 1997, WT/DS33/AB/R, p. 14.

clarified and articulated by Article 13 of the Agreement. According to the United States, the “*minor exceptions*” doctrine and Article 13 of the TRIPS Agreement applied to Articles 11*bis* (1) (iii) and 11 (1) (ii) of the Berne Convention.

It was therefore necessary first, to determine whether the “*minor exceptions*” doctrine formed part of the Berne Convention *acquis* and applied to Articles 11*bis* (1) (iii) and 11 (1) (ii) of the Berne Convention, and second, if it formed part of the Berne Convention *acquis*, whether this doctrine had been incorporated into the TRIPS Agreement, by virtue of Article 9.1 of the Agreement, together with Article 1 - 21 of the Berne Convention.

i) The rights concerned in the dispute were some exclusive rights of copyright owners. Article 9 through 13 of the TRIPS Agreement deal with the substantive standards of copyright protection. Article 9 of the TRIPS Agreement, which incorporates Articles 1 through 21 of the Berne Convention, has been already discussed in China - IP Rights.⁵⁵⁶ Article 11*bis* (1) (iii) of the Berne Convention was particularly relevant to the present dispute. For the purposes of this dispute, the claims raised by the European Communities and their Member States under Article 11*bis*(1) were limited to subparagraph (iii). Under subparagraph (iii) authors of literary and artistic works must have an exclusive right to authorize the public communication of the broadcast of the work by loudspeaker, on a television screen, or by other similar means. Article 11 of the Berne Convention covers public performance. Both parties had agreed that the exclusive right under Article 11*bis*(1)(iii) was primarily concerned in this dispute, although there were implications under Article 11 (1)(ii) of the Berne Convention as well.

ii) The first question was whether the “*minor exceptions*” doctrine formed part of the Berne Convention *acquis*. For this determination, the general principles of interpretation of the Vienna Convention were particularly relevant. In particular, when interpreting a treaty, the context of the treaty must comprise any agreement relating to the treaty which was made between all parties in connection with the conclusion of the treaty.⁵⁵⁷ Uncontested interpretations given at a conference by a chairman or a drafting committee, may constitute an agreement forming part of the context. In this sense, the reports of successive revision conferences of the Berne convention referred to “*implied exceptions*” that Members could provide for in respect of certain rights and to the “*minor reservations*” or “*minor exceptions*” doctrine, under which Berne Union Members might have provided minor exceptions to the rights provided, *inter alia*, under Articles 11*bis* and 11 of the Berne Convention. These two Articles were introduced later in the Berne Convention (respectively with the Brussels Act of 1948, and the Rome Convention of 1928, but modified at the Brussels Conference of 1948) and in the *General Report of the Brussels Conference* a statement was included referring to the minor exceptions doctrine as applying to Article 11 and 11*bis*. This reflected an agreement within the meaning of the Vienna Convention between the Berne Union Members at the Brussels Conference to retain the possibility of providing minor exceptions in

⁵⁵⁶ WT/DS 362/R, see p. 38.

⁵⁵⁷ Article 31 (2) (a) of the Vienna Convention.

national law. The possibility for members to use minor exceptions was later confirmed by other conferences reports and by state practice.⁵⁵⁸

iii) It was necessary as well to clarify the scope of this doctrine that is whether the “minor exceptions” doctrine applied to Articles 11 and 11*bis* of the Berne Convention. The General Report of the Brussels Conference of 1948 referred to “*religious ceremonies, military band and the needs of the child and adult education*” as examples of situations in respect of which minor exceptions might have been provided. The Report of the Stockholm Conference of 1967 also referred to “*popularization*” as one example. These examples were illustrative in nature, and a conclusion on the exclusive non - commercial nature of potentially exempted uses could have not been drawn. However, in light of the above, one could have concluded that the “*minor exceptions*” doctrine formed part of the context of, at least, Articles 11*bis* and 11 of the Berne Convention.

iv) The second question was whether this doctrine had been incorporated into the TRIPS Agreement, by virtue of Article 9.1 of the Agreement, together with Article 1 - 21 of the Berne Convention. The express wording of Article 9.1 of the TRIPS Agreement neither establishes nor excludes the incorporation into the Agreement of the “*minor exceptions*” doctrine as it applies to Articles 11, 11*bis*, 11*ter*, 13 and 14 of the Berne Convention. Thus, the incorporation of Articles 11 and 11*bis* of the Berne Convention into the TRIPS Agreement includes the entire *acquis* of these provisions, including the possibility of providing minor exceptions to the respective exclusive rights. The documentation of the Uruguay Round negotiations of the TRIPS Agreement and the general principles of treaty interpretation confirmed that conclusion.⁵⁵⁹ On the other side, the WIPO Copyright Treaty (WCT), to which the United States had referred to in its argument, could not have been considered as a subsequent agreement on the same subject matter or on the interpretation of the TRIPS Agreement nor a subsequent practice, under the Vienna Convention.⁵⁶⁰ Despite this, since many countries participating in the TRIPS negotiations had participated in the WCT conference, it could have provided with contextual guidance to avoid conflict with the overall framework of copyright discipline. The wording of Article 10 of the WCT supports the interpretation that the Berne Union Members are permitted to provide minor exceptions to the rights provided under Articles 11 and 11*bis* of the Convention, and certain other rights.

v) Neither the express wording nor the context of Article 13 or any other provision of the TRIPS Agreement supports the interpretation that the scope of application of Article 13 is limited to the exclusive rights newly introduced under the TRIPS Agreement. In this sense, there was no need to examine further the claim by the European Communities and their Member States that an interpretation of Article 13 of the TRIPS Agreement as the one above expressed would have been inconsistent with Article 2.2 of the TRIPS Agreement and Article 20 of the Berne Convention.

d) The European Communities and their Member States had argued that any exceptions to the rights contained in Article 11*bis* (1) of the Berne Convention, as incorporated into the TRIPS

⁵⁵⁸ Several countries provide for limitations in national laws based on the minor exceptions doctrine.

⁵⁵⁹ Namely, the principle according to which the meaning to be adopted should be the one which reconciles the text of different treaties and avoids conflict between them.

⁵⁶⁰ Respectively, under Article 30 and 31 (3) of the Vienna Convention.

Agreement, would have had to provide for an equitable remuneration to the right holder under Article 11*bis* (2) of the Berne Convention, and this was not the case for Section 110(5) of the United States copyright law. The United States had contended that Article 11*bis* (2) had no bearing on Section 110(5) of the United States' copyright law.

i) Article 11*bis* (2) relates to the exclusive rights conferred under Article 11*bis* (1), including the communication to the public of broadcast in the meaning of its subparagraph (iii). Under this Article, the Members of the Berne Union are able to determine the conditions under which the rights mentioned in the preceding paragraph may be exercised. The conditions for the exercise of these rights must not in any circumstance be prejudicial to the moral rights of the author, nor to his right to obtain equitable remuneration which, in the absence of agreement, shall be fixed by competent authority. The possibility for the members of the Berne Union to determine the "*conditions*" under which the rights maybe exercised is usually understood to allow countries to substitute, for the author's exclusive rights, a system of compulsory licenses, or determine other conditions provided that they are not prejudicial to the right holder's right to obtain an equitable remuneration.

ii) Articles 11*bis* (2) of the Berne Convention and Article 13 of the TRIPS Agreement cover different situations: unlike Article 13 of the TRIPS Agreement, Article 11*bis* (2) of the Berne Convention would not in any case justify use free of charge.

iii) Section 110(5) of the United States' copyright law contained exceptions that allowed use of protected works without an authorization by the right holder and without charge. Whether these exceptions met the United States' obligations under the TRIPS Agreement had to be examined by applying Article 13 of the TRIPS Agreement. Article 11*bis* (2) of the Berne Convention as incorporated into the TRIPS Agreement was not relevant for the case at hand.

e) Once clarified that Article 13 of the TRIPS Agreement articulated the "*minor exceptions*" doctrine and covered the rights granted under Articles 11*bis* (1) (iii) and 11(1)(ii) of the Berne Convention, it was necessary to analyze the two exemptions of the United States' copyright law in relation to the three conditions established in Article 13 to see whether the exemptions fell within the scope of the Article. Article 13 cannot have more than a narrow or limited operation. It contains three cumulative conditions, each being a separate and independent requirement to be satisfied for the exception under Article 13 to be allowed.

i) According to the first condition under Article 13 of the TRIPS Agreement, limitations or exceptions to exclusive rights must be confined to certain special cases. The term "*certain*" means that an exception or limitation in national legislation must be clearly defined. However, there is no need to identify explicitly each and every possible situation to which the exception could apply, provided that the scope of the exception is known and particularized. The exception must be limited in its field of application or exceptional in its scope that is narrow in a quantitative as well as in a qualitative sense. The term "*certain special cases*" should not be lightly equated with "*special purpose*": a limitation or exception may be compatible with the first condition even if it pursues a special purpose whose underlying legitimacy in a normative sense cannot be discerned.

A) As for the application of this first condition to the business exemption in the United States' copyright law: the primary bone of contention between the parties was whether the business exemption, given its scope and reach, could have been considered a "*special*" case within the meaning of the first condition of Article 13. A study of the *Congressional Research Services* (CRS), later updated, provided with a calculation of the percentage of establishments that could have used the exemption. However, it was not possible to recalculate exactly the results and trends of the study. The scope of the exemption in respect of potential users was the relevant element in order to determine whether the coverage of the exemption was sufficiently limited to qualify as a "*certain special case*". Moreover, since some establishments could avail themselves of the exemption depending on the equipment they were using, the percentage of all establishments that might have fallen under the coverage of the business exemption could have been even higher than the figures or estimates suggestions. According to the preparatory works of Article 11*bis* (1) (iii) of the Berne Convention, the Article was intended to provide right holders with a right to authorize the use of their works in the types of establishments covered by the business exemption, that is the places where people in the cinema, in restaurants, in tea rooms, railway carriages, factories, shops and offices. Thus, it was not possible for the United States copyright law, which exempted a major part of the users that Article 11*bis* (1) (iii) specifically intended to cover as clarified by the preparatory works of the Berne Convention, to be considered as a special case in the sense of the first condition of Article 13 of the TRIPS Agreement. This exemption did not qualify as a "*certain special case*" in the meaning of the first condition of Article 13 of the TRIPS Agreement and could not be justified under this Article B). As for the application of this first condition to the homestyle exemption in the United States' copyright law: in the *Aiken* case the United States Supreme Court had precisely defined the limits of the exemption. From a quantitative perspective, the reach of the homestyle exemption in respect of potential users was limited to a comparably small percentage of all eating, drinking and retail establishments in the United States and the application of the exemption by United States' courts had been consistent and delimited. The term "*homestyle equipment*" expressed the degree of clarity in definition required under the first condition of Article 13, with a limited scope of application in practice. Moreover, the first condition of Article 13 did not require the Panel to pass a value judgment on the legitimacy of an exception or limitation, even though stated public policy purposes could have been of a subsidiary relevance for drawing inferences about the scope of an exemption and the clarity of its definition. Thus, the homestyle exemption was well - defined and limited in its scope and reach, and consequently was confined to certain special cases within the meaning of the first condition of Article 13 of the TRIPS Agreement.

An analysis of both the business exemption and the homestyle exemption in relation to the subsequent conditions of Article 13 of the TRIPS Agreement had to follow. Although the business exemption did not satisfy the first condition of Article 13 of the TRIPS Agreement, and therefore it did not fall within the scope of this Article, the analysis of the business exemption in relation to the other conditions of Article 13 had to continue in the light of the close relation of the two exemptions. Panels can indeed exercise judicial economy (an issue already discussed in China - IP Rights). However, the Appellate Body had clarified that there is a need for panels to address all

claims and/or measures necessary to secure a positive solution to a dispute and added that providing only a partial resolution of the matter at issue would have been only false judicial economy.⁵⁶¹

ii) According to the second condition of Article 13 of the TRIPS Agreement, limitations or exceptions to exclusive rights must not conflict with a normal exploitation of the work. The term “normal” exploitation clearly means something less than full use of an exclusive right, while “work” in Article 13’s second condition refers to all the exclusive rights relating to it. Whether a limitation or an exception conflicts with a normal exploitation of a work should be judged for each exclusive right individually. Normal exploitation would presuppose the possibility for right holders to exercise separately all three exclusive rights guaranteed under the three subparagraphs of Article 11*bis* (1), as well as the right conferred by other provisions, such as Article 11, of the Berne Convention. The issue was then how to determine whether a particular use constitutes a normal exploitation of the exclusive rights provided under Article 11*bis* (1) (iii) and 11 (1) (ii) of the Berne Convention. An exception or limitation to an exclusive right in domestic legislation rises to the level of a conflict with a normal exploitation of a work (that is, the copyright or rather the whole bundle of exclusive rights conferred by the ownership of the copyright), if uses, that in principle are covered by that right but exempted under the exception or limitation, enter into economic competition with the ways that right holders normally extract economic value from that right to the work (i.e. the copyright) and thereby deprive them of significant or tangible commercial gains. In this sense, the appraisal had to be based, in respect of exclusive rights related to musical works, on the actual and potential effects on the commercial and technological conditions that prevail in the market currently or in the near future, that is, in the dispute, in the United States’ market.

A) As for the application of this second condition to the business exemption in the United States’ copyright law: the United States had argued that the business exemption did not conflict with the normal exploitation of a work because first, due to the enormous number of establishments and consequent licensing difficulties, the exemption codified the existing situation with regard to licensing; second, a significant portion of exempted establishments had been previously exempted under older rules and right owners had no expectation for receiving fees from the establishments; third, many exempted establishments could avail themselves of a similar exemption offered by collective management organizations. These arguments however were not persuasive: the United States could not rely on rules existing before the introduction of the exemption under discussion thus freezing the degree of exercise of an exclusive right at a particular point in time, nor could it expect a collective management organization to require remuneration for something for which there was no national legislation granting an exclusive right. All establishment eligible to benefit from the business exemption were a major potential source of royalties in the exercise of the rights contained in Articles 11*bis*(1)(iii) and 11(1)(ii), while the playing of recorded music by these establishments did not fall under the same exemption, without a clear reason for this distinction. Thus, right holders of musical works would have expected to be in a position to authorize the use

⁵⁶¹ Appellate Body Report on *Australia - Measures Affecting the Importation of Salmon*, adopted on 6 November 1998, WT/DS18/AB/R, para. 223.

of broadcast of radio and television music by many establishments covered by the exemption and, as appropriate, receive compensation for the use of their work. The business exemption of the United States' copyright law conflicted with the normal exploitation of the work within the meaning of the second condition of Article 13 of the TRIPS Agreement.

B) As for the application of this second condition to the homestyle exemption in the United States' copyright law: this exemption was very narrow and little or no direct licensing by individual right holders existed for dramatic musical works, thus the authors might have not expected to exploit the works in a manner covered by the homestyle exemption, which consequently did not conflict with the normal exploitation of the work within the meaning of the second condition of Article 13 of the TRIPS Agreement.

iii) According to the third condition of Article 13 of the TRIPS Agreement, limitations or exceptions to exclusive rights must not unreasonably prejudice the legitimate interests of the right holder. The third condition under Article 13 of the TRIPS Agreement implies several steps: first, one has to define what are the interests of the right holders at stake and which attributes make them legitimate; second, to interpret the term "prejudice"; and third, determine what amount of prejudice reaches a level that should be considered "unreasonable". First, the word "*interests*" refer to a legal right or title and may also refer to a potential advantage, while legitimate means justifiable in light of the objectives that underlie the protection of exclusive rights. Second, a "*prejudice*" is a harm or injury; third, "*not unreasonable*" refers to a proportionate harm or injury, which occurs if an exception or limitation causes or had the potential to cause an unreasonable loss of income to the copyright owner. The analysis had not to be limited to the harm in respect of only the European Communities and their member States right holders, as argued by the United States.

A) As for the application of this third condition to the business exemption in the United States' copyright law: based on the analysis of the figures presented, the United States, which had the burden of proof in invoking the exception of Article 13, failed to demonstrate that the business exemption did not unreasonably prejudice the legitimate interests of the right holder. Thus, the business exemption did not meet the three conditions of Article 13 of the TRIPS Agreement, and was inconsistent with Articles 11*bis* (1) (iii) and 11 (1) (ii) of the Berne Convention as incorporated into the TRIPS Agreement by Article 9.1 of the Agreement.

B) As for the application of third first condition to the homestyle exemption in the United States' copyright law: as previously considered, the homestyle exemption was very narrow and no proof had been submitted that right holders, if given the opportunity, would have exercised their licensing rights. Thus, the homestyle exemption did not cause unreasonable prejudice to the legitimate interests of the right holder and met all the three conditions of Article 13 of the TRIPS Agreement and was consistent with Articles 11*bis* (1) (iii) and 11 (1) (ii) of the Berne Convention as incorporated into the TRIPS Agreement by Article 9.1 of the Agreement.

In light of the above:

- The homestyle exemption of the United States' copyright law⁵⁶² had met the requirements of Article 13 of the TRIPS Agreement and was thus consistent with Articles 11*bis*(1)(iii) and 11(1)(ii) of the Berne Convention as incorporated into the TRIPS Agreement by Article 9.1 of that Agreement.

- The business exemption of the United States' copyright law⁵⁶³ had not met the requirements of Article 13 of the TRIPS Agreement and was thus inconsistent with Articles 11*bis*(1)(iii) and 11(1)(ii) of the Berne Convention as incorporated into the TRIPS Agreement by Article 9.1 of that Agreement.

Further development related to the case:

a) After the adoption of the Panel Report at the Dispute Settlement Body meeting on 27 July 2000, the European Communities and their Member States requested an arbitration to determine the reasonable period of time for the implementation of the Report, as provided for in Article 21.3 (c) of the Dispute Settlement Understanding. The Dispute Settlement Body later agreed to the United States' proposal to extend the reasonable period of time determined by the arbitrator (which was 27 July 2001) until 31 December 2001 or the earlier date of the end of the session of the United States' Congress at that time.

On 23 July 2001, the parties to the dispute resorted to arbitration to determine the level of nullification or impairment of benefits to the European Communities and their Member States as a result of the business exemption of the United States' copyright law, as provided for in Article 25 of the Dispute Settlement Understanding. The arbitrators determined that the benefits nullified or impaired amounted to € 1,219,900 per year. After several discussions on the failure of the United States to bring its measures into conformity within a reasonable period of time and on the possibility for the European Communities and their Member States to suspend concessions, the parties to the dispute eventually engaged in constructive negotiations and, in 2003, reached a mutually satisfactory temporary arrangement.

b) The *United States - Section 110(5)* Panel decision has been much debated. Eminent scholars identified the interpretation of the three - step test under Article 13 of the TRIPS Agreement as the most important part of the Panel report.⁵⁶⁴

In particular, the desirability of the three - step test under article 13 of the TRIPS Agreement apparently failed to give useful guidance on how to tackle some of the more complex issues involved in the application of exceptions to exclusive rights of copyright holders.⁵⁶⁵ Other scholars have questioned whether after the decision of the Panel, all free - of - charge exceptions are to be subsumed under the minor exceptions doctrine and to be tested against the three - step test. In

⁵⁶² Subparagraph (A) of Section 110(5) of the US Copyright Act.

⁵⁶³ Subparagraph (B) of Section 110(5) of the US Copyright Act.

⁵⁶⁴ C.M. Correa, A. Yusuf, *Intellectual Property and International Trade: The TRIPS Agreement*, (Kluwer Law International: 2008, The Netherlands), p. 142.

⁵⁶⁵ C.M. Correa, "TRIPs Agreement: Copyright and Related Rights", (1994) 25 *International Review of Industrial Property and Copyright Law* at 549.

such a case, the consequence would be that all express rights in the Berne Convention that have been incorporated into the TRIPS Agreement would only be effectual under the TRIPS Agreement to the extent permitted by Article 13 of the Agreement, despite nowhere in the Agreement negotiating history was it ever considered that Article 13 would play this role.⁵⁶⁶ Once Article 13 alone applies to exceptions, TRIPS panels will be tempted to construe its criteria of “normal exploitation” and “legitimate interests” in economic terms which can be manipulated opportunistically.⁵⁶⁷

c) Other commentators have criticized not only the WTO Panel interpretation, but the United States attitude towards the Panel report as well. Taking into account that the Panel interpretation of the TRIPS Agreement was so narrow that the resulting standard would invalidate the laws of many countries, the United States should have appealed the decision and if the appeal failed, it should have negotiated with other potential violators of the TRIPS Agreement and the Berne Convention in order to create a uniform amendment and preserve international consistency. According to them, the United States subsequent amendment of Section 110(5) of the copyright law did not serve the TRIPS purpose nor did it bolster the United States’ ability to get other nations to comply with TRIPS.⁵⁶⁸

d) The 1998 *Fairness in Music Licensing Act*, which amended Section 110(5) of the United States’ *Copyright Act* giving rise to the dispute under discussion, was adopted by the United States’ Congress deliberately ignoring the United States international trade and intellectual property policies and obligations, with the certainty that the European Communities and their Member States would have brought a challenge against the measure at the WTO. The measure was however adopted by the Congress in an attempt to solve market failures in the music industry. No remedy to the music industry market failures came out of these measures, even before the European Communities and their Member States’ challenge.⁵⁶⁹

e) Some scholars went as far as labeling the Panel decision in *United States - Section 110(5)* as significantly advancing the development of a truly supranational law of copyright. The three - step test developed by the Panel should be indeed considered in the context of other international treaties on copyright, namely Article 10 of the 1996 *WIPO Copyright Treaty*, Article 16.2 of the *WIPO Performers and Phonograms Treaty*. However, the real impact of the Panel decision on international copyright law depends on many factors and, among them, on the willingness of national courts to look to WTO panel decisions for guidance in evaluating local exceptions.⁵⁷⁰

⁵⁶⁶ D. J. Brennan, *The Three - Step Test Frenzy - Why the TRIPS Panel Decision Might Be Considered Per Incuriam*, *Intellectual Property Quarterly*, Issue 2 (2002).

⁵⁶⁷ Paul Edward Geller, *International Copyright Law and Practice*, volume 1 (Matthew Bender, Release 12/2000), paragraph 5[5][b][iii].

⁵⁶⁸ H. A. Christakos, *WTO Panel Report on Section 110 (5) of the U.S. Copyright Act*, 17 *Berkeley Tech. L. J.* 595 (2002), available at <http://scholarship.law.berkeley.edu/cgi/viewcontent.cgi?article=1369&context=btlj>.

⁵⁶⁹ L. Helfer, *World Music on a U.S. Stage: A Berne/TRIPS and Economic Analysis of the Fairness in Music Licensing Act*, 80 *B.U.L. Rev.* 93 (Feb. 2000), available at http://scholarship.law.duke.edu/cgi/viewcontent.cgi?article=2652&context=faculty_scholarship.

⁵⁷⁰ J. C. Ginsburg, *Toward Supranational Copyright Law? The WTO Panel Decision and the “Three - Step Test” for Copyright Exceptions*, 187 *Revue Internationale du Droit d’Auteur* 3 (2001).

f) Other scholars examined the potential impact of the Panel decision on the educational market, which is highly susceptible to market failure, as the market participants are usually government - run institutions with limited resources. Education is dependent upon copyrighted material for survival and the availability of education is one of the most important factors in the reduction of poverty and the enhancement of free trade among nations. Laws designed for the proliferation of knowledge may not pass the Article 13 test under the TRIPS Agreement, with an overall negative effect on society.⁵⁷¹

g) The *United States - Section 110(5)* dispute put some limits to the flexibility and discretion that Members have in the implementation of the obligations of the TRIPS Agreement. This flexibility is however extremely important once considered that the implementation of intellectual property law in national legal systems involves choosing between different approaches.⁵⁷²

⁵⁷¹ S.E. Henry, *The First International Challenge to U.S. Copyright Law: What Does the WTO Analysis of 17 U.S.C. Section 110 (5) Mean to the Future of International Harmonization of Copyright Laws Under the TRIPS Agreement?*, 20 *Penn State International Law Review* 301 (2001), available at <http://cyber.law.harvard.edu/people/tfisher/IP/Henry%202001.pdf>.

⁵⁷² F. Abbot, *Dispute Settlement, World Trade Organization - TRIPS*, UNCTAD, (United Nations: New York and Geneva, 2003), p. 4 - 5.

Japan - Measures Concerning Sounds Recordings

IP/D/1WT/DS28 - WT/DS28/4

IP/D/4WT/DS42 - WT/DS42/4

General background of the case

On 9 February 1996, the United States requested consultations with Japan with regard to the protection of sound recordings in Japan (WT/DS28). On 24 May 1996, the European Communities and their Member States requested consultations with Japan on the same issue (WT/DS42/1). The United States later joined these consultations as well (WT/DS42/2).

The main concern of the United States and the European Communities and their Member States in both cases was the compliance by Japan with its alleged obligations under the TRIPS Agreement to grant protection to performers who had first performed in a WTO Member and to producers of sound recordings first fixed in a WTO Member or fixed by a national of a WTO Member for a term of at least 50 years from the end of the calendar year in which the fixation had been made or the performance had taken place. This term of protection had to be extended to those existing recordings which had not yet fallen into public domain in the country of origin or in the country where protection was sought.

According to the United States, Japan had violated its obligations under the TRIPS Agreement including, but not limited to: i) Its national treatment and most - favored - nation treatment obligations under Articles 3 and 4 of the TRIPS Agreement, in respect of sound recordings originating in other WTO Members or created by nationals of other WTO Members. ii) Its obligations in respect of the protection of performers, producers of phonograms (sound recordings) and broadcasting organizations under Article 14 of the TRIPS Agreement. iii) Its obligations to provide for criminal procedures and penalties to be applied at least in cases of copyright piracy on a commercial scale under Article 61 of the TRIPS Agreement, in respect of sound recordings .iv) Its obligation to apply the TRIPS Agreement under Article 65 of the Agreement, and its obligations in respect of all subject matter existing at the date of application of Agreement under Article 70.2 of the TRIPS Agreement.

According to the European Communities and their Member States, Japan had violated its obligations under the TRIPS Agreement, in particular: i) its obligations to apply the provisions of Article 18 of the *Berne Convention for the Protection of Literary and Artistic Works* (“Berne Convention”), *mutatis mutandis*, to the rights of performers and producers of phonograms in phonograms. ii) Its obligations in respect of all subject matter existing at the date of application of Agreement under Article 70.2 of the TRIPS Agreement, in respect of sound recordings. iii) Its obligations to apply the provisions of the Berne Convention to works which, at the moment of its coming into force, had not yet fallen into the public domain in the country of origin through the expiry of the term of protection under Article 18 of the Berne Convention, in respect of sound recordings.

Legal basis of the case: related provisions in the TRIPS Agreement

Article 3 of the TRIPS Agreement, National Treatment:

“1. Each Member shall accord to the nationals of other Members treatment no less favorable than that it accords to its own nationals with regard to the protection of intellectual property, subject to the exceptions already provided in, respectively, the Paris Convention (1967), the Berne Convention (1971), the Rome Convention or the Treaty on Intellectual Property in Respect of Integrated Circuits. In respect of performers, producers of phonograms and broadcasting organizations, this obligation only applies in respect of the rights provided under this Agreement. Any Member availing itself of the possibilities provided in Article 6 of the Berne Convention (1971) or paragraph 1(b) of Article 16 of the Rome Convention shall make a notification as foreseen in those provisions to the Council for TRIPS.

2. Members may avail themselves of the exceptions permitted under paragraph 1 in relation to judicial and administrative procedures, including the designation of an address for service or the appointment of an agent within the jurisdiction of a Member, only where such exceptions are necessary to secure compliance with laws and regulations which are not inconsistent with the provisions of this Agreement and where such practices are not applied in a manner which would constitute a disguised restriction on trade.”

Article 4 of the TRIPS Agreement, Most - Favored - Nation Treatment:

“With regard to the protection of intellectual property, any advantage, favor, 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. Exempted from this obligation are any advantage, favor, privilege or immunity accorded by a Member:

(a) deriving from international agreements on judicial assistance or law enforcement of a general nature and not particularly confined to the protection of intellectual property;

(b) granted in accordance with the provisions of the Berne Convention (1971) or the Rome Convention authorizing that the treatment accorded be a function not of national treatment but of the treatment accorded in another country;

(c) in respect of the rights of performers, producers of phonograms and broadcasting organizations not provided under this Agreement;

(d) deriving from international agreements related to the protection of intellectual property which entered into force prior to the entry into force of the WTO Agreement, provided that such agreements are notified to the Council for TRIPS and do not constitute an arbitrary or unjustifiable discrimination against nationals of other Members.”

Article 14 of the TRIPS Agreement, Protection of Performers, Producers of Phonograms (Sound Recordings) and Broadcasting Organizations:

“1. In respect of a fixation of their performance on a phonogram, performers shall have the possibility of preventing the following acts when undertaken without their authorization: the

fixation of their unfixed performance and the reproduction of such fixation. Performers shall also have the possibility of preventing the following acts when undertaken without their authorization: the broadcasting by wireless means and the communication to the public of their live performance.

2. Producers of phonograms shall enjoy the right to authorize or prohibit the direct or indirect reproduction of their phonograms.

3. Broadcasting organizations shall have the right to prohibit the following acts when undertaken without their authorization: the fixation, the reproduction of fixations, and the rebroadcasting by wireless means of broadcasts, as well as the communication to the public of television broadcasts of the same. Where Members do not grant such rights to broadcasting organizations, they shall provide owners of copyright in the subject matter of broadcasts with the possibility of preventing the above acts, subject to the provisions of the Berne Convention (1971).

4. The provisions of Article 11 in respect of computer programs shall apply mutatis mutandis to producers of phonograms and any other right holders in phonograms as determined in a Member's law. If on 15 April 1994 a Member has in force a system of equitable remuneration of right holders in respect of the rental of phonograms, it may maintain such system provided that the commercial rental of phonograms is not giving rise to the material impairment of the exclusive rights of reproduction of right holders.

5. The term of the protection available under this Agreement to performers and producers of phonograms shall last at least until the end of a period of 50 years computed from the end of the calendar year in which the fixation was made or the performance took place. The term of protection granted pursuant to paragraph 3 shall last for at least 20 years from the end of the calendar year in which the broadcast took place.

6. Any Member may, in relation to the rights conferred under paragraphs 1, 2 and 3, provide for conditions, limitations, exceptions and reservations to the extent permitted by the Rome Convention. However, the provisions of Article 18 of the Berne Convention (1971) shall also apply, mutatis mutandis, to the rights of performers and producers of phonograms in phonograms."

Article 61 of the TRIPS Agreement, Section 5: Criminal Procedures:

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

Article 65 of the TRIPS Agreement, Transitional Arrangements:

“1. Subject to the provisions of paragraphs 2, 3 and 4, no Member shall be obliged to apply the provisions of this Agreement before the expiry of a general period of one year following the date of entry into force of the WTO Agreement.

2. A developing country Member is entitled to delay for a further period of four years the date of application, as defined in paragraph 1, of the provisions of this Agreement other than Articles 3, 4 and 5.

3. Any other Member which is in the process of transformation from a centrally - planned into a market, free - enterprise economy and which is undertaking structural reform of its intellectual property system and facing special problems in the preparation and implementation of intellectual property laws and regulations, may also benefit from a period of delay as foreseen in paragraph 2.

4. To the extent that a developing country Member is obliged by this Agreement to extend product patent protection to areas of technology not so protectable in its territory on the general date of application of this Agreement for that Member, as defined in paragraph 2, it may delay the application of the provisions on product patents of Section 5 of Part II to such areas of technology for an additional period of five years.

5. A Member availing itself of a transitional period under paragraphs 1, 2, 3 or 4 shall ensure that any changes in its laws, regulations and practice made during that period do not result in a lesser degree of consistency with the provisions of this Agreement.”

Article 70 of the TRIPS Agreement, Protection of Existing Subject Matter:

“1. This Agreement does not give rise to obligations in respect of acts which occurred before the date of application of the Agreement for the Member in question.

2. Except as otherwise provided for in this Agreement, this Agreement gives rise to obligations in respect of all subject matter existing at the date of application of this Agreement for the Member in question, and which is protected in that Member on the said date, or which meets or comes subsequently to meet the criteria for protection under the terms of this Agreement. In respect of this paragraph and paragraphs 3 and 4, copyright obligations with respect to existing works shall be solely determined under Article 18 of the Berne Convention (1971), and obligations with respect to the rights of producers of phonograms and performers in existing phonograms shall be determined solely under Article 18 of the Berne Convention (1971) as made applicable under paragraph 6 of Article 14 of this Agreement.

3. There shall be no obligation to restore protection to subject matter which on the date of application of this Agreement for the Member in question has fallen into the public domain.

4. In respect of any acts in respect of specific objects embodying protected subject matter which become infringing under the terms of legislation in conformity with this Agreement, and which were commenced, or in respect of which a significant investment was made, before the date of acceptance of the WTO Agreement by that Member, any Member may provide for a limitation of the remedies available to the right holder as to the continued performance of such acts after the

date of application of this Agreement for that Member. In such cases the Member shall, however, at least provide for the payment of equitable remuneration.

5. A Member is not obliged to apply the provisions of Article 11 and of paragraph 4 of Article 14 with respect to originals or copies purchased prior to the date of application of this Agreement for that Member.

6. Members shall not be required to apply Article 31, or the requirement in paragraph 1 of Article 27 that patent rights shall be enjoyable without discrimination as to the field of technology, to use without the authorization of the right holder where authorization for such use was granted by the government before the date this Agreement became known.

7. In the case of intellectual property rights for which protection is conditional upon registration, applications for protection which are pending on the date of application of this Agreement for the Member in question shall be permitted to be amended to claim any enhanced protection provided under the provisions of this Agreement. Such amendments shall not include new matter.

8. Where a Member does not make available as of the date of entry into force of the WTO Agreement patent protection for pharmaceutical and agricultural chemical products commensurate with its obligations under Article 27, that Member shall:

(a) notwithstanding the provisions of Part VI, provide as from the date of entry into force of the WTO Agreement a means by which applications for patents for such inventions can be filed;

(b) apply to these applications, as of the date of application of this Agreement, the criteria for patentability as laid down in this Agreement as if those criteria were being applied on the date of filing in that Member or, where priority is available and claimed, the priority date of the application; and

(c) provide patent protection in accordance with this Agreement as from the grant of the patent and for the remainder of the patent term, counted from the filing date in accordance with Article 33 of this Agreement, for those of these applications that meet the criteria for protection referred to in subparagraph (b).

9. Where a product is the subject of a patent application in a Member in accordance with paragraph 8(a), exclusive marketing rights shall be granted, notwithstanding the provisions of Part VI, for a period of five years after obtaining marketing approval in that Member or until a product patent is granted or rejected in that Member, whichever period is shorter, provided that, subsequent to the entry into force of the WTO Agreement, a patent application has been filed and a patent granted for that product in another Member and marketing approval obtained in such other Member."

Article 18 of the Berne Convention, Works Existing on Convention's Entry Into Force: 1. Protectable Where Protection Not Yet Expired in Country of Origin; 2. Non - Protectable Where Protection Already Expired in Country Where it is Claimed; 3. Application of These Principles; 4. Special Cases:

“(1) This Convention shall apply to all works which, at the moment of its coming into force, have not yet fallen into the public domain in the country of origin through the expiry of the term of protection.

(2) If, however, through the expiry of the term of protection which was previously granted, a work has fallen into the public domain of the country where protection is claimed, that work shall not be protected anew.

(3) The application of this principle shall be subject to any provisions contained in special conventions to that effect existing or to be concluded between countries of the Union. In the absence of such provisions, the respective countries shall determine, each in so far as it is concerned, the conditions of application of this principle.

(4) The preceding provisions shall also apply in the case of new accessions to the Union and to cases in which protection is extended by the application of Article 7 or by the abandonment of reservations.”

Mutually agreed solution:

On 24 January 1997, the United States and Japan notified to the Dispute Settlement Body a mutually agreed solution to the dispute. On 7 November 1997, the European Communities and their Member States and Japan notified the Dispute Settlement Body a mutually agreed solution to the dispute as well.

On 26 December 1996, Japan had amended its copyright law in order to provide protection to past performances and existing sound recordings first fixed in a WTO Member or fixed by a national of a WTO Member for a term of at least fifty years from the end of the calendar year in which the performance had taken place or the sound recording had been fixed, and to sound recordings that had not already enjoyed a full term of protection in the country of origin or in the country in which protection had been sought. These amendments had been scheduled to come into effect before the end of March 1997.

The matter was therefore withdrawn from further attention under the provisions of the Dispute Settlement Understanding.

Further development related to the case:

a) Eventually, immediately before Japan and the United States notified the mutually agreed solution to the Dispute Settlement Body, Japan effectively changed its copyright law, granting full copyright protection for sound recordings. The Recording Industry Association of America estimated the value of this case at \$500 million in annual sales.⁵⁷³

⁵⁷³ Testimony of Ambassador Charlene Barshefsky - U.S. Trade Representative, *U.S. Interests and Experience in the WTO Dispute Settlement System*, (20 June 2000), p. 5, available at <http://www.state.gov/documents/organization/65886.pdf>.

b) In addition to granting protection in the large Japanese market, the United States industry representative cited this case as useful in securing retroactive protection in other countries for sound recordings and classic motion pictures. The United States recorded music industry had informed the *United State Trade Representative* (“USTR”) that its world - wide foreign sales were over \$15 billion in 1995.⁵⁷⁴

c) Some commentators have highlighted that many of the early TRIPS cases (DS 28 and DS42 *Japan - Sound Recordings*, DS 50 and DS 79 *India - Patents I and II*, DS36 *Pakistan - Patent Protection for Pharmaceutical and Agricultural Chemical Products*, DS 170 *Canada - Terms of Patent Protection*) shared a common feature: they concerned transitional arrangements.⁵⁷⁵

d) The DS 28 and DS42 *Japan - Sound Recordings* cases have been considered in the context of what should be intended as a mutually agreed solution: whether it should be a final settlement of the dispute or just an interim settlement. Both types of agreement have been notified by WTO Members under Article 3.6 of the Dispute Settlement Understanding, containing general provisions on dispute settlement. However, while in the *Japan - Sound Recordings* cases, the parties declared a solution only after an amendment was made to the Japanese copyright law, in other cases (such as *DS 171 Argentina - Patent Protection for Pharmaceuticals and Test data Protection for Agricultural Chemicals*, and *DS 196 Argentina - Certain Measures on the Protection of Patents and Test Data*) a mutually agreed solution between Argentina and the United States over the former’s patent law was already notified before any amendment and made subject to subsequent domestic implementation.⁵⁷⁶

e) Although the *Japan - Sound Recordings* cases concerned claims brought under the TRIPS Agreement, the WTO regime overall provides a highly relevant and sophisticated framework for the audiovisual sector beyond the TRIPS Agreement. On the one hand, the *General Agreement on Trade in Services* (GATS) aims at liberalizing trade in services, including audiovisual services. On the other, the *General Agreement on Tariffs and Trade* (GATT) and other WTO Agreements have a potential bearing on the sector.⁵⁷⁷

⁵⁷⁴ United States General Accounting Office, *World Trade Organization - Issues in Dispute Settlement*, GAO Report to the Chairman, Committee on Ways and Means, House of Representatives, (August 2000), p. 99, available at http://books.google.fr/books?id=x_kZpaTh6qQC&pg=PA99&lpg=PA99&dq=WTO+Japan+sound+recordings&source=bl&ots=2F4M7k2D5k&sig=WY7A4Va7JcYcf8Rln0-koGovgfw&hl=fr&sa=X&ei=g1z_U-q4HqGhyAOD9ICACA&ved=0CFgQ6AEwBg#v=onepage&q=WTO%20Japan%20sound%20recordings&f=false.

⁵⁷⁵ A. Taubman, H. Wager, J. Watal, *A Handbook on the WTO TRIPS Agreement*, (Cambridge University Press: 2012, UK), p. 166, available at <http://books.google.fr/books?id=3N9rlmf2xf4C&pg=PA175&lpg=PA175&dq=WTO+DS+28+japan+sound+recordings&source=bl&ots=Pypl6jOutt&sig=GlmnEvze9IVoAvzzMqbuC-3WQsg&hl=fr&sa=X&ei=EA0EVOKEGcPqaLGagNgG&ved=0CFEQ6AEwBg#v=onepage&q=sound%20recordings&f=false>.

⁵⁷⁶ W. Alschner, *Amicable Settlements of WTO Disputes: Bilateral Solutions in a Multilateral System*, World Trade Review, (March 2014), p. 21, available at http://graduateinstitute.ch/files/live/sites/iheid/files/sites/ctei/shared/CTEI/people/students/Wolfgang%20Alschner/Alschner_Amicable%20Settlements%20of%20WTO%20disputes.pdf.

⁵⁷⁷ A. BevigliaZampetti, *WTO Rules in the Audio - Visual Sector*, Hamburgisches Welt - Wirtschafts - Archiv (HWWA), 2003, available at <http://ageconsearch.umn.edu/bitstream/26051/1/re030229.pdf>.

Ireland - Measures Affecting the Grant of Copyright and Neighboring Rights

European Communities - Measures Affecting the Grant of Copyright and Neighboring Rights

IP/D/8WT/DS82 - WT/DS82/2

IP/D/12WT/DS115 - WT/DS82/3

General background of the case

On 14 May 1997, the United States requested consultations with Ireland with regard to the grant of copyright and neighboring rights under Irish law (WT/DS82). Later, on 6 January 1998, the United States requested consultations with the European Communities with regard to the same matter dealt with in previous consultations (the grant of copyright and neighboring rights under Irish law, WT/DS115).

The main concern of the United States was that Ireland and the European Communities complied with their obligations under the TRIPS Agreement to provide copyright and neighboring rights in accordance with Section 1 of Part II of the Agreement, on copyright and related rights, and the related provisions in Article 70 of the TRIPS Agreement. Ireland did not grant copyright and neighboring rights in accordance with its obligations under the TRIPS Agreement.

According to the United States, Ireland and the European Communities were in violation of their obligations under the TRIPS Agreement including, but not limited to: i) Their obligations in respect of the protection of copyright and related rights under Article 9 through 14 of the TRIPS Agreement. ii) Their obligations in respect of the enforcement of intellectual property rights, with specific regard to the general obligations under Article 41 of the TRIPS Agreement, and the obligations on civil and administrative procedures and remedies under Article 42 through 48 of the TRIPS Agreement.⁵⁷⁸ iii) Their obligations to provide criminal procedures and penalties at least in cases of willful copyright piracy on a commercial scale under Article 61 of the TRIPS Agreement.⁵⁷⁹ iv) Their obligations in respect of transparency under Article 63 of the TRIPS Agreement. v) Their obligation to apply the TRIPS Agreement on 1 January 1996 under Article 65 of the TRIPS Agreement. vi) Their obligation to protect subject matter existing at the date of application of the Agreement under Article 70 of the TRIPS Agreement.

Legal basis of the case: related provisions in the TRIPS Agreement

Article 9 of the TRIPS Agreement, Relation to the Berne Convention:

⁵⁷⁸ As indicated by the United States in its request for establishment of a panel, but not in its request for consultations.

⁵⁷⁹ As indicated by the United States in its request for establishment of a panel, but not in its request for consultations.

“1. Members shall comply with Articles 1 through 21 of the Berne Convention (1971) and the Appendix thereto. However, Members shall not have rights or obligations under this Agreement in respect of the rights conferred under Article 6bis of that Convention or of the rights derived therefrom.

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

Article 10 of the TRIPS Agreement, Computer Programs and Compilations of Data:

“1. Computer programs, whether in source or object code, shall be protected as literary works under the Berne Convention (1971).

2. Compilations of data or other material, whether in machine readable or other form, which by reason of the selection or arrangement of their contents constitute intellectual creations shall be protected as such. Such protection, which shall not extend to the data or material itself, shall be without prejudice to any copyright subsisting in the data or material itself.”

Article 11 of the TRIPS Agreement, Rental Rights:

“In respect of at least computer programs and cinematographic works, a Member shall provide authors and their successors in title the right to authorize or to prohibit the commercial rental to the public of originals or copies of their copyright works. A Member shall be excepted from this obligation in respect of cinematographic works unless such rental has led to widespread copying of such works which is materially impairing the exclusive right of reproduction conferred in that Member on authors and their successors in title. In respect of computer programs, this obligation does not apply to rentals where the program itself is not the essential object of the rental.”

Article 12 of the TRIPS Agreement, Term of Protection:

“Whenever the term of protection of a work, other than a photographic work or a work of applied art, is calculated on a basis other than the life of a natural person, such term shall be no less than 50 years from the end of the calendar year of authorized publication, or, failing such authorized publication within 50 years from the making of the work, 50 years from the end of the calendar year of making.”

Article 13 of the TRIPS Agreement, Limitations and Exceptions:

“Members shall confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder.”

Article 14 of the TRIPS Agreement, Protection of Performers, Producers of Phonograms (Sound Recordings) and Broadcasting Organizations:

“1. In respect of a fixation of their performance on a phonogram, performers shall have the possibility of preventing the following acts when undertaken without their authorization: the fixation of their unfixed performance and the reproduction of such fixation. Performers shall also have the possibility of preventing the following acts when undertaken without their authorization: the broadcasting by wireless means and the communication to the public of their live performance.

2. Producers of phonograms shall enjoy the right to authorize or prohibit the direct or indirect reproduction of their phonograms.

3. Broadcasting organizations shall have the right to prohibit the following acts when undertaken without their authorization: the fixation, the reproduction of fixations, and the rebroadcasting by wireless means of broadcasts, as well as the communication to the public of television broadcasts of the same. Where Members do not grant such rights to broadcasting organizations, they shall provide owners of copyright in the subject matter of broadcasts with the possibility of preventing the above acts, subject to the provisions of the Berne Convention (1971).

4. The provisions of Article 11 in respect of computer programs shall apply *mutatis mutandis* to producers of phonograms and any other right holders in phonograms as determined in a Member's law. If on 15 April 1994 a Member has in force a system of equitable remuneration of right holders in respect of the rental of phonograms, it may maintain such system provided that the commercial rental of phonograms is not giving rise to the material impairment of the exclusive rights of reproduction of right holders.

5. The term of the protection available under this Agreement to performers and producers of phonograms shall last at least until the end of a period of 50 years computed from the end of the calendar year in which the fixation was made or the performance took place. The term of protection granted pursuant to paragraph 3 shall last for at least 20 years from the end of the calendar year in which the broadcast took place.

6. Any Member may, in relation to the rights conferred under paragraphs 1, 2 and 3, provide for conditions, limitations, exceptions and reservations to the extent permitted by the Rome Convention. However, the provisions of Article 18 of the Berne Convention (1971) shall also apply, *mutatis mutandis*, to the rights of performers and producers of phonograms in phonograms."

Article 41 of the TRIPS Agreement (Section 1: General Obligations):

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

2. Procedures concerning the enforcement of intellectual property rights shall be fair and equitable. They shall not be unnecessarily complicated or costly, or entail unreasonable time limits or unwarranted delays.

3. Decisions on the merits of a case shall preferably be in writing and reasoned. They shall be made available at least to the parties to the proceeding without undue delay. Decisions on the merits of a case shall be based only on evidence in respect of which parties were offered the opportunity to be heard.

4. *Parties to a proceeding shall have an opportunity for review by a judicial authority of final administrative decisions and, subject to jurisdictional provisions in a Member's law concerning the importance of a case, of at least the legal aspects of initial judicial decisions on the merits of a case. However, there shall be no obligation to provide an opportunity for review of acquittals in criminal cases.*

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

Article 42 of the TRIPS Agreement, Fair and Equitable Procedures:

"Members shall make available to right holders civil judicial procedures concerning the enforcement of any intellectual property right covered by this Agreement. Defendants shall have the right to written notice which is timely and contains sufficient detail, including the basis of the claims. Parties shall be allowed to be represented by independent legal counsel, and procedures shall not impose overly burdensome requirements concerning mandatory personal appearances. All parties to such procedures shall be duly entitled to substantiate their claims and to present all relevant evidence. The procedure shall provide a means to identify and protect confidential information, unless this would be contrary to existing constitutional requirements."

Article 43 of the TRIPS Agreement, Evidence:

"1. The judicial authorities shall have the authority, where a party has presented reasonably available evidence sufficient to support its claims and has specified evidence relevant to substantiation of its claims which lies in the control of the opposing party, to order that this evidence be produced by the opposing party, subject in appropriate cases to conditions which ensure the protection of confidential information.

2. In cases in which a party to a proceeding voluntarily and without good reason refuses access to, or otherwise does not provide necessary information within a reasonable period, or significantly impedes a procedure relating to an enforcement action, a Member may accord judicial authorities the authority to make preliminary and final determinations, affirmative or negative, on the basis of the information presented to them, including the complaint or the allegation presented by the party adversely affected by the denial of access to information, subject to providing the parties an opportunity to be heard on the allegations or evidence."

Article 44 of the TRIPS Agreement, Injunctions:

"1. The judicial authorities shall have the authority to order a party to desist from an infringement, inter alia to prevent the entry into the channels of commerce in their jurisdiction of imported goods that involve the infringement of an intellectual property right, immediately after customs clearance of such goods. Members are not obliged to accord such authority in respect of protected subject

matter acquired or ordered by a person prior to knowing or having reasonable grounds to know that dealing in such subject matter would entail the infringement of an intellectual property right.

2. Notwithstanding the other provisions of this Part and provided that the provisions of Part II specifically addressing use by governments, or by third parties authorized by a government, without the authorization of the right holder are complied with, Members may limit the remedies available against such use to payment of remuneration in accordance with subparagraph (h) of Article 31. In other cases, the remedies under this Part shall apply or, where these remedies are inconsistent with a Member's law, declaratory judgments and adequate compensation shall be available."

Article 45 of the TRIPS Agreement, Damages:

"1. The judicial authorities shall have the authority to order the infringer to pay the right holder damages adequate to compensate for the injury the right holder has suffered because of an infringement of that person's intellectual property right by an infringer who knowingly, or with reasonable grounds to know, engaged in infringing activity.

2. The judicial authorities shall also have the authority to order the infringer to pay the right holder expenses, which may include appropriate attorney's fees. In appropriate cases, Members may authorize the judicial authorities to order recovery of profits and/or payment of pre - established damages even where the infringer did not knowingly, or with reasonable grounds to know, engage in infringing activity."

Article 46 of the TRIPS Agreement, Other Remedies:

"In order to create an effective deterrent to infringement, the judicial authorities shall have the authority to order that goods that they have found to be infringing be, without compensation of any sort, disposed of outside the channels of commerce in such a manner as to avoid any harm caused to the right holder, or, unless this would be contrary to existing constitutional requirements, destroyed. The judicial authorities shall also have the authority to order that materials and implements the predominant use of which has been in the creation of the infringing goods be, without compensation of any sort, disposed of outside the channels of commerce in such a manner as to minimize the risks of further infringements. In considering such requests, the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of third parties shall be taken into account. In regard to counterfeit trademark goods, the simple removal of the trademark unlawfully affixed shall not be sufficient, other than in exceptional cases, to permit release of the goods into the channels of commerce."

Article 47 of the TRIPS Agreement, Right of Information:

"Members may provide that the judicial authorities shall have the authority, unless this would be out of proportion to the seriousness of the infringement, to order the infringer to inform the right holder of the identity of third persons involved in the production and distribution of the infringing goods or services and of their channels of distribution."

Article 48 of the TRIPS Agreement, Indemnification of the Defendant:

“1. The judicial authorities shall have the authority to order a party at whose request measures were taken and who has abused enforcement procedures to provide to a party wrongfully enjoined or restrained adequate compensation for the injury suffered because of such abuse. The judicial authorities shall also have the authority to order the applicant to pay the defendant expenses, which may include appropriate attorney's fees.

2. In respect of the administration of any law pertaining to the protection or enforcement of intellectual property rights, Members shall only exempt both public authorities and officials from liability to appropriate remedial measures where actions are taken or intended in good faith in the course of the administration of that law.”

Article 61 of the TRIPS Agreement (Section 5: Criminal Procedures):

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

Article 63 of the TRIPS Agreement, Transparency:

“1. Laws and regulations, and final judicial decisions and administrative rulings of general application, made effective by a Member pertaining to the subject matter of this Agreement (the availability, scope, acquisition, enforcement and prevention of the abuse of intellectual property rights) shall be published, or where such publication is not practicable made publicly available, in a national language, in such a manner as to enable governments and right holders to become acquainted with them. Agreements concerning the subject matter of this Agreement which are in force between the government or a governmental agency of a Member and the government or a governmental agency of another Member shall also be published.

2. Members shall notify the laws and regulations referred to in paragraph 1 to the Council for TRIPS in order to assist that Council in its review of the operation of this Agreement. The Council shall attempt to minimize the burden on Members in carrying out this obligation and may decide to waive the obligation to notify such laws and regulations directly to the Council if consultations with WIPO on the establishment of a common register containing these laws and regulations are successful. The Council shall also consider in this connection any action required regarding notifications pursuant to the obligations under this Agreement stemming from the provisions of Article 6ter of the Paris Convention (1967).

3. Each Member shall be prepared to supply, in response to a written request from another Member, information of the sort referred to in paragraph 1. A Member, having reason to believe that a specific judicial decision or administrative ruling or bilateral agreement in the area of

intellectual property rights affects its rights under this Agreement, may also request in writing to be given access to or be informed in sufficient detail of such specific judicial decisions or administrative rulings or bilateral agreements.

4. Nothing in paragraphs 1, 2 and 3 shall require Members to disclose confidential information which would impede law enforcement or otherwise be contrary to the public interest or would prejudice the legitimate commercial interests of particular enterprises, public or private.”

Article 65 of the TRIPS Agreement, Transitional Arrangements:

“1. Subject to the provisions of paragraphs 2, 3 and 4, no Member shall be obliged to apply the provisions of this Agreement before the expiry of a general period of one year following the date of entry into force of the WTO Agreement.

2. A developing country Member is entitled to delay for a further period of four years the date of application, as defined in paragraph 1, of the provisions of this Agreement other than Articles 3, 4 and 5.

3. Any other Member which is in the process of transformation from a centrally - planned into a market, free - enterprise economy and which is undertaking structural reform of its intellectual property system and facing special problems in the preparation and implementation of intellectual property laws and regulations, may also benefit from a period of delay as foreseen in paragraph 2.

4. To the extent that a developing country Member is obliged by this Agreement to extend product patent protection to areas of technology not so protectable in its territory on the general date of application of this Agreement for that Member, as defined in paragraph 2, it may delay the application of the provisions on product patents of Section 5 of Part II to such areas of technology for an additional period of five years.

5. A Member availing itself of a transitional period under paragraphs 1, 2, 3 or 4 shall ensure that any changes in its laws, regulations and practice made during that period do not result in a lesser degree of consistency with the provisions of this Agreement.”

Article 70 of the TRIPS Agreement, Protection of Existing Subject Matter:

“1. This Agreement does not give rise to obligations in respect of acts which occurred before the date of application of the Agreement for the Member in question.

2. Except as otherwise provided for in this Agreement, this Agreement gives rise to obligations in respect of all subject matter existing at the date of application of this Agreement for the Member in question, and which is protected in that Member on the said date, or which meets or comes subsequently to meet the criteria for protection under the terms of this Agreement. In respect of this paragraph and paragraphs 3 and 4, copyright obligations with respect to existing works shall be solely determined under Article 18 of the Berne Convention (1971), and obligations with respect to the rights of producers of phonograms and performers in existing phonograms shall be determined solely under Article 18 of the Berne Convention (1971) as made applicable under paragraph 6 of Article 14 of this Agreement.

3. *There shall be no obligation to restore protection to subject matter which on the date of application of this Agreement for the Member in question has fallen into the public domain.*

4. *In respect of any acts in respect of specific objects embodying protected subject matter which become infringing under the terms of legislation in conformity with this Agreement, and which were commenced, or in respect of which a significant investment was made, before the date of acceptance of the WTO Agreement by that Member, any Member may provide for a limitation of the remedies available to the right holder as to the continued performance of such acts after the date of application of this Agreement for that Member. In such cases the Member shall, however, at least provide for the payment of equitable remuneration.*

5. *A Member is not obliged to apply the provisions of Article 11 and of paragraph 4 of Article 14 with respect to originals or copies purchased prior to the date of application of this Agreement for that Member.*

6. *Members shall not be required to apply Article 31, or the requirement in paragraph 1 of Article 27 that patent rights shall be enjoyable without discrimination as to the field of technology, to use without the authorization of the right holder where authorization for such use was granted by the government before the date this Agreement became known.*

7. *In the case of intellectual property rights for which protection is conditional upon registration, applications for protection which are pending on the date of application of this Agreement for the Member in question shall be permitted to be amended to claim any enhanced protection provided under the provisions of this Agreement. Such amendments shall not include new matter.*

8. *Where a Member does not make available as of the date of entry into force of the WTO Agreement patent protection for pharmaceutical and agricultural chemical products commensurate with its obligations under Article 27, that Member shall:*

(a) notwithstanding the provisions of Part VI, provide as from the date of entry into force of the WTO Agreement a means by which applications for patents for such inventions can be filed;

(b) apply to these applications, as of the date of application of this Agreement, the criteria for patentability as laid down in this Agreement as if those criteria were being applied on the date of filing in that Member or, where priority is available and claimed, the priority date of the application; and

(c) provide patent protection in accordance with this Agreement as from the grant of the patent and for the remainder of the patent term, counted from the filing date in accordance with Article 33 of this Agreement, for those of these applications that meet the criteria for protection referred to in subparagraph (b).

9. *Where a product is the subject of a patent application in a Member in accordance with paragraph 8(a), exclusive marketing rights shall be granted, notwithstanding the provisions of Part VI, for a period of five years after obtaining marketing approval in that Member or until a product patent is granted or rejected in that Member, whichever period is shorter, provided that,*

subsequent to the entry into force of the WTO Agreement, a patent application has been filed and a patent granted for that product in another Member and marketing approval obtained in such other Member.”

Mutually agreed solution:

On 9 January 1998, the United States requested the establishment of a common panel in respect of both requests for consultations (WT/DS82 and WT/DS115). However, on 6 November 2000, the United States, Ireland and the European Communities notified the Dispute Settlement Body a mutually agreed solution. The parties agreed that Ireland would have first passed a bill on an expedited basis to address enforcement issues, and would have then amended its copyright law in conformity with the TRIPS Agreement. In particular, Ireland would have implemented a copyright law by the end of December 2000.

The matter was therefore withdrawn from further attention under the provisions of the Dispute Settlement Understanding.

Further development related to the case:

a) The two cases *DS82 Ireland - Copyright* and *DS 115 European Communities - Copyright* share a common feature with the two subsequent cases *DS 124 European Communities - Enforcement of Intellectual Property Rights for Motion Pictures and Television Programs* and *DS 125 Greece - Enforcement of Intellectual Property Rights for Motion Pictures and Television Programs*. In both situations, two matters led to the initiation of four disputes: the same complainant (the United States) brought the same complaint twice, once against to the European Communities and the other against one of their Member States.⁵⁸⁰

b) It has been highlighted that, with regard to the United States requests for consultations against the European Communities in the WTO dispute settlement system, the United States has been most successful in reaching a mutually agreed solution in its cases under the TRIPS Agreement. This could have been related to the European Communities themselves being happy to see the various EC Member States bring their intellectual property laws into TRIPS compliance.⁵⁸¹

c) The two cases (*DS 82 Ireland - Copyright* and *DS 115 European Communities - Copyright*) are among those that have drawn the attention of the academic community in the context of the tension between global trade liberalization and the pursuit of cultural policies by national governments. Immediately after the mutually agreed solution was reached, the analysis of the relevant cases has led to forecast an increased friction in the future between domestic laws and

⁵⁸⁰ C.M. Correa, A. Yusuf (Eds.), *Intellectual Property and International Trade: The TRIPS Agreement*, (Kluwer Law International: 2008, The Netherlands), p. 338, Footnote 9.

⁵⁸¹ W. J. Davey, *The WTO Dispute Settlement System: The First Ten Years*, *Journal of International Economic Law*, Vol. 8 No. 1, (2005), p. 30, available at <http://www.turin-ip.com/course-documents/documents-2007/2013-edition/patents-ii/j-davey-the-wto-dispute-settlement-system-the-first-ten-years>.

policies on the one side, and the WTO Agreements and other international obligations in the field of intellectual property protection, trade and culture.⁵⁸²

⁵⁸² M.E. Footer, C. B. Graber, *Trade Liberalization and Cultural Policy*, Journal of International Economic Law, Vol.3 No.1, (2000), available at http://www.contentupdate.net/uniladmin/web/unilu/files/jielfinal_footer.pdf.

V. WTO Cases Concerning IPR Enforcement and other issues

European Union and a Member State - Seizure of generic Drugs in Transit

IP/D/28WT/DS408

IP/D/29WT/DS409

General background of the case: European Union and a Member State - Seizure of generic Drugs in Transit (WT/DS408)

On 11 May 2010, India requested consultations with the European Union and the Netherlands with regard to the repeated seizure of consignments of generic drugs originating in India at ports and airports in the Netherlands.

The main concern of India was that the European Union and the Netherlands complied with their obligations under the WTO Agreement and the Agreements annexed thereto, in particular the TRIPS Agreement. Consignments of generic drugs manufactured in India had been seized in the Netherlands while they were in transit to third country destinations. The generic drugs had been seized on the ground of alleged infringements of patents and had been treated as if they had been manufactured in the Netherlands.⁵⁸³ These consignments were initially detained and later, either destroyed or returned to India. Only in a few cases they reached the destination country after considerable delay.

According to India, the European Union and the Netherlands⁵⁸⁴ had violated their obligations under the WTO Agreements including, but not limited to: i) the obligations in respect of the freedom of transit stemming from the cumulative reading of Article 28 of the TRIPS Agreement,

⁵⁸³ The so - called "manufacturing fiction".

⁵⁸⁴ The measures at issue included the reiterated conduct and practice of seizing generic drugs in transit on the ground of alleged patent infringement and the following, among other, laws, rules, regulations, guidelines, and administrative practices of the EU and of the Netherlands but only to the extent that they authorized or required the seizure or destruction of drugs in transit on the ground of alleged patent infringement: (a) Council Regulation (EC) No. 1383/2003 of 22 July 2003; (b) Commission Regulation (EC) No. 1891/2004 of 21 October 2004; (c) Council Regulation (EEC) No 2913/92 of 12 October 1992; (d) Directive 2004/48/EC of the European Parliament and of the Council of April 2004; (e) Regulation (EC) No 816/2006 of the European Parliament and of the Council of 17 May 2006; (f) Relevant provisions of the Patents Act of the Kingdom of the Netherlands, 1995 (*Rijsoctrooiwet 1995*) (the "Patents Act"), as amended, including, without limitation, the provisions of Chapter IV thereof, especially Articles 53 and 79, and relevant rules, regulations, guidelines and administrative practices; (g) Relevant provisions of the General Customs Act of the Netherlands (*de Algemene douanewet (Adw)*) (the "Customs Act"), as amended, including, without limitation, Articles 5 and 11 and relevant rules, regulations, guidelines and administrative practices; (h) Customs Manual VGEM (30.05.00 Intellectual Property Rights, Version 3.1) (*Douane Handboek VGEM, 30.05.00 Intellectuele eigendomsrechten, 6 April 2009, Versie 3.1*) including, without limitation, the provisions of Chapter 6 and of other relevant Chapters; (i) The Public Prosecutor's Office Guide to Intellectual Property Fraud 20005 A022 of 1 February 2006 (*Aanwijzing intellectuele eigendomsfraude 2005 A022*) and the Public Prosecutor's Office Directive (2005R013); (j) Relevant provisions of the Criminal Code of the Netherlands (*Het Nederlandse Wetboek van Strafrecht*) including, without limitation, the provisions of Article 337, and relevant rules, regulations, guidelines and administrative practices; and (k) Relevant provisions of the Criminal Procedure Code of the Netherlands and relevant rules, regulations, guidelines and administrative practices. The claim covered also any amendments, replacements, extensions, implementing measures and any other related measures with respect to the laws, rules, regulations, guidelines and administrative practices of the EU and the Netherlands set forth above.

Article 2 of the TRIPS Agreement, Article 4bis of the *Paris Convention for the Protection of Industrial Property* (the "Paris Convention") and the last sentence of paragraph 6(i) of the *Decision of the General Council of 30 August 2003 on the Implementation of Paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health*. ii) The obligation to respect other uses of the subject matter of a patent without the authorization of the right holder under Article 31 of the TRIPS Agreement read together with the provisions of the *Decision of the General Council of 30 August 2003 on the Implementation of Paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health*. iii) The general obligations on the enforcement of intellectual property rights under Articles 41 of the TRIPS Agreement and the specific obligations on fair and equitable civil and administrative procedures and remedies under Article 42 of the TRIPS Agreement. iv) The obligation to interpret the above-mentioned provisions taking into consideration the necessity for developing and least - developed countries to protect public health and to provide access to medicines for all, in light of the objectives and principles set forth in Articles 7 and 8 of the TRIPS Agreement, the *Doha Ministerial Declaration on the TRIPS Agreement and Public Health* adopted on 14 November 2001 and Article 12 (1) of the *International Covenant of Economic, Social and Cultural Rights*. v) Their obligations under the *General Agreement on Tariffs and Trade* (GATT 1994).

General background of the case: European Union and a Member State - Seizure of generic Drugs in Transit (WT/DS409)

On 12 May 2010, Brazil requested consultations with the European Union and the Netherlands with regard to the repeated seizure of consignments of generic drugs originating in India at ports and airports in the Netherlands.

The main concern of Brazil was that the European Union and the Netherlands⁵⁸⁵ complied with their obligations under the WTO Agreement and the Agreements annexed thereto, in particular

⁵⁸⁵ The measure at issue included: (a) Council Regulation (EC) No. 1383/2003 of 22 July 2003; (b) Commission Regulation (EC) No. 1891/2004 of 21 October 2004; (c) Council Regulation (EEC) No 2913/92 of 12 October; (d) Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004; (e) Regulation (EC) No 816/2006 of the European Parliament and of the Council of 17 May 2006; (f) Relevant provisions of the Patents Act of the Kingdom of the Netherlands, 1995 (Rijksoctrooiwet 1995) (the "Patents Act"), as amended, including, but not limited to, the provisions of Chapter IV thereof, especially Articles 53 and 79, and relevant rules, regulations, guidelines and administrative practices; (g) Relevant provisions of the General Customs Act of the Netherlands (de Algemene douanewet (Adw)) (the "Customs Act"), as amended, including, but not limited to, Articles 5 and 11 and relevant rules, regulations, guidelines and administrative practices; (h) Customs Manual VGEM (30.05.00 Intellectual Property Rights, Version 3.1)(Douane Handboek VGEM, 30.05.00 Intellectuele eigendomsrechten, 6 April 2009, Versie 3.1) including, but not limited to, the provisions of Chapter 6 and of other relevant Chapters; (i) The Public Prosecutor's Office Guide to Intellectual Property Fraud 20005A022 of 1 February 2006 (Aanwijzing intellectuele eigendomsfraude 2005A022) and the Public Prosecutor's Office Directive (2005 R013); (l) Relevant provisions of the Criminal Code of the Netherlands (Het Nederlandse Wetboek van Strafrecht) including, but not limited to, the provisions of Article 337, and relevant rules, regulations, guidelines and administrative practices; (m) Relevant provisions of the Criminal Procedure Code of the Netherlands and relevant rules, regulations, guidelines and administrative practices; and, (n) Court decisions in the Netherlands 5 finding that goods in transit infringe patents (or supplementary protection certificates) in the Netherlands, including, but not limited to, due to the operation of a legal fiction pursuant to which the legal status of goods in transit is to be assessed *as if* they had been manufactured in the Netherlands.

the TRIPS Agreement. Many of the seized consignments of generic drugs originating in India were destined to Brazil. Under EC Regulation 1383/2000, customs action could have been taken against goods suspected of infringing or found to have infringed intellectual property rights, without taking into account the potential existence of patents on these goods (medicines included) in the countries of origin and destination. This Regulation, as such and as applied in the specific case under discussion, together with other legal, administrative or judicial measures⁵⁸⁶ had led to the seizure, among others, of a shipment of Losartan Potassium by the Dutch authorities. Further, the seizure of goods or the restriction of the passage of goods in transit which appeared to infringe patents (or supplementary protection certificates) was apparently based on a rule of general and prospective application in force in the European Union and the Netherlands. This was in violation of the WTO Agreement and the Agreements annexed thereto.

According to Brazil, the European Union and the Netherlands had violated their obligations under the WTO Agreements including, but not limited to: i) their obligations to give effect to the provisions of the Agreement under Articles 1.1 of the TRIPS Agreement and to comply with Articles 1 through 12, and 19, of the *Paris Convention for the Protection of Industrial Property* ("Paris Convention"). ii) Their obligations in respect of the independence of patents obtained for the same invention in different countries under Article 4*bis* of the Paris Convention. iii) Their obligations in respect of the exclusive rights that a patent has to confer on its owner under Article 28 of the TRIPS Agreement and the obligation to respect other uses of the subject matter of a patent without the authorization of the right holder under Article 31 of the TRIPS Agreement. iv) Their obligations to ensure that enforcement procedures were available under their laws so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement under Article 41 the TRIPS Agreement. v) Their obligations to make available to right holders civil judicial procedures concerning the enforcement of any intellectual property right covered by this Agreement under Article 42 of the TRIPS Agreement. vi) Their obligations to respect the principle of Section 2 of the TRIPS Agreement on civil and administrative procedures and remedies and their obligations in respect of administrative procedures under Article 49 of the TRIPS Agreement. vii) Their obligation to grant judicial authorities the authority to order prompt and effective provisional measures under Article 50.3, 50.7 and 50.8 of the TRIPS Agreement. viii) Their obligations in respect of special requirements related to border measures under Articles 51, 52, 53.1, 53.2, 54, 55, 58 (b), and 59 of the TRIPS Agreement. ix) Their obligations under the *Marrakesh Agreement Establishing the World Trade Organization* and the *General Agreement on Tariffs and Trade*.

Legal basis of the case: related provisions in the TRIPS Agreement

Article 1 of the TRIPS Agreement, Nature and Scope of Obligations:

⁵⁸⁶ Including the Patents Act of the Kingdom of the Netherlands of 13 December 1994, as such and as applied in this specific case.

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

Article 2 of the TRIPS Agreement, Intellectual Property Conventions:

“1. In respect of Parts II, III and IV of this Agreement, Members shall comply with Articles 1 through 12, and Article 19, of the Paris Convention (1967).

2. Nothing in Parts I to IV of this Agreement shall derogate from existing obligations that Members may have to each other under the Paris Convention, the Berne Convention, the Rome Convention and the Treaty on Intellectual Property in Respect of Integrated Circuits.”

Article 7 of the TRIPS Agreement, Objectives:

“The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations.”

Article 8 of the TRIPS Agreement, Principles:

“1. Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio - economic and technological development, provided that such measures are consistent with the provisions of this Agreement.

2. Appropriate measures, provided that they are consistent with the provisions of this Agreement, may be needed to prevent the abuse of intellectual property rights by right holders or the resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology.”

Article 28 of the TRIPS Agreement, Rights Conferred:

“1. A patent shall confer on its owner the following exclusive rights:

(a) where the subject matter of a patent is a product, to prevent third parties not having the owner's consent from the acts of: making, using, offering for sale, selling, or importing (6) for these purposes that product;

(b) where the subject matter of a patent is a process, to prevent third parties not having the owner's consent from the act of using the process, and from the acts of: using, offering for sale, selling, or importing for these purposes at least the product obtained directly by that process.

2. Patent owners shall also have the right to assign, or transfer by succession, the patent and to conclude licensing contracts.”

Article 31 of the TRIPS Agreement, Other Use Without Authorization of the Right Holder:

“Where the law of a Member allows for other use of the subject matter of a patent without the authorization of the right holder, including use by the government or third parties authorized by the government, the following provisions shall be respected:

(a) Authorization of such use shall be considered on its individual merits;

(b) such use may only be permitted if, prior to such use, the proposed user has made efforts to obtain authorization from the right holder on reasonable commercial terms and conditions and that such efforts have not been successful within a reasonable period of time. This requirement may be waived by a Member in the case of a national emergency or other circumstances of extreme urgency or in cases of public non - commercial use. In situations of national emergency or other circumstances of extreme urgency, the right holder shall, nevertheless, be notified as soon as reasonably practicable. In the case of public non - commercial use, where the government or contractor, without making a patent search, knows or has demonstrable grounds to know that a valid patent is or will be used by or for the government, the right holder shall be informed promptly;

(c) the scope and duration of such use shall be limited to the purpose for which it was authorized, and in the case of semi - conductor technology shall only be for public non - commercial use or to remedy a practice determined after judicial or administrative process to be anti - competitive;

(d) such use shall be non - exclusive;

(e) such use shall be non - assignable, except with that part of the enterprise or goodwill which enjoys such use;

(f) any such use shall be authorized predominantly for the supply of the domestic market of the Member authorizing such use;

(g) authorization for such use shall be liable, subject to adequate protection of the legitimate interests of the persons so authorized, to be terminated if and when the circumstances which led to it cease to exist and are unlikely to recur. The competent authority shall have the authority to review, upon motivated request, the continued existence of these circumstances;

(h) the right holder shall be paid adequate remuneration in the circumstances of each case, taking into account the economic value of the authorization;

(i) the legal validity of any decision relating to the authorization of such use shall be subject to judicial review or other independent review by a distinct higher authority in that Member;

(j) any decision relating to the remuneration provided in respect of such use shall be subject to judicial review or other independent review by a distinct higher authority in that Member;

(k) Members are not obliged to apply the conditions set forth in subparagraphs (b) and (f) where such use is permitted to remedy a practice determined after judicial or administrative process to be anti - competitive. The need to correct anti - competitive practices may be taken into account in determining the amount of remuneration in such cases. Competent authorities shall have the

authority to refuse termination of authorization if and when the conditions which led to such authorization are likely to recur;

(l) where such use is authorized to permit the exploitation of a patent (“the second patent”) which cannot be exploited without infringing another patent (“the first patent”), the following additional conditions shall apply:

(i) the invention claimed in the second patent shall involve an important technical advance of considerable economic significance in relation to the invention claimed in the first patent;

(ii) the owner of the first patent shall be entitled to a cross - license on reasonable terms to use the invention claimed in the second patent; and

(iii) the use authorized in respect of the first patent shall be non - assignable except with the assignment of the second patent.”

Article 41 of the TRIPS Agreement (Section 1: General Obligations):

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

2. Procedures concerning the enforcement of intellectual property rights shall be fair and equitable. They shall not be unnecessarily complicated or costly, or entail unreasonable time - limits or unwarranted delays.

3. Decisions on the merits of a case shall preferably be in writing and reasoned. They shall be made available at least to the parties to the proceeding without undue delay. Decisions on the merits of a case shall be based only on evidence in respect of which parties were offered the opportunity to be heard.

4. Parties to a proceeding shall have an opportunity for review by a judicial authority of final administrative decisions and, subject to jurisdictional provisions in a Member's law concerning the importance of a case, of at least the legal aspects of initial judicial decisions on the merits of a case. However, there shall be no obligation to provide an opportunity for review of acquittals in criminal cases.

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

Article 42 of the TRIPS Agreement, Fair and Equitable Procedures:

“Members shall make available to right holders civil judicial procedures concerning the enforcement of any intellectual property right covered by this Agreement. Defendants shall have the right to written notice which is timely and contains sufficient detail, including the basis of the claims. Parties shall be allowed to be represented by independent legal counsel, and procedures shall not impose overly burdensome requirements concerning mandatory personal appearances. All parties to such procedures shall be duly entitled to substantiate their claims and to present all relevant evidence. The procedure shall provide a means to identify and protect confidential information, unless this would be contrary to existing constitutional requirements.”

Article 49 of the TRIPS Agreement, Administrative Procedures:

“To the extent that any civil remedy can be ordered as a result of administrative procedures on the merits of a case, such procedures shall conform to principles equivalent in substance to those set forth in this Section.”

Article 51 of the TRIPS Agreement, Suspension of Release by Customs Authorities:

“Members shall, in conformity with the provisions set out below, adopt procedures to enable a right holder, who has valid grounds for suspecting that the importation of counterfeit trademark or pirated copyright goods may take place, to lodge an application in writing with competent authorities, administrative or judicial, for the suspension by the customs authorities of the release into free circulation of such goods. Members may enable such an application to be made in respect of goods which involve other infringements of intellectual property rights, provided that the requirements of this Section are met. Members may also provide for corresponding procedures concerning the suspension by the customs authorities of the release of infringing goods destined for exportation from their territories.”

Article 52 of the TRIPS Agreement, Application:

“Any right holder initiating the procedures under Article 51 shall be required to provide adequate evidence to satisfy the competent authorities that, under the laws of the country of importation, there is prima facie an infringement of the right holder's intellectual property right and to supply a sufficiently detailed description of the goods to make them readily recognizable by the customs authorities. The competent authorities shall inform the applicant within a reasonable period whether they have accepted the application and, where determined by the competent authorities, the period for which the customs authorities will take action.”

Article 53 of the TRIPS Agreement, Security or Equivalent Assurance:

“1. The competent authorities shall have the authority to require an applicant to provide a security or equivalent assurance sufficient to protect the defendant and the competent authorities and to prevent abuse. Such security or equivalent assurance shall not unreasonably deter recourse to these procedures.

2. Where pursuant to an application under this Section the release of goods involving industrial designs, patents, layout - designs or undisclosed information into free circulation has been suspended by customs authorities on the basis of a decision other than by a judicial or other

independent authority, and the period provided for in Article 55 has expired without the granting of provisional relief by the duly empowered authority, and provided that all other conditions for importation have been complied with, the owner, importer, or consignee of such goods shall be entitled to their release on the posting of a security in an amount sufficient to protect the right holder for any infringement. Payment of such security shall not prejudice any other remedy available to the right holder, it being understood that the security shall be released if the right holder fails to pursue the right of action within a reasonable period of time.”

Article 54 of the TRIPS Agreement, Notice of Suspension:

“The importer and the applicant shall be promptly notified of the suspension of the release of goods according to Article 51.”

Article 55 of the TRIPS Agreement, Duration of Suspension:

“If, within a period not exceeding 10 working days after the applicant has been served notice of the suspension, the customs authorities 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 the duly empowered authority has taken provisional measures prolonging the suspension of the release of the goods, the goods shall be released, provided that all other conditions for importation or exportation have been complied with; in appropriate cases, this time - limit may be extended by another 10 working days. If proceedings leading to a decision on the merits of the case have been initiated, a review, including a right to be heard, shall take place upon request of the defendant with a view to deciding, within a reasonable period, whether these measures shall be modified, revoked or confirmed. Notwithstanding the above, where the suspension of the release of goods is carried out or continued in accordance with a provisional judicial measure, the provisions of paragraph 6 of Article 50 shall apply.”

Article 58 of the TRIPS Agreement, Ex Officio Action:

“Where Members require competent authorities to act upon their own initiative and to suspend the release of goods in respect of which they have acquired prima facie evidence that an intellectual property right is being infringed:

(a) the competent authorities may at any time seek from the right holder any information that may assist them to exercise these powers;

(b) the importer and the right holder shall be promptly notified of the suspension. Where the importer has lodged an appeal against the suspension with the competent authorities, the suspension shall be subject to the conditions, mutatis mutandis, set out at Article 55;

(c) Members shall only exempt both public authorities and officials from liability to appropriate remedial measures where actions are taken or intended in good faith.”

Article 59 of the TRIPS Agreement, Remedies:

“Without prejudice to other rights of action open to the right holder and subject to the right of the defendant to seek review by a judicial authority, competent authorities shall have the authority to

order the destruction or disposal of infringing goods in accordance with the principles set out in Article 46. In regard to counterfeit trademark goods, the authorities shall not allow the re-exportation of the infringing goods in an unaltered state or subject them to a different customs procedure, other than in exceptional circumstances.”

Article 4bis of the Paris Convention, Patents: Independence of Patents Obtained for the Same Invention in Different Countries:

“(1) Patents applied for in the various countries of the Union by nationals of countries of the Union shall be independent of patents obtained for the same invention in other countries, whether members of the Union or not.

(2) The foregoing provision is to be understood in an unrestricted sense, in particular, in the sense that patents applied for during the period of priority are independent, both as regards the grounds for nullity and forfeiture, and as regards their normal duration.

(3) The provision shall apply to all patents existing at the time when it comes into effect.

(4) Similarly, it shall apply, in the case of the accession of new countries, to patents in existence on either side at the time of accession.

(5) Patents obtained with the benefit of priority shall, in the various countries of the Union, have a duration equal to that which they would have, had they been applied for or granted without the benefit of priority.”

Consultations pending:

The case is still in consultations. No panel has been established and no withdrawal or mutually agreed solution has been notified to the Dispute Settlement Body.

Further development related to the case:

a) After the filing of the two WTO complaints by India and Brazil (WT/DS408 and WT/DS409), the European Union proposed amendments to its Border Regulations Measure 1383/2003. However, according to some scholars, these amendments would have not adequately resolved the risk of interception in Europe of medicines lawfully manufactured and exported from India and destined for lawful import and consumption in a non - EU country.⁵⁸⁷

b) In its request, India cited several specific seizures taking place in the Netherlands’ Schiphol airport in late 2008. Those shipments - destined for Colombia, Nigeria, Peru and Brazil - were stopped based on infringement claims over patents owned or licensed by several major drug

⁵⁸⁷B. K. Baker, *Settlement of India/EU WTO Disputes re Seizures of In - Transit Medicines: Why the Proposed EU Border Regulation Isn’t Good Enough*, PIJIP Research Paper no. 2012 - 02 American University Washington College of Law, Washington D.C., available at <http://digitalcommons.wcl.american.edu/cgi/viewcontent.cgi?article=1026&context=research>.

makers, including Sanofi - Aventis SA, GlaxoSmithKline PLC, Eli Lilly & Co., Novartis AG, DuPont Co. Inc. and Merck & Co. Inc.⁵⁸⁸

c) The two cases under discussion have generated a heated debate on health policies and the use of generic drugs. Public health advocates have accused multinational companies which owned some of the patents allegedly involved in the case of being corporate criminals which acted with impunity to thwart lawful generic competition. To the contrary, an EU representative stated that the European Customs deserved gratefulness for stopping counterfeit medicines thus most likely saving lives, even though the seized goods were not proved to be counterfeit or unsafe.⁵⁸⁹

d) Some Non - Governmental Organizations (“NGOs”) are currently exerting pressure on the Brazilian Government not to interrupt the complaint (WT/DS409) brought against the European Union in the WTO.⁵⁹⁰

⁵⁸⁸ M. Lipman, *India, Brazil Fight Dutch Generic Drug Seizures at WTO*, LAW360, (New York, May 21, 2010), available at <http://www.law360.com/articles/170180/india-brazil-fight-dutch-generic-drug-seizures-at-wto>.

⁵⁸⁹ C. M. Ho, *Access to Medicines in the Global Economy - International Agreements on Patents and Related Rights*, (Oxford University Press: 2011, US), p. 287, <http://books.google.fr/books?id=IP9oAgAAQBAJ&pg=PA287&lpg=PA287&dq=WTO+DS408+seizure+of+generic+drugs&source=bl&ots=GLKXngMdY9&sig=17n3ztkmkyuESPPIkmREGGAx1so&hl=fr&sa=X&ei=KpANVPvWQqX5yQOSt4HgDA&ved=0CE4Q6AEwBjgK#v=onepage&q=WTO%20DS408%20seizure%20of%20generic%20drugs&f=false>.

⁵⁹⁰ Connectas Human Rights, *Right to Health: Seizure of Generic Drugs in Transit to Brazil in European Ports*, (14 September 2011), available at <http://www.conectas.org/en/actions/foreign-policy/news/right-to-health-seizure-of-generic-drugs-in-transit-to-brazil-in-european-ports>.

China - Measures Affecting the Enforcement of Intellectual Property Rights

IP/D/26WT/362/1 (G/L/819) - Panel Report WT/DS362/R

General background of the case

On 10 April 2007 the United States requested consultations with the Government of the People's Republic of China ("China") with regard to certain measures on the protection and enforcement of intellectual property rights.

No mutually satisfactory solution was reached and a Panel was subsequently established on 25 September 2007.

Three general claims had been put forward by the United States in this case, each one relating to a set of measures.

First, the Chinese copyright law denied the protection of copyright and related rights to works which had not been authorized for publication and distribution in China.⁵⁹¹

Second, the Chinese regulation and implementing measures on customs set forth a specific sequencing of steps to be followed for the disposal and destruction of goods infringing intellectual property rights confiscated by customs authorities.⁵⁹²

Third, the Chinese criminal law and its official interpretations by competent Chinese authorities established certain criteria and thresholds to be met for criminal procedures and penalties to be applied in cases of willful trademark counterfeiting and copyright piracy.⁵⁹³

Two relevant circumstances arose in this dispute.

First, Chinese is not one of the official languages of the World Trade Organization. According to Paragraph 10 of the *Working Procedures* adopted by the Panel on 10 January 2008, where the original language of exhibits or text quoted in a submission was not an official WTO language, the submitting party had to submit its original language version at the same time. The Panel, in the light of certain differences between the parties' respective translations of certain measures, suggested at its first substantive meeting that the parties submitted mutually agreed translations of these measures. Mutually agreed translations were effectively transmitted on 11 and 14 June 2008.

⁵⁹¹ The measure at issue was the *Copyright Law of the People's Republic of China* (the "copyright Law").

⁵⁹² The measures at issue were the *Regulation of the People's Republic of China for Customs Protection of Intellectual Property Rights*, the *Implementing Measures of Customs of the People's Republic of China for the Regulation of the People's Republic of China on Customs Protection of Intellectual Property Rights* and the *General Administration of Customs Announcement No. 16 of 2007*.

⁵⁹³ The measures at issue were: *Criminal Law of the People's Republic of China*, and two different *Interpretation by the Supreme People's Court and the Supreme People's Procuratorate on Several Issues of Concrete Application of Law in Handling Criminal Cases of Infringing Intellectual Property* (one adopted in 2004, the other in 2007).

Second, in the proceeding, certain provisions of the *Berne Convention for the Protection of Literary and Artistic Works* (1971) (“Berne Convention”) had been raised as relevant to the interpretation of China’s obligations under the TRIPS Agreement. Since the *International Bureau of the World Intellectual Property Organization* (“WIPO”) is responsible for the administration of that Convention, on 21 April 2008, the Panel requested its assistance in the form of any factual information available to it relevant to the interpretation of certain provisions of the Berne Convention. The factual information provided by the *International Bureau of WIPO* consisted of a note and 16 annexes.

Legal basis of the case: related provisions in the TRIPS and interpretation

Article 1.1 of the TRIPS Agreement, Nature and Scope of Obligations:

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

The first sentence of Article 1.1 sets out the basic obligation that Members “shall give effect” to the provisions of this Agreement. The second sentence of Article 1.1 clarifies that the provisions of the Agreement are minimum standards only, in that the Agreement gives Members the freedom to implement a higher standard, subject to the condition of not contravening the provisions of the Agreement. The third sentence of Article 1.1 does not grant Members freedom to implement a lower standard, but rather grants freedom to determine the appropriate method of implementation of the provisions to which they are required to give effect under the first sentence. (Panel Report, para. 7.513)

Article 9.1 of the TRIPS Agreement, Relation to the Berne Convention:

“1. Members shall comply with Articles 1 through 21 of the Berne Convention (1971) and the Appendix thereto. However, Members shall not have rights or obligations under this Agreement in respect of the rights conferred under Article 6bis of that Convention or of the rights derived therefrom.”

Article 14 of the TRIPS Agreement, Protection of Performers, Producers of Phonograms (Sound Recordings), and Broadcasting Organizations:

“1. In respect of a fixation of their performance on a phonogram, performers shall have the possibility of preventing the following acts when undertaken without their authorization: the fixation of their unfixed performance and the reproduction of such fixation. Performers shall also have the possibility of preventing the following acts when undertaken without their authorization: the broadcasting by wireless means and the communication to the public of their live performance.”

2. Producers of phonograms shall enjoy the right to authorize or prohibit the direct or indirect reproduction of their phonograms.

3. Broadcasting organizations shall have the right to prohibit the following acts when undertaken without their authorization: the fixation, the reproduction of fixations, and the rebroadcasting by wireless means of broadcasts, as well as the communication to the public of television broadcasts of the same. Where Members do not grant such rights to broadcasting organizations, they shall provide owners of copyright in the subject matter of broadcasts with the possibility of preventing the above acts, subject to the provisions of the Berne Convention (1971).

4. The provisions of Article 11 in respect of computer programs shall apply *mutatis mutandis* to producers of phonograms and any other right holders in phonograms as determined in a Member's law. If on 15 April 1994 a Member has in force a system of equitable remuneration of right holders in respect of the rental of phonograms, it may maintain such system provided that the commercial rental of phonograms is not giving rise to the material impairment of the exclusive rights of reproduction of right holders.

5. The term of the protection available under this Agreement to performers and producers of phonograms shall last at least until the end of a period of 50 years computed from the end of the calendar year in which the fixation was made or the performance took place. The term of protection granted pursuant to paragraph 3 shall last for at least 20 years from the end of the calendar year in which the broadcast took place.

6. Any Member may, in relation to the rights conferred under paragraphs 1, 2 and 3, provide for conditions, limitations, exceptions and reservations to the extent permitted by the Rome Convention. However, the provisions of Article 18 of the Berne Convention (1971) shall also apply, *mutatis mutandis*, to the rights of performers and producers of phonograms in phonograms."

Article 41.1. of the TRIPS Agreement, Part III - Enforcement of Intellectual Property Rights, Section 1: General Obligations:

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

Part III of the TRIPS Agreement includes a multilaterally - agreed minimum set of enforcement procedures that Members must make available to right holders against any infringement of intellectual property rights covered by the TRIPS Agreement. Where a Member chooses to make available other procedures - for enforcement of intellectual property rights or for enforcement of other policies with respect to certain subject matters - that policy choice does not diminish the Members' obligation under Article 41.1 of the TRIPS Agreement to ensure that enforcement procedures as specified in Part III are available. (Panel Report, para. 7.180)

Article 46 of the TRIPS Agreement, Other Remedies:

“In order to create an effective deterrent to infringement, the judicial authorities shall have the authority to order that goods that they have found to be infringing be, without compensation of any sort, disposed of outside the channels of commerce in such a manner as to avoid any harm caused to the right holder, or, unless this would be contrary to existing constitutional requirements, destroyed. The judicial authorities shall also have the authority to order that materials and implements the predominant use of which has been in the creation of the infringing goods be, without compensation of any sort, disposed of outside the channels of commerce in such a manner as to minimize the risks of further infringements. In considering such requests, the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of third parties shall be taken into account. In regard to counterfeit trademark goods, the simple removal of the trademark unlawfully affixed shall not be sufficient, other than in exceptional cases, to permit release of the goods into the channels of commerce.”

The first sentence of Article 59 provides that competent authorities shall have the authority to order the destruction or disposal of infringing goods *“in accordance with the principles set out in Article 46.”* The first, third and fourth sentence of Article 46 contain language that is a guide to action by authorities. (Panel Report, paras. 7.258 - 7.265)

Accordingly, for the purposes of Article 59, the first sentence of Article 46 sets out the following *“principles”*: (a) authorities shall have the authority to order disposal or destruction in accordance with the first sentence *“without compensation of any sort”*; and (b) authorities shall have the authority to order disposal *“outside the channels of commerce in such a manner as to avoid any harm caused to the right holder”*; or (c) authorities shall have the authority to order destruction *“unless this would be contrary to existing constitutional requirements”*. The third sentence sets out the following principle that applies *inter alia* to the authority to order disposal or destruction of infringing goods under the first sentence: (d) in considering such requests *“the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of third parties shall be taken into account”*. The fourth sentence sets out the following principle that attaches to the authority to order destruction or disposal of infringing goods under the first sentence: (e) in regard to counterfeit trademark goods, the simple removal of the trademark unlawfully affixed shall not be sufficient, other than in exceptional cases, to permit release of the goods into the channels of commerce. The interpretation of all these principles is informed by the common objective set out at the beginning of Article 46 *“to create an effective deterrent to infringement”* which is, in itself, also a guide to action in respect to orders for the destruction or disposal of infringing goods and, hence, a principle set out in Article 46, all incorporated by the first sentence of Article 59. (Panel Report, paras. 7.266 - 7.269)

The disposal of infringing goods outside the channels of commerce, in context, is an alternative to destruction of the goods. In the Panel's view, this implies that any inherent risk of harm due simply to the fact that the goods have not been completely destroyed is insufficient to disqualify a disposal method, as it would nullify the choice between disposal and destruction. However, more specific concerns linked to harm caused to the right holder by a particular manner of disposal are

relevant in assessing conformity with the principle that disposal outside the channels of commerce be *“in such a manner as to avoid any harm caused to the right holder”*. The Panel finds confirmation of this interpretation within Article 46. (Panel Report, paras. 7.282 - 7.283)

Article 51 of the TRIPS Agreement, Suspension of Release by Customs Authorities:

“Members shall, in conformity with the provisions set out below, adopt procedures to enable a right holder, who has valid grounds for suspecting that the importation of counterfeit trademark or pirated copyright goods may take place, to lodge an application in writing with competent authorities, administrative or judicial, for the suspension by the customs authorities of the release into free circulation of such goods. Members may enable such an application to be made in respect of goods which involve other infringements of intellectual property rights, provided that the requirements of this Section are met. Members may also provide for corresponding procedures concerning the suspension by the customs authorities of the release of infringing goods destined for exportation from their territories.”

Article 59 of the TRIPS Agreement, Remedies:

“Without prejudice to other rights of action open to the right holder and subject to the right of the defendant to seek review by a judicial authority, competent authorities shall have the authority to order the destruction or disposal of infringing goods in accordance with the principles set out in Article 46. In regard to counterfeit trademark goods, the authorities shall not allow the re - exportation of the infringing goods in an unaltered state or subject them to a different customs procedure, other than in exceptional circumstances.”

Article 59 of the TRIPS Agreement contains a number of key terms (*“the right holder”*, *“the defendant”*, *“competent authorities”*, *“infringing goods”*) which are not defined in the Article itself and can only be understood by reading the whole Article in context. The Article is located in Section 4 of Part III of the TRIPS Agreement on Special Requirements Related to Border Measures. Section 4 sets out procedures for the suspension at the border by the customs authorities of the release into free circulation of goods. Article 59 sets out the step in these procedures that applies after goods have been found to be infringing. As such, Article 59 forms part of a set of procedures and its key terms must be understood in that context. (Panel Report, paras. 7.214 - 7.215).

The provisions of Section 4 must be read as a coherent set of procedures and not in isolation. (Panel Report, paras. 7.218 - 7.220)

As for the term *“infringing goods”*, Article 59 applies not only to counterfeit trademark goods or pirated copyright goods, but to other infringement of intellectual property rights, namely trademark - infringing goods, other copyright - infringing goods and patent - infringing goods. (Panel Report, paras. 7.221 - 7.226)

As for the phrase *“shall have the authority”*, Article 59 implies that the authority to order remedies must continue until the time that a remedy has been ordered. The obligation is to have authority not to exercise it and is an obligation to have the authority to order certain types of remedies not to have the authority to order those remedies only. (Panel Report, paras. 7.236 - 7.239)

Article 59 requires authority to order “*destruction*” or “*disposal*”, therefore a condition that precludes the authority to order one remedy (e.g. destruction) could be consistent with Article 59 as long as competent authorities still have the authority to order the other remedy (in this example, disposal). (Panel Report, para. 7.246).

The phrase “*shall have the authority*”, view in the context of Sections 2,3 and 4 of Part III of the TRIPS Agreement, which all give the responsibility to initiate the procedures under these Sections to private right holders, does not require Members to take any action *ex officio*, in the absence of an application or request (Panel Report, paras. 5.246 - 5.247)

The authority to order a disposition method within the scope of Article 59 will often be discretionary and, accordingly, the obligation of Article 59 is applicable to both mandatory and discretionary measures and, in principle, both mandatory and discretionary measures “as such” can be examined for conformity with that obligation. (Panel Report, para. 7.253)

The remedies specified in Article 59 are not exhaustive. (Panel report, para. 7.285)

Article 61 of the TRIPS Agreement, Part III - Enforcement of Intellectual Property Rights, Section 5: Criminal Procedures:

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

Section 5 of Part III of the TRIPS Agreement, setting forth criminal procedures and remedies, is considerably briefer and less detailed than the other Sections on enforcement in Part III. However, it contains limitations and flexibilities that the interpreter, according to customary rules of interpretation, is obliged to take into account in the interpretation of these provisions. (Panel Report, para. 7.501).

The obligation under Article 61 is mandatory and this interpretation is confirmed by Article 41 of the TRIPS Agreement, which forms the context of Article 61. (para. 7.502 - 7.505)

Certainly Article 61 contains a number of terms not defined, that can affect the proper interpretation of the provision. However, this Article is in Part III of the TRIPS Agreement, which contains substantive obligations for the enforcement of the rights granted in Part II of the TRIPS Agreement, the rights granted in the Paris Convention of 1967, incorporated by Article 2.1 of the TRIPS, and the rights granted in the Berne Convention of 1971, incorporated by Article 9.1 of the TRIPS. These obligations are not simply matters of national discretion. (Panel Report, paras. 7.506 - 7.507)

Article 61 contains no less than four limitations on the obligation for Members to provide for criminal procedures and penalties to be applied. First, the obligation applies to trademark and copyrights rather than to all intellectual property rights covered in the Agreement. Second, it applies to counterfeiting and piracy rather than to all infringements of trademarks and copyrights, which are not defined in the TRIPS Agreement but footnote 14 definitions are relevant. Third, this trademark counterfeiting and copyright piracy must be “*willful*”, which indicates a special attention to the infringer’s intent. Fourth, trademark counterfeiting and copyright piracy must be on a commercial scale. (Panel Report, paras. 7.516 - 7.524)

The use of “*commercial*” together with “*scale*” refers to a relative magnitude or extent of engagement in the buying and selling, or a relative magnitude or extent pertaining to, or bearing on, buying and selling. This clearly draws a link to the marketplace. (Panel Report, paras. 7.534 - 7.535) The magnitude or extent will vary in the different cases of counterfeiting and piracy to which the obligation applies, since what is typical or usual varies according to the type of commerce concerned. (Panel Report, para. 7.545)

It follows that what constitutes a commercial scale for counterfeiting or piracy of a particular product in a particular market will depend on the magnitude or extent that is typical or usual with respect to such a product in such a market, which may be small or large. The magnitude or extent of typical or usual commercial activity relates, in the longer term, to profitability. What is typical or usual in commerce is a flexible concept. (Panel Report, paras. 7.577 - 7.578)

Article 63.3 of the TRIPS Agreement, Transparency:

“3. Each Member shall be prepared to supply, in response to a written request from another Member, information of the sort referred to in paragraph 1. A Member, having reason to believe that a specific judicial decision or administrative ruling or bilateral agreement in the area of intellectual property rights affects its rights under this Agreement, may also request in writing to be given access to or be informed in sufficient detail of such specific judicial decisions or administrative rulings or bilateral agreements.”

Article 6.2 of the Dispute Settlement Understanding, Establishment of a Panel:

“2. The request for the establishment of a panel shall be made in writing. It shall indicate whether consultations were held, identify the specific measures at issue and provide a brief summary of the legal basis of the complaint sufficient to present the problem clearly. In case the applicant requests the establishment of a panel with other than standard terms of reference, the written request shall include the proposed text of special terms of reference.”

Article 5 (1) and (2) of the Berne Convention, Rights Guaranteed, 1 and 2 Outside the Country of Origin:

“(1) Authors shall enjoy, in respect of works for which they are protected under this Convention, in countries of the Union other than the country of origin, the rights which their respective laws do now or may hereafter grant to their nationals, as well as the rights specially granted by this Convention.

2) *The enjoyment and the exercise of these rights shall not be subject to any formality; such enjoyment and such exercise shall be independent of the existence of protection in the country of origin of the work. Consequently, apart from the provisions of this Convention, the extent of protection, as well as the means of redress afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where protection is claimed.*"

Article 5 (1) of the Berne Convention (1971) provides for the enjoyment of two overlapping sets of rights that have been described as "*the twin pillars on which protection under the Convention rests.*"⁵⁹⁴ First, there are "the rights which their respective laws do now or may hereafter grant to their nationals" (a provision distinct from that of Article 3.1 of the TRIPS Agreement): this is a national treatment obligation. Second, there is "the right specially granted by this Convention." (Panel Report, paras. 7.106 - 7.107).

The incorporation of Berne Convention (1971) provisions including Article 5, is subject to the terms of Article 9.1 of the TRIPS Agreement. Therefore, the rights specially granted by this Convention as used in Article 5 (1) of that Convention, as incorporated by Article 9.1 of the TRIPS Agreement, do not include the rights referred to in Article 6*bis* of the Berne Convention (1971) (Panel Report, para. 7.107).

Article 17 of the Berne Convention, Possibility of Control of Circulation, Presentation and Exhibition of Works:

"The provisions of this Convention cannot in any way affect the right of the Government of each country of the Union to permit, to control, or to prohibit, by legislation or regulation, the circulation, presentation, or exhibition of any work or production in regard to which the competent authority may find it necessary to exercise that right."

The right of a government "*to control or to prohibit*" the "*circulation, presentation or exhibition*" of any work or production clearly includes censorship for reasons of public order. (Panel Report, para. 7.126)

However, it cannot be inferred that Article 17 authorizes the denial of all copyright protection in a work: the terms "*circulation, presentation or exhibition*" do not correspond to the terms used to define the substantive rights granted by the Berne Convention (1971), although they may be included within some of those rights or they may refer to acts incidental to the exercise of some of those rights. The word "*exhibition*" is not even used in the provisions setting out the substantive rights granted by the Convention. (Panel Report, para. 7.127)

A government's right to permit, to control, or to prohibit the circulation, presentation, or exhibition of a work may interfere with the exercise of certain rights with respect to a protected work by the copyright owner or a third party authorized by the copyright owner. However, there is no reason to believe that censorship will eliminate those rights entirely with respect to a particular work. (Panel Report, para. 7.132)

⁵⁹⁴ Ricketson, S., *The Berne Convention for the Protection of Literary and Artistic Works: 1886 - 1986* (Queen Mary College, 1987) ("Ricketson"), p. 543, para. 5.66; and also Ricketson, S. and Ginsburg, J.C., *International Copyright and Neighbouring Rights - The Berne Convention and Beyond* (Oxford University Press, 2006), p. 310, para. 6.90.

Copyright and government censorship address different rights and interests. Copyrights protect private rights, as reflected in the fourth recital of the preamble in the TRIPS Agreement, whilst government censorship addresses public interest. (Panel Report, para. 7.135)

The complainant position: the United States

The United States claimed that China had committed multiple violations of its obligations under the TRIPS Agreement.

a) In China, the publication and distribution of works was prohibited by a number of Chinese laws and regulations under various circumstances, relating for instance to the content of a work or to the status of a work (whose content was in the process of being reviewed and approved). The works affected by this prohibition were films, audio and video products and electronic publications. Under Article 4 of the Chinese copyright law, works the publication or distribution of which was prohibited by law could not be protected by copyright law.

i) Under the Berne Convention and the TRIPS Agreement, with very limited exceptions not relevant to this case, a work acquires copyright protection immediately and automatically. Copyright arises immediately upon a work's creation and its protection cannot be made conditional on the successful completion of any formalities. Under Article 9.1 of the TRIPS Agreement, Members have an obligation to comply with Articles 1 through 21 of the Berne Convention, except for Article *6bis* of the Berne Convention, which was not relevant for the present case. In addition, China and the United States were both parties to the Berne Convention. In particular, under Article 5 (1) of the Berne Convention, authors, whose works are protected under this Convention, have the right to enjoy in countries other than their country of origin to which this Convention applies the same rights that these countries grant or will grant in the future to their nationals as well as the rights specially granted under this Convention. Article 2 of the Berne Convention defines the works for which authors are protected under Article 5 (1) the Berne Convention. Since the first sentence of Article 4 of China's copyright law denied immediate, automatic copyright protection to certain works of creative authorship and allowed infringers to profit at the expense of the legitimate right holder, China had violated its obligations under Article 2 and 5 (1) of the Berne Convention, as incorporated in Article 9.1 of the TRIPS Agreement.

ii) Under Article 5 (2) of the Berne Convention, incorporated in Article 9.1 of the TRIPS Agreement, the enjoyment and the exercise of the rights granted to authors under Article 5 (1) of the same Convention cannot be made subject to any formality. Since under China's copyright law, the enjoyment of those rights (incorporated in Article 10 of the Chinese copyright law) was made subject to the successful conclusion of a content review formality, works whose distribution or publication had not been authorized or otherwise prohibited could not enjoy those minimum rights. Consequently, China had violated its obligations under Article 5 (2) of the Berne Convention, incorporated in Article 9.1 of the TRIPS Agreement. These inconsistencies with the TRIPS Agreement did not arise because China prohibited certain works from being published or distributed in China. The TRIPS Agreement did not obligate China, or any other WTO Member, to

permit all works to be published and all works to be distributed. Instead, the inconsistencies arose from China's decision to deny copyright protection and enforcement to the works that it prohibited.

iii) Under Article 14 of the TRIPS Agreement, Members have an obligation to give performers, *inter alia*, the possibility of preventing certain acts and an obligation to give producers of phonograms (sound recordings) the right to authorize or prohibit the direct or indirect reproduction of their sound recordings. Since Article 4 of the Chinese copyright law used the term "work", it was unclear whether it denied copyright protection to performances and their fixations and sound recordings whose publication and distribution had been prohibited. Insofar as it extended to performers, China had violated its obligations under Article 14 of the TRIPS Agreement as well.

iv) Under Part III of the TRIPS Agreement, Members have an obligation to ensure that enforcement procedures are available in order to permit effective action and expeditious remedies against the infringements of intellectual property rights covered by the TRIPS Agreement. As a consequence of the denial of copyright protection for certain works upon their creation under Article 4 of China's copyright law, enforcement procedures were not available for these works against copyright infringements. China had violated its obligations under Part III of the TRIPS Agreement. In particular, China had failed to provide for criminal procedures and penalties to be applied in certain cases of willful commercial - scale copyright piracy. Consequently, China had violated its obligations under Articles 41.1 and 61, first and second sentence, of the TRIPS Agreement.

v) China conceded that Article 4 (1) of its copyright law denied copyright protection to certain works, therefore already admitting that some subject matter did not receive protection at all, as a matter of law. China's distinction between "copyright" and "copyright protection" to justify its copyright law against its obligations under the TRIPS Agreement was unavailing: this distinction was not relevant to assess and conclude that the protection mandated under the Berne Convention had not been afforded.

b) Under Chinese regulation and implementing measures on customs,⁵⁹⁵ when Chinese customs authorities confiscated imported goods infringing intellectual property rights, a clear sequencing of steps on the disposal of these goods was established. Customs authorities had the power to destroy the infringing goods only when they had first attempted to transfer them to a public welfare organization if the goods could be used for public good; after, if transfer was not available, they could allow the right holder to purchase the goods that infringed his intellectual property rights; and third, if the right holder did not want to purchase the goods, they had to auction off them following removal of infringing features.

i) Under Article 59 of the TRIPS Agreement, without prejudice to the other rights of action of the right holder and subject to the right of the defendant to seek review by a judicial authority,

⁵⁹⁵ The Regulation of the People's Republic of China for Customs Protection of Intellectual Property Rights, the Implementing Measures of Customs of the People's Republic of China for the Regulation of the People's Republic of China on Customs Protection of Intellectual Property Rights and the General Administration of Customs Announcement No. 16 of 2007.

competent authorities must have the authority to order the destruction or disposal of infringing goods in accordance with the principles set out in Article 46 of the Agreement. Under Article 46, first sentence, of the TRIPS Agreement, members have to provide judicial authorities with the authority to destroy infringing goods or to dispose of them outside the channels of commerce so as to avoid causing any harm to the right holder. Under Article 46, fourth sentence, of the TRIPS Agreement, as for counterfeit trademark goods, the simple removal of the trademark unlawfully affixed shall not be sufficient, other than in exceptional cases, to permit release of the goods into the channels of commerce.

ii) Since under Chinese regulation and implementing measures on customs, Chinese customs authorities had to follow the compulsory sequencing of steps, they did not have the authority to order the destruction of infringing goods from the outset when the goods were found to be infringing and, if and when they had it later in the procedure. It was only in highly limited circumstances. Thus, Chinese customs authorities lacked the authority to order destruction of infringing goods and to choose between destruction or disposal in accordance with the principles set out in Article 46 of the TRIPS Agreement. China had violated its obligations under Article 59, and Article 46 as incorporated into Article 59.

iii) Article 1.1 of the TRIPS Agreement did not allow China to argue for the acceptability of its rigidly constrained disposal regime and did not exempt China from complying with Article 59 of the TRIPS Agreement, and Article 46 of the TRIPS Agreement as incorporated by Article 59.

iv) The first two compulsory steps to be followed by Chinese customs authorities for infringing goods were to first transfer them to a public welfare organization if the goods could be used for public good, and after, where this option was not available, to allow the right holder to purchase the goods that infringed his intellectual property rights. Moreover, under *China's Law on Donations for Public Welfare*, public welfare organization was authorized to sell donated goods on the market under certain circumstances. This was not a disposal avoiding the cause of any harm to the right holder under Article 46, first sentence, of the Agreement. In fact, the right holder would have been harmed by some uses of the goods for the public good in the first option, and by the amount he had to pay for the goods which violated his own intellectual property rights. Under Article 46, first sentence, of the TRIPS Agreement, members have to provide judicial authorities with the authority to destroy infringing goods or to dispose of them outside the channels of commerce so as to avoid causing any harm to the right holder. The obligations are therefore to dispose of infringing goods not avoiding intermittent or non - significant harm, but any harm to the right holder. These first two steps violated Article 46, first sentence, of the TRIPS Agreement.

v) The third step, when the first two ones where not available, was to auction off the confiscated goods following removal of infringing features. This option harmed right holders since the consent of the right holder was not required for the auction to be performed. This third step therefore violated Article 46, first sentence. In addition, the auction was performed after removal of infringing features, therefore violating Article 46, fourth sentence, according to which goods can be introduced into the channels of commerce after removal of the unlawfully affixed trademark

only in exceptional cases, while under Chinese customs measures this was not done in exceptional cases.

vi) Finally, these three steps were compulsory and, where available, Chinese customs authorities did not have the authority to destroy the infringing goods or otherwise dispose of the good in a way that either was outside of the channels of commerce or handled in a manner that avoided harm caused to the right holder. Thus, China violated its obligations under Article 46 and 59 of the TRIPS Agreement.

c) Under Chinese criminal law and its official interpretations by competent Chinese authorities,⁵⁹⁶ not all acts of trademark counterfeiting and of copyright piracy were subject to criminal penalties. For the acts of trademark counterfeiting and copyright piracy to be subject to criminal penalties some additional prerequisite had to be met. This meant that criminal prosecution or conviction for those acts alone was not possible, unless something beyond the acts was going to happen. Consequently, China had violated its obligations under Article 61, first and second sentence, and Art. 41 of the TRIPS Agreement.

i) Under Article 61, first sentence, of the TRIPS Agreement, Members have an obligation to provide for criminal procedures and penalties to be applied in cases of willful commercial scale trademark counterfeiting and copyright piracy. Criminal procedures and penalties must be applied “*at least*” in cases of commercial scale trademark counterfeiting and copyright piracy. Since under Chinese criminal legislation and interpretations, criminal procedures and penalties were not provided for and applied in all cases of willful commercial scale trademark counterfeiting and copyright piracy, China had violated its obligations under Article 61, first sentence, of the TRIPS Agreement. However, the terms “*trademark counterfeiting*”, “*copyright piracy*” and “*commercial scale*” were not defined in Article 61 of the TRIPS Agreement. Therefore, in order to fully understand the scope of the obligation under this provision of the Agreement, one had to refer to other provisions of the Agreement and use the customary rules of interpretation of the *Vienna Convention on the Law of Treaties*. Accordingly, “*trademark counterfeiting*” had to be intended as including the actions of using in the course of trade a trademark which is identical to, or cannot be distinguished in its essential aspects from, a validly registered trademark; “*copyright piracy*” had to be intended to extend to piracy that infringes either a copyright or a related right (such as the rights of performers or producers of phonograms). As for “*commercial scale*”, the use of both words “*commercial*” and “*scale*” together indicates that no evidence of commercial motive or purpose of the infringer is necessary and the provision refers to those who engage in commercial activities in order to obtain a financial return and those whose activities have the sufficient extent or magnitude to qualify for a commercial scale in the relevant market, regardless of motive or purpose. It was this former activity which formed the focus of the United States’ claim. On this line, China had proposed during the dispute to replace the term “*commercial scale*” of Article 61, with the term “*a significant magnitude of activity*”, relying upon a discussion of this term by a

⁵⁹⁶ The measures at issue were: *Criminal Law of the People’s Republic of China*, and two different *Interpretation by the Supreme People’s Court and the Supreme People’s Procuratorate on Several Issues of Concrete Application of Law in Handling Criminal Cases of Infringing Intellectual Property* (one adopted in 2004, the other in 2007).

WIPO Committee of Experts on Counterfeiting and Piracy in 1988. This was not acceptable since the *WIPO Committee* proceedings were independent of the TRIPS negotiations and therefore they could not be a supplementary means of interpretation, and this even considering that the meaning of “commercial scale” was not ambiguous or obscure nor did it lead to manifestly absurd or unreasonable results.⁵⁹⁷

iii) Criminal procedures and penalties were not provided for and applied in all cases of willful commercial scale trademark counterfeiting and copyright piracy. First, as for their structure, the Chinese criminal law established certain thresholds, that is minimum requirement for conviction, which were “serious circumstances”, “relatively large amount of sales”, “relatively large amount of illegal gains” or “other serious circumstances”, and “a huge amount of sales”. If these thresholds were not met criminal prosecution or conviction for acts of willful trademark counterfeiting and copyright piracy on a commercial scale would have not been possible. In addition, there was an obligation for Chinese customs authorities to follow restrictive calculations of those thresholds, thus eliminating whole classes of commercial scale willful counterfeiting and piracy from risk of criminal prosecution and conviction. Second, Chinese law enforcement officials were compelled to disregard other specific, telling indicia of commercial scale piracy and counterfeiting, such as relevant physical evidence of a commercial scale willful copyright pirating and trademark counterfeiting or its impact on the market or on the right holder.

iv) As for the calculation of certain thresholds under China’s criminal law and interpretations, several press articles had been submitted supporting the United States’ claim. The information provided through this means was drawn from a variety of well-established and well - regarded sources and had to be taken into account since China had refused to supply the information requested by the United States under Article 63.3 of the TRIPS Agreement.

v) Under Article 61, second sentence, of the TRIPS Agreement, the remedies available in terms of criminal procedures and penalties in cases of willful trademark counterfeiting and copyright piracy on a commercial scale, must include imprisonment and/or monetary fines sufficient to provide a deterrent. Under Chinese criminal law and interpretations there was a safe harbor that precluded the availability of criminal remedies in many instances of willful trademark counterfeiting and copyright piracy on a commercial scale. Thus, China had violated its obligations under Article 61, second sentence, of the TRIPS Agreement as well.

vi) China had to implement Article 61 in a way that respected its terms and could not define for itself the obligations of Article 61, by virtue of Articles 1.1 and 41.5 of the TRIPS Agreement. Article 1.1 of the Agreement deals with the method by which Members implement TRIPS Agreement obligations, not whether or to what extent a Member should implement them in the first place. Article 41.5 concerns the distribution of enforcement resources between the enforcement of the

⁵⁹⁷ Under Article 32, Supplementary Means of Interpretation, of the *Vienna Convention on the Law of Treaties*, recourse to supplementary means of interpretation is permitted when, even after recourse to the general rule of interpretation under Article 31 of the same Convention, the meaning is still ambiguous or obscure or the result is manifestly absurd or unreasonable.

law in general and the enforcement of intellectual property rights. Therefore, it does not provide for an exception or affect the scope of the substantive obligations of Article 61.

vii) Under Article 41.1 of the TRIPS Agreement, Members have the obligation to make enforcement procedures available under their laws so as to permit effective action against any act of infringement of intellectual property rights covered by the Agreement. As a result of the criminal thresholds established under the Chinese criminal law and interpretations, China had failed to provide criminal procedures and penalties to be applied in cases of willful trademark counterfeiting and copyright piracy on a commercial scale and, consequently, China had violated its obligations under Article 41.1 of the TRIPS Agreement as well.

The respondent position: China

China rebutted all claims by the United States.

a) China's copyright law was consistent with China's obligations under the TRIPS Agreement.

i) China maintained government review and approval processes with respect to the publication and distribution within China of a variety of works, including film and DVD releases. In general terms, a work subject to these processes might be published or distributed only if the required authorization was obtained. The United States did not object to the existence of these processes, nor could it. This sovereign right was an inherent, reserved power, acknowledged in Article 17 of the Berne Convention, and expressly incorporated into the WTO structure through Article 9.1 of the TRIPS Agreement.

ii) The United States' claim was based on a misstatement of Chinese law. Chinese law protected copyright from the time a work was created: under Article 2 of the copyright law, works that had not completed government content review, including works not yet submitted for review and works awaiting review, were granted full copyright protection. As for those works that failed content review, they were not denied the copyright under Article 4.1 of the Copyright Law, but they were only denied authority to publish.

iii) Under Article 2 of the Copyright Law, foreign authors from TRIPS Members States enjoyed automatic protection of copyright upon completion of a work, as did any Chinese citizens. Copyright protection was not dependent upon content review.

iv) Contrary to the United States' claim, prohibition of publication as a result of content review, did not trigger denial of copyright: these were two separate, independent processes. China protected copyright irrespective of content review processes; however, China's right to conduct content review was not in question, and Article 17 of the Berne Convention, incorporated into the TRIPS Agreement by virtue of Article 9.1 of the TRIPS Agreement, allowed to limit rights granted to authors under the Berne Convention without giving an exhaustive codification of the sovereign right to censor.

v) China protected copyright as well in works that had not been submitted for review and works for which content review was pending. China protected unedited versions of works that had been

edited in content review, and in works that had failed content review: the United States had neglected to offer any legal analysis to support its interpretation of Chinese law and had also failed to offer any example of copyright being denied.

vi) Therefore, China had not violated its obligations under the TRIPS Agreement, since it had not failed to protect copyright in the instances alleged by the United States. As repeatedly and unambiguously ruled by the Appellate Body, the burden of proof of establishing a *prima facie* case lied with the complaining party and the United States had failed to present a *prima facie* case to support either its national treatment claims under Article 5 (1) of the Berne Convention or its related rights claims.

b) China's customs legal framework was fully consistent with China's obligations under the TRIPS Agreement. Under Chinese law, four alternative disposition methods were available to the *General Administration of Customs*.

i) Under Article 59 of the TRIPS Agreement, competent authorities must have the authority to order the destruction or disposal of infringing goods. Article 59 of the TRIPS Agreement incorporates the first sentence of Article 46 of the Agreement: authorities must have the authority to order that infringing goods be disposed outside the channels of commerce in such a manner as to avoid any harm caused to the right holder. China had not violated its obligations under Article 59 of the TRIPS Agreement, and the incorporated first sentence of Article 46, since its customs authorities possessed both destruction authority and the authority to dispose of goods outside the channels of commerce without causing harm to the right holder. In fact, they had the authority to donate infringing goods to social welfare organizations and to allow the sale of such goods to their right holders; but they had as well the discretionary power to determine whether infringing goods qualified for destruction. While the TRIPS Agreement required that Chinese customs had the appropriate disposition authority, the Agreement did not limit customs to dealing with infringing goods only by the means set forth in it. Customs authorities had the authority to dispose of infringing goods outside the open market while paying due regard to interests of the right holder and had the legal discretion to determine which disposition method was appropriate. Indeed, in practice, between 2005 and 2007 they chose to destroy 58 per cent of the total value of infringing goods.

ii) Chinese customs authorities' use of public auction was wholly consistent with China's obligations under Article 59 of the TRIPS Agreement. The TRIPS Agreement does not forbid public auction. The public auction option under Chinese regulation and implementing measures on customs was fully consistent with the two principles of Article 46 (and therefore 59) of the TRIPS Agreement to create an effective deterrent to infringement and to avoid any harm caused to the right holder. Infringers whose goods were auctioned were left in exactly the same position as if the goods had been destroyed (they lost the goods without compensation), and customs authorities' use of a reserve price at the auctions ensured that infringers did not have the opportunity to purchase the seized goods at the public auction at an unreasonably low cost to use them in furtherance of counterfeiting activity. The right holder, on the other side, had a legal,

formal right to comment prior to any public auction, so that this procedure avoided causing any harm to him.

iii) China discharged any legal obligation under Article 46, fourth sentence, of the TRIPS Agreement. The United States argued that customs authorities must have the authority to keep infringing goods outside the channels of commerce: in this case, Chinese customs authorities' use of public auction had not been in violation of this obligation. Later in the dispute, the United States contradictorily argued that this provision imposed a ban on the return of trademark - infringing goods to the channels of commerce. The United States failed however to show that Article 46, fourth sentence, of the TRIPS Agreement was incorporated into Article 59 of the Agreement (and therefore imposed an obligation on customs authorities) and failed to show that China had breached the obligation of Article 46, first sentence, which logically and legally preceded the obligation of Article 46, fourth sentence.

c) Under Chinese Law, there were three legal regimes for the enforcement of intellectual property rights: criminal, administrative and civil enforcement. Under China's criminal law and interpretations, the criminal procedures and penalties provided for willful marketing counterfeiting and copyright piracy were appropriate within the commercial context and legal structure of China. The United States had failed to demonstrate that China's criminal law had violated China's obligation under Article 61 of the TRIPS Agreement.

i) The United States had misstated and mischaracterized the Chinese criminal law system. Criminal measures were used against counterfeiting and piracy was those acts were undertaken on a sufficient scale to exceed China's thresholds for criminal enforcement. However, numerous elements were considered when calculations were made. The United States had misrepresented the scope of the "illegal business operation volume threshold", ignoring that Chinese authorities considered as well evidence of infringing goods at other warehouses, in transportation and already sold. They performed cumulative calculations of criminal thresholds over the years of the criminal activity and, in addition, criminal penalties were administered for unfinished products.

ii) In China existed a government administrative enforcement regime for intellectual property rights. This regime was not subject to the minimum thresholds of criminal law: infringement on any scale was subject to this government - led enforcement.

iii) The United States bore a significantly higher burden than it would have normally encounter since it advanced a claim on how China had to enact its criminal law: these issues deserve great deference under tradition and norms of international law.

iv) The United States had submitted press articles to illustrate some of its points of the calculation of certain thresholds under China's criminal law and interpretations. However, these were anecdotal and potentially misinformed reports and the Panel had to ascribe them little or no weight. China's competent authorities had made relevant information publicly available through their official websites, newspapers, magazines and other proper channels.

v) Under Article 61 of the TRIPS Agreement, "*commercial scale*" refers to a significant magnitude of infringement activity, not any scale of activity undertaken for financial gain. Therefore,

Members have an obligation to impose criminal penalties for willful infringement that involves a significant magnitude of activity, as appropriate within the commercial context and legal structures of the Member. China fully met this obligation. Many elements supported this interpretation. The *World Intellectual Property Organization Committee of Experts on Measures against Counterfeiting and Piracy* set forth a definition of “commercial scale” in February 1988 making clear that it contained a broad and flexible standard, designed to cover more than a simple will to make profit. The *WIPO’s Committee’s Model Provisions for National Laws* contradicted the United States claim that any acts undertaken for financial gain was on a “commercial scale”. According to the *Vienna Convention on the Law of Treaties* customary principles on interpretation, the context of Article 61 of the TRIPS Agreement shows that member never intended to bind themselves with specific, concrete standards for national criminal law.⁵⁹⁸ The purpose of the TRIPS Agreement, that is the enhancement of international trade through the protection of intellectual property within the Members’ legal systems (as laid down in the *Preamble of the Agreement*), supports the idea that Article 61 should not be read as harmonizing the legal systems of Members, which would be the result if the United States’ claims were to be successful. The subsequent practice of Members, such as the United States themselves, which negotiated specific, narrow definitions of “commercial scale” in their bilateral free trade agreements even with other countries already subject to the TRIPS Agreement (and therefore, already subject to Article 61 and to the “commercial scale” standard of the Agreement, without the need to re - define it), further showed that “commercial scale” imposed a broad standard, covering significant infringement activity and that the United States wanted to create a new standard.

vi) China had implemented its obligations under Article 61 to impose criminal measures against willful counterfeiting and piracy on a commercial scale. China imposed criminal penalties for infringement activities that exceeded the threshold set forth in its laws. Deference had to be granted to its national laws, to the possibility to allocate enforcement resources under the TRIPS Agreement and to the scale of commerce in China: the illegal business volume threshold - just one of several alternative criminal thresholds - was significantly below the level at which even the smallest commercial enterprises operated in China.

vii) Since both the second sentence of Article 61 and Article 41.1 of the TRIPS Agreement are conditional on the first sentence of Article 61, and the United States had failed to show that China had breached this latter provision, the United States had failed to demonstrate breach of the former provisions as well.

The Panel’s findings, rulings and recommendations:

⁵⁹⁸ The language of Article 61 lacks specificity, in contrast to the specific provisions laid down in Article 42 through 48 of the TRIPS, and Articles 1.1 and 45.1 of the TRIPS show that Members refused to accept TRIPS as an agreement that would force them into legal harmonization.

a) The United States had claimed that China's copyright law had violated its obligations under the TRIPS Agreement.⁵⁹⁹

i) The United States had made a claim under Article 2 (6) of the Berne Convention, as incorporated under Article 9.1 of the TRIPS Agreement. However, it had made this claim only in its comment on the draft descriptive part of the Panel Report. The issues of panels' terms of reference under Article 6.2 of the DSU have been already discussed in the *India - Patents I* case with regard to the United States' transparency claim.⁶⁰⁰ In accordance with previous panels decisions,⁶⁰¹ the claim under Article 2 (6) of the Berne Convention, as incorporated by Article 9.1 of the TRIPS Agreement, lied outside the terms of reference of the Panel.

ii) The United States had claimed that Article 4 (1) of China's copyright law had denied the protection of the copyright law and the enjoyment of exclusive rights enumerated in Article 10 of the copyright law,⁶⁰² to those works for which publication or distribution was prohibited by law, therefore violating Article 5 (1) of the Berne Convention (1971), as incorporated by Article 9.1 of the TRIPS Agreement. This claim was a challenge to Article 4 (1) of China's copyright law "as such", that is a challenge to the law in and of itself and not as it had been applied in a particular instance. Although a Member is normally objectively well - placed to explain the meaning of its own laws, in the context of a dispute it bears the burden of proving that its interpretation is correct.⁶⁰³

iii) The language of Article 4 (1) of China's copyright law clearly denied the protection of that law to certain works: the measure was sufficiently clear to show that Article 4 (1) denied the moral and economic rights granted under Article 10 (which implemented rights specifically granted by the Berne Convention) of the same law to certain works, including those of WTO Members nationals, as the United States had claimed. This interpretation was consistent with the view expressed by the *Supreme People's Court of China* in the course of domestic litigation in 1998 in "*the Inside Story case*", presented to the Panel, and was consistent as well with China's own submissions. China, clarifying its earlier statements, later in the dispute had made a distinction between "copyright" and "copyright protection", submitting that Article 4 (1) of its copyright law would have denied only "copyright protection" and not "copyright". However, no evidence of this distinction in the practice had been produced, the distinction contrasted with the copyright law wording and no evidence had been produced that copyright would have been enjoyed or would have existed for those works denied copyright protection under Article 4 (1) of the copyright law.

iv) As for the works falling under the scope of application of Article 4 (1) of China's copyright law, in China there were many laws and regulations in place that prohibited publication or distribution.

⁵⁹⁹ The United States had claimed the first sentence of Article 4 of China's copyright law was violating China's obligations under Articles 9.1 the TRIPS Agreement, incorporating Articles 5 (1) and 5 (2) of the Berne Convention (1971), as well as Article 14, Article 61, 1st and 2nd sentence; and Article 41.1 of the TRIPS Agreement.

⁶⁰⁰ See page 38, WT/DS50/R and WT/DS50/AB/R.

⁶⁰¹ Panel Report, *EC - Trademarks and Geographical Indications (Australia)*, paras. 7.37 - 7.43; the Panel there ruled that a claim regarding a provision of the Paris Convention (1967) that had not been specifically mentioned in the request for establishment of a panel was outside its terms of reference.

⁶⁰² Which reflected the set of minimum rights guaranteed by Article 5 (1) of the Berne Convention.

⁶⁰³ Judgments": see China's response to Question No. 52.

The United States cited all these measures. The range of works prohibited might depend not only on the content but also on the procedure to determine that a work contained illegal content. The class of prohibited works under Article 4 (1) of the Copyright Law included works that had failed content review and the deleted illegal content of works that had passed content review. It was not clear how enforcement could have been sought under against infringing copies of these former unedited versions and whether works not submitted for mandatory content review and works awaiting the results of content review would fall within the scope of Article 4 (1) of the Copyright Law. Therefore, the class of works denied protection under Article 4(1) of the Copyright Law included works that had failed content review and, to the extent that they constitute copyright works, the deleted portions of works edited to satisfy content review. However, the United States had not made a *prima facie* case that works never submitted for content review, works awaiting the results of content review and the unedited versions of works for which an edited version has been approved for distribution in China, were denied copyright under Article 4 (1) of China's copyright law.

v) No party had alleged that the denial of protection under Article 4 (1) of the Copyright Law was permitted by any of the exceptions available with respect to certain specific rights under Articles 9 (2), 10 or 10*bis* of the Berne Convention. Nor had any party alleged that the denial of protection under Article 4 (1) of the Copyright Law was permitted by the exception provision in Article 13 of the TRIPS Agreement.

vii) For these reasons, the United States had established that Article 4 (1) of the Copyright Law was inconsistent with Article 5 (1) of the Berne Convention, as incorporated by Article 9.1 of the TRIPS Agreement. The potential denial of copyright protection, in the absence of a determination by the content review authorities, implied uncertainty with respect to works that did not satisfy the content criteria prior to a determination under Article 4 (1) of the Copyright law, with the consequent impact on enjoyment of rights described above. China had an international obligation to protect copyright in such works in accordance with Article 5 (1) of the Berne Convention, as incorporated by Article 9.1 of the TRIPS Agreement.

viii) China had raised a defense under Article 17 of the Berne Convention, as incorporated by Article 9.1 of the TRIPS Agreement. The parties had agreed that Article 17 confirms that governments have certain rights to control the exploitation of works, but not whether those rights included a denial of all copyright protection with respect to particular works. The rights under Article 17 of the Berne Convention to control or prohibit the circulation, presentation or exhibition of any work or production clearly includes censorship for public order. This does not mean however that Article 17 authorizes the denial of all copyright protection in a work: the terms "circulation, presentation or exhibition" do not correspond to the terms used to define the substantive rights granted by the Berne Convention, although there may be an overlap or a relation with some of the rights granted. Copyright and government censorship address different rights and interests. Copyrights protect private rights, as reflected in the fourth recital of the preamble in the TRIPS Agreement, whilst government censorship addresses public interest. With regard to those rights granted under the Berne Convention, a government to permit, control or

prohibit the circulation, presentation or exhibition of a work may interfere with the exercise of certain rights on the protected work by the copyright owner or a third party authorized by him. However, there is no reason to believe that censorship has to eliminate those rights entirely with respect to a particular work. China was unable to explain the reason for this. Therefore, notwithstanding China's rights recognized in article 17 of the Berne Convention, China's copyright law was in violation of Article 5 (1) of the Berne Convention, as incorporated by Article 9.1 of the TRIPS Agreement. The United States had made a *prima facie* case of inconsistency, since as previously clarified by the Appellate Body, when a measure is challenged "as such" the analysis of the measure on its face is sufficient for its assessment, and only if the meaning or content is not evident, further examination is required.⁶⁰⁴

ix) The United States had claimed that China had made the enjoyment and exercise of copyright subject to the formality of successful conclusion of content review, in violation of Article 5 (2) of the Berne Convention, as incorporated by Article 9.1 of the TRIPS Agreement. This claim could be subject to judicial economy. That is, since panels are not required to address all the legal claims made by the complainant, where panels find that a challenged measure is inconsistent with a specific provision of a covered agreement, they have discretion to decide not to examine whether the same measure is also inconsistent with other provisions invoked by the complainant, provided they do so explicitly. This claim concerned the denial of copyright protection under Article 4 (1) of China's copyright law and the Panel had already ruled on it in its consideration on the claim under Article 5(1) of the Berne Convention, as incorporated by Article 9.1 of the TRIPS Agreement. Additional findings regarding this claim under Article 5(2) of the Berne Convention, as incorporated by Article 9.1 of the TRIPS Agreement, would have not contribute further to a positive solution to this dispute. Therefore, it was unnecessary for the Panel to rule on this claim.

x) At a certain point of the dispute, the United States had made a claim that insofar as Article 4 (1) of China's copyright law applied to performances or phonograms (sound recordings), China had violated its obligations under Article 14 of the TRIPS Agreement. No claim to be ruled on could be however discerned since this claim was not asserted in the request for establishment of a panel nor in the United States' submission.

xi) The United States had claimed that works denied copyright protection under Article 4 (1) of China's copyright law were denied as well the availability of the enforcement provisions of Chapter V of China's copyright law and China had violated its obligations under Article 41.1 of the TRIPS Agreement. China asserted that, although private right of enforcement could be denied to those works, enforcement provisions were "available" to those works since authors of all works had "access" to enforcement process irrespective of whether they had adequate evidence or a valid right to enforce. It worth stressing that enforcement procedures under Part III of the TRIPS Agreement are far more extensive than access to process, available to right holders whose works were denied copyright protection in China. Part III of the TRIPS Agreement includes a multilaterally - agreed minimum set of enforcement procedures that Members must make available to right

⁶⁰⁴ Appellate Body Report in *US - Corrosion - Resistant Steel Sunset Review*, para. 168

holders against any infringement of intellectual property rights covered by the TRIPS Agreement. Where a Member chooses to make available other procedures - for enforcement of intellectual property rights or for enforcement of other policies with respect to certain subject matters - that policy choice does not diminish the Members' obligation under Article 41.1 of the TRIPS Agreement to ensure that enforcement procedures as specified in Part III are available. For the above reasons, Article 4 of the China's copyright law had violated China's obligations under Article 41.1 of the TRIPS Agreement.

xii) The United States had claimed that the criminal procedures referred to in Article 47 of China's copyright law were unavailable with respect to works denied copyright protection under Article 4 of that Law, and China did not provide for criminal procedures and penalties to be applied in certain cases of willful copyright piracy on a commercial scale, thus violating its obligations under the first and second sentences of Article 61 of the TRIPS Agreement. Judicial economy could be exercised with respect to this claim, since it concerned the denial of copyright protection under Article 4 (1) of the copyright law and its impact on enforcement. The Panel had already ruled on this measure in its consideration of the claim under Article 5(1) of the Berne Convention, as incorporated by Article 9.1 of the TRIPS Agreement, and under Article 41.1 of the TRIPS Agreement, respectively. Additional findings regarding these claims under Article 61 of the TRIPS Agreement would have not contributed further to a positive solution to this dispute. Therefore, it was unnecessary for the Panel to rule on these claims.

b) The United States had challenged three of China's customs measures.⁶⁰⁵ The United States had challenged the customs measures "as such", that is they had challenged the measures in and of themselves and not as they had been applied in a particular instance.

i) The United States had claimed that the competent Chinese authorities could not order the destruction or disposal of infringing goods, as required by Article 59 of the TRIPS Agreement. Chinese customs authorities had to follow a compulsory scheme and thus could not exercise their discretion to destroy the goods, having to give priority to the disposal options. According to them, the three disposal options of the donation to social welfare bodies, the sale to the right holder and the auction of goods were all in violation of Article 59 and of Article 46, which is incorporated into Article 59. China had responded that its customs authorities could order both disposal and destruction of infringing goods in accordance with Article 59 of the TRIPS Agreement.

ii) Section 4 of Part III of the TRIPS Agreement, sets out the procedures for the suspension at the border by the customs authorities of the release into free circulation of goods. All the provisions of Section 4 must be read as a coherent set of procedures and not in isolation. Article 59 sets out the steps in the procedure that applies after goods have been found to be infringing and, thus, has to be read and understood in its context, that is in accordance with Section 4 of Part III of the TRIPS Agreement. Before analyzing the measures at issue, an interpretative analysis of the terms of

⁶⁰⁵ The *Regulation of the People's Republic of China for Customs Protection of Intellectual Property Rights*, the *Implementing Measures of Customs of the People's Republic of China for the Regulation of the People's Republic of China on Customs Protection of Intellectual Property Rights* and the *General Administration of Customs Announcement No. 16 of 2007*.

Article 59 and of Article 46 of the TRIPS Agreement was necessary: 1) *"Infringing goods"*: the ordinary meaning of the term *"infringing goods"* in Article 59 is not limited to goods infringing specific rights. However, read in context, there are certain limitations: Article 51 of the TRIPS Agreement, which concerns the suspension by customs authorities of the release of counterfeit trademark and pirated copyright goods, is part of the context of Article 59. Reading the two Articles in conjunction, it is clear that the provision of Article 59 does not apply only to counterfeit trademark and pirated copyright goods, but to certain other infringements of intellectual property rights, specifically other trademark - infringing goods, other copyright - infringing goods and patent - infringing goods. Taking into consideration that Article 51, third sentence, refers to an optional extension to *"infringing goods destined for exportation"*, it is clear that there is no obligation to apply the requirements of Article 59 to goods destined for exportation. Since the United States had taken position in its claim only on customs measures on goods for importation, without taking position on measures on goods for exportation, the claim would have been assessed insofar as it concerned goods destined for importation. 2) *"shall have the authority"*: the term *"shall have the authority"* of Article 59 implies that the obligation is to give authorities the authority to order remedies, not to exercise it and is an obligation to have the authority to order certain types of remedies not to have the authority to order those remedies only. The *"authority"* required under Article 59 is to order *"destruction"* or *"disposal"*, therefore a condition that precludes the authority to order one remedy (e.g. destruction) could be consistent with Article 59 as long as competent authorities still had the authority to order the other remedy (in this example, disposal). In the context of Sections 2, 3 and 4 of Part III of the TRIPS Agreement, which all put the responsibility to initiate procedures on private right holders, Article 59 does not require Members to take any action *ex officio*, in the absence of an application or request. The authority to order disposal of infringing goods is subject to the requirement that this disposal is outside the channels of commerce. The United States had claimed in particular that, given the mandatory sequence of steps, Chinese customs authorities had authority to order destruction only in limited circumstances. Certainly, the obligation under Article 59 is applicable to both discretionary and mandatory measures, which can both be examined for conformity with this provision. 3) *"the principles set out in Article 46"*: the first sentence of Article 59 provides that competent authorities shall have the authority to order the destruction or disposal of infringing goods *"in accordance with the principles set out in Article 46."* The first, third and fourth sentences of Article 46 all contain language that is a guide to action for competent authorities. Accordingly, for the purposes of Article 59, Article 46 sets out that authorities must have the authority to order disposal or destruction without having to pay compensation of any sort. They must have the authority to order disposal outside the channels of commerce in such a manner as to avoid any harm caused to the right holder or to order destruction unless this would be contrary to existing constitutional requirements. When they order the disposal or destruction of infringing goods they have to consider the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of third parties shall be taken into account. Finally, in regard to counterfeit trademark goods, the simple removal of the trademark unlawfully affixed shall not be sufficient, other than in exceptional cases, to permit release of the goods into the

channels of commerce. The general objective of these principles and obligations, which is a principle of Article 46 incorporated by the first sentence of Article 59, is to create an effective deterrent to infringement. 4) “disposed of outside the channels of commerce in such a manner as to avoid any harm caused to the right holder”: this phrase is in the first sentence of Article 46, which is incorporated into Article 59 of the TRIPS Agreement. Since the disposal of infringing goods outside the channels of commerce is an alternative to their destruction, any inherent risk of harm due simply to the fact that the goods have not been completely destroyed is insufficient to disqualify a disposal method, as it would nullify the choice between disposal and destruction. However, concerns on harm caused to the right holder by a particular disposal are relevant to assess its conformity with Article 59 and 46 of the TRIPS Agreement. In addition, the remedies specified in Article 59 are not exhaustive.

iii) Turning to the consistency of the customs measures with Article 59 and the principles set out in Article 46 of the TRIPS Agreement, an analysis of the three disposal options of the donation to social welfare bodies, the sale to the right holder and the auction of goods was necessary:

1) *donation to social welfare bodies*: it had not been disputed that the principle of disposal of goods outside the channels of commerce was applicable to donations to social welfare bodies for their own use or for charitable distribution. The United States had argued that the right holder however would be harmed by the donation to social welfare bodies, since the counterfeit goods would have not performed properly and would have had a lower quality, therefore damaging the right holder’s reputation. In addition, they had claimed that nothing prevented social welfare bodies from selling the donated infringing goods. However, no evidence had been produced suggesting that customs authorities would have donate defective and dangerous goods to charity and no harm had ever been caused. As for the possibility for social welfare bodies to well donated infringing goods, the infringing goods did not have to be considered as disposed of outside the channels of commerce if the social welfare body sold goods donated to them by charitable distribution. Conversely, they had to be considered as disposed of outside the channels of commerce if the social welfare body distributed the goods donated, and the goods later found a way back into the channels of commerce. The United States had not established that, with respect to donation of infringing goods to social welfare bodies under the measures at issue, customs lacked authority to order disposal of infringing goods in accordance with the principles set out in the first sentence of Article 46. In fact, customs authorities normally made a determination as to whether infringing goods might be used for social public welfare, they had a duty to carry out necessary supervision of such use, which was executed by means of the Customs - Red Cross Memorandum. Therefore, customs authorities had discretion to determine the transfer to a social welfare body. With regard to the United States’ claim against China’s *Law on Donations for Public Welfare*, in conjunction with China’s customs measures, this law was outside the Panel’s terms of reference and no ruling could have been made on this claim.

2) *Sale to the right holder*: the second disposal method set out in the measures at issue was the sale to the right holder. This option required the consent of the right holder to pay for

the infringing goods at a price to be agreed and in no circumstance was the only option available to customs authorities, therefore not precluding any “*authority*” under Article 59 of the TRIPS Agreement.

3) *Auction of infringing goods*: the third disposal method set out in the measures at issue was an auction. The language of China’s implementing measures on customs (the use of the verb “*may*”) indicated that customs authorities did not have an obligation to auction goods at any point. The very same existence of circumstances in which customs authorities had departed from the terms of the measures indicated that, at the very least, the measures were not as mandatory as they appeared on their face. For these reasons, the United States had not established that the authority to order auction of infringing goods under the customs measures precluded authority to order destruction of infringing goods in accordance with the principles set out in the first sentence of Article 46. However, although the auction of infringing goods was not a mandatory option as the United States had claimed, it was taking place after the eradication of infringing features. Under the fourth sentence of Article 46, as incorporated by Article 59, in regard to counterfeit trademark goods, to permit release of the goods into the channels of commerce, the “*simple removal*” of the unlawfully affixed trademark is not sufficient other than in exceptional cases. In China, where customs authorities were using the auction option, the eradication of infringing features was mandatory and was a condition attached to the auction of good confiscated by customs authorities. The auction of infringing goods applied, *inter alia*, to counterfeit trademark goods. Insofar as the measures concerned counterfeit trademark good, the action prior to the auction was the removal of the trademark. This was in violation of the obligation under Article 59, as it incorporates the principle set out in the *fourth* sentence of Article 46, that the eradication be sufficient only in exceptional cases. China had argued that its customs measures did not provide for “*simple*” removal of the trademark, since the right holder had an opportunity to comment prior to auction. However, the word “*simple*” means as unqualified, with nothing added. Under Article 46, fourth sentence, as incorporated into Article 59, release of infringing goods into the channels of commerce is permissible where more than simple removal of the trademark is carried out. The opportunity for the right holder to comment prior to auction was not relevant to whether a simple removal of the trademark unlawfully affixed occurred. China’s customs measures provided for the simple removal of unlawfully affixed trademark. But “*simple removal*” of the trademark unlawfully affixed is allowed in “*exceptional circumstances*”: in exceptional cases the simple removal of the trademark unlawfully affixed may be sufficient to permit release of the goods into the channels of commerce. Read in context, “*exceptional cases*” indicates cases narrowly circumscribed. China’s customs measures provided that the simple removal of the unlawfully affixed trademark was sufficient to permit release of the goods into the channels of commerce in more than just exceptional cases.

Consequently, China’s customs measures were in violation of Article 59 of the TRIPS Agreement, as it incorporates the principle set out in the fourth sentence of Article 46.

c) The United States had claimed that Chinese criminal law and its official interpretations by Chinese competent authorities were in violation of China's obligations under Article 61 of the TRIPS Agreement. Under Article 61 of the TRIPS Agreement, Members have an obligation to provide for criminal procedures and penalties to be applied at least in cases of willful trademark counterfeiting and copyright piracy on a commercial scale. The United States had claimed that China did not provide for criminal procedures and penalties to be applied to willful trademark counterfeiting and copyright piracy on a commercial scale.

i) The United States had challenged China's criminal measures "as such", i.e. they had challenged the measures in and of themselves and not as they had been applied in a particular instance. The United States had challenged both China's criminal law and the official interpretations of this law by Chinese competent authorities. After an analysis of these official interpretations by Chinese competent authorities, it could be concluded that in the Chinese legal system these interpretations were binding and had the force of law.

ii) Although Members such as China may use thresholds to identify those illegal acts which are serious enough to be criminalized, this result could have been obtained even without the use of thresholds. On this line, the United States had challenged only conviction thresholds, that is those thresholds established under China's criminal law and interpretations which identified minimum requirements for conviction, since they rendered prosecution impossible in the absence of certain criteria ("serious circumstances", "relatively large amount of sales", "relatively large amount of illegal gains" or "other serious circumstances", and "a huge amount of sales") and not aggravation thresholds, that is requirements for higher penalties to be applied.

iii) China had added that criminal procedures and penalties could have been applied on the basis of joint crimes and criminal group membership. On this basis, according to China, criminal procedures and penalties would have been applied to infringers that would have not otherwise reached the criminal thresholds under China's criminal law. The concept of joint crimes was certainly relevant to the capacity of China's criminal law to take into consideration an element of organization among different offenders. However, it could not alter the lack of criminal procedures and penalties falling below certain thresholds.

iv) An analysis of the specific features of the thresholds for crimes infringing intellectual property rights was necessary. It was certainly relevant that Chinese competent authorities could take into account the profit - making purpose as a qualitative factor and that under certain provisions existed alternative thresholds. Moreover, the thresholds might have taken into account multiple acts of infringements and not simply a single transaction with the consequent income, profits, sales or number of copies, and the calculation of the thresholds was not restricted to the value of goods seized in a single place (goods at other warehouses or in transportation were taken into consideration.) In particular, since administrative sanctions were available for those infringements of intellectual property rights falling below China's criminal thresholds, the criminal thresholds did not create a "safe harbor", as the United States had claimed, for some trademark counterfeiting and pirated copyright. However, neither party to the dispute had argued that administrative enforcement may fulfill the obligation under Article 61 of the TRIPS, which concerns criminal

procedures and penalties. Therefore, in light of the above, although various circumstances were taken into account through the structure and the method of calculation of thresholds, there existed acts of trademark counterfeiting and pirated copyright which fell below all the applicable thresholds and were not subject to criminal procedures and penalties. It was therefore necessary to clarify whether any of those acts falling below the applicable thresholds under Chinese criminal law constituted a “*willful trademark counterfeiting or pirated copyright on a commercial scale*” within the meaning of Article 61 of the TRIPS Agreement, in order to determine whether China had violated its obligations under Article 61 of the TRIPS Agreement.

v) The United States’ claim was based on two alleged fundamental problems: first, the level and method of calculation of the thresholds, since by specifying certain levels, the thresholds allegedly eliminated whole classes of counterfeiting and piracy from risk of criminal prosecution and conviction; second, the limited set of numerical tests in the thresholds, since by focusing solely on these tests, the thresholds allegedly required law enforcement officials to disregard other indicia of counterfeiting and piracy. The first problem concerned quantitative issues, while the second concerned qualitative issues. Before analyzing these two alleged problems, a thorough analysis of the obligations under Article 61 of the TRIPS Agreement was necessary to clarify its nature and scope.

vi) Under Article 61, first sentence, of the TRIPS Agreement, Members have an obligation to provide for criminal procedures and penalties to be applied at least in cases of willful trademark counterfeiting or copyright piracy on a commercial scale. The language of this provision (notably the use of the verb “*shall*”), read in context, shows that the first sentence imposes an obligation. China had argued that no specific obligation arose under Article 61, first sentence, since this Article does not define what constitutes substantive infringements against which enforcement is provided, nor do the TRIPS Agreement or the Berne Convention contain such a definition. Rather, they defer to national discretion to define the rights being infringed. In addition, China had argued, Article 61 of the TRIPS Agreement is less specific than the WTO *Anti - Dumping Agreement* and the WTO *Agreement on Subsidies and Countervailing Measures*, both setting out specific standards and Article 1.1, third sentence, of the TRIPS Agreement established boundaries on TRIPS obligations. All these arguments had to be rejected. It is true that Article 61 of the TRIPS Agreement contains a number of terms that are not defined by the Agreement and that this can affect the proper interpretation of the provision. However, Part II of the TRIPS Agreement and other relevant Agreements,⁶⁰⁶ defined the rights covered by intellectual property and what constituted infringement of those rights. That an obligation existed under Article 61, first sentence, was confirmed by the customary rules of interpretation: TRIPS was certainly different from trade remedy agreements such as those cited by China, but Members are obliged to ensure conformity of their respective laws with their respective obligations as provided in the TRIPS Agreement under Article XVI:4 of the WTO Agreement. Finally, reference to Article 1.1 of the TRIPS Agreement, lead to the conclusion that the standard of compliance with Article 61 is the

⁶⁰⁶ The Paris Convention (1967), incorporated into the TRIPS Agreement through Article 2.1 of the TRIPS, and the Berne Convention (1971), incorporated into the TRIPS Agreement through Article 9.1 of the TRIPS.

minimum internationally agreed standard set out in that Article and no deference to domestic practices should be made unless explicitly stated (and Article 61 made no reference to domestic practices). Turning to the scope of the obligation under Article 61 of the TRIPS Agreement, since under this Article members have an obligation to provide for criminal procedures and penalties to be applied at least in cases of willful trademark counterfeiting or copyright piracy on a commercial scale, the obligation applies to all acts of willful trademark counterfeiting and or copyright piracy on a commercial scale. That is: 1) the obligation does not apply to all intellectual property covered by the TRIPS Agreement, but only to trademarks and copyrights; 2) the obligation does not apply to all infringement of trademarks and copyright, but only to counterfeiting and piracy; 3) the word “*willful*” indicates that the obligation applies only where acts are willful, highlighting the infringer’s intent; 4) the obligation is limited to cases “on a commercial scale” and, accordingly, certain acts of willful trademark counterfeiting or copyright piracy are excluded from the scope of the first sentence of Article 61.

vii) The meaning of the phrase “*on a commercial scale*” of Article 61 of the TRIPS Agreement was the principal interpretative point in dispute. This phrase is a qualifier in the context of Article 61, in the sense that if willful trademark counterfeiting and a copyright piracy are not on a commercial scale, then they are not included in the scope of the obligation of Article 61 of the TRIPS Agreement. Only willful trademark counterfeiting and copyright piracy on a commercial scale are subject to an obligation regarding criminal procedures and penalties (in contrast with all other infringements of intellectual property rights) and this indicates that negotiators considered them the most blatant and egregious acts of infringement. This view must inform the interpretation of Article 61. On this line, Article 61 of the TRIPS Agreement is unique among international intellectual property agreements since it is the only one creating specific minimum standard for criminal enforcement procedures. Once this was clarified, it was important to interpret the phrase “*on a commercial scale*”. “*Scale*” is a quantitative concept, while “*commercial*” is a qualitative one since it refers to the nature of certain acts. Whilst “*scale*” denotes a relative size, “*commercial*”, read in context, denotes qualitative and quantitative aspects. Thus, “*commercial scale*” denotes the nature of the activity and its relative size, as a market benchmark. In quantitative terms, the benchmark would be the magnitude or extent of typical or usual commercial activity, which will vary in the different cases of counterfeiting and piracy to which an obligation applies, since what is typical or usual varies according to the type of commerce concerned and is a flexible concept. China had presented certain arguments on the interpretation of “*commercial scale*” which could not be accepted: no subsequent practice (that is a common, consistent and discernible pattern of acts or pronouncements and an agreement in the application of the TRIPS Agreement) existed⁶⁰⁷; the WIPO Committee’s Model Provisions for National Laws did not represent the TRIPS negotiators common intention (nor did the WIPO Committee of Experts on Measures Against Counterfeiting and Piracy); finally, Article 41.1 of the TRIPS Agreement is a relevant provision in the overall balance of rights and obligations in Part III of the TRIPS Agreement and both its first and second sentence apply to Article 61, but they were not relevant in the case under discussion.

⁶⁰⁷ In accordance with Article 31 (3) of the *Vienna Convention on the Law of Treaties*.

viii) The standard of Article 61 had then to be applied to the measures at issue that is to the thresholds of China's criminal law and interpretations. No simple assumption had to be made that thresholds, including numerical tests, were inconsistent with the relative benchmark ("*on a commercial scale*") of the first sentence of Article 61: as long as a Member provides for criminal procedures and penalties to be applied in cases of willful trademark counterfeiting and copyright piracy on a commercial scale, it will comply with this obligation. The allegation by another Member that the specific method adopted does not provide for criminal procedures and penalties as required under Article 61 must be proven with evidence. Moreover, since as above mentioned the "*commercial scale*" standard is a flexible one, the conformity's of China's criminal thresholds with that standard had to be assessed by reference to China's marketplace. The United States' claim was based on two alleged fundamental problems.

1) The United States had challenged the levels at which certain thresholds were set. They were arguing that China's criminal thresholds excluded certain commercial activity from the application of criminal procedures and penalties. The United States had to demonstrate that the levels under Chinese criminal law and interpretations were higher than the standard under Article 61 of the TRIPS Agreement as applied in certain factual situations. After a revision of Chinese criminal thresholds it could be concluded that, on their face, they did not exclude certain commercial activities from criminal procedures and penalties. It was however necessary to look at the measures as applied to see whether they applied to acts that, in China's marketplace, were on a commercial scale according to Article 61 of the TRIPS Agreement. The United States had made several examples and had repeatedly asserted that certain amounts of sales of copyright - infringing copies constituted piracy on a commercial scale. This did not in any way demonstrate what constituted a commercial scale for any product in any market in China, nor did the data on quantities of retail sales of infringing products taking place in China below China's thresholds and the seizure data, since they did not permit any deduction as to the scale of operations of the individual raided retail outlets. In this context, the press articles submitted by the United States regarding the calculation of certain thresholds resulted anecdotal, non - authoritative and vague and could not have been accepted as evidence. In light of the above, the United States had failed to make a prima facie case that the levels at which certain China's thresholds were set were in violation of China's obligation under Article 61, first sentence, of the TRIPS Agreement.

2) The United States had challenged China's value and volume thresholds since they were allegedly tied to finished goods and therefore ignored other indicia of commercial scale operations, such as the presence of unfinished products and fake packaging. To assess China's measures, it was necessary to verify whether China's measures could take into account these other indicia and, if they could not, if China had an obligation to take them into account under Article 61 of the TRIPS Agreement. The United States had made reference to three significant categories of indicia that should have been taken into account:

A) physical evidence: the United States had claimed that China's thresholds focused only on business volume, copy and profit thresholds that could have been met only by counting finished goods. The United States failed however to explain this view and the operation of Chinese

measures to support this claim. As certain judicial decisions submitted by the parties showed, Chinese courts had taken both finished and unfinished products into consideration in their evaluations. The United States had failed to make a *prima facie* case that physical evidence was not taken into account by Chinese thresholds measures.

B) Impact on the commercial marketplace: the United States had claimed that China's thresholds were tied to finished goods and therefore ignored other indicia of commercial scale operations, such as the impact that piracy and counterfeiting have on the commercial marketplace and on right holders. The United States had appeared particularly concerned with the Internet and digital technological advancements allowing commercial piracy and counterfeiting to create major damage to a market. However, evidence to substantiate the United States' claim was absent and the impact of the infringement on the right holder is irrelevant for the "*commercial scale*" standard and should not be taken into account. The United States had failed to make a *prima facie* case that impact on the commercial marketplace was not taken into account by Chinese thresholds measures.

3) miscellaneous factors: the United States had claimed that China's thresholds did not take into account the wide range of considerations which are probative of a "*commercial scale*" activity (such as previous history of infringement, marketing and soliciting of business or the manufacture of prototypes to test the infringer's production equipment). However, the United States failed to explain why Chinese thresholds did not take these factors into account or would have not attracted criminal liability. Therefore, the United States had failed to make a *prima facie* case that other miscellaneous factors were not taken into account by Chinese thresholds measures.

In light of the above, the United States had failed to establish that China's criminal thresholds were in violation of China's obligation under Article 61, first sentence, of the TRIPS Agreement.

ix) The United States had claimed that China's criminal measures were in violation of China's obligation to make the necessary remedies available or sufficient to deter piracy and counterfeiting under Article 61, second sentence, of the TRIPS Agreement and, consequently the obligation to make procedures and penalties required by the first and second sentence of Article 61 available as required by Article 41.1 of the TRIPS Agreement. The discussion of both claims would have no further contributed to a positive solution of the dispute and judicial economy could be exercised on them. The first claim was however contingent upon the outcome of the United States' claim under the first sentence of Article 61 and therefore it was not necessary to rule on this claim. The second claim was consequent upon the outcome of the claims on the criminal measures under Article 61 of the TRIPS Agreement and therefore it was not necessary to rule on this claim.

In light of the above:

- With regard to China's copyright law and specifically the first sentence of Article 4, China had violated its obligation to provide for copyright protection for certain works under Article 5.1 of the Berne Convention, as incorporated by Article 9.1 of the TRIPS Agreement, and its obligation to

ensure copyright enforcement procedures and remedies to prevent infringement with regard to certain works under Article 41.1 of the TRIPS Agreement.

- With regard to China's customs measures, Article 59 of the TRIPS Agreement was not applicable to the customs measures insofar as they applied to goods destined for exportation and the United States had not established that China had violated its obligations to give competent authorities the authority to order destruction or disposal of infringing goods outside the channels of commerce in such a manner as to avoid any harm caused to the right holder under Article 59 of the TRIPS Agreement, as it incorporates the principles set out in the first sentence of Article 46 of the TRIPS Agreement. China had however violated its obligations to do not permit release of counterfeit trademark goods into the channels of commerce where, other than in exceptional cases, the simple removal of trademark unlawfully affixed had occurred under the fourth sentence of Article 46 of the TRIPS Agreement.

- With regard to China's criminal thresholds, the United States had not established that China had violated its obligation to provide for criminal procedures and penalties to be applied at least in cases of willful trademark counterfeiting or copyright piracy on a commercial scale under the first sentence of Article 61 of the TRIPS Agreement.

- Judicial economy was exercised on the claim that China could not make copyright protection and the subsequent enjoyment of rights subject to any formality under Article 5 (2) of the Berne Convention, as incorporated by Article 9.1 of the TRIPS Agreement; on the claim that China did not provide for criminal procedures and penalties to be applied in certain cases of willful copyright piracy on a commercial scale under Article 61 of the TRIPS Agreement; and on the claim that China had not provided for remedies available or sufficient to deter piracy and counterfeiting under Article 41.1 of the TRIPS Agreement and the second sentence of Article 61 of the TRIPS Agreement.

Further development related to the case

a) On 10 April 2007, when the United States filed its complaint which led to the present case, *WT/DS362 China - Measures Affecting the Protection and Enforcement of Intellectual Property Rights*, they filed as well another separate complaint which led to the case *WT/DS363 China - Measures Affecting Trading Rights and Distribution Services for Certain Publications and Audiovisual Entertainment Products*.

b) The *China - IP Rights* case has been extremely relevant from different standpoints. It has been the first WTO case with a panel report on the enforcement of TRIPS commitments (as distinct from other violations of the TRIPS Agreement), the first time that China successfully defended elements of its legal regime against a WTO complaint and the first time that a challenged measure had the non - trade related aim to restrict, on the basis of public interest, the right to freedom of expression.

Many academics and advocates had supported the idea that trade law might serve to promote and protect freedom of expression and that these two fields of law were in spontaneous confluence and pointed in the same direction. However, the *China - IP Rights* case has provided a concrete opportunity to see how this potential confluence could play out in practice and, for some commentators, has showed exactly the contrary. Indeed, in the case, both parties and the Panel were oblivious of the human rights context and implications of the dispute and its effects on the legal framework of the issue. A somewhat similar (since it dealt with public interest / censorship's effects on trade) but different case (since the United States challenged the consistency of certain Chinese measures with China's Protocol of Accession, the GATT 1994 and the GATS) was *WT/DS363 China - Measures Affecting Trading Rights and Distribution Services for Certain Publications and Audiovisual Entertainment Products*.⁶⁰⁸

c) According to other scholars, previous dispute settlement decisions had touched upon enforcement obligations under the TRIPS Agreement, but only in a superficial way. Since many of the questions in front of the Panel were novel, the standards adopted by the Panel were expected to be much more refined. For instance, when dealing with the criminal thresholds established by Chinese criminal law and interpretations in order to apply penalties to counterfeiting and piracy, the Panel provided a roadmap for litigating future claims, but it failed to provide clear guidance for governments seeking to ensure that national laws comply with their TRIPS obligations, at least where they wish to resort to thresholds.⁶⁰⁹

d) The *China - IP Rights* dispute has been the pinnacle of the tension existing between the United States and China on intellectual property protection and enforcement since the early 1990s. China's failure to meet certain standards of IP protection made it appearing in the *Special 301 Priority Foreign Countries Report* and led to the establishment of a *Memorandum of Understanding* with the United States on IP rights in 1992 and to China joining the Berne Convention and the Universal Copyright Convention in 1992. As a result of China's still existing IP rights deficiencies (such as the failure to adopt effective measures to combat copyright piracy), during the 1990s the United States actively blocked China's accession to the WTO. However, even after China's accession to the WTO, the excellent laws in the books did not translate into a successful enforcement regime. In 2007, the United States requested the establishment of a panel in the dispute WT/DS362 and the decision of the Panel has been regarded as somewhat mixed. On 5 June 2008, the *National Intellectual Property Strategy*, a comprehensive action plan for IP rights protection, came into operation in China. Unlike previous intellectual property action plans designed to cope with pressures from major IP producers - the United States, the European Union

⁶⁰⁸ T. Broude, *It's Easily Done: The China - Intellectual Property Rights Enforcement Dispute and the Freedom of Expression*, (October 21, 2009), Hebrew University International Law Research Paper No. 22 - 09, available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1492222.

⁶⁰⁹ J. Mendenhall, *WTO Panel Report on Consistency of Chinese Intellectual Property Standards*, ASIL Insight, Volume 13, Issue 4, April 3, 2009, available at <http://www.asil.org/insights/volume/13/issue/4/wto-panel-report-consistency-chinese-intellectual-property-standards>.

and Japan - this strategy approached the issue from the perspective of encouraging home - grown innovation.⁶¹⁰

e) The *China - IP Rights* dispute did not come out unexpected: before the dispute the United States and China were near to a bilateral trade conflict. As a result of the current formal dispute, bilateral cooperation on IP rights came to a halt until the end of the WTO litigation. Although this could be regarded as an inappropriate response, revealing China's inexperience, this was a way for China to exert counter - pressure on the US government. To the surprise of most observers, neither the United States nor China appealed the Panel Report, adopted in March 2009. Both countries, the United States more explicitly, China not explicitly but more high - profile than before, considered the decision a victory.⁶¹¹

f) Eminent scholars highlighted that, even after China's membership in WIPO, the signing and ratification of numerous international IP agreements, and accession to the WTO, the main problem for China was not to provide adequate laws for the protection and enforcement of IP rights, but the enforcement of those laws. The factors hampering effective protection and enforcement have been identified in the vaguely worded laws and regulations being subject to multiple interpretations, lack of effective deterrents against infringers, lack of political will from the different governmental levels, industry reluctance to confront the central government or provincial authorities and lack of resources and poor coordination among different enforcement agencies.⁶¹²

g) China is the largest source of counterfeit product production and distribution and is on the top of the United States and the European Union's lists of pirated products seizures. Some authors considered the idea of China's own political culture as a reason of limited IP rights enforcement: political liberalization and a greater commitment to a rights-based legality would be needed to produce better IP protection.⁶¹³

h) For some commentators, the Panel decision was a major loss not only for the United States, but for those countries such as Canada that supported the United States in the dispute. The decision certainly had consequences on subsequent initiatives such as the *Anti - Counterfeiting Trade Agreement* and highlighted that international copyright and trade law allow considerable flexibility, without the need of new treaties or additional legal obligations.⁶¹⁴ Others have

⁶¹⁰ N.P. Stoianoff, *The Influence of the WTO over China's Intellectual Property Regime*, The Sydney Law Review, Volume 34, No. 1, available at http://sydney.edu.au/law/slr/slr_34/slr34_1/SLRv34no1Stoianoff.pdf.

⁶¹¹ W. Ji, C. Huang, *China's Experience in Dealing with WTO Dispute Settlement: A Chinese Perspective*, (August 10, 2011), Journal of World Trade, Volume 45, No. 11, p. 18 - 20, available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1759248.

⁶¹² B.C. Mercurio, *The Protection and Enforcement of Intellectual Property in China Since Accession to the WTO: Progress and Retreat*, (2012), China Perspectives, 2012/1, available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2152429.

⁶¹³ A. Zimmerman, P. E. Chaudhry, *Protecting Intellectual Property Rights: The Special Case of China*, Journal of Asia - Pacific Business, 10:308 - 325, 2009, available at <http://www.peggychaudhry.com/publications/journal-asia-pacific.pdf>.

⁶¹⁴ M. Geist, *Why the US Lost in WTO IP Complaint Against China. Badly.*, published on 27 January 2009, available at <http://www.michaelgeist.ca/2009/01/wto-china-ip-decision/>.

supported this view, adding that China's intellectual property laws had been vindicated in the most important disputed areas.⁶¹⁵

⁶¹⁵ S.R. Smith, *Panel Decision on IP Case Favorable to China, Say Experts*, SUNS (6634), 6 February 2009, available at <http://www.twinside.org.sg/title2/wto.info/2009/twninfo20090205.htm>.

European Communities - Enforcement of Intellectual Property Rights for Motion Pictures and Television Programs

Greece - Enforcement of Intellectual Property Rights for Motion Pictures and Television Programs

IP/D/13WT/DS124 - WT/DS124/2

IP/D/14WT/DS125 - WT/DS125/2

General Background of the case

On 30 April 1998, the United States requested consultations with the European Communities with regard to the enforcement of intellectual property rights in Greece (WT/DS124). On the same day, the United States requested consultations with Greece with regard to the same matter (WT/DS125).

The main concern of the United States was that the European Communities and Greece complied with their obligations under Part III of the TRIPS Agreement regarding enforcement of intellectual property rights. Allegedly, a significant number of television stations in Greece regularly broadcast copyrighted motion pictures and television programs without the authorization of the copyright owners. No effective remedy was provided or enforced in Greece for these unauthorized broadcasts. Consequently, notwithstanding the US right holders' efforts to prevent unauthorized broadcasts and to pursue their rights in Greece, nothing had been done in respect of the repeated infringement of copyrights owned by US nationals.

According to the United States, the European Communities and Greece had violated their obligations under the TRIPS Agreement including, but not limited to: i) Their obligations to make available enforcement procedures under their law so as to permit effective action against any act of infringement of intellectual property rights covered by the Agreement under Article 41 of the TRIPS Agreement. ii) Their obligations to provide for criminal procedures and penalties to be applied at least in cases of willful copyright piracy on a commercial scale under Article 61 of the TRIPS Agreement.

Legal basis of the case: related provisions in the TRIPS Agreement

Article 41 of the TRIPS Agreement (Section 1: General Obligations):

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

2. Procedures concerning the enforcement of intellectual property rights shall be fair and equitable. They shall not be unnecessarily complicated or costly, or entail unreasonable time - limits or unwarranted delays.

3. Decisions on the merits of a case shall preferably be in writing and reasoned. They shall be made available at least to the parties to the proceeding without undue delay. Decisions on the merits of a case shall be based only on evidence in respect of which parties were offered the opportunity to be heard.

4. Parties to a proceeding shall have an opportunity for review by a judicial authority of final administrative decisions and, subject to jurisdictional provisions in a Member's law concerning the importance of a case, of at least the legal aspects of initial judicial decisions on the merits of a case. However, there shall be no obligation to provide an opportunity for review of acquittals in criminal cases.

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

Article 61 of the TRIPS Agreement (Section 5: Criminal Procedures):

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

Mutually agreed solution:

On 20 March 2001, the United States, the European Communities and Greece notified the Dispute Settlement Body a mutually agreed solution. On 13 October 1998, Greece had passed legislation providing an additional enforcement remedy for copyright holders whose works had been infringed by television stations operating in Greece. This legislation provided the immediate closure of television stations that infringed intellectual property and indeed, over the past years, Greece had taken action under this legislation to close down four television stations that were proven to have broadcast illegally US copyrighted works. As a consequence, the estimated levels of television piracy in Greece had fallen significantly. Greece further reaffirmed that its legal enforcement system would have continued to permit prompt action against copyright

infringement by television stations, and would have constituted an effective deterrent to further infringements. Greece further committed to employ its best endeavors to achieve effective administrative supervision of television stations in relation to compliance with copyright and related laws concerning audiovisual works.

The matter was therefore withdrawn from further attention under the provisions of the Dispute Settlement Understanding.

Further development related to the case:

a) These two cases (*DS 124* and *DS 125*) involved again (see cases *DS 82 Ireland - Copyright* and *DS 115 European Communities - Copyright*) a complaint against the European Communities and against a Member State at the same time. Faced with the question on the respective liabilities of the Community (now the European Union) and the Member States, some scholars have suggested that the complaining WTO Member is under no international obligation to make a joint claim against both the Member State and the Community (now the European Union). Nor has it any obligation to make two separate claims against the Member State and the Community (now the European Union) on the same subject matter. Instead, as clearly showed by numerous cases in the WTO dispute settlement system, the complaining WTO Member is entitled to engage the sole responsibility of the State which promulgated the offending measure.⁶¹⁶

b) Additional references and details on further development to the case: please refer to the section: “further development of the cases *DS 82 Ireland - Copyright* and *DS 115 European Communities - Copyright*” pp.

⁶¹⁶ P. Ruttley, M. Weisberger, *The WTO Agreement in European Community Law: Status, effect and Enforcement*, in P. F. J. Macrory, A. E. Appleton, M. G. Plummer (Eds.), *The World Trade Organization: Legal, Economic and Political Analysis Volume I*, (Springer: 2005, US), p. 1478.

Denmark - Measures Affecting the Enforcement of Intellectual Property Rights

IP/D/9WT/DS83 - WT/DS83/2

General Background of the case

On 14 May 1997, the United States requested consultations with Denmark with regard to the availability of provisional measures under Danish law.

The main concern of the United States was that Denmark complied with its obligations under the TRIPS Agreement to make available prompt and effective provisional measures *in audita altera parte* in the context of civil proceedings involving intellectual property rights.

According to the United States, Denmark had violated its obligations under the TRIPS Agreement including, but not limited to: i) its obligations to provide judicial authorities with the authority to order prompt and effective provisional measures under Article 50 of the TRIPS Agreement. ii) Its obligations on transparency under Article 63 of the TRIPS Agreement. iii) Its obligation to apply the TRIPS Agreement on 1 January 1996 under Article 65 of the TRIPS Agreement.

Legal basis of the case: related provisions in the TRIPS Agreement

Article 50 of the TRIPS Agreement (Section 3: Provisional Measures):

"1. The judicial authorities shall have the authority to order prompt and effective provisional measures:

(a) to prevent an infringement of any intellectual property right from occurring, and in particular to prevent the entry into the channels of commerce in their jurisdiction of goods, including imported goods immediately after customs clearance;

(b) to preserve relevant evidence in regard to the alleged infringement.

2. The judicial authorities shall have the authority to adopt provisional measures inaudita altera parte where appropriate, in particular where any delay is likely to cause irreparable harm to the right holder, or where there is a demonstrable risk of evidence being destroyed.

3. The judicial authorities shall have the authority to require the applicant to provide any reasonably available evidence in order to satisfy themselves with a sufficient degree of certainty that the applicant is the right holder and that the applicant's right is being infringed or that such infringement is imminent, and to order the applicant to provide a security or equivalent assurance sufficient to protect the defendant and to prevent abuse.

4. Where provisional measures have been adopted in audita altera parte, the parties affected shall be given notice, without delay after the execution of the measures at the latest. A review, including a right to be heard, shall take place upon request of the defendant with a view to deciding, within a

reasonable period after the notification of the measures, whether these measures shall be modified, revoked or confirmed.

5. The applicant may be required to supply other information necessary for the identification of the goods concerned by the authority that will execute the provisional measures.

6. Without prejudice to paragraph 4, provisional measures taken on the basis of paragraphs 1 and 2 shall, upon request by the defendant, be revoked or otherwise cease to have effect, if proceedings leading to a decision on the merits of the case are not initiated within a reasonable period, to be determined by the judicial authority ordering the measures where a Member's law so permits or, in the absence of such a determination, not to exceed 20 working days or 31 calendar days, whichever is the longer.

7. Where the provisional measures are revoked or where they lapse due to any act or omission by the applicant, or where it is subsequently found that there has been no infringement or threat of infringement of an intellectual property right, the judicial authorities shall have the authority to order the applicant, upon request of the defendant, to provide the defendant appropriate compensation for any injury caused by these measures.

8. To the extent that any provisional measure can be ordered as a result of administrative procedures, such procedures shall conform to principles equivalent in substance to those set forth in this Section.”

Article 63 of the TRIPS Agreement, Transparency:

“1. Laws and regulations, and final judicial decisions and administrative rulings of general application, made effective by a Member pertaining to the subject matter of this Agreement (the availability, scope, acquisition, enforcement and prevention of the abuse of intellectual property rights) shall be published, or where such publication is not practicable made publicly available, in a national language, in such a manner as to enable governments and right holders to become acquainted with them. Agreements concerning the subject matter of this Agreement which are in force between the government or a governmental agency of a Member and the government or a governmental agency of another Member shall also be published.

2. Members shall notify the laws and regulations referred to in paragraph 1 to the Council for TRIPS in order to assist that Council in its review of the operation of this Agreement. The Council shall attempt to minimize the burden on Members in carrying out this obligation and may decide to waive the obligation to notify such laws and regulations directly to the Council if consultations with WIPO on the establishment of a common register containing these laws and regulations are successful. The Council shall also consider in this connection any action required regarding notifications pursuant to the obligations under this Agreement stemming from the provisions of Article 6ter of the Paris Convention (1967).

3. Each Member shall be prepared to supply, in response to a written request from another Member, information of the sort referred to in paragraph 1. A Member, having reason to believe

that a specific judicial decision or administrative ruling or bilateral agreement in the area of intellectual property rights affects its rights under this Agreement, may also request in writing to be given access to or be informed in sufficient detail of such specific judicial decisions or administrative rulings or bilateral agreements.

4. Nothing in paragraphs 1, 2 and 3 shall require Members to disclose confidential information which would impede law enforcement or otherwise be contrary to the public interest or would prejudice the legitimate commercial interests of particular enterprises, public or private."

Article 65 of the TRIPS Agreement, Transitional Arrangements:

"1. Subject to the provisions of paragraphs 2, 3 and 4, no Member shall be obliged to apply the provisions of this Agreement before the expiry of a general period of one year following the date of entry into force of the WTO Agreement.

2. A developing country Member is entitled to delay for a further period of four years the date of application, as defined in paragraph 1, of the provisions of this Agreement other than Articles 3, 4 and 5.

3. Any other Member which is in the process of transformation from a centrally - planned into a market, free - enterprise economy and which is undertaking structural reform of its intellectual property system and facing special problems in the preparation and implementation of intellectual property laws and regulations, may also benefit from a period of delay as foreseen in paragraph 2.

4. To the extent that a developing country Member is obliged by this Agreement to extend product patent protection to areas of technology not so protectable in its territory on the general date of application of this Agreement for that Member, as defined in paragraph 2, it may delay the application of the provisions on product patents of Section 5 of Part II to such areas of technology for an additional period of five years.

5. A Member availing itself of a transitional period under paragraphs 1, 2, 3 or 4 shall ensure that any changes in its laws, regulations and practice made during that period do not result in a lesser degree of consistency with the provisions of this Agreement."

Mutually Agreed Solution:

On 7 June 2001, the United States and Denmark, together with the European Communities, notified the Dispute Settlement Body a mutually agreed solution.

On 20 March 2001, the Danish Parliament had passed amendments (signed into law on 28 March 2001) to the Danish law granting the relevant Danish judicial authorities in Denmark the authority to order provisional measures in the context of civil proceedings involving the enforcement of intellectual property. In particular, according to the amendment, judicial authorities might have decided that an investigation at the place of the defendant had to be carried out in order to secure evidence of an infringement of intellectual property rights, and this investigation might have been

conducted without prior notification of the defendant if such a notification could have caused certain risks (such as the one or destruction of objects or information, among others).

The matter was therefore withdrawn from further attention under the provisions of the Dispute Settlement Understanding.

Sweden - Measures Affecting the Enforcement of Intellectual Property Rights

IP/D/10WT/DS86 - WT/DS86/2

General background of the case

On 28 May 1997, the United States requested consultations with Sweden with regard to the availability of provisional measures under Swedish law.

The main concern of the United States was that Sweden complied with its obligations under the TRIPS Agreement to make provisional measures available in the context of civil proceedings involving intellectual property rights. Sweden did not appear to make available provisional measures in that context.

According to the United States, Sweden had violated its obligations under the TRIPS Agreement including, but not limited to: i) its obligations to grant judicial authorities the authority to order prompt and effective provisional measures under Article 50 of the TRIPS Agreement. ii) Its obligations on transparency under Article 63 of the TRIPS Agreement. iii) Since Sweden was a developed country, its obligations to apply the TRIPS Agreement on 1 January 1996 under Article 65 of the TRIPS Agreement.

Legal basis of the case: related provisions in the TRIPS Agreement

Article 50 of the TRIPS Agreement (Section 3: Provisional Measures):

"1. The judicial authorities shall have the authority to order prompt and effective provisional measures:

(a) to prevent an infringement of any intellectual property right from occurring, and in particular to prevent the entry into the channels of commerce in their jurisdiction of goods, including imported goods immediately after customs clearance;

(b) to preserve relevant evidence in regard to the alleged infringement.

2. The judicial authorities shall have the authority to adopt provisional measures in audita altera parte where appropriate, in particular where any delay is likely to cause irreparable harm to the right holder, or where there is a demonstrable risk of evidence being destroyed.

3. The judicial authorities shall have the authority to require the applicant to provide any reasonably available evidence in order to satisfy themselves with a sufficient degree of certainty that the applicant is the right holder and that the applicant's right is being infringed or that such infringement is imminent, and to order the applicant to provide a security or equivalent assurance sufficient to protect the defendant and to prevent abuse.

4. Where provisional measures have been adopted in audita altera parte, the parties affected shall be given notice, without delay after the execution of the measures at the latest. A review, including

a right to be heard, shall take place upon request of the defendant with a view to deciding, within a reasonable period after the notification of the measures, whether these measures shall be modified, revoked or confirmed.

5. The applicant may be required to supply other information necessary for the identification of the goods concerned by the authority that will execute the provisional measures.

6. Without prejudice to paragraph 4, provisional measures taken on the basis of paragraphs 1 and 2 shall, upon request by the defendant, be revoked or otherwise cease to have effect, if proceedings leading to a decision on the merits of the case are not initiated within a reasonable period, to be determined by the judicial authority ordering the measures where a Member's law so permits or, in the absence of such a determination, not to exceed 20 working days or 31 calendar days, whichever is the longer.

7. Where the provisional measures are revoked or where they lapse due to any act or omission by the applicant, or where it is subsequently found that there has been no infringement or threat of infringement of an intellectual property right, the judicial authorities shall have the authority to order the applicant, upon request of the defendant, to provide the defendant appropriate compensation for any injury caused by these measures.

8. To the extent that any provisional measure can be ordered as a result of administrative procedures, such procedures shall conform to principles equivalent in substance to those set forth in this Section.”

Article 63 of the TRIPS Agreement, Transparency:

“1. Laws and regulations, and final judicial decisions and administrative rulings of general application, made effective by a Member pertaining to the subject matter of this Agreement (the availability, scope, acquisition, enforcement and prevention of the abuse of intellectual property rights) shall be published, or where such publication is not practicable made publicly available, in a national language, in such a manner as to enable governments and right holders to become acquainted with them. Agreements concerning the subject matter of this Agreement which are in force between the government or a governmental agency of a Member and the government or a governmental agency of another Member shall also be published.

2. Members shall notify the laws and regulations referred to in paragraph 1 to the Council for TRIPS in order to assist that Council in its review of the operation of this Agreement. The Council shall attempt to minimize the burden on Members in carrying out this obligation and may decide to waive the obligation to notify such laws and regulations directly to the Council if consultations with WIPO on the establishment of a common register containing these laws and regulations are successful. The Council shall also consider in this connection any action required regarding notifications pursuant to the obligations under this Agreement stemming from the provisions of Article 6ter of the Paris Convention (1967).

3. Each Member shall be prepared to supply, in response to a written request from another Member, information of the sort referred to in paragraph 1. A Member, having reason to believe that a specific judicial decision or administrative ruling or bilateral agreement in the area of intellectual property rights affects its rights under this Agreement, may also request in writing to be given access to or be informed in sufficient detail of such specific judicial decisions or administrative rulings or bilateral agreements.

4. Nothing in paragraphs 1, 2 and 3 shall require Members to disclose confidential information which would impede law enforcement or otherwise be contrary to the public interest or would prejudice the legitimate commercial interests of particular enterprises, public or private.”

Article 65 of the TRIPS Agreement, Transitional Arrangements:

“1. Subject to the provisions of paragraphs 2, 3 and 4, no Member shall be obliged to apply the provisions of this Agreement before the expiry of a general period of one year following the date of entry into force of the WTO Agreement.

2. A developing country Member is entitled to delay for a further period of four years the date of application, as defined in paragraph 1, of the provisions of this Agreement other than Articles 3, 4 and 5.

3. Any other Member which is in the process of transformation from a centrally - planned into a market, free - enterprise economy and which is undertaking structural reform of its intellectual property system and facing special problems in the preparation and implementation of intellectual property laws and regulations, may also benefit from a period of delay as foreseen in paragraph 2.

4. To the extent that a developing country Member is obliged by this Agreement to extend product patent protection to areas of technology not so protectable in its territory on the general date of application of this Agreement for that Member, as defined in paragraph 2, it may delay the application of the provisions on product patents of Section 5 of Part II to such areas of technology for an additional period of five years.

5. A Member availing itself of a transitional period under paragraphs 1, 2, 3 or 4 shall ensure that any changes in its laws, regulations and practice made during that period do not result in a lesser degree of consistency with the provisions of this Agreement.”

Mutually agreed solution:

On 2 December 1998, the United States and Sweden, together with the European Communities, notified the Dispute Settlement Body a mutually agreed solution. *Inter alia*, on 25 November 1998, the Swedish Parliament had passed legislation amending Sweden’s intellectual property legislation. This amending legislation, which would have come into effect on 1 January 1999, granted judicial authorities in Sweden the authority to order provisional measures in the context of civil proceedings involving intellectual property rights and, in particular, that courts might have

ordered a search for infringing materials (even *in audita altera parte* in certain cases) if there had been a reason to believe that a person had taken or was about to take action to infringe intellectual property rights.

The matter was therefore withdrawn from further attention under the provisions of the Dispute Settlement Understanding, and did not raise further debate/ discussion.

United States - Section 211 Omnibus Appropriations Act of 1998

IP/D/20WT/DS176 - Panel Report WT/DS176/R

IP/D/20WT/DS176 - Appellate Body Report WT/DS176/AB/R

General background of the case

On 7 July 1999, the European Communities and their Member States requested consultations with the United States regarding certain measures on trademarks and trade names.

No mutually satisfactory solution was reached and a Panel was established on 26 September 2000.

The United States legislation and related regulations⁶¹⁷ provided for a certain discipline for trademarks, trade names and commercial names related to business confiscated by the Cuban Government on or after 1 January 1959.

In particular, under Section 221 (a) (1) of the *Omnibus Appropriations Act* of 1998, unless the original owner of the mark, trade name, or commercial name, or the *bona fide* successor - in - interest, had expressly consented, no transaction or payment had to be authorized or approved pursuant to some federal regulations, with respect to a mark, trade name and commercial name that was the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated.

Under Section 221 (a) (2) of the *Omnibus Appropriations Act* of 1998, no United States court could have recognized, enforced or otherwise validated any assertion of rights by a designated national based on common law rights or registration obtained of such confiscated mark,⁶¹⁸ trade name, or commercial name.

Under Section 221 (b) of the *Omnibus Appropriations Act*, unless the original owner of a mark, trade name, or commercial name, or the *bona fide* successor - in - interests had expressly consented, no United States court could have recognized, enforced or otherwise validated any assertion of treaty rights by a designated national or its successor - in - interest, for a mark, trade name, or commercial name that was the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated.

A “*designated national*” for the purpose of Section 211 was Cuba and any national thereof including any person who was a specially designated national. In addition, under United States law, all transactions involving property under United States jurisdiction in which Cuban nationals had an interest required special license(s) from the United States government.⁶¹⁹

⁶¹⁷ Section 211 of the *United States Omnibus Appropriations Act* of 1998.

⁶¹⁸ In the United States, trademark rights can arise from the actual use of the mark and that is called “*common law rights*” on a mark. That is, federal registration is not required to establish rights in a trademark (although some benefits stem from registration). The common law rights arising from actual use of a mark may allow the common law user to successfully challenge a trademark registration or application.

⁶¹⁹ A license form the Office of Foreign Assets Control of the United States Treasury Department (OFAC).

During the dispute, the parties had referred to some provisions of the *Stockholm Act of 1867* of the *Paris Convention for the Protection of Industrial Property* (“Paris Convention”), which was administered by the *International Bureau of WIPO* and whose substantive provisions had been incorporated into the TRIPS Agreement by virtue of its Article 2.1. The Panel requested any factual information available to the *International Bureau of WIPO* which would have been relevant to the dispute. The *International Bureau* provided such information in a letter and its Annexes dated 2 March 2001.

Legal basis of the case: related provisions of the TRIPS and interpretation

Article 2.1 of the TRIPS Agreement, Intellectual Property Conventions:

“1. In respect of Parts II, III and IV of this Agreement, Members shall comply with Articles 1 through 12, and Article 19, of the Paris Convention (1967).”

Article 3.1 of the TRIPS Agreement, National Treatment:

“1. Each Member shall accord to the nationals of other Members treatment no less favorable than that it accords to its own nationals with regard to the protection of intellectual property, subject to the exceptions already provided in, respectively, the Paris Convention (1967), the Berne Convention (1971), the Rome Convention or the Treaty on Intellectual Property in Respect of Integrated Circuits. In respect of performers, producers of phonograms and broadcasting organizations, this obligation only applies in respect of the rights provided under this Agreement. Any Member availing itself of the possibilities provided in Article 6 of the Berne Convention (1971) or paragraph 1(b) of Article 16 of the Rome Convention shall make a notification as foreseen in those provisions to the Council for TRIPS.”

The national treatment obligation is a fundamental principle underlying the TRIPS Agreement. The similarity of language with Article III:4 of the GATT 1994 suggests that its jurisprudence may be useful in interpreting the national treatment obligation in the TRIPS Agreement. The national treatment principle under Article 3.1 of the TRIPS Agreement calls on WTO Members to accord no less favorable treatment to non - nationals than to nationals in the “*protection*” of trade - related intellectual property rights. The footnote to Article 3.1. clarifies that this “*protection*” extends to “*matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in the TRIPS Agreement.*” (Appellate Body Report, paras. 242 - 243)

Article 4 of the TRIPS Agreement, Most - Favored - Nation Treatment:

“With regard to the protection of intellectual property, any advantage, favor, 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. Exempted from this obligation are any advantages, favor, privilege or immunity accorded by a Member:

- (a) deriving from international agreements on judicial assistance or law enforcement of a general nature and not particularly confined to the protection of intellectual property;*
- (b) granted in accordance with the provisions of the Berne Convention (1971) or the Rome Convention authorizing that the treatment accorded be a function not of national treatment but of the treatment accorded in another country;*
- (c) in respect of the rights of performers, producers of phonograms and broadcasting organizations not provided under this Agreement;*
- (d) (d) deriving from international agreements related to the protection of intellectual property which entered into force prior to the entry into force of the WTO Agreement, provided that such agreements are notified to the Council for TRIPS and do not constitute an arbitrary or unjustifiable discrimination against nationals of other Members."*

The obligation to provide most - favored - nation treatment has long been one of the cornerstones of the world trading system. As such, it must be accorded the same significance with respect to intellectual property under the TRIPS Agreement that it has long been accorded with respect to trade in goods under the GATT. (Appellate Body Report, para. 297).

Article 15.1 and 2 of the TRIPS Agreement, Protectable Subject Matter:

"1. Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark. Such signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colors as well as any combination of such signs, shall be eligible for registration as trademarks. Where signs are not inherently capable of distinguishing the relevant goods or services, Members may make registrability depend on distinctiveness acquired through use. Members may require, as a condition of registration, that signs be visually perceptible.

2. Paragraph 1 shall not be understood to prevent a Member from denying registration of a trademark on other grounds, provided that they do not derogate from the provisions of the Paris Convention (1967)."

Article 15.1 defines which signs or combinations of signs are capable of constituting trademark. These signs include words such as personal names, letters, numerals, figurative elements and combinations of colors, as well as any combination of such signs. If such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings, then they become eligible for registration as trademarks. Thus, Article 15.1 embodies a definition of what can constitute a trademark and under this Article; Members have an obligation to ensure that those signs or combinations of signs that meet the distinctiveness of criteria set forth in Article 15.1 are eligible for registration as trademarks within their domestic legislation. (Appellate Body Report, para. 154)

The specific reference to Article 15.1 in Article 15.2 makes it clear that the “*other grounds*” for denial of registration to which Article 15.2 refers are different from those mentioned in Article 15.1. (Appellate Body Report, para. 171)

Article 16.1 of the TRIPS Agreement, Rights Conferred:

“1. The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's 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 which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed. The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use.”

The first sentence of Article 16.1 requires Members to confer an exclusive right to the owner of a registered trademark so as to prevent third parties from using identical or similar signs in the course of trade for goods or services where such use would result in a likelihood of confusion. The last sentence indicates that these rights shall not prejudice any existing prior rights, and that Members are not prevented from making available rights on the basis of use. Thus, Article 16 recognizes that exclusive rights can be conferred on the owner of a trademark who may have established ownership either through registration or use. (Panel Report, para. 8.107) Article 16.1 lays down certain exclusive rights flowing from the ownership of a registered trademark which must be respected by all Members and accorded by them to the owner of that trademark; but the TRIPS Agreement does not contain a regime of ownership of trademarks that is valid for and applicable to all members. Thus, Article 16.1 contemplates different forms of entitlements existing under the laws of Members. (Panel Report, 8.108).

Article 16 of the TRIPS Agreement confers on the owner of a registered trademark an internationally agreed minimum level of exclusive rights that all WTO Members must guarantee in their domestic legislation. These exclusive rights protect the owner against infringement of the registered trademark by unauthorized third parties. Article 16.1 confers these exclusive rights on the owner of a registered trademark, without clarifying how ownership of a trademark is to be determined. WTO members are permitted to make the exclusive rights contemplated by Article 16.1 available in within their respective jurisdiction on the basis of registration or use. (Appellate Body Report, paras. 186 - 188)

Article 42 of the TRIPS Agreement, Fair and Equitable Procedures:

“Members shall make available to right holders civil judicial procedures concerning the enforcement of any intellectual property right covered by this Agreement. Defendants shall have the right to written notice which is timely and contains sufficient detail, including the basis of the claims. Parties shall be allowed to be represented by independent legal counsel, and procedures shall not impose overly burdensome requirements concerning mandatory personal appearances. All parties to such procedures shall be duly entitled to substantiate their claims and to present all

relevant evidence. The procedure shall provide a means to identify and protect confidential information, unless this would be contrary to existing constitutional requirements.”

The first sentence of Article 42 of the TRIPS Agreement requires Members to make certain civil judicial procedures available to right holders. Thus, in accordance with the ordinary meaning of “*make available*”, right holders are entitled to have access to civil judicial procedures that are effective in bringing about the enforcement of their rights covered by the Agreement. The first sentence of Article 42 does not define however what is encompassed by the term “*civil judicial procedures*”. The TRIPS Agreement thus reserves, subject to the procedural minimum standards set out in the Agreement, a degree of discretion to Members on this, taking into account “*differences in national legal systems*”. Indeed, no Member’s national system of civil judicial procedures is identical to that of another Member. “*Right holders*” as used in Article 42 is not limited to persons who have been established as owners of trademarks, but includes persons who claim to have legal standing to assert rights: an interpretation also borne out under the term “*parties*” of the fourth sentence of Article 42. Civil judicial procedures would not be fair and equitable if access to courts were not given to both complainants and defendants who purport to be owners of an intellectual property right. (Appellate Body Report, paras. 215 - 217). Under the fourth sentence of Article 42 of the TRIPS Agreement, WTO Members must also guarantee to all “*parties*” their right to “*substantiate their claims*”. Litigants are also entitled to present all relevant evidence in support of their claims with the courts. Therefore, Under Article 42 Members have an obligation to make available to right holders right which are procedural in nature. (Appellate Body Report, para. 219 - 221).

Article 2 (1) of the Paris Convention, National Treatment for Nationals of Countries of the Union:

“(1) Nationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals; all without prejudice to the rights specially provided for by this Convention. Consequently, they shall have the same protection as the latter, and the same legal remedy against any infringement of their rights, provided that the conditions and formalities imposed upon nationals are complied with.”

Article 6 of the Paris Convention, Marks: Conditions of Registration; Independence of Protection of Same Mark in Different Countries:

“(1) The conditions for the filing and registration of trademarks shall be determined in each country of the Union by its domestic legislation.

(2) However, an application for the registration of a mark filed by a national of a country of the Union in any country of the Union may not be refused, nor may a registration be invalidated, on the ground that filing, registration, or renewal, has not been effected in the country of origin.

(3) A mark duly registered in a country of the Union shall be regarded as independent of marks registered in the other countries of the Union, including the country of origin.”

Article 6 (1) of the Paris Convention reserves to each country of the Paris Union the right to determine conditions for the filing and registration of trademarks by its domestic legislation. The authority to determine such conditions by domestic legislation must, however, be exercised consistently with the obligations that countries of the Paris Union have under the Paris Convention. These obligations include internationally agreed grounds for refusing registrations, as stipulated in the Paris Convention. (Appellate Body Report, para. 175)

Article 6bis (1) of the Paris Convention, Marks: Well-known Marks:

“(1) The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such Well-known mark or an imitation liable to create confusion therewith.”

Article 6bis of the Paris Convention requires Members to refuse or cancel registration in certain situations. It also requires Members to prohibit the use of Well-known trademark in certain situations. (Panel Report, para. 8.116 - 117)

Article 6bis of the Paris Convention, on the denial of registration of Well-known marks (together with Article 6ter of the Paris Convention, on prohibition of trademarks including state emblems), contains an express exception from the regulatory discretion conferred on Members by virtue of Article 6 (1) of the same Convention. (Appellate Body Report, para. 175, footnote 110)

Article 6quinques of the Paris Convention, Marks: Protection of Marks Registered in One Country of the Union in the Other Countries of the Union:

“A. (1) Every trademark duly registered in the country of origin shall be accepted for filing and protected as is in the other countries of the Union, subject to the reservations indicated in this Article. Such countries may, before proceeding to final registration, require the production of a certificate of registration in the country of origin, issued by the competent authority. No authentication shall be required for this certificate.

(2) Shall be considered the country of origin the country of the Union where the applicant has a real and effective industrial or commercial establishment, or, if he has no such establishment within the Union, the country of the Union where he has his domicile, or, if he has no domicile within the Union but is a national of a country of the Union, the country of which he is a national.

B. Trademarks covered by this Article may be neither denied registration nor invalidated except in the following cases:

(i) when they are of such a nature as to infringe rights acquired by third parties in the country where protection is claimed;

(ii) when they are devoid of any distinctive character, or consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, place of origin, of the goods, or the time of production, or have become customary in the current language or in the bona fide and established practices of the trade of the country where protection is claimed;

(iii) when they are contrary to morality or public order and, in particular, of such a nature as to deceive the public. It is understood that a mark may not be considered contrary to public order for the sole reason that it does not conform to a provision of the legislation on marks, except if such provision itself relates to public order.

This provision is subject, however, to the application of Article 10bis.

C. *(1) In determining whether a mark is eligible for protection, all the factual circumstances must be taken into consideration, particularly the length of time the mark has been in use.*

(2) No trademark shall be refused in the other countries of the Union for the sole reason that it differs from the mark protected in the country of origin only in respect of elements that do not alter its distinctive character and do not affect its identity in the form in which it has been registered in the said country of origin.

D. *No person may benefit from the provisions of this Article if the mark for which he claims protection is not registered in the country of origin.*

E. *However, in no case shall the renewal of the registration of the mark in the country of origin involve an obligation to renew the registration in the other countries of the Union in which the mark has been registered.*

F. *The benefit of priority shall remain unaffected for applications for the registration of marks filed within the period fixed by Article 4, even if registration in the country of origin is effected after the expiration of such period."*

Under Article 6*quinques* (A) (1) of the Paris Convention, every trademark duly registered in the country of origin shall be accepted for filing and protected as is in the other countries of the Paris Union, subject to the reservations indicated in this Article. Before the acceptance and protection of the trademark under this Article, two conditions need be fulfilled: the trademark has to be duly registered and it has to be duly registered in the country of origin. The phrase "as is" in this provision means "in the existing state, things being what they are". As clearly understandable from the French text of the treaty (where the terms used is "telle quelle"), the phrase "as is" refers to "trademark": consequently, it is the form of the trademark that should be accepted "as is". (Panel Report, paras. 8.75 - 8.77; Appellate Body Report, para. 137).

Article 6*quinques* (A) (1) of the Paris Convention does not encompass matters related to ownership and this interpretation is supported by Article 6 (1) of the Paris Convention which reserves to the countries of the Paris Union the right to determine the conditions for filing and registration of trademarks by their domestic legislation. (Appellate Body Report, para. 139)

Article 8 of the Paris Convention, Trade Names:

“A trade name shall be protected in all the countries of the Union without the obligation of filing or registration, whether or not it forms part of a trademark.”

WTO Members do have an obligation under the TRIPS Agreement to provide protection to trade names. (Appellate Body Report, para. 341)

The complainant position: the European Communities and their Member States

The European Communities and their Member States claimed that the United States had violated its obligations under the TRIPS Agreement and the Paris Convention, as incorporated into the TRIPS Agreement.

a) It was to be preliminarily stressed that United States tangible and intangible assets were completely unaffected by the Cuban confiscation measures, because the United States never recognized any effects of the ownership of assets located in the United States as a consequence of the Cuban actions. That is, assets located in the United States continued to belong to their original owners, despite the confiscation operated by the Cuban authorities in Cuba.

b) Under Section 211 (a) (1) of the *Omnibus Appropriations Act*, no transaction or payment had to be authorized or approved pursuant to some federal regulations, with respect to a mark, trade name and commercial name that was the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated, unless the original owner of the mark, trade name, or commercial name, or the *bona fide* successor - in - interest had expressly consented. This measure was in violation of the obligations that the United States had under the TRIPS Agreement and the Paris Convention, as incorporated into the TRIPS Agreement.

i) Under Article 15.1 of the TRIPS Agreement, WTO Members have an obligation to make any sign, or any combination of signs which meet the criteria defined in the final sentence of this provision, eligible for registration as trademarks. This is one of the fundamental trademark provisions of the Agreement. Section 211 (a) (1) did not allow trademark registration or renewal for trademarks (which were the same as or substantially similar to a mark, trade name, or commercial name that were used in connection with a business or assets that were confiscated) which fully met the criteria set out in Article 15.1 of the TRIPS Agreement, since it was not possible to pay the required fees for registration or renewal for those trademarks. Under Article 15.1 of the TRIPS Agreement, WTO Members have a positive obligation to register trademarks which meet the requirements set out in this provision, and this was confirmed by a contextual reading of this Article.⁶²⁰ Moreover, under the TRIPS Agreement or the Paris Convention, Members could not make the registration or renewal of a trademark contingent on the express consent of the former owner of such a mark or similar marks anywhere in the world. Although Article 15.2 of the TRIPS Agreement stipulates that Article 15.1 is not to be understood as preventing Members from the possibility to deny

⁶²⁰ That is, Article 16 of the TRIPS Agreement and Articles 6 and 6*quinques* of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1.

registration of a trademark on “*other grounds*”, under Article 15.2, registration could only be refused in the exceptional cases expressly mentioned in the TRIPS Agreement and the Paris Convention. No specific exception provided for under the TRIPS Agreement and the Paris Convention had been invoked by the United States to justify Section 211 (a) (1).

ii) Under Article 2.1 of the TRIPS Agreement, with regard to standards concerning the availability, scope, use, the enforcement and the acquisition and maintenance of intellectual property rights, Members have an obligation to comply with Articles 1 through 12, and Article 19, of the Paris Convention. Under Article 6*quinques* (A) (1) of the Paris Convention as incorporated into the TRIPS Agreement, countries of the Paris Union have an obligation to accept and protect the trademark duly registered in the country of origin, where this is a country of the Paris Union as well. This acceptance and protection has to be given independently of issues of form of the trademark. Section 211 (a) (1) was in violation of Article 2.1 of the TRIPS Agreement in conjunction with Article 6*quinques* of the Paris Convention, since it prevented the owners of marks registered in another WTO Member or a national of a country from the Paris Union from obtaining and maintaining in force a trademark registration within the United States. Although Article 6*quinques* (B) of the Paris Convention allows Members to refuse the registration of the trademark if it is contrary to morality or public order and of a nature to deceive the public, it is the trademark which must be contrary to public order or morality and the defect must attach to the trademark, not the owner. Section 211 concerned the owner of the trademark.

c) Under Section 221 (a) (2) of the Omnibus Appropriations Act of 1998, no United States court could have recognized, enforced or otherwise validated any assertion of rights by a designated national based on common law rights or registration obtained of such confiscated mark,⁶²¹ trade name, or commercial name. This measure was in violation of certain obligations that the United States had under the TRIPS Agreement and the Paris Convention, as incorporated into the TRIPS Agreement.

i) Under Article 16.1 of the TRIPS Agreement, Members have an obligation to grant owners of registered trademarks the exclusive right to prevent all third parties not having the owner’s consent from using an identical or similar trademark to the registered one where such use would result in a likelihood of confusion. In the United States, trademarks were primarily enforced in the civil judicial system and the denial of access to the United States court system for certain trademark owners was tantamount to depriving the right holders of their exclusive rights altogether. The United States had therefore violated its obligations under Article 16.1 of the TRIPS Agreement, since Section 211 (a) (2) denied these rights. Although under Article 17 of the TRIPS Agreement, Members may provide limited exceptions to the rights conferred by a trademark, the United States could not avail itself of Article 17 of the TRIPS Agreement. As previous panels had clarified in relation to the term “*limited exceptions*” on patent rights and the term “*certain special*

⁶²¹ In the United States, trademark rights can arise from the actual use of the mark. That is, federal registration is not required to establish rights in a trademark (although some benefits stem from registration). The common law rights arising from actual use of a mark may allow the common law user to successfully challenge a trademark registration or application.

cases” with regard to copyright,⁶²² limited exceptions refer to narrow exceptions, exceptions which make only a small diminution of the right in question. This was not the case under the United States legislation and regulations.

ii) Under the first sentence of Article 42 of the TRIPS Agreement, Members have an obligation to make civil judicial procedures available for the enforcement of intellectual property rights covered by the Agreement. The United States had violated its obligations under the first sentence of Article 42 of the TRIPS Agreement, since Section 211 (a) (2) expressly denied the availability of United States courts to enforce the rights targeted by its provisions.

iii) Under Article 6*bis* (1) of the Paris Convention as incorporated into the TRIPS Agreement by its Article 2.1, Members have an obligation to grant enhanced protection for Well-known marks. The United States had violated its obligation under Article 2.1 of the TRIPS Agreement in conjunction with Article 6*bis* (1) of the Paris Convention, since Section 211 (a) (2) denied protection to certain trademarks indiscriminately, whether or not they were well known.

iv) Under Article 8 of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1, Members have an obligation to extend protection to trade names independently from whether they form part of a trademark. The United States had violated its obligations under Article 2.1 of the TRIPS Agreement in conjunction with Article 8 of the Paris Convention. Although Article 8 does not stipulate the way in which this protection for trade/commercial names had to be granted, the language of Section 211 (a) (2) was so sweeping that there could have not been any doubt that the United States did not grant any protection to the trade/commercial names covered by this provision. Moreover, Section 211 applied to trademarks as well as to trade names: for the same reasons put forward in relation to the violation of TRIPS obligations on trademark, the United States had violated its obligations under the TRIPS Agreement with regard to trade names.

v) Under Article 3.1 of the TRIPS Agreement, each Member has an obligation to accord to the nationals of other Members a treatment no less favorable than that it accord to its own nationals with regard to the protection of intellectual property rights. Given that Article 3.1 of the TRIPS Agreement is based on Article III:4 of the GATT, the vast jurisprudence of this latter could have given valuable insights on the interpretation of the TRIPS Article. The United States had violated its obligations under Article 3.1 of the TRIPS Agreement, since Section 211 (a) (2) discriminated on its face. On the one side, it curtailed the protection of trademarks and trade names held by “*designated nationals*”, that is by Cuba and Cuban nationals, while it granted United States nationals the full enjoyment of their rights. On the other side, through its narrow definition of “*designated nationals*”, it created a discrimination at the level of “*successors-in-interest*”, by expressly denying protection to any foreign “*successor - in - interest*” to a Cuban national or Cuba, while allowing United States “*successors-in-interest*” to Cuban nationals or Cuba the full enjoyment of their trademarks or trade names. Article 2 (1) of the Paris Convention and Article 3.1

⁶²² Respectively, *Canada - Patent Protection of Pharmaceutical Products*, WT/DS114/R, paragraph 7.30; *United States - Section 110(5) of the US Copyright Act*, WT/DS160/R, paragraphs 6.102 - 6.113.

of the TRIPS Agreement do not impose identical obligations: under Article 3.1, a Member has a negative obligation not to do, while under Article 2 (1) it has a positive obligation to do, that is a Member has to confer on non - nationals the same advantages it confers to its own citizens. The United States had violated its obligations under Article 3.1 of the TRIPS Agreement, and under Article 2.1 of the TRIPS Agreement in conjunction with Article 2 (1) of the Paris Convention.

vi) Under Article 4 of the TRIPS Agreement, with regard to the protection of intellectual property, Members have an obligation to accord immediately and unconditionally any advantage, favor, privilege or immunity granted to the nationals of any country to the nationals of all other Members. The United States had violated its obligations under Article 4 of the TRIPS Agreement, since Section 211 (a) (2) distinguished between Cuba or Cuban nationals and United States nationals or nationals of any other country, thus discriminating on its face. Section 211 (a) (2) denied protection of intellectual property rights held by Cuban nationals, while it granted such protection to nationals of other countries.

d) Under Section 221 (b) of the *Omnibus Appropriations Act*, unless the original owner of a mark, trade name, or commercial name, or the *bona fide* successor - in - interests had expressly consented, no United States court could have recognized, enforced or otherwise validated any assertion of treaty rights by a designated national or its successor - in - interest, for a mark, trade name, or commercial name that was the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated.

For the same reasons put forward with regard to Section 112 (a) (1) and (2), Section 211 (b) was in violation of Articles 2 (1), 6*bis* (1) and 8 of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1, and Articles 3.1, 4, 16.1 and 42 of the TRIPS Agreement. The coverage of Section 211 (b) appeared obscure and, in the only case decided at the time by United States courts in relation to this Section, the scope had been defined extremely wide, given the prohibition of Section 211 to recognize “*treaty rights*” of “*designated nationals*”.⁶²³

e) The United States had alleged that Section 211 related to the domestic effects of foreign expropriations. To the contrary, it had nothing to do with it, since it concerned only the treatment of United States trademarks and trade names. Under public international law, the main principle on ownership is that, as a consequence of the principle of sovereign equality of States, any State has the right to regulate the ownership of property in its own territory. In light of this principle, the United States was not entitled to refuse to recognize a change in ownership, in an expropriating State, of property that was uncontestedly under the jurisdiction of the expropriating State (business assets in Cuba) and to draw certain consequences therefrom. Under Article 6*quinques* of the Paris Convention, the country where registration is sought is obliged to recognize the post - expropriation situation in the expropriating country and to give full effects to an application based on this new situation. Moreover, confiscations of assets have happened throughout the 20th century, but the United States took almost four decades to address these

⁶²³ Havana Club Holding, S.A. v. Galleon, S.A., 62 F. Supp. 2d 1085, 1092 - 1093, (S.D.N.Y. 1999), confirmed 203 F. 3d 116 (2d Cir.2000), *certiorari* denied 121 S.Ct. 277 (2000).

situations, only with regard to the Cuban revolution and confiscations and only on trademarks, trade names and commercial names but not to other intellectual property rights.

f) Although WTO Members have a certain leeway in the determination of ownership of intellectual property, the TRIPS Agreement gives clear guidance for who has to be considered as the owner of an intellectual property right. The TRIPS Agreement and the Paris Convention do not define who the owner of a trademark is, but reading Article 15.1 of the TRIPS Agreement in its context, it is clear that only undertakings can be the owners of a trademark to distinguish their goods or services. A complete freedom to allocate ownership of a trademark would lead to absurd results, making Articles 16 through 21 of the TRIPS Agreement worthless.

g) In line with previous Appellate Body jurisprudence,⁶²⁴ the burden to prove that Section 211 meant something different than its plain meaning was on the United States.

The respondent position: the United States

The United States rebutted all the claims by the European Communities and their Member States.

a) The European Communities and their Member States had alleged that Section 221 (a) (1) of the *Omnibus Appropriations Act* was in violation of certain obligations that the United States had under the TRIPS agreement and the Paris Convention, as incorporated into the TRIPS Agreement.

i) Article 15.1 of the TRIPS Agreement defines the eligible subject matter of trademark protection and limits the ability of Members to claim that a sign or combination of signs is not capable of constituting a trademark and is not eligible for registration because of the form of the trademark. However, it does not contain an affirmative obligation to register all eligible trademarks. Section 221 (a) (1) was not in violation of Article 15.1 of the TRIPS Agreement, since it imposed restrictions not based on the form of the trademark. It related to trademarks, regardless of the form, that were similar or identical to trademarks used in connection with assets confiscated without compensation, and which were being registered without the permission of the original owner. An interpretation of Article 15.1 as imposing on Members an affirmative obligation to register and protect all signs or combination of signs that are capable of constituting a trademark would conflict and be limited by Article 15.2 of the TRIPS Agreement, which provides that Article 15.1 does not prevent a Member from denying registration of a trademark on “*other grounds*”, as long as doing so is not inconsistent with the Paris Convention. Since Section 211 (a) (1) was not inconsistent with the Paris Convention, it was not inconsistent with Article 15.1 of the TRIPS Agreement. This view was supported by the fact that Article 15 is entitled “*protectable*”(and not “*protected*”) “*subject matter*”. Finally, Article 15.1 did not concern issues of ownership of trademarks, which was the central issue addressed by Section 211 (a) (1).

ii) Contrary to the assertions of the European Communities and their Member States, under Articles 6*quinques* of the Paris Convention, the United States had no obligation to register and protect all trademarks duly registered in a country member of the Paris Union, when the

⁶²⁴ Appellate Body Report, *India - Patent Protection*,

trademark traced back to an uncompensated confiscation and such a right was not recognized under the United States law. Under Article 6*quinques* of the Paris Convention, the United States had the latitude to determine whether the original owner, that is the confiscated one, was the true owner of the trademark right. Indeed, Article 6*quinques* provides that an obligation to accept trademark duly registered in other members of the Paris Union arises regardless to the non-compliance of the trademark with the provisions of domestic law concerning the permissible form of a trademark. Nothing in Article 6*quinques* prevents Members from applying other provisions of their domestic law to trademark applications under. In addition, under Articles 6*quinques* (B), members of the Paris Union have the possibility to deny registration or to invalidate foreign-origin trademark when such a registration would be contrary to public order. Under Article 6*quinques* of the Paris Convention as incorporated into the TRIPS Agreement by virtue of its Article 2.1, the United States had no obligation to accept the registration or renewal of trademarks, where the person registering or renewing the trademark registration was not the true owner of the trademark under United States law.

b) The European Communities and their Member States alleged that Section 211 (a) (2) of the *Omnibus Appropriations Act* was in violation of certain obligations that the United States had under the TRIPS Agreement and the Paris Convention, as incorporated into the TRIPS Agreement.

i) Under Articles 16.1 of the TRIPS Agreement, the owner of a registered trademark must enjoy certain rights, notably the exclusive right to prevent third parties not having the owner's consent from using the trademark under certain circumstances. Section 211 (a) (2) and (b) related to individuals who were not owners of trademarks in the United States (since the "rights" they claimed related to uncompensated confiscation), and the common law rights based on use rather than on registration were not rights sought by the owner of a registered trademark but by the owner of a common law trademark. If the Panel were anyway to find Section 211 (a) (2) and (b) in violation of Article 16.1 of the TRIPS Agreement, these measures were nevertheless consistent with the TRIPS Agreement by virtue of Article 17 of the Agreement. Under Article 17, Members can provide for limited exceptions to the rights conferred by a trademark, provided that such limited exceptions take account of the legitimate interests of the owner of the trademark and of third parties. Section 211 (a) (2) and 211 (b) were limited, since they applied only to a very narrow and specified class of potential rights holders and they imposed only one condition to the owner of the asserted trademark rights (the consent of the original owner). Moreover, they took into account the legitimate interests of the dispossessed owner of the trademark.

ii) The European Communities and their Member States had alleged that the United States had violated its obligations under the first sentence of Article 42 of the TRIPS Agreement. The first sentence of Article 42 of the TRIPS Agreement makes it clear that it applies only with respect to intellectual property rights covered by the Agreement, that is rights that a Member is required to enforce under the Agreement and not rights that do not exist, such as those of individuals who were not owners of trademarks in the United States (since the "rights" they claimed related to uncompensated confiscation).

iii) The European Communities and their Member States alleged that the United States had violated its obligations under Article 6*bis* (1) of the Paris Convention. Under Article 6*bis* (1) of the Paris Convention, Members undertake to refuse or cancel a registration, or prohibit the use of a trademark, when the competent authorities of that Member consider that the trademark is Well-known in that Member's territory as being already the mark of another person claiming protection under that Article. Section 211 (a) (2) and (b) did not apply to Well-known marks: this Section would come into play only when a United States court had determined that the confiscating entity or its "*successor - in - interest*" were not the (true) owners of the trademark, and thus the claimed mark could not have been as a matter of law the Well-known mark of the confiscating entity, who was not the owner.

iv) The European Communities and their Member States alleged that the United States had violated its obligations under Article 2.1 of the TRIPS Agreement in conjunction with Article 8 of the Paris Convention, and Articles 3.1, 4 and 42 of the TRIPS Agreement in relation to trade names. Under Article 8 of the Paris Convention, Members have merely an obligation to offer some protection to trade names, without any requirement of filing and registration and regardless of whether it forms part of a trademark. The United States had not violated its obligations under Article 8 of the Paris Convention: Article 8 does not impose any requirements on the scope of protection, other than, through Article 2 of the Paris Convention, the requirement of national treatment. Furthermore, contrary to the allegations of the European Communities and their Member States, since there had been no violation of the TRIPS Agreement provisions on trademarks, there could not be any violation of the TRIPS Agreement provisions on trade names.

v) The European Communities and their Member States had alleged that the United States had violated its national treatment obligations under Article 3.1 of the TRIPS Agreement, and under Article 2 (1) of the Paris Convention, as incorporated in the TRIPS Agreement by virtue of its Article 2.1, in relation to the treatment of "*designated nationals*" and "*successors-in-interest*". This was not correct since Cuba, Cuban nationals and "*designated nationals*" that based their alleged trademark rights on a foreign confiscation were not the true owners under United States law, and so had no ownership rights under the TRIPS Agreement. Moreover, Section 211 (a) (2) did not even mention "*successors-in-interest*" and United States nationals could not even become "*successors in interest*" to a designated national, such as a Cuban entity that owned a confiscated business in Cuba, without undertaking a special license procedure. United States nationals asserting alleged rights in trademarks used in connection with assets confiscated abroad would have had to convince a United States court to enforce them in spite of the principle of non - recognition of foreign confiscatory measures. Section 211 was directed at Cuba and Cuban nationals who traced their ownership claim to a confiscation and at any other nationals - Cuban or not, United States or not - who traced their ownership claim to that confiscation.

vi) The European Communities and their Member States had alleged that the United States had violated its most - favored - nation treatment obligation under Article 4 of the TRIPS Agreement. This was not correct since under United States law, persons who were basing their trademark claims on foreign confiscation were not the true owners of the trademarks and therefore had no

rights under the TRIPS Agreement. In addition, Section 211 (a) (2) granted the same treatment to Cuban nationals and non - Cuban nationals: neither one nor the other could have enforced a trademark based on foreign confiscation. Section 211 (a) (2) and (b) specifically mentioned Cuban nationals because of the territorial nature of trademarks.

c) The European Communities and their Member States had alleged that Section 211 (b) of the *Omnibus Appropriations Act* was inconsistent with Articles 2 (1), 6bis (1) and 8 of the Paris Convention, as incorporated into the TRIPS Agreement by its Article 2.1, and Articles 3.1, 4, 16.1 and 42 of the TRIPS Agreement. This was not correct for the same reasons put forward above with regard to Section 211 (a) (1) and (2).

d) Under customary international law, a State may not expropriate private assets of nationals of other States in its territory unless the expropriation is for a public purpose, on a non - discriminatory basis and in accordance with due process of law, and subject to prompt, adequate and effective compensation. This principle is commonly accepted and has been applied by courts throughout the world. Foreign confiscation is contrary to the basic principles of the United States, as well of European countries: Section 211 had been enacted to reaffirm this principle with respect to trademarks, trade names and commercial names used in connection with businesses confiscated by Cuba, and to reaffirm and clarify the rights of the legitimate owners of such marks and names.

e) Nowhere in the TRIPS Agreement or in the Paris Convention there is a definition of who should be the proprietor or owner of a trademark. Thus, the decision on who is the owner of a trademark is left to the domestic law of Members of the Paris Union.

f) As clarified by the Appellate Body in a previous case,⁶²⁵ it was for the European Communities and their Member States to preliminarily establish a *prima facie* case of inconsistency with a particular provision of the TRIPS Agreement by adducing sufficient evidence to raise a presumption that its claims were true.

The Panel findings, rulings and recommendations:

a) The European Communities and their Member States had challenged certain United States measures relating to trade names.⁶²⁶ A preliminary determination of whether trade names fall under the scope of the TRIPS Agreement was therefore necessary. The term “*intellectual property*” of Article 1.2 of the TRIPS Agreement, which defines the nature and scope of the obligations under the Agreement, refers to all categories of intellectual property that are the subject of Sections 1 through 7 of Part II. Trade names are not included in those categories.⁶²⁷ It is true that under

⁶²⁵ Appellate Body Report, *United States - Measures Affecting Imports of Woven Wool Shirts and Blouses from India*, WT/DS33/AB/R, adopted 23 May 1997, p. 14.

⁶²⁶ Section 211 of the Omnibus Appropriations Act covered marks, trade names or commercial names. Since under United States law, trade name and commercial name are synonymous, in the Panel Report, trade name would include commercial name.

⁶²⁷ These Sections cover: copyright and related rights; trademarks; geographical indications; industrial designs; patents; layout - designs (topographies) of integrated circuits; the protection of undisclosed information.

Article 8 of the Paris Convention, Members of the Paris Union have an obligation grant protection to trade names without the need of filing or registration, whether or not trade names form part of a trademark, and this provision is incorporated into the TRIPS Agreement by virtue of its Article 2.1. However, under Article 2.1 of the TRIPS Agreement, the incorporation of Article 8 of the Paris Convention is only “*in respect of Parts II, III and IV*” of the TRIPS Agreement. These Parts do not deal with trade names and therefore, the TRIPS Agreement does not cover trade names. The TRIPS negotiating history confirmed this interpretation. Sections 211 (a) (2) and 211 (b) were not in violation of Article 2.1 of the TRIPS Agreement in conjunction with Article 8 of the Paris Convention. Since Members have no obligations under the TRIPS Agreement to provide protection to trade names, only the consistency of the provisions Section 211 relating to trademarks (and not trade names) had to be performed.

b) The European Communities and their Member States had claimed that the United States had violated its obligations under Article 15.1 of the TRIPS Agreement, since Section 211 (a) (1) prevented any transaction related to the registration and renewal of trademarks in which Cuba or a Cuban national had an interest, and this was not justified under Article 15.2 of the TRIPS Agreement, since refusal of trademark registration did not happen in exceptional cases. Article 15.1 of the TRIPS Agreement sets out which signs or combination of signs may be eligible for registration as trademarks, while Article 15.2 does not prevent Members from denying registration of trademarks on “*other grounds*”, so long as the grounds for such denial are not inconsistent with the Member’s obligations under the Paris Convention. The central issue in this claim was whether denying trademark registration on the ground that the applicant was not the true owner of the mark under United States law,⁶²⁸ was justified as “*other grounds*” under Article 15.2 of the TRIPS Agreement. Article 6 (1) of the Paris Convention forms a useful context for the interpretation of Article 15 of the TRIPS Agreement and its language lends credence to the interpretation that Members have the right, subject to some obligations such as national and most - favored - nation treatment, to require as a condition for filing and registration through their domestic legislation, that the applicant be the owner of the trademark. Thus, “*other grounds*” for denying registration may encompass denial on the basis that the applicant is not the owner of the trademark and Section 211 was a “*domestic legislation*” under Article 6 (1) of the Paris Convention within the scope of the “*other grounds*” described in Article 15.2 of the TRIPS Agreement. The United States had not violated its obligations under Article 15.1 of the TRIPS Agreement. All the other arguments raised by the European Communities and their Member States that Section 211 (a) (1) denied registration to signs constituting trademarks that met the requirements of Article 15.1 and that the scope of Section 211 (a) (1) was impermissibly broad as it applied to other classes of products, “*similar*” trademarks and abandoned trademarks, had to be rejected.

c) The European Communities and their Member States had claimed that the United States had violated Article 6*quinques* (A) (1) of the Paris Convention as incorporated into the TRIPS Agreement by virtue of its Article 2.1. They had alleged that under Article 6*quinques* (A) (1) of the

⁶²⁸ Since the mark was the same as or substantially similar to a mark that was used in connection with a business or assets that were confiscated.

Paris Convention, Members have an obligation to accept the registration or renewal of trademarks for which the applicant is the owner of a trademark registered in the jurisdiction of another WTO Member. When registration was sought, the United States could have not questioned the existence of a trademark in the hands of the owner as defined by the laws of the country of origin. Under Article 6quinques (A) (1) of the Paris Convention, every trademark duly registered in the country of origin shall be accepted for filing and protected as is in the other countries of the Paris Union, subject to the reservations indicated in this Article. This provision concerns the trademark “*as is*”, clearly referring to the form of the trademark. This interpretation was confirmed by the context of this provision. Section 211 (a) (1) regulated ownership of trademark, without dealing with the form of the signs of which a trademark was composed of. Consequently, the United States had not violated its obligations under Article 2.1 of the TRIPS Agreement in conjunction with Article 6quinques (A) (1) of the Paris Convention.

d) The European Communities and their Member States had claimed that the United States had violated its obligations under the first sentence of Article 42 of the TRIPS Agreement. Section 211(a)(2) allegedly limited right holders’ effective access and, hence, the availability for them of, civil and judicial procedures. Under Article 42 of the TRIPS Agreement, Members have an obligation to make available to the right holders civil judicial procedures concerning the enforcement of any intellectual property right covered by the Agreement. The term “*available*” would suggest that under Article 42, right holders are entitled to have access to judicial procedures which are effective in terms of bringing about the enforcement of their rights covered by the Agreement when this is warranted. One should read as well the fourth sentence of Article 42, which suggests that parties must have an effective opportunity to fully present their case before the court reaches its conclusions. Moreover, reading Article 42 of the TRIPS Agreement, together with its accompanying footnote 11, one can infer that “*right holder*” as used in Article 42 refers not only to an owner of an intellectual property right but also to other who may have legal standing in the jurisdiction in question to assert rights, such as a holder of a registration who may be considered the presumptive owner of a registered trademark. In the United States, the registration of a trademark conferred a *prima facie* presumption of the registrant’s ownership of the registered trademark: the holder of a registration was deemed to be the owner unless otherwise proven. Section 211 (a) (2) provided that no United States court could recognize, enforce or otherwise validate any assertion of rights in certain circumstances, and therefore it would have not been possible for a right holder to effectively assert its rights under these circumstances. Although under Section 211 (a) (2), a right holder could have initiated civil judicial procedures, it was not entitled to effective procedures as the court was *ab initio* not permitted to recognize its assertion of rights if the conditions of this Section were met. The United States had violated its obligations under Article 42 of the TRIPS Agreement.

e) The European Communities and their Member States had argued that the United States had violated its obligations under Article 16.1 of the TRIPS Agreement. Section 211 (a) (2) allegedly denied access to the United States court system for certain trademark owners, and this was tantamount to depriving the right holders of their exclusive rights under Article 16 altogether. The

first sentence of Article 16.1 requires Members to confer an exclusive right to the owner of a registered trademark so as to prevent third parties from using identical or similar signs in the course of trade for goods or services where such use would result in a likelihood of confusion. Article 16 recognizes that exclusive rights can be conferred on the owner of a trademark who may have established ownership either through registration or use. The TRIPS Agreement contains no regime of ownership of trademarks that is valid for and applicable to all members. In the United States, trademark ownership was established through use, while registration of a trademark conferred a *prima facie* presumption of ownership, presumptions subject to challenge and possible reversal. Thus, the presumptive owner (i.e. the registrant) had the right to protection up until the moment that the presumptive validity of the registration was successfully challenged in court or administrative proceedings. If, in turn, there was a successful challenge of that presumptive validity, then the person deemed to be the proper owner would have been entitled to assert its rights in United States courts. The European Communities and their Member States had not provided any evidence that United States courts would interpret Section 211 (a) (2) in a manner that would deprive a person, who had been determined by a court to be the owner of a registered trademark, of his or her exclusive rights. The European Communities and their Member States failed to prove that Section 211 (a) (2) was in violation with Article 16 .1 of the TRIPS Agreement.

g) The European Communities and their Member States had claimed that the United States had violated its obligations under Article 2.1 of the TRIPS Agreement in conjunction with Article 6*bis* (1) of the Paris Convention. Section 211 (a) (2) allegedly denied protection to certain trademarks indiscriminately whether or not they were Well-known. Article 6*bis* of the Paris Convention requires Members to refuse or cancel trademark registration in certain situations and requires Members to prohibit the use of Well-known trademark in certain situations. However, Section 211 (a) (2) did not deal with the refusal or the cancellation of the registration, and could not be considered in violation of Article 6*bis* (1) of the Paris Convention. The European Communities and their Member States agreed with the United States that the TRIPS Agreement does not require a WTO Member to recognize confiscation of intellectual property in another country where the confiscation took place and, under Article 6*bis* (1) of the Paris Convention, a Member is free to recognize the original owner or the post expropriation owner of a confiscated trademark as the owner of the Well-known trademark in its territory. Under Section 211 (a) (2), nothing would have prevented the “*original owner*” of a Well-known trademark, its “*successor - in - interest*” or a person who had the consent of one of these persons from asserting its rights. Nothing in Section 211 (a) (2) prevented courts from providing protection for the person who was considered the true owner of the confiscated Well-known trademark. The United States had not violated its obligations under Article 2.1 of the TRIPS Agreement in conjunction with Article 6*bis* (1) of the Paris Convention.

h) The European Communities and their Member States had argued that the United States had violated its obligations under Article 3.1 of the TRIPS Agreement and Article 2 (1) of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1. Section 211 (a)

(2) applied in respect of “*designated nationals*” which were basically comprised of Cuba and Cuban nationals; and it applied in respect of “*successors-in-interest*”, for which it allegedly referred only to nationals of a foreign country, without mentioning United States nationals. Both Article 3.1 of the TRIPS Agreement and Article 2 (1) of the Paris Convention contain a national treatment obligation. Although it is not possible to understand whether these two provisions have the same identical meaning, given the common objective of according non - discriminatory treatment to foreign nationals in respect of protection of one Member’s own national with regard to intellectual property, a finding of inconsistency under Article 3.1 could also lead to the same finding under Article 2 (1) of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1. Given the similar language, GATT Article III:4 can serve as a useful context for the interpretation of Article 3.1 of the TRIPS Agreement. In this sense, “*treatment no less favorable*” should be interpreted as requiring equality of competitive conditions for imported products in relation to domestic products.⁶²⁹ The relevant standard of examination to determine whether nationals of other Members are treated less favorably than the nationals of the concerned Member under Article 3.1 of the TRIPS Agreement is whether the measure provides effective equality of opportunities as between these two groups in respect of protection of intellectual property rights.⁶³⁰ Under Section 211 (a) (2), United States courts could not recognize, enforce or validate any rights by a “*designated national*” based on registration of trademarks obtained through a license. “*Designated national*” included Cuba, any Cuban nationals, a specially designated national, or a national of any “*foreign country*” who was a “*successor - in - interest*” of a designated national. Thus, there was a possibility that while a foreign national who was a “*successor - in - interest*” to a designated national might not have its rights to the underlying mark recognized, enforced or validated, a United States national who was a “*successor - in - interest*” to a designated national could do so. The United States had argued that certain regulations prohibited United States nationals from becoming successors-in-interest without obtaining a specific license, which at the time of the dispute had never been issued in connection with confiscated assets. On this basis, the United States had argued that Section 211 did not mandate WTO - inconsistent action. Given that, to become “*successors-in-interest*” in the United States special licenses were required, the question that needed to be addressed was whether United States nationals were granted a more favorable treatment in the granting of licenses to become “*successors-in-interest*”. This was not the case. Furthermore, Section 211 (a) (2) did not accord treatment less favorable to foreign “*original owners*” than it accorded to “*original owners*” who were United States nationals, since it concerned all “*original owners*” regardless of nationality. Since United States nationals were unable to obtain licenses so as to become successors-in-interest and no such license for such purpose had been granted, and because Section 211 (a) (2) did not accord less favorable treatment to foreign original owners than it accorded to original owners who were United States nationals, the United States had not violated its obligations under

⁶²⁹ Panel Report, *United States — Section 337 of the Tariff Act of 1930* (“US—Section 337”), BISD 36S/345, adopted 7 November 1989, para. 5.11

⁶³⁰ Panel Report, *Canada — Import, Distribution and Sale of Certain Alcoholic Drinks by Provincial Marketing Agencies* (“Canada—Marketing Agencies”), BISD 39S, adopted 18 February 1992, para. 5.6

Article 3.1 of the TRIPS Agreement and Article 2 (1) of the Paris Convention as incorporated into the TRIPS Agreement by virtue of its Article 2.1.

h) The European Communities and their Member States had argued that the United States had violated its most-favored-nation treatment obligation under Article 4 of the TRIPS Agreement. Section 211 (a) (2) allegedly created a dichotomy between Cuba and Cuban nationals on the one hand, and other countries and nationals of other countries on the other. The question to be examined was whether Section 211 (a) (2) accorded any advantage, favor, privilege or immunity that was accorded to certain foreign nationals while such advantage, favor, privilege or immunity was being denied to Cuban nationals. This provision did not discriminate between Cuban nationals and other foreign nationals: irrespective of whether they were Cuban or foreign nationals, if the confiscating entity or the successor - in - interests did not have the consent of the original owner, they could not assert any right based on common law rights or registration to the trademarks that were used in connection with confiscated assets. Moreover, Section 211 (a) (2) did not limit the class of “*original owners*” based on nationality, in that all original owners, regardless of nationality, were covered. The United States was not in violation of its obligations under Article 4 of the TRIPS Agreement.

k) The European Communities and their Member States had argued that the United States had violated its obligations under Articles 3.1, 16.1 and 42 of the TRIPS Agreement and Articles 2 (1), 6*bis*(1) and 8 of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1. Section 211 (b) had allegedly an obscure meaning. The European Communities and their Member States claim against Section 211 (b) was tentative in nature.

i) The European Communities and their Member States had claimed that the United States’ obligations under the TRIPS Agreement were included within the term “*treaty rights*” of Section 211(b) and a United States court opinion supported this interpretation.⁶³¹ They had failed however to support their analysis and to provide sufficient evidence and legal arguments to demonstrate that the United States had violated its obligations under Article 16.1 of the TRIPS Agreement.

ii) For the same reasons, the European Communities and their Member States had failed to prove that the United States had violated its obligations under Articles 42 of the TRIPS Agreement and 6*bis* (1) of the Paris Conventions, as incorporated into the TRIPS Agreement by virtue of its Article 2.1.

iii) The TRIPS Agreement does not cover trade names. Since Members have no obligation in respect of trade names under the Agreement, the United States had not violated any obligations under Article 2.1 of the TRIPS Agreement in conjunction with Article 8 of the Paris Convention.

iv) The European Communities and their Member States had claimed that the United States had violated its national treatment obligation under Article 3.1 of the TRIPS Agreement and 2 (1) of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1. In the case of Section 211 (b), as in the case of Section 211(a)(2), the issue was whether this Section accorded

⁶³¹ The district court in *Havana Club Holding, S.A. v. Galleon, S. A.*, 62 F. Supp. 2d 1085, 1092 - 1093, (S.D.N.Y. 1999).

protection of intellectual property rights that was less favorable to the nationals of other Members than that it accorded to United States nationals. Unlike Section 211(a)(2), Section 211 (b) contained the term “*successor - in - interest*”, a term which was not limited to foreign nationals but included United States national. In respect to “*original owners*,” Section 211(b) did not accord less favorable treatment to foreign nationals. Thus, the United States had not violated its obligations under Article 3.1 of the TRIPS and 2 (1) of the Paris Convention, as incorporated into the TRIPS Agreement by virtue of its Article 2.1.

v) The European Communities and their Member States had claimed that the United States had violated its most favored nation treatment obligations under Article 4 of the TRIPS Agreement. The United States had explained that under Section 211 (b), United States courts would have not enforced or recognized asserted rights to trademarks used in connection with confiscated assets by any successor - in - interest, whether Cuban or otherwise. The issue was basically the same as for Section 211 (a) (2) and, consequently, the United States had not violated its obligations under Article 4 of the TRIPS Agreement.

In light of the above:

- Section 211(a)(1) was not in violation of Article 15.1 of the TRIPS Agreement.
- Section 211(a)(1) was not in violation of Article 2.1 of the TRIPS Agreement in conjunction with Article 6*quinquies* (A) (1) of the Paris Convention.
- It has not been proven that Section 211(a)(2) was inconsistent with Article 16.1 of the TRIPS Agreement.
- Section 211(a)(2) was in violation of Article 42 of the TRIPS Agreement.
- Section 211(a)(2) was not in violation of Article 2.1 of the TRIPS Agreement in conjunction with Article 6*bis* of the Paris Convention.
- Section 211(a)(2) was not in violation of Article 2.1 of the TRIPS Agreement in conjunction with Article 8 of the Paris Convention.
- Section 211(a)(2) was not in violation of Article 3.1 of the TRIPS Agreement and Article 2.1 of the TRIPS Agreement in conjunction with Article 2 (1) of the Paris Convention.
- Section 211(a)(2) was not in violation of Article 4 of the TRIPS Agreement.
- It had not been proven that Section 211(b) was in violation of Article 16.1 of the TRIPS Agreement.
- It had not been proven that Section 211(b) was in violation of Article 42 of the TRIPS Agreement.
- It had not been proven that Section 211(b) was in violation of Article 2.1 of the TRIPS Agreement in conjunction with Article 6*bis* of the Paris Convention.
- Section 211(b) was not in violation of Article 2.1 of the TRIPS Agreement in conjunction with Article 8 of the Paris Convention.

- Section 211(b) was not in violation of Article 3.1 of the TRIPS Agreement and Article 2.1 of the TRIPS Agreement in conjunction with Article 2 (1) of the Paris Convention.

- Section 211(b) was not in violation of with Article 4 of the TRIPS Agreement.

The Appellate Body proceedings:

Both the European Communities and their Member States and the United States were not satisfied with the Panel findings, rulings and recommendations. Both parties appealed from certain issues of law and legal interpretations in the Panel Report.

a) The European Communities and their Member States appealed almost all legal findings and conclusions of the Panel.

i) The Panel had erred in finding that Section 211 (a) (1) was not in violation of Article 2.1 of the TRIPS Agreement in conjunction with Article 6*quinques* (A) (1) of the Paris Convention. Contrary to the Panel's conclusion, Article 6*quinques* (A)(1) addresses all features of trademarks and not only their form. Article 6*quinques* of the Paris Convention limits the discretion of WTO Members with respect to the imposition of conditions for trademark registration. Section 211(a)(1) prevented the owner of a trademark registered in another country from acquiring or maintaining a trademark registration in the United States by preventing the payment of the required fees necessary for registration and renewal in the United States, unless the original owner or the *bona fide* successor - in - interest had expressly consented.

ii) The Panel had erred in finding that Section 211(a)(1) was not in violation of Article 15.1 of the TRIPS Agreement. Section 211(a)(1) was not related to ownership, and established a particular condition, or an additional procedural step, for the registration or renewal of registration of certain trademarks. Section 211(a)(1) did not fall under "*other grounds*" on which Members could deny registration of a trademark under Article 15.2 of the TRIPS Agreement.

iii) The Panel had erred in finding that it had not proven that Section 211(a)(2) and 211(b) were in violation of Article 16.1 of the TRIPS Agreement.

iv) The Panel had erred in finding that the European Communities and their Member States had not proven that Section 211(b) was in violation of Article 42 of the TRIPS Agreement.

v) The Panel had erred in finding that Section 211(a)(2) and (b) were not in violation of Article 3.1 of the TRIPS Agreement and 2 (1) of the Paris Convention as incorporated into the TRIPS Agreement by virtue of its Article 2.1. Section 211(a)(2) was discriminatory on its face because it applied exclusively to "*designated nationals*", defined as Cuba or Cuban nationals and extended by Section 211 (b) to include foreign (non-nited States) "*successors-in-interest*".

vi) The Panel had erred in finding that Section 211(a)(2) and (b) were not in violation of Article 4 of the TRIPS Agreement. With regard to "*original owners*" of trademarks and trade names, it was obvious that Section 211(a)(2) and (b) denied Cuban nationals the treatment they accorded to other foreign nationals since they targeted only Cuba or Cuban nationals. Thus, United States and

foreign nationals, other than Cubans, who were original owners, were affected by Section 211(a)(2).

vii) The Panel had erred in finding that trade names were not covered in the TRIPS Agreement. Both parties to the dispute had agreed that trade names were included in the scope of the TRIPS Agreement. The Appellate Body should have continued its analysis and concluded that, with regard to trade names, Section 211 (a) (2) and (b) were in violation of Article 8 of the Paris Convention, Article 42 of the TRIPS Agreement, the national treatment obligation of Articles 3.1 of the TRIPS Agreement and 2 (1) of the Paris Convention, and the most - favored - nation treatment obligation of Article 4 of the TRIPS Agreement.

b) The United States endorsed some of the legal findings and conclusions of the Panel, while it challenged other.

i) The Panel had erred in finding that Section 211 (a) (2) was in violation of Article 42 of the TRIPS Agreement. The circumstances under which rights holders' effective access to and, hence, the availability of, civil judicial procedures, were limited to cases where the claimant was not the legitimate owner or rights holder of the claimed trademark rights. Therefore, Article 42 of the TRIPS Agreement did not apply in such cases.

ii) The Panel had erred in finding that the TRIPS Agreement contains no obligations with respect to trade names. However, the Appellate Body should have not completed the analysis of the Panel regarding the alleged violation of Section 211 of the obligations on trade names under the TRIPS Agreement and the Paris Convention. The United States had not violated any of these obligations.

c) The Report of the Appellate Body was circulated to Members on 2 January 2002. In particular:

i) The Appellate Body first addressed the issue of the scope of the Appellate review. Under Article 17.6 of the Dispute Settlement Understanding, appeals are limited to issues of law covered in the panel report and legal interpretations developed by the panel. Under the Dispute Settlement Understanding, panels may examine the municipal law of a WTO Member for the purpose of determining whether that Member has complied with its obligations under the WTO Agreement. Since such an assessment is a legal characterization by the panel, a panel's assessment of municipal law as to its consistency with WTO obligations is subject to appellate review under Article 17.6 of the Dispute Settlement Understanding. It was therefore possible to review the Panel's conclusions about the meaning of the measure at issue in the appeal. On this line, Section 221 of the *Omnibus Appropriations Act* unquestionably dealt with and regulated ownership of trademarks.

ii) The European Communities and their Member States had claimed that the Panel had erred in finding that Section 211 (a) (1) was not in violation of Article 2.1 of the TRIPS Agreement in conjunction with Article 6*quinques* (A) (1) of the Paris Convention. Under Article 6*quinques* (A) (1) of the Paris Convention, countries of the Paris Union are required to accept for filing and protect a trademark duly registered in the country of origin "as is". The term "as is" (or the term "telle quelle" of the French version of the provision) suggests that Article 6*quinques* (A) (1) requirement for countries of the Paris Union to accept for filing and protect a trademark duly registered in the

applicant's country of origin relates at least to the form of the trademark as registered in the applicant's country of origin. The central question was whether this requirement also encompasses other features and aspects of that trademark as registered in the country of origin: Article 6*quinques* (A) (1) of the Paris Convention does not encompass matters related to ownership and this interpretation is supported by Article 6(1) of the Paris Convention which reserves to the countries of the Paris Union the right to determine the conditions for filing and registration of trademarks by their domestic legislation. As above-mentioned, Section 211 (a) (1) dealt with ownership of trademark and, thus, was not in violation of Article 2.1 of the TRIPS Agreement in conjunction with Article 6*quinques* (A) (1) of the Paris Convention.

iii) The European Communities and their Member States had argued that the Panel had erred in finding that Section 211 (a) (1) was not in violation of Article 15.1 of the TRIPS Agreement because it fell within the term "*other grounds*" as used in Article 15.2 of the TRIPS Agreement. Article 15.1 defines which signs or combinations of signs are capable of constituting trademark. Thus, under Article 15.1, Members have an obligation to ensure that those signs or combinations of signs that meet the distinctiveness of criteria set forth in Article 15.1 are eligible for registration as trademarks within their domestic legislation. Under Article 15.1, Members are allowed to set forth in their domestic legislation conditions for the registration of trademarks that do not address the definition of either "*protectable subject matter*" or what constitutes a trademark. This interpretation is supported by the context of Article 15.1. Since Section 211 (a) (1) prohibited any transaction or payment with respect to a defined category of marks, trade names, or commercial names, unless the original owner of the mark, trade name or commercial name (or the bona fide successor - in - interest) had expressly consented, it did not concern those issues addressed by Article 15.1 of the TRIPS Agreement, such as the inherent distinctiveness of signs, distinctiveness acquired through use and visual perceptibility. Since Section 211 (a) (1) dealt with different issues, it was not in violation of Article 15 of the TRIPS Agreement. Although this conclusion was dispositive of the European Communities and their Member States claim, the appeal concerned as well the Panel legal interpretation of Article 15.2 of the TRIPS Agreement. The specific reference to Article 15.1 contained in Article 15.2 makes it clear that the "*other grounds*" for denial of registration to which Article 15.2 refers are different from those mentioned in Article 15.1. There was no disagreement between the Parties that "*other grounds*" for the denial of trademark registration expressly provided for in the exceptions in the Paris Convention and in the TRIPS Agreement do not derogate from the Paris Convention within the meaning of Article 15.2. The relevant issue was therefore the extent to which, if at all, Members are permitted to deny trademark registration on grounds other than those expressly provided for in the TRIPS Agreement and the Paris Convention. A condition need not be explicitly mentioned in the Paris Convention in order not to derogate from it. Section 211 (a) (1) was not in violation of Article 15.1 of the TRIPS Agreement and "*other grounds*" under Article 15.2 of the TRIPS Agreement were not limited to those grounds provided for in the exceptions contained in the Paris Convention or the TRIPS Agreement.

iv) The European Communities and their Member States had argued that the Panel had erred in finding that Section 211 (a) (2) and (b) were not in violation of Article 16 of the TRIPS Agreement. Article 16 of the TRIPS Agreement confers on the owner of a registered trademark an internationally agreed minimum level of exclusive rights that protect the owner against infringement of the registered trademark by unauthorized third parties. Article 16.1 confers these exclusive rights on the owner of a registered trademark, without clarifying how ownership of a trademark is to be determined. The definition of conditions to be met for ownership of trademarks is left to the legislative discretion of each WTO Member, with no guidance on this issue under the TRIPS Agreement, as incorrectly alleged by the European Communities and their Member States. Neither Article 16 nor any other Article in the TRIPS Agreement determines who owns or does not own a trademark, while Section 211 (a) (2) and (b) could be invoked against a presumptive ownership of a registered trademark. Consequently, since it dealt with different issues, Section 211 (a) (2) and (b) were not in violation of Article 16.1 of the TRIPS Agreement.

v) Both parties to the dispute had appealed certain findings of the Panel on Article 42 of the TRIPS Agreement. The United States had argued that the Panel had erred in finding that Section 211 (a) (2) was in violation of Article 42 of the TRIPS Agreement. The European Communities and their Member States had argued that the Panel had erred in concluding that they had failed to prove that Section 211 (b) was in violation of this Article. Both participants to the disputes made their arguments focusing on the first and the fourth sentence of Article 42 of the TRIPS Agreement. The first sentence of Article 42 of the TRIPS Agreement requires Members to make certain civil judicial procedures available to right holders. Thus, in accordance with the ordinary meaning of “*make available*”, right holders are entitled to have access to civil judicial procedures that are effective in bringing about the enforcement of their rights covered by the Agreement. The first sentence of Article 42 does not define however what is encompassed by the term “*civil judicial procedures*”. The TRIPS Agreement thus reserves, subject to the procedural minimum standards set out in the Agreement, a degree of discretion to Members on this, taking into account “*differences in national legal systems*”. Indeed, no Member’s national system of civil judicial procedures is identical to that of another Member. “*Right holders*” as used in Article 42 is not limited to persons who have been established as owners of trademarks, but includes persons who claim to have legal standing to assert rights. Civil and judicial procedures would not be fair and equitable if access to courts were not given to both complainants and defendants who purport to be owners of an intellectual property right. Under the fourth sentence of Article 42 of the TRIPS Agreement, WTO Members must also guarantee to all “*parties*” their right to “*substantiate their claims*”. Litigants are also entitled to present all relevant evidence in support of their claims with the courts. Therefore under Article 42, Members have an obligation to make available to right holders right which are procedural in nature. Section 211 (a) (2) and (b) dealt with the substantive requirements of ownership of a defined category of trademarks. “*Designated nationals*” and “*successors-in-interest*” had access to civil judicial procedures in the United States under the terms of certain rules,⁶³² and these rules provided the right to substantiate claims and present evidence. Contrary

⁶³² Under the terms of the United States Federal Rules of Civil Procedure and the Federal Rules of Evidence.

to what had been argued by the European Communities and their Member States, there is nothing in the procedural obligations of Article 42 of the TRIPS Agreement that prevents a Member, in such a situation, from legislating whether or not its courts must examine each and every requirement of substantive law at issue before making a ruling. Section 211 (a) (2) did not prohibit courts from giving right holders access to fair and equitable civil judicial procedures and the opportunity to substantiate their claims and to present all relevant evidence. It only required United States courts not to recognize, enforce or otherwise validate any assertion of rights by “*designated nationals*” or “*successors-in-interest*” who had been determined, after applying the above-mentioned rules, not to own the trademark referred to in Section 211 (a) (2). Therefore, Section 211 (a) (2) on its face did not violate Article 42 of the TRIPS Agreement. Section 211 (b) as well only required United States courts not to recognize, enforce or otherwise validate any assertion of rights by “*designated nationals*” or “*successors-in-interest*” who had been determined, after applying the above-mentioned rules, not to own the trademark referred to in Section 211. Therefore, Section 211 (b) on its face was not in violation of Article 42 of the TRIPS Agreement. Consequently, the Panel finding that Section 211 (a) (2) was in violation of Article 42 had to be reversed, while the Panel finding that Section 211 (b) was not in violation of Article 42 of the TRIPS Agreement had to be upheld.

vi) The European Communities and their Member States had argued that the Panel had erred in finding that Section 211 (a) (2) and (b) was not in violation of the national treatment obligation of Article 3.1 of the TRIPS Agreement and Article 2.1 of the TRIPS Agreement in conjunction with Article 2 (1) of the Paris Convention. The national treatment obligation is a fundamental principle underlying the TRIPS Agreement. The similarity of language with Article III:4 of the GATT 1994 suggests that its jurisprudence may be useful in interpreting the national treatment obligation in the TRIPS Agreement. The national treatment principle under Article 3.1 of the TRIPS Agreement calls on WTO Members to accord no less favorable treatment to non - nationals than to nationals in the “*protection*” of trade - related intellectual property rights. A first claim of the European Communities and their Member States concerned the alleged discrimination among “*successors-in-interest*” under Section 211 (a) (2) and (b). Section 211 (a) (2) applied to “*designated nationals*”, which included Cuba and Cuban nationals, as well as nationals of any “*foreign country*” that were “*successors-in-interest*” to a designated national. The Panel had recognized the possibility that a foreign national who was a “*successor-in-interest*” to a “*designated national*” might not have had its rights to the underlying mark recognized, enforced or validated, whereas a United States national who was a successor - in - interest to a designated national could do so. However, the Panel accepted the United States argument that United States nationals were, in practice, unable to obtain the license necessary to become “*successors-in-interest*”, and therefore found no violation. The Panel should not have stopped there, but should have gone on and considered the argument made by the European Communities and their Member States about the “*extra hurdle*” faced by non - United States “*successors-in-interest*”. While United States nationals who were “*successors-in-interest*” only had to go through one licensing procedure, the non - United States nationals who were “*successors-in-interest*” had to go through different licensing procedures. Even the possibility that non - United States “*successors-in-interest*” faced two hurdles was inherently

less favorable than the undisputed fact that the United States “*successors-in-interest*” faced only one. Both before the Panel and in the appeal, the United States had submitted that Section 211 was a statutory articulation of the longstanding doctrine of non - recognition of foreign confiscation, recognized in virtually every jurisdiction. However, on the one side, the United States had failed to prove that the courts of the United States would have not validated the assertion of rights by a United States “*successor - in - interest*” in every individual case. On the other, the doctrine would have applied as well to “*successors-in-interest*” who were not nationals of the United States, without offsetting the extra hurdle existing under Section 211 (a) (2). Thus, since Section 211 (a) (2) imposed an additional obstacle on “*successors-in-interest*” who were not United States nationals, by applying this extra obstacle the United States were in violation of the national treatment obligation under Article 3.1 of the TRIPS Agreement and 2.1 of the Agreement in conjunction with Article 2 (1) of the Paris Convention. Section 211 (b), unlike Section 211 (a) (2), applied to all “*successors-in-interest*” (and not just to “*designated nationals*”). Thus, it applied to United States nationals who were “*successors-in-interest*” as well, without violating the national treatment obligation with regard to “*successors-in-interest*” under Article 3.1 of the TRIPS agreement and 2.1 of the TRIPS Agreement in conjunction with Article 2 (1) of the Paris Convention. With regard to the effects of Section 211 (a) (2) and Section 211 (b) on “*original owners*”, both Sections applied to “*designated nationals*”, that is “*Cuba and any national thereof including any person who was specially designated national*”. These provisions thus applied to “*original owners*” who were Cuban nationals, but not “*original owners*” who were United States nationals and were discriminatory on their faces. The European Communities and their Member States had established a *prima facie* case of discrimination. Section 211 (a) (2) was in violation of the national treatment obligation under Article 3.1 of the TRIPS Agreement and 2.1 of the TRIPS Agreement in conjunction with Article 2 (1) of the Paris Convention, with regard to “*successors-in-interest*” and “*original owners*”. Section 211 (b) was in violation of these Articles with regard to “*original owners*”, but not with regard to “*successors-in-interest*”.

vii) The European Communities and their Member States had argued that the Panel had erred in finding that Section 211 (a) (2) and (b) were not in violation of the most - favored nation treatment obligation under Article 4 of the TRIPS Agreement, since they did not deny Cuban nationals any advantage, favor, privilege or immunity that they accorded to foreign nationals. The appeal covered only discrimination related to “*original owners*” of a United States trademark. Under the definition of “*designated nationals*” contained in the United States regulations, an “*original owner*” who was a Cuban national was subject to the measures at issue, whereas a non - Cuban original owner was not. Thus, Section 211 (a) (2) and (b) were in violation of the most - favored - nation treatment obligation under Article 4 of the TRIPS Agreement with regard to “*original owners*”. The Panel findings to the contrary had to be reversed.

viii) Both parties had argued that trade names were within the scope of the TRIPS Agreement. Indeed, the Panel had erred both in its reasoning and conclusion on the scope of the TRIPS Agreement as it relates to trade names. First, in its interpretation of Article 2.1 of the TRIPS agreement, the Panel had focused only on each Section title, and not on Section subjects.

Following this reasoning, *sui generis* rights to protect plant varieties under Article 27(3) (b) of the TRIPS Agreement would not be covered by the Agreement since this Article is located in Section 5 of Part II, entitled “*Patents*”. Such a result would be incorrect. Second, the Panel interpretation of Article 2.1 of the TRIPS Agreement could not have been reconciled with the plain words of this Article, which explicitly incorporates Article 8 of the Paris Convention, covering only protection of trade names, into the TRIPS Agreement. If negotiators wanted to exclude trade names from protection under the TRIPS Agreement, there would have been no purpose in incorporating Article 8 of the Paris Convention into the TRIPS Agreement, along with other (not all the) Articles of this Convention. Third, the negotiating history was not in any way decisive to the issue at hand. Thus, trade names fall within the scope of the TRIPS Agreement and WTO Members do have an obligation to provide protection to trade names. The Panel findings to the contrary had to be reversed. Moreover, there were sufficient undisputed facts in the Panel record on trade name protection for the analysis to be completed on the alleged violation by Section 211 (a) (2) and (b) of Articles 3.1 of the TRIPS Agreement and 2 (1) of the Paris Convention, Article 4 of the TRIPS Agreement, Article 42 of the TRIPS Agreement, and Article 8 of the Paris Convention. Since Section 211 (a) (2) and (b) operated in the same way with regard to trademarks and to trade names, the conclusions had to be the same: Section 211 (a) (2), by imposing an extra obstacle to “*successors-in-interest*” to trade names, was in violation of the national treatment obligation of Articles 3.1 of the TRIPS Agreement and Article 2.1 of the TRIPS Agreement in conjunction with Article 2 (1) of the Paris Convention. Section 211 (b) was not in violation of the national treatment obligation with regard to the treatment of “*successors-in-interest*”. Section 211 (a) (2) and (b) were in violation of the national treatment provisions with regard to “*original owners*”. Section 211 (a) (2) and (b) violated the most - favored - nation treatment obligation of Article 4 of the TRIPS agreement, with regard to the treatment of “*original owners*”. Sections 211 (a) (2) and (b) were not in violation of Article 42 of the TRIPS Agreement, since they properly accorded right holders the minimum required procedural rights under that Article. Section 211 (a) (2) and (b) were not in violation of Article 2.1 of the TRIPS Agreement in conjunction with Article 8 of the Paris Convention, since they related to ownership and neither the TRIPS Agreement nor the Paris Convention determined who owned or who did not own a trade name.

ix) This ruling was not a judgment on confiscation (as the term was defined in United States law). The validity of the expropriation of intellectual or any other property rights without compensation by a WTO Member within its own territory was not an issue to be dealt with in the appeal under discussion, nor was it the issue of whether a Member of the WTO should, or should not, recognize in its own territory trademarks, trade names, or any other rights relating to any intellectual or other property rights that may have been expropriated or otherwise confiscated in other territories. However, where a WTO Member chooses not to recognize intellectual property rights in its own territory relating to a confiscation of rights in another territory, a measure resulting from and implementing that choice must, if it affects other WTO Members, comply with the TRIPS Agreement, by which all WTO Members are voluntarily bound. In such a measure, that WTO Member must accord “*no less favorable treatment*” to the nationals of all other WTO Members than the one it accords to its own nationals, and must grant to the nationals of all other WTO

Members “*any advantage, favor, privilege or immunity*” granted to any other WTO Member. In such a measure, a WTO Member may not discriminate in a way that does not respect the obligations of national treatment and most - favored - nation treatment that are fundamental to the TRIPS Agreement.

In light of the above:

- the Panel's finding that Section 211(a)(1) was not in violation of Article 2.1 of the *TRIPS Agreement* in conjunction with Article 6*quinquies* A(1) of the Paris Convention was upheld.

- the Panel's finding that Section 211(a)(1) was not in violation with Article 15.1 of the TRIPS Agreement was upheld.

- the Panel's findings that the European Communities and their Member States had not proven a violation of Article 16.1 of the TRIPS Agreement was upheld and it was found that Sections 211(a)(2) and (b) were not in violation Article 16.1 of the TRIPS Agreement.

- With respect to Article 42 of the TRIPS Agreement, and in relation to trademarks, the Panel's finding on the violation of Article 42 of the TRIPS Agreement was reversed and it was found that Section 211(a) (2) and (b) were not in violation of this Article;

- With respect to Article 2.1 of the TRIPS Agreement in conjunction with Article 2 (1) of the Paris Convention and Article 3.1 of the TRIPS Agreement, and in relation to trademarks:

i) Regarding “*successors-in-interest*”: the Panel's finding that Section 211 (a) (2) was not in violation of the national treatment obligation was reversed and it was found that Section 211 (a) (2) was in violation of these Articles. The Panel's finding that Section 211 (b) was not in violation of the national treatment obligation was upheld and it was found that Section 211 (b) was not in violation of these Articles;

(ii) Regarding “*original owners*”: the Panel's findings that Section 211 (a) (2) and (b) were not in violation of the national treatment obligation were reversed and it was found that Section 211 (a) (2) and (b) were in violation of these Articles.

- the Panel's findings regarding the most - favored - nation treatment of “*original owners*” was reversed and it was found that, in this respect, and in relation to trademarks, Sections 211(a) (2) and (b) were in violation of Article 4 of the TRIPS Agreement.

- the Panel's finding that trade names were not covered under the TRIPS Agreement was reversed, and it was found that WTO Members do have an obligation under the TRIPS Agreement to provide protection to trade names, and accordingly:

(i) with respect to Article 2.1 of the TRIPS Agreement in conjunction with Article 2 (1) of the Paris Convention and Article 3.1 of the TRIPS Agreement, and in relation to trade names: regarding “*successors-in-interest*”, it was found that Section 211(a)(2) was in violation of these Articles. Regarding “*successors-in-interest*”, found that Section 211(b) was not in

violation of these Articles. Regarding “*original owners*”, found that Section 211 (a) (2) and (b) were in violation of these Articles;

(ii) it was found that, in relation to trade names, Sections 211(a)(2) and (b) were in violation of Article 4 of the TRIPS Agreement;

(iii) it was found that, in relation to trade names, Sections 211(a)(2) and (b) were not in violation of Article 42 of the TRIPS Agreement;

iv) It was found that Sections 211(a)(2) and (b) were not in violation of Article 2.1 of the TRIPS Agreement in conjunction with Article 8 of the Paris Convention.

Further development related to the case:

a) After the adoption of the Appellate Body Report, the United States needed a reasonable period of time to comply with the rulings and recommendations of the Dispute Settlement Body (“DSB”). The European Communities and their Member States engaged in negotiations with the United States, and agreed four times on an extension of the reasonable period of time for the implementation of the DSB recommendations. At the expiry of the fourth extension of the reasonable period of time, both parties reached an Understanding on further steps to be followed for the implementation of the DSB recommendations.

b) One of the main issues of the *United States - Section 211 Omnibus Appropriations Act* dispute was whether trade names fell within the scope of the intellectual property rights covered by the TRIPS Agreement. The Panel and the Appellate Body disagreed on this issue. Eventually, the Appellate Body established that trade names are within the scope of the Agreement even though they were not expressly addressed, principally on grounds that trade names are the subject of Article 8 of the Paris Convention, incorporated into the TRIPS Agreement by virtue of its Article 2.1. The decision and reasoning on this issue clearly shows how difficult it can be to determine what is within and what is outside the scope of the TRIPS Agreement.⁶³³

c) The *United States - Section 211 Omnibus Appropriations Act* dispute arose from a commercial dispute between two companies, the United States’ Bacardi Limited and the France’s Pernod Ricard S.A. It has been eminently stressed that, since the dispute arose between two private companies, it should have been resolved as a private commercial dispute and not as a systemic test of WTO rules. Both private actors had entered into joint ventures fully cognizant of the risks relating to contentious ownership due to the claims to intangible property confiscated by the Government of Cuba in the early 1960s. Both companies exerted pressure on their home government to mitigate the consequences of the risks knowingly undertaken, and the private commercial dispute converted into an international political dispute. The result was that the European Communities and their Member States and the United States argued legal positions that were most likely contrary to their longer term commercial interests. As a practical matter the

⁶³³ F. M. Abbott, *Dispute Settlement, World Trade Organization - TRIPS*, UNCTAD Course on Dispute Settlement in International trade, Investment and Intellectual Property, (United Nations: 2003, New York/Geneva), p. 12.

European Communities and their Member States did not achieve a victory, because the decision of the Appellate Body required only an insubstantial modification to United States law, without a significant impact on internal or external United States policy. However, in a case of full victory by the European Communities and their Member States, they could have withdrawn trade concessions from the United States in order to enforce compliance with the Panel decision, without any direct benefit to Pernod Ricard S.A., and harming United States private operators other than Bacardi Limited. Recourse to WTO dispute settlement could be regarded as a means to diffuse internal political pressure exerted by Pernod Ricard for the European Communities and their Member States on the one hand, and to resist further pressure to act on behalf of Bacardi Limited for the United States on the other.⁶³⁴

d) After the Panel issued its decision in the case under discussion, much attention has been paid to the discipline of trademark at the international level. It seems that the case for coordination across jurisdictions is less compelling for trademarks than other forms of intellectual property and the international law of trademark protection is generally reflective of this insight, achieving only a minimum level of harmonization. The national treatment obligation is not as attractive as in other areas (such as those covered by Article III of GATT 1994), while mutual recognition of trademark provisions across countries could have attractive features.

The Appellate Body seems to have thought it important to shut the doors to the use of TRIPS to expand the scope of legally mandated intellectual property protection, beyond that strictly and clearly mandated by the treaty language.⁶³⁵

e) Some commentators identified the key of what they defined an “American victory” in the case under discussion, within the decision by the Appellate Body that issues of trademark ownership were, under the law of treaties, to be left to national law and not controlled by the TRIPS Agreement or other applicable treaties, subject only to national treatment or most - favored - nation treatment obligations. National law control over trademark ownership was absolutely essential to preserving for trademarks the broader principle that under international law no nation is required to honor rights in or claims to property that had been expropriated or otherwise taken from its citizens by another nation without adequate compensation: the so-called doctrine of State Responsibility for alien property. There was no such exception for confiscated trademarks in the rules of recognition found in TRIPS Agreement or the other treaties.⁶³⁶

⁶³⁴ F. M. Abbott, T. Cottier, *Dispute Prevention and Dispute Settlement in the Field of Intellectual Property Rights and Electronic Commerce, United States - Section 211 Omnibus Appropriations Act 1998 (“Havana Club”)*, (July 1, 2002), in E. U. Petersmann, M. Pollack (Eds.), *Dispute Prevention and Dispute Settlement in the Transatlantic Partnership - Case Studies, Analyses and Policy Recommendations*, (Oxford University Press: Oxford, 2003), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1920887.

⁶³⁵ R. Howse, D. J. Neven, *United States - Section 211 Omnibus Appropriations Act of 1998: A Comment*, The WTO Case Law of 2002, (Cambridge Press: 2005), available at <http://www.ali.org/doc/wto/wto2002/HavanaClub.pdf>.

⁶³⁶ A. Swann, *Havana Club in the WTO: Herein of International Law and American Power*, Cuba in Transition: Volume 12, Papers and Proceedings of the Twelfth Annual Meeting of the Association for the Study of the Cuban Economy (ASCE), August 1 - 3 2002, available at <http://www.ascecuba.org/publications/proceedings/volume12/pdfs/swann.pdf>.

United States - Section 337 of the Tariff Act of 1930 and Amendments Thereto

IP/D/21WT/DS186

General background of the case

On 12 January 2000, the European Communities and their Member States requested consultations with the United States with regard to Section 337 of the *US Tariff Act* and some related rules.⁶³⁷

The main concern of the European Communities and their Member States was that the United States complied with its obligations under the WTO Agreement and the Agreements annexed thereto, in particular the TRIPS Agreement. Section 337 of the *US Tariff Act* set forth certain specific procedures for the examination of imported goods in order to determine whether they infringed United States intellectual property rights and eventually exclude them from entry into the United States. Section 337 of the *US Tariff Act* had already been examined twice by GATT panels,⁶³⁸ and it had been consequently amended by the 1994 *US Uruguay Round Agreements Act*. These amendments had however failed to bring the United States' system into conformity with the GATT Panel's findings. In fact, procedures and remedies under the 1994 *US Uruguay Round Agreements Act* were still substantially different from the procedures and remedies concerning domestic goods, and discriminated against European Communities' industries and goods.

According to the European Communities and their Member States, the United States had violated its obligations under the WTO Agreements including, but not limited to: i) its obligations under Article 2 of the TRIPS Agreement, which incorporates the *Paris Convention on the Protection of Industrial Property* (the "Paris Convention"), and in particular its national treatment obligation in respect of nationals of countries of the Paris Union under Article 2 of the Paris Convention. ii) Its national treatment obligation in respect of nationals of other WTO Members under Article 3 of the TRIPS Agreement. iii) Its obligations to comply with Articles 1 through 21 of the *Berne Convention for the Protection of Literary and Artistic Works* (the "Berne Convention") and the Appendix thereto under Article 9 of the TRIPS Agreement, and in particular its obligation on the rights to be guaranteed to authors of works protected under the Convention under Article 5 of the Berne Convention. iv) Its obligations on the patentable subject matter under Article 27 of the TRIPS Agreement. v) Its general obligations on the enforcement of intellectual property rights under Article 41 of the TRIPS Agreement, and its specific obligations on fair and equitable civil and administrative procedures and remedies under Article 42 of the TRIPS Agreement and on administrative procedures under Article 49 of the TRIPS Agreement. vi) Its obligations on the authority to be granted to judicial authorities to order prompt and effective provisional measures

⁶³⁷ 19 U.S.C. § 1337 and the related Rules of Practice of the International Trade Commission contained in Chapter II of Title 19 of the United STATES Code of Federal Regulation.

⁶³⁸ Section 337 of the United States Tariff Act had already been amended by the Omnibus Trade and Competitiveness Act of 1988; GATT Panel, *United States - Section 337 of the Tariff Act of 1930*, BISD 36S/345, adopted on 7 November 1989.

under Article 50 of the TRIPS Agreement. vii) Its obligations to adopt procedures to enable right holders with valid grounds for suspecting that the importation of counterfeit trademark or pirated copyright goods may take place, to lodge an application with competent authorities, administrative or judicial, for the suspension by the customs authorities of the release into free circulation of such goods under Article 51 of the TRIPS Agreement. viii) Its obligations under the *General Agreement on Tariffs and Trade* (GATT 1994).

Legal basis of the case: related provisions in the TRIPS

Article 2 of the TRIPS Agreement, Intellectual Property Conventions:

“1. In respect of Parts II, III and IV of this Agreement, Members shall comply with Articles 1 through 12, and Article 19, of the Paris Convention (1967).

2. Nothing in Parts I to IV of this Agreement shall derogate from existing obligations that Members may have to each other under the Paris Convention, the Berne Convention, the Rome Convention and the Treaty on Intellectual Property in Respect of Integrated Circuits.”

Article 3 of the TRIPS Agreement, National Treatment:

“1. Each Member shall accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection of intellectual property, subject to the exceptions already provided in, respectively, the Paris Convention (1967), the Berne Convention (1971), the Rome Convention or the Treaty on Intellectual Property in Respect of Integrated Circuits. In respect of performers, producers of phonograms and broadcasting organizations, this obligation only applies in respect of the rights provided under this Agreement. Any Member availing itself of the possibilities provided in Article 6 of the Berne Convention (1971) or paragraph 1(b) of Article 16 of the Rome Convention shall make a notification as foreseen in those provisions to the Council for TRIPS.

2. Members may avail themselves of the exceptions permitted under paragraph 1 in relation to judicial and administrative procedures, including the designation of an address for service or the appointment of an agent within the jurisdiction of a Member, only where such exceptions are necessary to secure compliance with laws and regulations which are not inconsistent with the provisions of this Agreement and where such practices are not applied in a manner which would constitute a disguised restriction on trade.”

Article 9 of the TRIPS Agreement, Relation to the Berne Convention:

“1. Members shall comply with Articles 1 through 21 of the Berne Convention (1971) and the Appendix thereto. However, Members shall not have rights or obligations under this Agreement in respect of the rights conferred under Article 6bis of that Convention or of the rights derived therefrom.

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

Article 27 of the TRIPS Agreement, Patentable Subject Matter:

“1. Subject to the provisions of paragraphs 2 and 3, patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application. Subject to paragraph 4 of Article 65, paragraph 8 of Article 70 and paragraph 3 of this Article, patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced.

2. Members may exclude from patentability inventions, the prevention within their territory of the commercial exploitation of which is necessary to protect ordre public or morality, including to protect human, animal or plant life or health or to avoid serious prejudice to the environment, provided that such exclusion is not made merely because the exploitation is prohibited by their law.

3. Members may also exclude from patentability:

(a) diagnostic, therapeutic and surgical methods for the treatment of humans or animals;

(b) plants and animals other than micro - organisms, and essentially biological processes for the production of plants or animals other than non - biological and microbiological processes. However, Members shall provide for the protection of plant varieties either by patents or by an effective sui generis system or by any combination thereof. The provisions of this subparagraph shall be reviewed four years after the date of entry into force of the WTO Agreement.”

Article 41 of the TRIPS Agreements (Section 1, Part III - Enforcement of Intellectual Property Rights):

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

2. Procedures concerning the enforcement of intellectual property rights shall be fair and equitable. They shall not be unnecessarily complicated or costly, or entail unreasonable time - limits or unwarranted delays.

3. Decisions on the merits of a case shall preferably be in writing and reasoned. They shall be made available at least to the parties to the proceeding without undue delay. Decisions on the merits of a case shall be based only on evidence in respect of which parties were offered the opportunity to be heard.

4. *Parties to a proceeding shall have an opportunity for review by a judicial authority of final administrative decisions and, subject to jurisdictional provisions in a Member's law concerning the importance of a case, of at least the legal aspects of initial judicial decisions on the merits of a case. However, there shall be no obligation to provide an opportunity for review of acquittals in criminal cases.*

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

Article 42 of the TRIPS Agreement, Fair and Equitable Procedures:

“Members shall make available to right holders civil judicial procedures concerning the enforcement of any intellectual property right covered by this Agreement. Defendants shall have the right to written notice which is timely and contains sufficient detail, including the basis of the claims. Parties shall be allowed to be represented by independent legal counsel, and procedures shall not impose overly burdensome requirements concerning mandatory personal appearances. All parties to such procedures shall be duly entitled to substantiate their claims and to present all relevant evidence. The procedure shall provide a means to identify and protect confidential information, unless this would be contrary to existing constitutional requirements.”

Article 49 of the TRIPS Agreement, Administrative Procedures:

“To the extent that any civil remedy can be ordered as a result of administrative procedures on the merits of a case, such procedures shall conform to principles equivalent in substance to those set forth in this Section.”

Article 50 of the TRIPS Agreement (Section 3: Provisional Measures):

“1. The judicial authorities shall have the authority to order prompt and effective provisional measures:

- (a) to prevent an infringement of any intellectual property right from occurring, and in particular to prevent the entry into the channels of commerce in their jurisdiction of goods, including imported goods immediately after customs clearance;*
- (b) to preserve relevant evidence in regard to the alleged infringement.*

2. The judicial authorities shall have the authority to adopt provisional measures inaudita altera parte where appropriate, in particular where any delay is likely to cause irreparable harm to the right holder, or where there is a demonstrable risk of evidence being destroyed.

3. The judicial authorities shall have the authority to require the applicant to provide any reasonably available evidence in order to satisfy themselves with a sufficient degree of certainty that the applicant is the right holder and that the applicant's right is being infringed or that such

infringement is imminent, and to order the applicant to provide a security or equivalent assurance sufficient to protect the defendant and to prevent abuse.

4. Where provisional measures have been adopted inaudita altera parte, the parties affected shall be given notice, without delay after the execution of the measures at the latest. A review, including a right to be heard, shall take place upon request of the defendant with a view to deciding, within a reasonable period after the notification of the measures, whether these measures shall be modified, revoked or confirmed.

5. The applicant may be required to supply other information necessary for the identification of the goods concerned by the authority that will execute the provisional measures.

6. Without prejudice to paragraph 4, provisional measures taken on the basis of paragraphs 1 and 2 shall, upon request by the defendant, be revoked or otherwise cease to have effect, if proceedings leading to a decision on the merits of the case are not initiated within a reasonable period, to be determined by the judicial authority ordering the measures where a Member's law so permits or, in the absence of such a determination, not to exceed 20 working days or 31 calendar days, whichever is the longer.

7. Where the provisional measures are revoked or where they lapse due to any act or omission by the applicant, or where it is subsequently found that there has been no infringement or threat of infringement of an intellectual property right, the judicial authorities shall have the authority to order the applicant, upon request of the defendant, to provide the defendant appropriate compensation for any injury caused by these measures.

8. To the extent that any provisional measure can be ordered as a result of administrative procedures, such procedures shall conform to principles equivalent in substance to those set forth in this Section."

Article 51 of the TRIPS Agreement, Suspension of Release by Customs Authorities:

"Members shall, in conformity with the provisions set out below, adopt procedures to enable a right holder, who has valid grounds for suspecting that the importation of counterfeit trademark or pirated copyright goods may take place, to lodge an application in writing with competent authorities, administrative or judicial, for the suspension by the customs authorities of the release into free circulation of such goods. Members may enable such an application to be made in respect of goods which involve other infringements of intellectual property rights, provided that the requirements of this Section are met. Members may also provide for corresponding procedures concerning the suspension by the customs authorities of the release of infringing goods destined for exportation from their territories."

Article 2 of the Paris Convention, National Treatment for Nationals of Countries of the Union:

"(1) Nationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals; all without prejudice to the rights specially provided for by this Convention. Consequently, they shall have the same protection as the latter, and the same

legal remedy against any infringement of their rights, provided that the conditions and formalities imposed upon nationals are complied with.

(2) However, no requirement as to domicile or establishment in the country where protection is claimed may be imposed upon nationals of countries of the Union for the enjoyment of any industrial property rights.

(3) The provisions of the laws of each of the countries of the Union relating to judicial and administrative procedure and to jurisdiction, and to the designation of an address for service or the appointment of an agent, which may be required by the laws on industrial property are expressly reserved.”

Article 5 of the Berne Convention, Rights Guaranteed: 1. and 2. Outside the country of origin; 3. In the country of origin; 4. “Country of origin”:

“(1) Authors shall enjoy, in respect of works for which they are protected under this Convention, in countries of the Union other than the country of origin, the rights which their respective laws do now or may hereafter grant to their nationals, as well as the rights specially granted by this Convention.

(2) The enjoyment and the exercise of these rights shall not be subject to any formality; such enjoyment and such exercise shall be independent of the existence of protection in the country of origin of the work. Consequently, apart from the provisions of this Convention, the extent of protection, as well as the means of redress afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where protection is claimed.

(3) Protection in the country of origin is governed by domestic law. However, when the author is not a national of the country of origin of the work for which he is protected under this Convention, he shall enjoy in that country the same rights as national authors.

(4) The country of origin shall be considered to be:

(a) in the case of works first published in a country of the Union, that country; in the case of works published simultaneously in several countries of the Union which grant different terms of protection, the country whose legislation grants the shortest term of protection;

(b) in the case of works published simultaneously in a country outside the Union and in a country of the Union, the latter country;

(c) in the case of unpublished works or of works first published in a country outside the Union, without simultaneous publication in a country of the Union, the country of the Union of which the author is a national, provided that:

(i) when these are cinematographic works the maker of which has his headquarters or his habitual residence in a country of the Union, the country of origin shall be that country, and

(ii) when these are works of architecture erected in a country of the Union or other artistic works incorporated in a building or other structure located in a country of the Union, the country of origin shall be that country.”

Consultations Pending:

The case is still in consultations. No panel has been established and no withdrawal or mutually agreed solution has been notified to the Dispute Settlement Body.

Further development related to the case:

The case *DS 186 United States - Section 337* was not directly related to the TRIPS Agreement. Rather, it concerned legislation on tariffs passed before the creation of the WTO and having a bearing in general on the WTO Agreements, including the TRIPS Agreement. The case related to one seminal issue in international trade: though under WTO Agreements the same treatment should be given in principle to foreign goods and national goods, foreign goods remain subject to custom inspections and procedures and, as a result, these goods are treated differently as such.

China - Measures Affecting Financial Information Services and Foreign Financial Information Suppliers

IP/D/27WT/DS372/1

General background of the case

On 3 March 2008, the European Communities requested consultations with China with regard to measures affecting financial information services and foreign financial information services suppliers in China.

The main concern of the European Communities was that China complied with its obligations under the TRIPS Agreement. In China, under several measures,⁶³⁹ foreign financial information suppliers were considered and treated as news agencies and financial information services were among the services sectors in which foreign investment was prohibited. Consequently, foreign financial information suppliers were not permitted to set up a commercial presence in a form other than that of a representative office. The “Xinhua News Agency” was the State news agency in China, but it also acted as the regulatory authority for foreign news agencies and for foreign financial information providers. Xinhua was therefore responsible for the examination and approval procedure in respect of foreign financial information providers. As part of the measures at issue, foreign financial information suppliers were subject to operational requirements, including the approval by Xinhua of any change in their scope of business and the obligation of annual reporting on their activities to Xinhua. As part of the annual review process, foreign financial information providers were required to provide to Xinhua’s *Foreign Information Administration Centre* (FIAC) valuable and confidential commercial information on both their services and their customers. Similarly, their clients were required to submit all contractual information to FIAC upon signing the contract for the supply of financial information services. Neither Xinhua’s own financial information provider, nor other domestic financial information suppliers, was subject to the above mentioned requirements. The European Communities’ request

⁶³⁹ Including, but not limited to: a) The *Notice Authorizing Xinhua News Agency to Implement Centralized Administration over the Release of Economic Information in the People’s Republic of China by Foreign News Agencies and their Subsidiary Information Institutions*, issued by the State Council on 31 December 1995 as Circular No. 1 of 1996 (“the Circular”); b) the *Decision on Establishing Administrative Permission for the Administrative Examination and Approval of Items that Must Be Retained*, issued by State Council Order No. 412 on 29 June 2004; c) the *Measures for Administering the Release of News and Information in China by Foreign News Agencies* (“the 2006 Measure”), issued by Xinhua News Agency on 10 September 2006; d) the *Catalogue of Industries for Guiding Foreign Investment (Revised 2007)* issued by the State Council in October 2007 and promulgated by Order No. 57 of National Development and Reform Commission and the Ministry of Commerce (“the Catalogue”); e) the *Decisions of the State Council regarding Entrance of Non - Public Capital into Cultural Industries*, promulgated by the State Council on 13 April 2005; f) the *Several Opinions on Introducing Foreign Investment into the Cultural Sector*, issued by the Ministry of Culture on 6 July 2005; g) the *Opinion on Foreign Investment in Cultural Industries*, promulgated by the Ministry of Culture on 5 August 2005; h) the *Detailed Rules on the Approval and Control of Resident Representative Offices of Foreign Enterprises*, issued by MOFTEC on 13 February 1995; i) the *Procedures of the State Administration for Industry and Commerce of China for the Registration and Administration of Resident Representative Offices of Foreign Enterprises*, of 5 March 1983; l) the *Rules for Internet Information services*; m) the *Administrative Rules for Internet News Information Services* promulgated by State Council Information Office and Ministry of Information Industry on 25 September 2005.

for consultations further covered any amendments, replacements, extensions, implementing measures or any other measure related to those referred to in the request for consultations.

According to the European Communities, China had violated its obligations under the WTO Agreements including, but not limited to: i) its obligations in respect of the protection of undisclosed information under Article 39.3 of the TRIPS Agreement, by not ensuring the possibility for financial information services suppliers of preventing secret and commercially valuable information lawfully within their control which they had tried to protect from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices. ii) Its obligations under the *General Agreement on Trade in Services* (GATS). iii) The obligations undertaken by China in its *Accession Working Party Report*.

Legal basis of the case: related provisions in the TRIPS Agreement

Article 39.3 of the TRIPS Agreement (Section 7: Protection of Undisclosed Information):

“3. Members, when requiring, as a condition of approving the marketing of pharmaceutical or of agricultural chemical products which utilize new chemical entities, the submission of undisclosed test or other data, the origination of which involves a considerable effort, shall protect such data against unfair commercial use. In addition, Members shall protect such data against disclosure, except where necessary to protect the public, or unless steps are taken to ensure that the data are protected against unfair commercial use.”

Mutually agreed solution:

On 4 December 2008, the European Communities and China notified the Dispute Settlement Body a Memorandum of Understanding on the matter in dispute. During the consultations, the European Communities had described their concerns regarding the independence of the regulator of financial information services in China. China confirmed that, by 31 January 2009, the State Council would have authorized a new regulator of financial information services and that the new regulator would have been a governmental entity separate from, and not accountable to, any supplier of financial information services. Among others, the new regulator might have required to foreign suppliers of financial information services to submit only information relevant to matters under the license and might have required foreign suppliers of financial information services to file with the new regulator relevant information identifying each subscriber to the financial information service within thirty days after the conclusion of the subscription contract with that subscriber, but would have not required the filing of the subscription contract itself.

The European Communities also described their concerns about the protection of commercially valuable information belonging to foreign suppliers of financial information services. China confirmed that, in accordance with China’s laws, regulations and departmental rules, the new regulator would have taken all necessary steps to protect the information provided to it by a foreign supplier of financial information services, and will only use such information for the

specific regulatory purpose for which it was provided, and would have not otherwise disclosed the information to any unauthorized person. Finally, the term “*financial information services*” as used in this Memorandum of Understanding meant a service that supplies information that could affect financial markets and/or financial data, targeted at service consumers engaged in financial analysis, financial transactions, financial decision making, or other financial activities. Financial information services are distinct from “*news agency services*”.

The matter was therefore withdrawn from further attention under the provisions of the Dispute Settlement Understanding.

Further development related to the case:

a) When the European Communities requested consultations with China, both the United States (WT/DS373, consultations requested on 3 March 2008) and Canada (WT/DS378, consultations requested on 20 June 2008) requested consultations with China with regard to measures affecting financial information services and foreign financial information suppliers.⁶⁴⁰ Unlike the case brought against China by the European Communities, no TRIPS Agreement complaints was put forward in these two latter cases (only claims of violation of obligations under the GATS and China’s Protocol of Accession). Both were settled through a mutually agreed solution.⁶⁴¹

b) After the notification of the *Memorandum of Understanding* to the Dispute Settlement Body, the European Communities declared that they had reached with China (and together with the United States and Canada) a landmark agreement on the treatment of financial information services in China. The *Memorandum of Understanding* was signed in Geneva on 13 November 2008. According to the European Communities, financial information suppliers would have benefitted from a new regulatory framework that would have helped to ensure a level playing field for all operators in the Chinese market. The changes were due to be put in place by 1 June 2009.⁶⁴²

c) The *DS 372 China - Financial Information Services* case was the first European Communities’ WTO complaint against China concerning trade in services. The first WTO dispute on services against China had been launched by the United States in 2007 (WT/DS363 *China - Measures Affecting Trading Rights and Distribution Services for Certain Publications and Audiovisual Entertainment Products*). Some commentators have expressed the view that, considering the European Communities and the United States comparative advantage in this area and the great pressure they have exerted on China to open its markets in the financial and other services

⁶⁴⁰ D. Collins, *the BRIC States and Outward Foreign Direct Investment*, (Oxford University Press: 2013, UK), p. 113.

⁶⁴¹ *China - Measures Affecting Financial Information Services and Foreign Financial Information Suppliers*, WT/DS373 (withdrawn following settlement, 4 December 2008); *China - Measures Affecting Financial Information Services and Foreign Financial Information Suppliers*, WT/DS378 (withdrawn following settlement, 20 June 2008).

⁶⁴² European Commission, *Measures Affecting Financial Information Services and Foreign Financial Information Suppliers (WT DS372)*, Trade-Market Access Database, available at http://madb.europa.eu/madb/barriers_details.htm?sessionid=65E853DE8589BD409CC71BE0C46B1DB5?barrier_id=085163&version=6.

sectors, there are reasons to believe that more trade disputes will arise in this area in the near future.⁶⁴³ This remains to be seen.

d) The *DS 372 China - Financial Information Services* case request for consultations was made on 3 March 2008, and the mutually agreed solution was notified the Dispute Settlement Body on 4 December 2008. The case was therefore settled in no more than 10 months after the European Communities had requested consultations. Although no reference to this case has been made, some scholars have suggested some potential reasons for an equally fast settlement which occurred in three other cases between China and the United States.⁶⁴⁴ These could have been China's concern about its lack of expertise to deal with WTO disputes, whereas the United States had substantial experience, and a careful balance between the benefits for national companies of the measures at issue and the cost that would have been incurred in defending the measures at the WTO.⁶⁴⁵

⁶⁴³ Z. Huang, *EU - China Trade Disputes in the WTO: Looking Back to Look Forward*, Yearbook of Polish European Studies 13/2010, p. 47 and Footnotes 21 and 22, available at http://www.ce.uw.edu.pl/pliki/pw/y13_huang.pdf.

⁶⁴⁴ *China - Value - Added Tax on Integrated Circuits*, WT/DS309, (withdrawn following settlement, 5 October 2005); *China - Certain Measures Granting Refunds, Reductions or Exemptions from Taxes and Other Payments*, WT/DS358, (withdrawn following settlement, 19 December 2007); *China - Measures Affecting Financial Information Services and Foreign Financial Information Suppliers*, WT/DS373 (withdrawn following settlement, 4 December 2008).

⁶⁴⁵ L. Tian, P. Hsieh, *China - United States Trade Negotiations and Disputes: The WTO and Beyond*, Asian Journal of WTO and International Health Law and Policy 4 (2), (2009), p. 386, available at http://ink.library.smu.edu.sg/cgi/viewcontent.cgi?article=1524&context=sol_research.

VI. Considerations of relevant issues in Viet Nam intellectual property legal and policy contexts

VI.1 Overview of Viet Nam's intellectual property system

Intellectual property protection is an important issue for Viet Nam and many of its trading partners. The Doi Moi process has been following by a relatively more active liberalization in intellectual property, to allow Viet Nam's accession to the World Trade Organization (WTO). However, in addition to facing the challenges common to all low - income developing countries, Viet Nam also has to make a radical switch from an intellectual property approach for a planned economy to an intellectual property system adapted for the market - oriented economy. To some extent, the transition is still on - going. However, the various interests and efforts in Viet Nam are accelerating the movement towards higher integration of the IP - innovation - trade triangle into the international framework and towards more business and legal security, in WTO, the World Intellectual Property Organization (WIPO), ASEAN, or APEC.

Viet Nam is continuing to improve and modernize its intellectual property system to adjust it to developments, and to its international commitments, while anticipating modern intellectual property challenges. At the same time, Viet Nam is trying to defend its interests, considerations and stances in on - going negotiations with its trading partners. The international framework and other policy considerations has contributed to its more outward - oriented approach, and more active, offensive strategy, albeit more defensive in certain areas, such as enforcement.

a. National intellectual property protection

The Civil Code 1995 introduced the basic principles of property, including intellectual property, is the fundamental legal instrument representing a turning point in Viet Nam's efforts to become a market economy. The Civil Code 1995 is revised in 2005 by Law No. 33/2005/QH11, re - stipulating the basic civil principles of Intellectual property rights. The Civil Code is the basis on which the whole universe of intellectual property rights is regulated in Viet Nam. The Law on Intellectual Property (Law No. 50/2005/QH11 of 29 November 2005) is amended and supplemented in 2009 (Law No. 36/2009/QH12).

The Law covers comprehensively the full range of full intellectual property rights. Implementing provisions are generally regulated by various governmental decrees and ministerial circulars. The main agencies responsible for IPR policy formulation and implementation are the National Office of Intellectual Property of Viet Nam (under the Ministry of Science and Technology) and the Copyright Office of Viet Nam (under the Ministry of Culture, Sports and Tourism). Other agencies are involved in aspects of intellectual property protection, e.g. in the granting of plant variety certificates (the Ministry of Agriculture and Rural Development), the issuance of compulsory licenses, data protection, unfair competition or enforcement matters. The National Office of Intellectual Property of Viet Nam (NOIP), the Copyright Office of Viet Nam (COV) and the New Plant Variety Protection Office (PVPO) are receiving and granting Offices of industrial property rights, copyright and related rights, and rights for new plant varieties in Viet Nam, respectively.

Pursuant to the Law on Intellectual Property in Article 200, the Inspectorates, the Market surveillance agencies, Customs agencies, police agencies and the People's Committees are enforcement agencies, being responsible for handling infringements of intellectual property rights within their own jurisdiction and for imposing administrative remedies or, in appropriate cases, preventive measures and measures to ensure the imposition of administrative sanctions. Customs authorities are also in charge of border measures on intellectual property - related imports and exports. The jurisdiction and competences of the abovementioned agencies has been detailed in the Governmental Decree No. 106/2006/ND - CP of 22 September 2006 providing for sanctioning of administrative violations in the field of industrial property (which has been replaced by the Government Decree No. 97/2010/ND - CP dated 21 September 2010 and the Governmental Decree No. 99/2013/ND - CP dated 29 August 2013), the Governmental Decree No. 47/2009/ND - CP of May 13, 2009 providing for sanctioning of administrative violations of copyright and related rights (which has been replaced by the Governmental Decree No. 131/2013/ND - CP dated 16 June 2013) and the Governmental Decree No. 114/2013/ND - CP on handling of administrative violations in the fields of new plant varieties, plant protection and quarantine. Detailed procedures for each enforcement agency are laid out in Circulars issued by relevant Ministries.

b. International IP treaties

Viet Nam has been a party to the Paris Convention for the Protection of Industrial Property and the Madrid Agreement on International Registration of Marks (since 1949), the Convention establishing the WIPO (since 1976), and the Patent Cooperation Treaty (since March 1993), the Berne Convention for the Protection of Literary and Artistic Works (since 26 October 2004), the Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms (since 6 July 2005), the Brussels Convention Relating to the Distribution of Programme - Carrying Signals Transmitted by Satellite (since 12 January 2006), the Protocol relating to the Madrid Agreement concerning the international registration of marks (since 11 July 2006), the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations and the International Union for the Protection of New Varieties of Plants (UPOV) Convention late 2006. However, Viet Nam has not yet signed the most recent treaties concluded in WIPO, e.g. the Internet treaties (the WIPO Copyright Treaty, the WIPO Performances and Phonograms Treaty, the Beijing Treaty on Audiovisual Performances) or the trademark and design procedural treaties (the Singapore Trademark Law Treaty and the Hague Agreement Concerning the International Deposit of Industrial Designs).

Viet Nam also concluded bilateral agreements on the protection of intellectual property with Switzerland, the United States, Japan, Chile and the ASEAN - Australia - New Zealand Free Trade Area (AANZFTA). Viet Nam now is also participating in the negotiations on "new generation FTAs" which are including chapter on protection of intellectual property, such as the Trans - Pacific Partnership Agreement (TPP), a Free Trade Agreement with the EU, a Free - Trade Agreement with EFTA states, a Free - Trade Agreement with Customs Union of Russia, Belarus, and Kazakhstan and a Free - Trade Agreement with Korea, etc.

When joining the WTO, the Vietnamese Government made four key commitments on intellectual property as follows:

First, it is committed to take all necessary measures to fully comply with all the provisions of the TRIPS Agreement as of the date of joining WTO without any transitional period;⁶⁴⁶

Second, it is committed to issue legal instruments requiring government agencies to only use legitimate computer software that do not violate the copyrights and regulating on purchases and managing all software used by government agencies; and to issue legal text specifying that cable TV providers only provide the authorized programs to their customers;⁶⁴⁷

Third, it is committed to enact legal instrument legislating that willful trademark counterfeiting or copyright piracy on a commercial scale shall be applied by criminal procedures and penalties, and competent authorities may confiscate and destroy infringing goods in criminal cases;⁶⁴⁸

Fourth, broadcasting organizations using broadcasted works, sound recordings, video recordings to perform broadcasts without obtaining permission but paying royalties, remuneration for owners of copyright and related - rights.⁶⁴⁹

VI.2 Considerations of relevant issues in Vietnamese contexts

a. The National treatment (NT) and Most Favor Nation (MFN) treatment

Before accession to the WTO, Viet Nam signed around 40 bilateral trade agreements with different trading partners. Most of these agreements contain very simple commitments and the most important target of signing bilateral agreements during that time is to benefit from the MFN status. Accordingly, Viet Nam is willing to accord the national treatment and the most - favored nation for goods in general and for intellectual property rights in particular for its trading partners. The Viet Nam - US Bilateral Trade Agreement (BTA) is an exception that is far more comprehensive than the other ones and includes a wide range of market liberalization commitments: MFN treatment, tariff reduction, the easing of barriers to services, IPR protection and investment protection.

In Viet Nam, IP rights of foreigners are ensured and specified in Articles 774 and 775 of the Civil Code 2005. Accordingly, Article 774 stipulates that “Copyrights of foreign persons and entities to works that are published or disseminated first time in Viet Nam or are created and fixed in any form in Viet Nam are protected under laws of Viet Nam and international treaties to which it is a contracting party” and Article 775 states that “rights of foreigners and foreign entities to IP subject matters and plant varieties that are granted by Viet Nam or recognized shall be protected in

⁶⁴⁶ Report of the Working Party on Vietnam's WTO accession para. 403.

⁶⁴⁷ Report of the Working Party on Vietnam's WTO accession para. 465.

⁶⁴⁸ Report of the Working Party on Vietnam's WTO accession para. 471.

⁶⁴⁹ Provisions that are directly applied by Vietnam as provided for in the Resolution No. 71/2006/QH11 dated 29/11/2006 of the National Assembly ratifying the Protocol on Viet Nam's accession to the Agreement Establishing the World Trade.

accordance with laws of Viet Nam and international treaties to which it is a contracting party". The above principles are detailed in the Governmental Decree No. 138/2006/ND - CP of November 15, 2006 on implementation of the provisions of the Civil Code on civil relations with foreign elements.

Previously, in 2002, in preparation for its accession to the WTO, the Viet Nam's National Assembly passed the Ordinance on the Most Favor Nation treatment and the National Treatment in international trade (Law No. 41/2002/PL – UBTVQH10 dated 25 May 2002), containing provisions on the national treatment and the most favored nation treatment for intellectual property rights. Specifically, Article 3.8 of the Ordinance defines "the national treatment of intellectual property rights means the treatment with respect to the creation, protection and enforcement of intellectual property rights and the benefits arising from such rights of foreign organizations and individuals which is no less favorable than the treatment Viet Nam accords to domestic organizations and individuals". With respect to the most favored nation treatment, Article 3.4 of the Ordinance also defines "Most favored nation treatment of intellectual property rights means treatment with respect to the creation, protection and enforcement of intellectual property rights and the benefits from such rights of organizations and individuals of any one country which is no less favorable than the treatment Viet Nam accords to organizations and individuals of third countries". However, exceptions to the national treatment and the most favor nation treatment in relation to intellectual property rights are also provided for in the Ordinance.⁶⁵⁰

However, Vietnamese laws and practices also accord some differential treatments or/and requirements for foreign applicants that are consistent with exceptions on procedures relating to the acquisition or maintenance of intellectual property rights as provided for or recognized in Vietnamese laws and related international intellectual property treaties, namely:

- Foreign applicants who do not have the legal representatives or the presence of effective industrial and commercial presence in Viet Nam must use industrial property agents in procedures for registration and protection of intellectual property rights.⁶⁵¹ This provision is supposed to protect the interests of foreign intellectual property right - holders and facilitate communications between the Intellectual Property Office with the applicants, that is also consistent with the exceptions provides for in Article 3 and Article 5 of the TRIPS Agreement;
- Foreign applicants who seek for protection of their geographical indications in Viet Nam must submit proof that those geographical indications are under protected in the country of origin.⁶⁵²

It seems that there is no further discrimination between Vietnamese applicants and foreigners on matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights in Viet Nam, as well as matters affecting the use of intellectual property rights, as provided for in the TRIPS Agreement and the international intellectual property treaties to which Viet Nam is a part, except for additional fees and charges paid to industrial property representatives as required.

⁶⁵⁰ Articles 5, 8 and 10 of the Ordinance on the MFN treatment and the NT in international trade.

⁶⁵¹ Article 89.2 Law on Intellectual Property.

⁶⁵² Article 80.2 the Intellectual Property Law

b. Fees and charges on intellectual property rights

Previously, Viet Nam applied different rate of fees and charges on intellectual property protection between national and foreign applicants. That was provided for in Circular No. 23 - TC/TCT of 9 May 1997 of the Ministry of Finance on collection, payment and management of industrial property fees and charges.

However, to join the WTO, Viet Nam applied uniform fee and charging rates. Accordingly, Circular No. 23 - TC/TCT of 9 May 1997 is replaced by Circular No. 132/2004/TT - BTC dated 30 December 2004 on industrial property fees and charges. Currently, registration and maintenance fees and charges for protection of intellectual property rights in Viet Nam are collected in accordance with various Circulars of the Ministry and Finance, including: Circular No. 22/2009/TT - BTC dated 04 February 2009 on collection, payment, management and use of industrial property fees charges, Circular No. 29/2009/TT - BTC dated 10 February 2009 on collection, payment, management and use of copyright and related rights fees and Circular No. 180/2011/TT - BTC of 14 December 2011 on collection, payment, management and use of horticulture and forestry seedling fees and charges. In addition, there is no distinction among Vietnamese and foreigners on those fees and charges.

c. Patents

As defined in Article 4.12 of the Law on Intellectual Property, invention is a technical solution, in form of a product or a process, to deal with a specific problem by utilizing laws of nature and any invention that is novelty, an inventive step and industrial applicability is protected as patent. As further defined in item 25.3 of Circular No. 01/2007/TT - BKHCN, a technical solution - a subject matter to be protected as patent - is a collection of prerequisite and sufficient information on technical methods and/or technical devices to accomplish a given task (to solve a given problem). A technical solution may exist in one of following forms:

- **A product** in the form of a tangible object (tool, machine, equipment, part, electric circuit, etc.) which is presented by a collection of information identifying a man - made product, characterized by signs (features) of its configuration, and functions (is utilized) as a device to meet a certain human need; or a product in the form of a material (material, component, food, pharmaceutical, etc.) which is presented by a collection of information identifying a man - made product, characterized by signs (features) of its presence, ratios and state of its elements, and functions (is utilized) as a device to meet a certain human need; or a product in the form of a biological material (gene, genetically modified plant/animal, etc.) which is presented by a collection of information on a product containing genetic information modified by human manipulations and capable of self - regeneration;
- **A process** (technological process; diagnosing, forecasting, checking or treating method) which is presented by a collection of information identifying the method of performing a given process or job, characterized by signs (features) of the order, conditions, components, methods and devices for performing manipulations to achieve a certain objective.

Viet Nam also excludes from patent protection subject matters as permitted under Article 27.3 of the TRIPS Agreement or for reasons of public order and morality in accordance with Article 8 of the Law on Intellectual Property. This provision applied irrespective of whether the commercial exploitation of such inventions is prohibited by law. Specifically, subject matters ineligible for patent protection in Viet Nam include: (i) those not considered as inventions, including scientific ideas, principles and discoveries, theories and mathematical methods; aesthetic creations; economic management methods and systems; educational, teaching, training methods and systems; computer programs; designs and planning schemes for construction works; and projects for regional development and planning; (ii) subject matters which should be protected under other forms of protection than patents, i.e., plant and animal varieties; and (iii) those not industrially applicable such as methods for the prevention, diagnosis, and treatment of human or animal diseases, essentially biological processes for the production of plants or animals other than non - biological and microbiological processes.

Pharmaceutical products and processes to manufacture pharmaceutical products are protectable under Vietnamese law if they do not fall under the list of the subject matters excluded from protection under Article 59 of the Law on Intellectual Property. Secondary medical use claims cannot be patentable in Viet Nam as they are not products or process, except their methods of use.

There are two types of patents in Viet Nam, namely invention patents and utility solution patents. Deferent from invention patents, utility solution patents do not required inventive steps and that kind of patent has shorter term of protection (10 years) than patents (20 years).

Patent applications are subject to formality and substantive examination. The time limit for formality examination is one month as of the filing date and 18 months for substantive examination as stipulated in Article 119 of the Law on Intellectual Property 2009 (6 months longer compared to the Law on Intellectual Property 2005).

The National Office of Intellectual Property of Viet Nam (NOIP) conducts substantive examination of patent applications basing on following minimum mandatory information sources: All other applications filed with NOIP that have an publication date earlier than the filing date or priority date of the application under examination.

Patent owners have the exclusive right to use, license and assign the right to use the invention to other persons. They have the right to demand that other persons stop infringements, and may seek compensation for damages caused by acts of infringement.⁶⁵³

The rights conferred to the patent owner by Article 28.1 of the TRIPS Agreement are set out in Articles 123.1(b), 124.1, and 125 of the Law on Intellectual Property. As for the provisions of Article 28.2 of the TRIPS Agreement, these have been included in Articles 123.1(a) and 123.1(c) of the Law. The use of an invention is defined in Article 124.1 of the Law as the production, application, exploitation, circulation, advertisement, offering for sale, stocking for circulation, and

⁶⁵³ Article 255 of the 2005 Civil Code and Articles 123, 125, and 198 of the Intellectual Property Law.

importation of a protected product or process, and these Articles fully complied with the provisions of Article 28 of the TRIPS Agreement.

The owner of invention or his exclusive licensee are obliged to use the invention (or transfer the right of use) in conformity with the requirements of socio - economic development of Viet Nam,⁶⁵⁴ and the owner is required to pay a remuneration to the author of the invention.⁶⁵⁵ The importation is considered as a type of “use” of invention in Viet Nam’s legislation. The rights to a patent (invention) are limited by provisions on prior use right and compulsory licensing as provided for in Articles 134 and 145 to 147 of the Law on Intellectual Property.

The Law on Intellectual Property also provides for exclusions from patentability and exceptions to exclusive rights, e.g. prior use, private use, or temporary entry into Viet Nam's space. In exceptional cases, the use of a protected invention would not be considered infringement, i.e., use for non - commercial purposes; distribution, circulation and use of products having been marketed by the owners, prior users or persons to whom the right of use has been transferred; or when use of the invention took place on foreign means of transportation in transit or temporarily staying in the territory of Viet Nam and such use is aimed solely at maintaining the operation of such means.⁶⁵⁶

Procedures for the termination and invalidation of invention patents are regulated by Articles 95 and 96 of the Law on Intellectual Property. There are two routes to appeal against decisions of the National Office of Intellectual Property, and as which route to choose is up to the interested parties, “an opportunity for judicial review”, i.e., by the Administrative Courts, is fully ensured. Minister's decisions may be reviewed by the Administrative Courts under the Law on Complaints 2011 and the Law on Administrative Procedures 2010. To this end, Viet Nam to be in full compliance with Article 32 of the TRIPS Agreement.

Compulsory licensing

Vietnamese Law on Intellectual Property reflects the main TRIPS provisions on compulsory licensing. Requirements and procedures for granting compulsory licenses are laid down in Section 3, Chapter X of the Law on Intellectual Property (Articles 145 to 147). Compulsory licensing may only be applied (i) for reasons of national defense and security, the prevention and treatment of diseases, or other urgent needs of the society; (ii) for reasons of non - use or improper use; (iii) if the proposed user has failed to reach an agreement with the owner on reasonable commercial terms and conditions within a reasonable period of time; or (iv) in case of anti - competitive practices. Provisions on requirements for granting compulsory licenses in compliance with Articles 31(f), 31(k) and 31(l) of the TRIPS Agreement has been introduced in Article 146 of the Law. Pursuant to Section 3 of Chapter X, compulsory licenses may not be granted before the expiration of a four - year period after the filing of an application for a patent and three years after a patent has been granted. The licensee of an invention by compulsory licensing is required to pay

⁶⁵⁴ Articles 136.1 and 142.5 of the Intellectual Property Law.

⁶⁵⁵ Article 135 of the Intellectual Property Law.

⁶⁵⁶ Article 125.2 of the Intellectual Property Law

adequate remuneration to the owner, taking into account the economic value of the authorization, as required by Article 31(h) of the TRIPS Agreement. The patent owner is entitled to request the termination of the use of a compulsory license if the circumstances that led to it has ceased and are unlikely to recur, provides such termination would not prejudice the grantee of the compulsory license.

The remuneration frame which is also applied for compulsory licensing is fully set out in detail in the Governmental Decree No. 103/2006/ND - CP of 22 September 2006 providing detailed provisions and guidelines for implementing certain articles of the Law on Intellectual Property concerning industrial property. According to Decree No. 103/2006/ND - CP, the remuneration should take into account the economic value of the right transferred, including the contractual licensing price of the invention, the funds invested for the creation of the invention, the profits gained by using the invention, the remaining duration of validity of the patent, and the need for licensing the invention.

Ministries and other ministerial - level authorities are responsible for granting and terminating compulsory licenses with regard to inventions in their field of action, when such licenses has been granted for reasons of national defense and security, the prevention and treatment of diseases or other urgent needs of the society; the Ministry of Science and Technology is responsible for granting and terminating compulsory licenses in the other cases. Thus far, no compulsory license has been granted in Viet Nam.

Judicial review of decisions on compulsory licensing and of the use of inventions under compulsory licenses is guaranteed by the Law on Complaints 2011, the Law on Administrative Procedures 2010 and Article 147.4 of the Law on Intellectual Property. Pursuant to Article 147.4, decisions on compulsory licensing are subject to both administrative appeal and judicial litigation. Compulsory licensing may be appealed under Article 147.4 - are required, pursuant to Article 147.2, to provide for appropriate scope and conditions in accordance with Article 146, including the right to an adequate remuneration. Thus, decisions on remuneration may be appealed. The provisions of Articles 146.1, 147.2 and 147.4 of the Law on Intellectual Property complied fully with the provisions of Article 31(j) of the TRIPS Agreement.

Regarding the “Paragraph 6 System” established under the Doha Declaration on TRIPS and public health, Viet Nam benefits from the waivers accepted in the WTO 2003⁶⁵⁷. UP to now, Viet Nam has no legislation reflecting the Paragraph 6 system under the waiver decision. Furthermore, Viet Nam has so far not notified its acceptance of the 2005 Protocol amending the TRIPS Agreement.

d. Trademarks and Geographical indications

Trademarks in Viet Nam are protected in accordance with Articles 750 to 753 of the Civil Code 2005 and Part III of the Law on Intellectual Property. Accordingly, a trademark is defined as a sign used to distinguish the goods or services of one producer/service provider from those of another.

⁶⁵⁷ Decision WT/L/540 and Corr.1.159

Marks include trademarks, collective marks, certification marks, associated marks and well - know marks.⁶⁵⁸

To be registrable for trademark, a sign must be distinctive and must not fall within the signs excluded from registrability. A sign used as a trademark shall be deemed distinctive if the following requirements satisfied(i)It is created from one or a number of elements that are prominent and easily recognized, or from elements that are, as a whole, prominent and easily recognized; (ii) It is not identical with or confusingly similar to another person's trademark currently protected in Viet Nam;(iii)It is not identical with or confusingly similar to a trademark of another person claimed in prior - filed applications in Viet Nam including those trademarks filed under the Madrid system;(iv) It is not identical with or confusingly similar to a trademark of another person, the protection validity of which has expired or been suspended within the last 5 years, except where the validity was suspended on the basis of non - use;(v)It is not identical with or confusingly similar to a trademark of another person recognized as Well-known in accordance with Article 6bis of the Paris Convention, or a trademark that has been widely used and recognized;(vi)It is not identical with or confusingly similar to a protected trade name or geographical indication;(vii) It is not identical with or confusingly similar to a patented industrial design or a prior - filed industrial design; or(viii) It is not identical with or confusingly similar to a symbol or character subject to another person's copyright, which has been widely known, unless permitted by such person.

A sign, which does not possess a distinctive character, may be protected if it has been widely used and recognized as a trademark.

Signs excluded from protection include signs identical with or confusingly similar to national flags, national emblems; flags, emblems, armorial bearings, abbreviations, full names of State agencies, political organizations, socio - political organizations, socio - political professional organizations, social organizations or socio - professional organizations of Viet Nam or international organizations, unless so permitted by such agencies or organizations; real names, alias, pen names or images of leaders, national heroes or famous persons of Viet Nam or foreign countries; certification seals, control seals, warranty seals of international organizations; and signs likely to mislead, confuse or deceive consumers as to the origin, functional parameters, intended purposes, quality, value or other characteristics of the good or service. While Viet Nam's laws do not list personal names as signs that may be protected as trademarks, personal names are, as words, ex officio recognized as signs that may be registered pursuant to Article 72.1 of the Law on Intellectual Property. Applications for registration of marks shall be filed with the National Office of Intellectual Property of Viet Nam.

All individuals and entities involved in legal production and business activities are entitled to file applications for trademark registrations to be used for products or services they are manufacturing or providing or intend to manufacture or provide. Actual or prior use of a trademark is not required to seek trademark registration in Viet Nam. Therefore, businesses

⁶⁵⁸ Article 4.16 – 20 Intellectual Property Law.

including foreign ones can seek registrations of trademarks for future use in Viet Nam, provided that a registered mark may not be discontinued for any five consecutive years. Otherwise, the trademark is cancelled.

As indicated above, foreign citizens permanently residing in Viet Nam or foreign entities having legal presence in Viet Nam or real and effective production and business establishments in the country may also file applications directly with the NOIP. Other than these specified cases, all applications of foreign applications must be submitted through a licensed local IP agency.

Like other IP subject matters, the “first to file” principle is also applied for trademark protection in Viet Nam, accordingly the trademark registration will be granted to the person who first filed the trademark application. However, the “first to file” principle shall not apply to cases of Well-known marks under the Paris Convention or those which have been widely used and recognized. In such cases, the priority will be given to the person who can prove that his trademark has been Well-known or been widely used and recognized, without subject to the “first to file” principle.

Priority rights can be claimed in accordance with the Paris Convention, based on an earlier application filed in a foreign country or an officially recognized international exhibition held in Viet Nam or in a foreign country. Priority can be also claimed according to bilateral agreements or based on the reciprocity principle. To secure the priority right, the application must be filed within 6 months from the filing date of the first application filed abroad or the date of the exhibition as above mentioned.

Trademark registrations shall be effective from the granting date and last for 10 years from the filing date, and can be renewed for indefinitely for each consecutive 10 - year term. To renew the registrations, trademark owners must apply for renewal and pay the renewal fee within 6 months before the expiry of the preceding validity term. The renewal request may be filed late within a 6 - month grace period, subject to a fine of 10 percent of the renewal fee for each month overdue.

Article 129.1 of the Law on Intellectual Property confers the scope of trademark protection. In particular, Article 129.1 stipulated as infringement of a trademark owner's rights the use of signs identical with or similar to a protected mark for goods or services identical with, similar to or related to those in the list registered with the mark if such use is likely to cause confusion as to the origin of the goods or services. Articles 46, 181, 287, and 289 of the Commercial Law required the concerned parties to ensure the legality of intellectual property rights in commercial transactions, and Articles 109, 134 and 320 of the Commercial Law prohibited acts deceiving and confusing customers, as well as acts of displaying false advertisements or counterfeit goods.

The following acts shall be acts of unfair competition in relation to trademarks (i) Using marks protected in a country which is a contracting party to a treaty to which Viet Nam is also a contracting party and under which representatives or agents of owners of such marks are prohibited from using such marks, if users are representatives or agents of the mark owners and such use is neither consented to by the mark owners nor justified; (ii) Registering or possessing the right to use or using domain names identical with, or confusingly similar to, protected trade names

or marks of others without having the right to use, for the purpose of possessing domain names, benefiting from or prejudicing reputation and popularity of respective marks.

Well-known marks are protected under Articles 74.2 (i), 75 and 129.1(d) of the Law on Intellectual Property. The definition of a Well-known mark as “a mark widely known to consumers throughout the territory of Viet Nam”⁶⁵⁹ and the criteria for the recognition of Well-known marks are provided in Articles 4.20 and 75 of the Law on Intellectual Property. Pursuant to Article 75, the criteria included information on the number of relevant consumers knowing the mark by purchasing or using the goods or services bearing the trade mark; the number of countries in which the trademarked goods and services are being sold, providing trademark protection or recognizing the trademark as Well-known; generated sales revenue; period of continuous use; indications of widespread reputation; the value of the trademark in terms of licensing, contribution to an investment asset, etc. Ownership of Well-known marks should be established based on use without registration.⁶⁶⁰ The Law on Intellectual Property of Viet Nam takes account of the Joint Recommendation concerning the Provisions on the Protection of Well-known Marks adopted by the Assembly of the Paris Union and the General Assembly of the World Intellectual Property Organization (WIPO) in September 1999. Viet Nam's system for the recognition of well - know marks to be fully consistent with the TRIPS Agreement, as well as with paragraph 1 of Article 6*bis* of the Paris Convention.

A certificate of trademark registration may be cancelled wholly or partly, by any third party's request, in the following cases (i) The person who has been granted the certificate was not entitled to apply for the trademark registration, nor assigned the right to file the application from the entitled person; or (ii) The trademark under the certificate does not meet the protection criteria as stipulated.

The validity of the certificate of trademark registration may be also suspended on the following grounds: (i) The grantee submits a written request to the NOIP for abandonment of the certificate; or (ii) The grantee fails to pay the renewal fee within the prescribed time limit; or (iii) The trademark under the certificate has not been used for any consecutive 5 years without any justifiable reasons (non - use basis); or (iv) the grantee no longer exists or terminates the operations.

The judicial review of any administrative decision is guaranteed by the Law on Complaints 2011 and the Law on Administrative Procedures 2010. Pursuant to these texts, decisions relating to the establishment, maintenance, termination and invalidation of trademarks, and industrial property rights in general, having been appealed to the Director General of the National Office of Intellectual Property may be further appealed, at the appellant's discretion, either to the Minister of Science and Technology or to the Administrative Courts, in accordance with Article 7 of the Law on Complaints 2011, and the Law on Administrative Procedures 2010. As such existing laws and

⁶⁵⁹ Article 4.20 IP law 2009.

⁶⁶⁰ Article 6.3(a) of the Intellectual Property Law.

regulations provide an opportunity for both judicial and administrative review in compliance with the TRIPS Agreement.

Geographical indications

Geographical indications are protected under Articles 750 to 753 of the Civil Code 2005 and Part III of the Law on Intellectual Property. The Law on Intellectual Property offers a single model of protection applicable to all types of geographical indications, including appellations of origin. Pursuant to Article 6.3 of the Law, rights to geographical indications, including appellations of origin, are established based on registration with the National Office of Intellectual Property of Viet Nam.

Products bearing a geographical indication must (i) originate from the area, locality, territory or country corresponding to such geographical indication and (ii) have the reputation, quality or characteristics essentially attributable to the geographical conditions of the area, locality, territory, or country corresponding to such geographical indication.

A geographical indication would not be protected pursuant to Article 80.1 of the Law on Intellectual Property if it has become a generic name in Viet Nam or it is no longer to be protected in the origin country, in case of foreign geographical indication.

The term of protection of geographical indications is indefinite.

Applications for GIs protection in Viet Nam include a Request of GI registration; documents, samples and accompanying information (i) the geographical term; (ii) products bearing GIs; (iii) A description of the nature and specific quality, reputation of products bearing GIs; and (iv) map if geographical area corresponding to GIs.

With regard to **foreign GIs**, in accordance with Article 80.2 of the Law, only foreign geographical indications protected in their country of origin may be protected in Viet Nam. Any entity having the right, under foreign national law, to own, use or file an application for registration of a geographical indication in the country of origin has the right to file an application for registration of such geographical indication in Viet Nam and may be recorded as such in Viet Nam's Geographical Indications Registry. This provision is in conformity with Article 24.9 of the TRIPS Agreement.

The filing of a registration application, directly or through a lawful representative, has to comply with the provisions of Article 89, as the same with trademarks. Geographical indication applications having been accepted as valid by the National Office of Intellectual Property of Viet Nam, shall be published in the Industrial Property Official for public comments.

It is required that application for registration of a GI must include documents evidencing that the geographical indication is under protection in the country of origin if it has foreign origin. This requirement is to ensure necessary requirements for examining geographical indications in accordance with protection criteria which are stipulated in Article 80.2 of the IP Law, under which, geographical indications of a foreign country shall not be protected in Viet Nam if in the country of origin, that geographical indication is not or no longer protected or no longer used. The above

provision on exclusion of protection is a permitted exception under Article 24.9 of the TRIPS Agreement.

Viet Nam does not establish any policy or requirement on certification by the government of the country of origin, of information submitted in connection with applications seeking the protection of GIs in Viet Nam. However, in order to ensure that the claimed GI does not fall within the category of excluded subject matters in accordance with the above-mentioned rules, the applicant for registration of a foreign GI must provide information, documents presenting that the relevant GI does not fall within the case that must be subjected to refusal, i.e. “the geographical indication is not or no longer protected or no longer used in the country of origin” as provided for in Item 45.3(b) Circular No. 01/2007/TT - BKHCN.

If geographical indications are protected through a means other than registration, such as through certification marks or unfair competition laws and that form of protection is accorded to Geographical Indications in the country of origin, even if such protection is through means other than through registration as geographical indications, the geographical indications from that Member may be registered and recorded in Viet Nam's Registry of Geographical Indications.

According to Article 117(a) of the Law on Intellectual Property, applications for GI protection shall be refused in the cases there are grounds to confirm that the respective signs claimed in applications do not fulfill the protection requirements. According to Article 112 of the Law on Intellectual Property, as of the publication date of GI applications in the Official Industrial Property Gazette until prior to the decision date of granting GI registrations, any third party has the right to oppose the grant, on the ground of right to registration, priority right, protection requirements and other matters related to the application. Such opinions must be given in written form and be accompanied by materials or must specify the source of information used for proving.

An application for the protection of a term as a geographical indication will be refused if it is confusingly similar to a prior existing trademark in Viet Nam, particularly Article 80.3 of the Law on Intellectual Property provides that signs shall not be protected as geographical indications if identical with or similar to a trademark having been protected if their use will cause confusion as to the origin of the products.

Article 80.1 of the Law on Intellectual Property provides for that names or indications shall not be protected as GI if they have become generic names of goods in Viet Nam. This is a ground available during opposition and invalidation, but not cancellation proceedings. More specifically, a registered GI will not be cancelled if it became generic after the date of registration.

GI applicants shall have the right to request NOIP to make amendments to the information in the GI registrations if Amendments to the description of characteristics, quality or geographical area bearing a geographical indication have been made.

GI registrations shall be terminated if geographical conditions attributable to the reputation, quality or characteristics of the product bearing a geographical indication have changed resulting in a loss of the reputation, quality or characteristics of the product. According to Article 96.1 of the Law on Intellectual Property, GI registrations shall be entirely cancelled in the cases the GI failed to

satisfy the protection requirements at the granting. According to Article 96.2 of the Law on Intellectual Property, GI registrations shall be partly invalidated if that part failed to satisfy the protection requirements. Any organizations or individuals shall have the right to request NOIP to invalidate the Certificates, provides that fees shall be paid.

Under the provisions of the Law on Intellectual Property, the State of Viet Nam directly exercises the right to manage its GIs or authorizes the right management of GIs to organizations representing for interests of all organizations and individuals who are empowered to use of GIs. The People's Committees of provinces and cities under central authority or agency or organization empowered to manage GIs shall be responsible for issuing legal instruments for the management and use of GIs, including GIs control system.

Internal control: i) Organizations, individuals granted the right to use of GIs have to organize their self - control; ii) Collective organizations representing organizations and individuals granted the right to use of GIs must organize their control system.

External control/certification organizations: It is the control system of the State for checking the compliance with regulations on the use of GIs by organizations and individuals who are granted the right to use of GIs. This is conducted by state agencies or organizations established by the State in order to control their own organizations. Agencies and organizations conducting external control are ones authorized by the People's Committees of provinces and cities under central authority, or empowered by GI management agencies to appoint and assign to control GIs.

Acts infringing geographical indications are handled in accordance with Part V of the Law on Intellectual Property on enforcement of intellectual property rights. A person having the right to use a geographical indication may require the competent State authorities to stop unlawful use of such indication and demand compensation from unlawful users for the damage caused.⁶⁶¹ However, that person would not have exclusive rights to such geographical indication, and may not grant licenses to other persons.

The following acts shall be considered as infringement of the rights to a protected geographical indication (i) Using the protected geographical indication for products that do not satisfy the peculiar characteristics and quality of the product having the geographical indication although such products originate from a geographical area bearing such geographical indication; (ii) Using the protected geographical indication for products similar to the product having the geographical indication for the purposes of taking advantage of its the reputation and goodwill; and (iii) Using a sign identical with or similar to the protected geographical indication for products not originating from the geographical area bearing the geographical indication and therefore causing consumers mislead about the products originating from that geographical area.

The following acts shall be acts of unfair competition: (i) using commercial indications that cause confusion as to the origin, production method, feature, quality, quantity or other characteristics of goods or services; or as to the conditions for provision of goods and services; (ii) registering or

⁶⁶¹Article 198.1, paragraphs (b) and (c) of the Intellectual Property Law.

possessing the right to use or using a domain name identical with or confusingly similar to a protected trade name or mark of another person, or a geographical indication that one does not have the right to use, for the purpose of possessing the domain name, benefiting from or prejudicing reputation and goodwill of the respective mark, trade name and geographical indication⁶⁶².

Article 129.3 of the Law on Intellectual Property provides for additional protection for wines and spirits. Under this Article, the use of a protected geographical indication identifying wines or spirits that are not originating in the territories corresponding to the geographical indication, even where the true origin of the goods is indicated or the geographical indication is used in translation or transcription or accompanied by words such as “kind”, “type”, “style”, “imitation” or the like is considered an infringement of the rights to a protected geographical indication. Infringements may be dealt with under civil, administrative or criminal procedures⁶⁶³ and the provisions are consistent with the requirements of Article 23.1 of the TRIPS Agreement.

As to the relationship between the protection of geographical indications and trademarks, Articles 73.5 and 74.2 (l) of the Law on Intellectual Property prohibited the registration of a trademark identical with or confusingly similar to protected geographical indications, including appellations of origin, if the use of such trademark is likely to mislead consumers as to the geographical origin of the goods. The time to be taken into consideration for the protection of geographical indications is the priority date of the trademark application. Viet Nam allows trademarks to coexist with confusingly similar and later - in - time geographical indications by including a provision in the Law on Intellectual Property to exclude the protection of geographical indications identical with or confusingly similar to an already protected trademark where actual use thereof would create confusion as to the origin of the goods.

e. Copyright and related rights

Provisions of copyright and copyright - related rights set out in the Law on Intellectual Property of Viet Nam are fully consistent with Article 9.1 of the TRIPS Agreement.

Copyright arises since the work is created and fixed under a certain material form, regardless of content, quality, form, mean, language, published or not published, registered or unregistered; copyright - related rights arise since the performance, phonogram, video recordings, broadcasts, satellite signals carrying encrypted program is shaped or made without prejudice to the copyright. The publication, dissemination of works, subject matters of related rights shall not infringe the State's and public interests, legitimate rights and interests of other organizations and individuals, and shall not violate other provisions of the relevant laws and regulations. This regulation is consistent with the provisions of Article 17 of the Berne Convention.

⁶⁶² Article 130.1, the Intellectual Property Law

⁶⁶³ Law on Intellectual Property (Article 213.1) not only requires criminal sanctions for acts of trademark counterfeiting, but also provides for criminal sanctions for geographical indication counterfeiting. The criminal sanctions for geographical indication counterfeiting is not covered in the TRIPS Agreement.

According to Article 14 of the Law on Intellectual Property, literary, artistic, and scientific works protected included literary and scientific works, textbooks, teaching materials, and other works in the form of letters or other writing characters; lectures, presentations and other speeches; press works; musical works; dramatic works; cinematographic works and works created by similar methods (hereinafter referred to as “cinematographic works”); fine art works and applied art works; photographic works; architectural works; graphics, sketches, maps, drawings relevant to topography and scientific works; folk artistic and literary works; and computer programs and compilations of data. “Scientific works” covered works referring to sciences such as written theoretical works in the natural, social, technological, and economic sciences; “press works” are works published in newspapers; “other works” is an open provision referring to other forms of works not mentioned in the list, but subject to copyright protection. Protection will not be granted for the works above if they are contrary to the social morality, public order or harmful to national defense and security.

Under the amended Article 27 of the Law on Intellectual Property, the term of protection for a work is the life of the author plus 70 years after death. Other works have different periods of protection and the duration of protection is computed differently as provides by the Berne Convention and the TRIPS Agreement.

Moral rights are protected for an indefinite term. The State is owner of anonymous works, works whose author passed away without successors - in - title, and works assigned to the State.

Works existing prior to the entry into force of the Civil Code 2005 are protected in accordance with Article 220 of the Law on Intellectual Property and paragraph 2 of the National Assembly Resolution on the implementation of the Civil Code 2005 if their term of protection is not expired and if they are not in violation of Civil Code provisions. Such works are protected in the same way as works created after the entry into force of the Civil Code.

With regard to unregistered copyrights/related rights, authorship will be presumed where on a copy of the original work the author's name appears in the usual manner. With regard to a registered copyright, unless the declaration in the application for copyright registration is false, an author or owner of a registered work would not be obliged to justify his/her ownership right over the work in case of dispute. In response to the national treatment principle, the Law on Intellectual Property guaranteed the implementation of Article 3 of the TRIPS Agreement and Article 3 of the Berne Convention. Pursuant to Article 13 of the Law, nationals from any Member of the Berne Convention or the WTO would be eligible for copyright protection in Viet Nam.

The voluntary registration process is governed by Articles 49 to 55 of the Law on Intellectual Property. The author or the copyright owner of a work filed the application and related documents with the Copyright Office of Viet Nam (COV). COV decides on the granting of a Registration within 15 days from the date of receipt of the application.⁶⁶⁴

⁶⁶⁴ Article 52 of the Intellectual Property Law.

Pursuant to Article 13.2 of the Law on Intellectual Property, the works of foreign individuals or foreign organizations which are protected in Viet Nam included (i) works published in Viet Nam for the first time and not published in any foreign country, or works published in Viet Nam within 30 days from the date of their first publication in other nations; and (ii) works eligible for protection in Viet Nam in accordance with international treaties to which Viet Nam is a party.

Right - holders have the exclusive right of reproduction, broadcasting/performance, distribution, and creation of derivative works.⁶⁶⁵ Limitations to author's rights are laid down in Articles 25 and 32 of the Law on Intellectual Property. Exceptions on “cultural gatherings” and “promotional campaigns” used in Article 25.1(e) may be only referred to cultural performances without a commercial purpose. With a view to conforming to the TRIPS Agreement and the Berne Convention, Viet Nam has narrowed the scope of the limitations and exceptions to copyright in Articles 25 and 32 of the Law on Intellectual Property by provisions in Decree No. 100/2006/ND - CP of 21 September 2006, which is amended by Decree No. 85/2011/ND - CP dated 20 September 2011, guiding the implementation of the Law on Intellectual Property relating to copyright and related rights.

As stipulated in Clause 2, Article 11bis of the Berne Convention, Article 26 of the Law on Intellectual Property regulates broadcasting organizations using published work for broadcasting do not need to obtain permission but to pay royalty, remuneration. This provision does not apply to cinematographic works. Cinematographic work is not the type of work that is traditionally or by practice used to broadcast for public. However, broadcasting organizations using cinematographic works must obtain permission to broadcast and must pay royalty, remuneration for copyright owners of cinematographic works. According to paragraph 3 of Article 20 of the Law on Intellectual Property, for broadcasting cinematographic works, the broadcasting organizations must obtain permission and pay royalties to the owners of cinematographic works. This is one of commitments Viet Nam made when joining the WTO.

Collecting societies existed to carry out activities on behalf of the right holder, including the collecting of remuneration, but only as authorized by the right holder. Currently, Viet Nam has four non - governmental, non - profit collective societies, i.e. the Viet Nam Literary Copyright Center (VLCC); the Recording Industry Association of Viet Nam (RIAV); the Viet Nam Center for protection of Music Copyright (VCPMC); and the Viet Nam Reproduction Rights Organization (VIETRRO). The collective management of copyright and related rights is a new concept in Viet Nam, and technical cooperation with other WTO Members and sister collecting societies elsewhere has played an important role in the establishment of the Vietnamese societies.

Pursuant to Articles 26.1 and 33.1 of the Law on Intellectual Property, organizations and individuals using published works or sound/video recordings for sponsored broadcasting programs, or programs with advertisements or involving money collection in any form does not have to obtain permission from the right holder, but are required to pay royalties in accordance with Government's regulations. Organizations and individuals using works or sound/video recordings in

⁶⁶⁵ Article 738.3 of the 2005 Civil Code and Articles 20, 29.3, 30, and 31 of the Intellectual Property Law.

accordance with the provisions of Articles 26.1 and 33.1 should not influence the normal exploitation of the works nor prejudice the rights of the authors, copyright owners, performers, sound/video recording producers or broadcasting organizations.

Regarding limitations and exceptions to cinematographic works provides for in Articles 26 and 33, the exceptions stipulated in these Articles are limited to cases which does not conflict with a normal exploitation of the work and does not prejudice the rights of the right holder and the broadcasting organizations in Viet Nam are operated by the State and are required to pay royalties only when they broadcasted sponsored programs, programs with advertisements, or programs involving money collection.

Authors or owners of works whose rights are being infringed are entitled to request the organization or individual having committed the acts of infringement to stop his infringement acts, apologize, publicly rectify and compensate for damages; requesting the competent State agencies to handle infringement acts in accordance with the provisions of the Law on Intellectual Property and other related laws and regulations; or initiating a lawsuit at a competent courts or an arbitrator to protect their legitimate rights and interests.⁶⁶⁶

Digital copyright protection is provides for in Articles 4.10, 20.1(dd), 29.3(d), 30.1(b), and 31.1(d) of the Law on Intellectual Property. The principles and forms of fair use exceptions are laid down in Articles 25 and 32 of the Law on Intellectual Property. Provisions on technological protection measures for protected copyright have been included in Articles 28 and 35 of the Law on Intellectual Property. As to Internet services, Article 19.11 of Decree No. 97/2008/ND – CP requiring compliance with provisions of the laws and regulations on information technology, intellectual property, media, publishing, protection of state secrets, copyright, and advertising and the regulations on electronic information on the Internet. The Decree prohibited strictly theft and unlawful use of passwords, codes and private information of individuals or entities on the Internet.

f. Unfair competition and Undisclosed information

According to Article 84 of the Law on Intellectual Property, undisclosed information, including trade secrets, is protected without registration as long as the three requirements for such protection provides by Article 39.1 of the TRIPS Agreement are fulfilled.

Business secrets, including trade secrets and test data, are protected under the provisions of the Law on Intellectual Property. Business secrets will be protected as long as they satisfied all prescribed conditions without being required for registration. The owner of business secrets has the right to prohibit the unauthorized use of his business secrets and demand injunctions from the State competent authorities to stop infringements and to claim damages.⁶⁶⁷

In practice, Viet Nam has provides protection of undisclosed test or other data submitted as a condition for approving the marketing of pharmaceutical or agricultural chemical products since 2003. This protection is codified in Article 128 of the Law on Intellectual Property. Under this

⁶⁶⁶ Article 198 of the Intellectual Property Law

⁶⁶⁷ Articles 121, 123 to 125, 127, and 198 of the Intellectual Property Law.

Article, the authorities concerned has the obligation, when an applicant requested that data submitted as a condition for approving the marketing of pharmaceutical or agricultural chemical products be kept secret, to take necessary measures so that such data are neither used for unfair commercial purposes nor disclosed, except if disclosure is necessary to protect the public.

The authorities concerned are not allowed to grant any license during a five - year period from the date a license has been granted to an applicant to any subsequent applicant using undisclosed data in applications without permission of the prior applicant, except in cases where the undisclosed data has been created independently by the subsequent applicant as provides for in Article 125.3(d) of the Law.

Detailed provisions are provided by Decision No. 30/2006/QĐ - BYT of the Minister of Health on promulgation of regulations on data protection applied to drug registration (which then is replaced by the Circular No. 05/2010/TT - BYT of March 01, 2010 of the Ministry of Health guiding the confidential protection of trial data in drug registration) and Decision No. 69/2006/QĐ - BNN dated 13 September 2006 of the Ministry of Agriculture and Rural Development on protection of agro - chemistry test data.

“Principle of non - reliance” is applied by the Vietnamese authorities in the context of clinical data protection during 5 years (from the submission of the secret data to the authority to the end of 5 - year period as from the date of marketing approval). Vietnamese authorities do not allow generic manufactures for direct reliance or reference to clinical data dossiers filed in foreign medicine agencies during the period of data protection in Viet Nam.

Only subsequent applicants for marketing approval cannot use the data of the original provider because Law on Intellectual Property, in compliance with the TRIPS Agreement, provides that the authorities have obligation to take necessary measures so that such data are neither used for unfair commercial purposes nor disclosed. Therefore, use of data by the Vietnamese authorities is in line with Viet Nam's Law in force.

The Law on Competition No. 27/2004/QH11 includes some provisions dealing with unfair competition⁶⁶⁸ and infringement of business secrets, including accessing and acquiring information on business secrets of others in procedures for marketing approval of products, using such information for business purposes or for obtaining business - related licenses or marketing approval of products, or acting against secret - keeping measures of State agencies.⁶⁶⁹

Furthermore, Article 130.1 of the Law on Intellectual Property sets out a non - exhaustive list of acts considered as “acts of unfair competition”, e.g., use of commercial indications that cause confusion as to: business entities, activities or commercial source of goods or services; the origin, quality, or other characteristics of goods or services; registration or use of a domain name identical or confusingly similar to a protected trade name. Organizations and individuals that have committed acts of unfair competition are liable to the administrative remedies provides for in Viet Nam's competition legislation.

⁶⁶⁸ Article 39 Law on Competition.

⁶⁶⁹ Article 41.4 Law on Competition.

g. Enforcement of Intellectual Property Rights

Administrative procedures and remedies

Viet Nam has no special agency for the enforcement of Intellectual Property Rights. Pursuant to Article 200.1 of the Law on Intellectual Property and the Law on Handling Administrative Violations 2013, the bodies competent to take administrative action in relation to infringement of intellectual property rights are the Market Surveillance Agencies, customs agencies, specialized inspection authorities (the Culture, Sports and Tourism Inspectorates and the Science and Technology Inspectorates), the People's Committees at the district and provincial levels, and public security agencies (the Economic Police). The Law on Intellectual Property limited the administrative handling of IPR infringements to counterfeiting, pirating, intentional infringements and infringements of remarkable social effect.

The responsibilities of each agency depended on their area of administration and jurisdiction, as spelled out in Article 200 of the Law on Intellectual Property. Market surveillance agencies may impose administrative remedies and other measures against infringements of industrial property rights and trade in cultural products and services occurring in the country. Customs agencies have the competence to impose administrative remedies against infringements of intellectual property rights in the course of exportation and importation, the Science and Technology Inspectorates against infringements of industrial property rights, the Culture, Sports and Tourism Inspectorates against infringements of copyright, and the People's Committees against infringements of intellectual property rights occurring within their jurisdiction. As for public security agencies, these are responsible for handling infringements of intellectual property rights in the course of production and trade.

The Economic Police has the competence to investigate and handle infringements of intellectual property rights in all areas of production and business. The Economic Police may search the houses of persons deemed to hide instruments involved in or evidence of infringement cases, and suspend business licenses in case of serious violation of the provisions regulating the use of business licenses. It may impose administrative remedies against acts of industrial property infringement related to business and production activities and acts of copyright infringement associated with public order and security. The Economic Police received specialized training on intellectual property enforcement. It has the same jurisdiction and resources as other police forces. These regulations, which are spelled out in Governmental Decree No. 106/2006/ND - CP of 22 September 2006, which has been replaced by the Government Decree No. 99/2013/ND - CP dated 29 August 2013, on handling administrative violations in the industrial property field.

Administrative measures and remedies are governed, under the new legislative framework, by Governmental Decree No. 99/2013/ND - CP dated 29 August 2013 on handling administrative violations in the industrial property field, the Governmental Decree No. 131/2013/ND - CP providing for sanctioning of administrative violations of copyright and related rights and the Governmental Decree No. 114/2013/ND - CP on handling of administrative violations in the fields of new plant varieties, plant protection and quarantine and the Governmental Decree No.

105/2006/ND - CP of 22 September 2006, which is amended by the Decree No. 119/2010/ND - CP), providing detailed provisions and guidelines for implementing certain articles of the Law on Intellectual Property regarding the protection of intellectual property rights and State management of intellectual property.

Pursuant to Article 214 of the Law on Intellectual Property, main administrative measures are warnings and monetary fines amounting to one to five times the value of the discovered infringing goods. Additional measures included suspension of business activities for a definite term, and in the case of counterfeit and piracy goods, and materials and implements used for manufacturing or trading such goods, confiscation, destruction, distribution, use for non - commercial purposes, or compulsory delivery of transiting goods out of the territory of Viet Nam or re - exportation, after infringing elements has been removed. In Viet Nam, it is the practice to apply each of these administrative measures in a single case, unless, for example, the infringer does not have a business license. The cumulative effect of these measures would deter further infringement. Compensation for damages is conducted only under civil procedures.

Customs procedures for imports and exports may be suspended to protect intellectual property rights in accordance with Articles 73, 74 and 75 of the Customs Law 2014, Decree No. 154/2005/ND - CP of 15 December 2005 and Circular No. 44/2011/TT - BTC of the Ministry of Finance guiding procedures against smuggling and protection of intellectual property rights in the customs and Article 218 of the Law on Intellectual Property.

Regarding the method of calculating fines under the Law on Intellectual Property, multiple administrative measures are imposed in addition to the fine, the cumulative effect of these measures would serve as deterrent to future infringing actions.

Decisions to impose an administrative measure are issued in writing within ten days following the reporting of the violation, or 30 days in complicated cases. Appeals procedures are regulated according to the Law on Administrative Procedures 2010 and the Law on Complaint 2011. Administrative decisions may be appealed by either party, first to the authority having issued the decision and subsequently either to the administrative courts or to a superior administrative body. Decisions of the superior administrative body may be further appealed to the administrative courts.

Administrative procedures are speedy, simple, inexpensive, and equitable, and right owners relied heavily on the administrative authorities, especially the Market surveillance agencies. The injunctions are powerful enough to prevent further infringement as most infringements addressed through administrative procedures are minor and unintentional. However, the administrative system has been further strengthened under the Law on Intellectual Property. In particular, the scope of application of administrative remedies has been limited and emphasis has been shifted to civil remedies, administrative procedures has been further elaborated,⁶⁷⁰ the principle of administrative fines exceeding the benefit gained from infringement has been established,⁶⁷¹ the

⁶⁷⁰ Chapter XVII of the Intellectual Property Law.

⁶⁷¹ Article 214.4 of the Intellectual Property Law.

functions of enforcement authorities has been more clearly defined to avoid overlapping and cumbersome procedures, and a coordinating authority has been established.⁶⁷² The combination of administrative procedures and remedies, compensation under civil procedures, and recourse to criminal prosecution in cases of trademark counterfeiting and copyright piracy on a commercial scale provides the deterrent effect foreseen in Article 41 of the TRIPS Agreement, the indemnification of the defendant stipulated in Article 48, and criminal actions stipulated in Article 61.

Civil procedures and remedies

In Viet Nam, the People's Civil Courts may adjudicate cases with respect to claims of abuse of industrial property rights, disputes concerning royalty or remuneration, claims on registration right and the right of authorship, and disputes relating to contracts concerning assignment of ownership right or licensing contract for the right to use subject matters of industrial property. Filing a claim or bringing a suit before the Courts, the plaintiff or his/her lawful representative would need to provide evidence of his/her intellectual property right as well as evidence of infringement of the rights.⁶⁷³ The People's Civil Courts, at district and provincial level have jurisdiction over disputes of infringement relating to intellectual property rights.

Persons conducting proceedings and persons participating in proceedings must keep confidentiality in accordance with the law in respect of evidence which is not allowed to be disclosed publicly relating to State secrets, national fine customs, professional secrets, trade secrets or private secrets of individuals. In special cases where it is necessary to maintain State secrets or work - related secrets in accordance with the law; to keep national fine customs and morals, to maintain occupational secrets, trade secrets and privacy of individuals upon the legitimate request of concerned parties, the Courts shall carry out closed hearings but must pronounce publicly its judgment.

Joint Circular No. 02/2008/TTLT - TANDTC - VKSNDTC - BVHTT&DL - BKH&CN – BTP issued on 3 April 2008 by the Supreme Courts, the Supreme Prosecution Institute, the Ministry of Culture, Sports and Tourism, the Ministry of Science and Technology, and the Ministry of Justice to guide the settlement of disputes concerning IPRs brought before the courts. Accordingly, the defendant has the right to refute the evidence and arguments of the plaintiff before the Courts. The Courts has the right, upon request of either party or on its own initiative, to demand further evidence or documentation and, if necessary, to collect evidence itself.⁶⁷⁴ The persons or institutions requested to provide evidence have 15 days to present such evidence. Concerned parties may appeal the Court's collection of evidence to the

The People's Prosecutor, which may request the Courts to verify and collect evidence according to the concerned parties' request. The People's Prosecutors are responsible for controlling and supervising civil courts' judgments and decisions and ensuring their timely settlement and

⁶⁷² Article 200 of the Intellectual Property Law.

⁶⁷³ Article 203 of the Intellectual Property Law.

⁶⁷⁴ Articles 85 and 94 of the 2004 Civil Procedure Code.

conformity with Viet Nam's laws and regulations.⁶⁷⁵ All Courts decisions are provided in written form to the concerned parties and the People's Prosecutor within ten days.⁶⁷⁶ Detailed provisions on necessary evidence have been included in Article 203 of the Law on Intellectual Property. Pursuant to Article 203, documentation to be submitted to prove ownership of an intellectual property right may include, for registered rights, a legitimate copy of Protection Titles, any extract of Register on patents, industrial designs, etc., a certificate of copyright registration, or a certificate of related right registration.

For unregistered rights, any document proving the existence of copyright, related rights, Well-known marks etc. may be accepted. The plaintiff is not required to submit an affidavit of ownership to the courts. Procedures also exist for amicable settlement of disputes over royalty, remuneration, licensing contracts and contracts to transfer ownership rights.

The Courts may rule that the act of infringement be stopped and recognize the legitimate rights to IP subject matters, request that the competent State authorities undertake procedures for the purpose of acquisition of rights, and award damages. The compensation amount is determined based on the "actual material damage" or profit obtained illegally by the infringing party, and "mental damages". The calculation of "actual material damages" took into account property losses, costs of preventing or minimizing the damages, and lost income.⁶⁷⁷ "Moral damages" included damages to honor, dignity and prestige of the victim.⁶⁷⁸ The Law on Intellectual Property contained detailed provisions on calculation of damages, compensation of right holders, remedies, provisional measures, burden of proof, and authority of the People's Civil Courts to order provisional measures.⁶⁷⁹ Pursuant to the Civil Procedures Code 2004, the Courts would decide upon the apportioning of legal costs based on the rights and faults of the parties concerned and the parties may appeal decisions of the first instance civil judgment and request a hearing at higher instance.

The IP Law provides for the remedies that enable the right holder to request the infringer to pay for the damages that he/she suffered from the infringing acts, pursuant to Articles 204 and 205 of IP Law and Articles 16, 17, 18, 19 and 20 of Decree 105/2006/ND - CP. Where the right holder cannot present full proofs to substantiate his claim of damage, he/she may claim the presumed damage which is calculated on the basis of an appropriate licensing price (presumed royalty), or an amount of the prescribed compensation which is fixed by the courts depending on the extent of the loss but not exceeding VND 500 million, according to Article 205.1.c of the IP Law.

In compliance with Article 41.2 of the TRIPS Agreement, Viet Nam also extends the period to file a suit for the settlement of an economic dispute involving infringement of intellectual property rights to a minimum of three years in order to provide sufficient protection because Article 159.3

⁶⁷⁵ Article 21 of the 2004 Civil Procedure Code.

⁶⁷⁶ Article 241 of the 2004 Civil Procedure Code

⁶⁷⁷ Article 307.2 of the 2005 Civil Code.

⁶⁷⁸ Article 204.1(b) of the Intellectual Property Law

⁶⁷⁹ See Articles 204, 205, 202, 207, 203 and 210 the Intellectual Property Law.

of the Civil Procedures Code 2004 provides for a two - year period for filing suits for the settlement of civil disputes, including those involving infringement of intellectual property rights.

Regarding the evidence proving basis for the establishment of copyrights and related rights, Article 203.2 of the Law on Intellectual Property provides the plaintiff shall prove that he is the intellectual property right holder with one of the following evidence: copies of the copyright registration certificate, related right registration certificate. Article 49 of the Law on Intellectual Property also regulates that organizations and individuals that are granted certificates of registered copyright or certificates of registered related rights shall not have to bear the burden of proof of such copyright and related rights upon disputes, unless rebutting proofs are adduced.

Provisional measures

In Viet Nam, the Courts having jurisdiction over violations and disputes in relation to intellectual property rights may decide on the application of provisional measures. Detailed provisions are laid down in the Civil Procedures Code 2004 and the Law on Intellectual Property. Pursuant to Article 207.1 of the Law on Intellectual Property, provisional measures included seizure, attachment, or sealing of goods suspected to infringe intellectual property rights, and of materials, raw materials or implements for producing or trading such goods; the prohibition to change or displace such goods and materials; and the prohibition to transfer ownership of such goods and materials. Provisional measures may be lifted when no longer considered necessary by the imposing authority.

The Courts may order provisional measures to be taken on its own initiative or at the request of the Prosecution Institute or the parties concerned.⁶⁸⁰ Pursuant to Article 206.2 of the Law on Intellectual Property, the Courts may take an immediate decision that would also be effective immediately prior to hearing the opinion of the party liable for provisional measures. The decision may be appealed to the Chief of Justice by either party, in which case the Prosecution Institute would have the right to make a proposal to the Chief of Justice, who is required to respond within three days.⁶⁸¹

Requests for provision measures must comprise the principal contents: date of the application; name and address of the applicant; name and address of the person who is subject to preliminary injunctive relief; summary of the dispute or act of infringing the lawful rights and interests of the applicant; reasons for application of preliminary injunctive relief; preliminary injunctive relief to be applied and specific requirements.

Subject to the petition for application of provisional measures, the applicant must provide the Courts with evidence to substantiate the necessity to grant such preliminary injunctive relief. Within three days of the receipt of the application, if the applicant is not required to provide security or immediately after such persons provide security, the judge must issue a decision to grant preliminary injunctive relief; where the application is refused, the judge shall notify the applicant in writing of the reasons therefore.

⁶⁸⁰ Articles 99 and 119 of the 2004 Civil Procedure Code.

⁶⁸¹ Articles 124 and 125 of the 2004 Civil Procedure Code.

In case of urgency, upon receipt of an application together with accompanying evidence, the presiding judge shall appoint one judge to accept and deal with the application. Within 48 hours of receipt of the application, the judge must consider and issue a decision to grant preliminary injunctive relief; where the application is refused, the judge shall notify the applicant in writing of the reasons therefore.

Anybody or organization initiating a legal action to protect rights and interests of others can also make a petition in writing to the Courts for preliminary injunctive relief specifying reasons therefore; preliminary injunctive relief to be granted; name and address of the person whose lawful rights and interests need to be protected; name and address of the person who is subject to preliminary injunctive relief; summary of the dispute or acts of infringing the lawful rights and interests of concerned parties; and evidence to substantiate that the petition is well - grounded and lawful.

The applicant petitioning the Courts to grant one of the provisional measures must deposit a sum of money, precious metals, gemstones or valuable papers which are fixed by the Courts, but such deposit must be equivalent to the property obligation to be performed by the obligor aimed at protecting the interests of the person who is subject to the preliminary injunction and preventing any abuse of the right to petition for the application of preliminary injunctive relief by the applicant.

The Law on Intellectual Property regulated that the applicant for provisional measures shall be obliged to pay compensation for loss caused to a person subject to such measures in a case where the latter is found not to have infringed industrial property rights. To secure the performance of this obligation, an applicant for provisional urgent measures shall deposit security in one of the following forms: a sum of money equal to twenty per cent of the value of the goods subject to the application of provisional urgent measures, or at least VND 20 million where it is impossible to value such goods; or a deed of guarantee issued by a bank or other credit institution.

The Law on Intellectual Property provides for preventive measures and measures to ensure the imposing of administrative remedies. Particularly, Article 215 of that Law reads, in the following cases, organizations and individuals shall have the right to request the competent agency to apply preventive measures and measures to ensure the imposing of administrative remedies as provides for in paragraph 2 of this Article (i) Acts of infringement of intellectual property rights may cause serious damage to consumers or the society; (ii) There is a threat of the infringing means being dispersed or the infringer evading his or her liabilities.

Criminal procedures and penalties

In Viet Nam, the criminal courts under the People's Courts, at district and provincial level, has jurisdiction over crimes relating to intellectual property rights. The Criminal Code of 1999, as amended in 2009, included provisions on copyright infringement (Article 170(a)), production and trade in counterfeits, deceptive practices, false advertising and infringement of industrial property rights.⁶⁸² Any person appropriating copyrights, wrongfully assuming an author's name, or illegally

⁶⁸² Articles 131, 156 - 158, 162, 168 and 171 of the Criminal Code 1999

amending, publishing or disseminating copyrighted works is subject to a fine of 50 to VND 500 million or non - custodial probation of up to two years. Infringements of organized character or carrying very serious consequences, and repeated offence are punishable by imprisonment from six months to three years. Offenders also risked fines from VND 10 to 100 million and being banned from holding certain positions or practicing certain professions during one to five years. Persons producing or trading counterfeits valued up to VND 150 million risked six months to five years imprisonment, or three to ten years for organized or professional counterfeiting, recidivism, abuse of position, abuse of names of organizations, counterfeits priced between VND 150 to 500 million, large illicit profits, and acts resulting in very serious consequences (Article 156). In case of counterfeited value exceeding VND 500 million, very large illicit profits and extremely serious consequences, the penalty would be increased from seven to 15 years imprisonment. Offenders would also face a fine of VND 5 to 50 million, possible confiscation of property, interdiction to hold certain positions and practice certain professions during one to five years.

Acts of willful trademark counterfeiting and copyright piracy on a commercial scale are considered crimes under Articles 156 - 158 and Articles 170 and 171 of the Criminal Code and Article 213 of the Law on Intellectual Property. Criminal liabilities for these acts are detailed in the Joint Circular No. 01/2008/TTLT - TANDTC - VKSNDTC - BTC - BTP providing guidance to criminal prosecution for infringement of intellectual property rights.

The elements of “willful” and “on a commercial scale” are incorporated into the Joint Circular to explain the IPR crime constituent elements prescribed in the Criminal Code. Accordingly, an act of willful piracy and trademark counterfeiting on a commercial scale are regarded as “having caused serious consequences”, and therefore, shall be prosecuted under Article 170(a) or Article 171 of the Criminal Code. The description of acts infringing upon copyrights and related rights, industrial property rights concerning trademark counterfeit goods is referred to the IP Law to ensure the possible enforcement of IPRs under the criminal remedies as required by the TRIPS Agreement.

The Circular does not interpret the concept “on commercial scale” but allows judges to decide this issue. It is a fact that there is no official definition of this concept in the statutory provisions of other countries in the world. Besides the element “on a commercial scale”, the Circular sets out certain criteria to quantify the element “causing serious consequences” that can be applied instead of the element “on a commercial scale”.

Provisions in Article 2.3 of the Circular interpreting the act of “causing extremely serious consequences” have the same structure with Article 2.2 interpreting the act of “causing very serious consequences” but the difference between the two points lies in the level of consequences caused by infringing acts (the level of profit obtained by infringers, the level of physical damage for the right holders, the value of infringing goods).

Articles 171.2 and 171.3 of the Criminal Code provide a broad penalty scale applicable to the acts of causing “very serious and extremely serious” consequences. The Circular elaborates criteria to define when an infringing act is regarded as causing “very serious consequences” and when an infringing act is regarded as causing “extremely serious consequences”. Based on that, the judges

can determine the specific penalties within the allowed penalty scale corresponding to the seriousness of the infringing act.

The concept “physical loss” or “physical damages” prescribed in Articles 1.1.b, 1.2.b, 1.3.b, of the Circular can be understood to comprise the loss in property, decrease in income and profits, losses in business opportunities, reasonable expenses for prevention and restoration from such damages, reasonable attorney fees and other tangible losses (Article 204.1.a of the IP Law). The manners of calculation of damages are instructed in Articles 16 - 20 of the Decree No. 105/2006/ND-CP. These manners are applicable to all cases, including the case where different copyright holders are involved and the case where the foreign copyright holders do not have market access. The burden of proof in a criminal case is specified in Articles 1.1, 1.2 and 1.3 of the Circular that belongs to the organ conducting the criminal prosecution in accordance with the Criminal Procedure Code. The burden of proof to substantiate the claim of damages is stipulated in Article 203 of the IP Law and Articles 23, 24, and 25 of the Decree No. 105/2006/ND - CP.

Article 170(a) of the Criminal Code stipulates only some acts infringing upon copyrights, mainly acts infringing upon moral rights of the author, therefore, it cannot deal with all acts of infringement upon copyrights and related rights as described in the IP Law.

Article 1.4 of the Circular provides that, an act infringing upon copyrights or related rights does not constitute a crime specified in Article 170(a) of the Criminal Code, but constitutes a crime prescribed in another article of the Criminal Code that shall be examined for criminal liability in term of the crime prescribed in the relevant article of the Criminal Code. For example, the provisions on the crimes of infringement upon property ownership: Article 142 on illegally using property of others (those who, for his own benefits, illegally uses another person's property valued at VND 50 million or higher, causing serious consequences shall be subject to a fine with the amount from VND 5 million to VND 50 million, non - custodial reform for up to two years or a prison term of between three months and two years) can apply to prosecute an act of exploitation of copyrighted work or exploitation of a related - right works:

- The elements “willful” and “on a commercial scale” are of relevance due to “for their own benefits”.
- Property valued at VND 50 million or higher is of relevance due to the presumed damage of the owner can be calculated on the basis of a royalty which is regarded as falling into the spectrum of the “on a commercial scale” benchmark.

Viet Nam promulgated the Law on amending and supplementing some articles of the Criminal Code of 27/2009/QH12, in which the regulations in Article 170(a) providing infringement of copyright and copyright related rights in consistence with the provisions of Article 61 of the TRIPS Agreement, specifically “Those who are not authorized by owners of the copyright and copyright related rights implement one of the following acts of infringement of copyright and copyright related rights which are under protection in Viet Nam at commercial scale, is subject to a fine from fifty million to five hundred million dong or to non - custodial reform for up to two years (i)

reproduction of works, phonograms, video recordings, (ii) distribution to the public copies of works, copies of phonograms, copies of video recordings.”

Pursuant to Article 170 of the Criminal Procedure Code, the District People’s Criminal Courts has the jurisdiction as the first instance over offences subject to less than seven years imprisonment, except offences harmful to national security and peace, war crimes, crimes against humanity, and other specific cases as specified by law. The District People’s Criminal Courts therefore has jurisdiction as the first instance over offences in respect of intellectual property rights. Criminal proceedings for intellectual property infringement cases are identical to procedures for other criminal cases and involved the denouncement of the crime before the competent police, an investigation, the transfer of the file to the prosecution agency (the Supreme People's Prosecution), and criminal proceedings at the competent courts, judgment and enforcement of the judgment.

The criminal remedies against infringements of organized character or carrying out very serious consequences appeared to be stricter than the standards set by the TRIPS Agreement. Concerning criminal remedies against infringements of “organized character” or “causing very serious consequences”, the commercial objective of an infringement act is one of the factors constituting a crime pursuant to Articles 156, 157, 158, 170(a) and 171 of the Criminal Code 2009. An infringement of organized character has an intentional nature, not an infringement causing serious consequences.

Relationship between administrative penalties and criminal enforcement

Any infringement of copyright and industrial property rights dealt with administratively and subsequently repeated will be considered a crime in accordance with Articles 170(a) and 171 of the Criminal Code 2009. Administrative remedies thus served as a deterrent tool and, in the event of non - compliance with administrative penalties, compelling measures may be taken pursuant to Law on Handling Administrative Violations 2013. The Criminal Code does not contain provisions providing for criminal penalties in case of violation of an administrative order, except in the event of recidivism as stipulated in Articles 170(a) and 171. Law on Handling Administrative Violations provides for the immediate transfer of administrative cases including a criminal element to the competent criminal authorities and, in the event an administrative decision having already been issued, the nullification of that decision and the transfer of the case within three days, unless the time - limit for criminal prosecution has expired (Articles 62.1 and 62.2). Evidence collected during an administrative procedure may be used by the civil courts if necessary in accordance with Civil Procedures Code 2004. Infringers may be prosecuted either for administrative remedies or for criminal penalties, but not simultaneously.

Administrative measures only applied to acts of low gravity. Any person involved in an act including a criminal element or having repeated an offence sanctioned administratively is subject to criminal prosecution. The provisions of the Law on Intellectual Property together with the Circulars issued by the Supreme People’s Civil Courts and Ministry of Justice are a clear indication

of Viet Nam's commitment to provide effective enforcement of intellectual property rights, including through use of the criminal laws.

Border measures

In Viet Nam, customs agencies have the authority to detain imported or exported goods temporarily upon request of the right holder. Pursuant to Article 217 of the Law on Intellectual Property, requests for temporary detention of goods has to be filed with the customs agencies where the goods are imported or exported, accompanied by evidence to substantiate lawful ownership right or use right to the object, and evidence testifying the infringement.

The right holders is also required to deposit an amount equal to 20% of the value of the goods or at least VND 20 million in case such value may not be determined, or provide a guarantee ensuring compensation in case of a wrongful request.⁶⁸³ Decisions to suspend the release of goods from customs are issued by the Chief of the Customs Bureau pursuant to Article 218.1 of the Law on Intellectual Property, and the parties concerned would be notified accordingly. Goods may be suspended from release for ten days from the date the decision is issued, and an additional ten days in certain circumstances.⁶⁸⁴ Evidence of infringement would need to be produced during this period. The owner of the seized goods would also be given an opportunity to provide evidence or justifications relating to the intellectual property right of the detained goods. The Customs office would take a decision to release or prohibit circulation of the goods in consultation with the National Office of Intellectual Property of Viet Nam and the Copyright Office of Viet Nam.

Under Article 217.1(b) of the Law on Intellectual Property, the right holder is only required to provide information sufficient to identify the suspected infringing goods or to discover infringing goods. Other types of information, such as the name and address of the importer and exporter, a photo of the goods or information on the predicted time and venue of arrival of the goods, should be submitted only if available. This provision in full compliance with Article 51 of the TRIPS Agreement. The time - period for responding to the detection of infringing goods has been increased to three working days in the Law on Intellectual Property. Detailed provisions has been included in the Governmental Decree No. 105/2006/ND - CP of 22 September 2006 and Decree No. 119/2010/ND - CP dated 30 December 2010 providing detailed provisions and guidelines for implementing certain articles of the IP Law on protection of intellectual property rights and State management of intellectual property.

The Law on Intellectual Property provides customs authorities with the right to check, detect, and suspend customs clearance of counterfeit trademark goods at their own initiative or at the request of the trademark holder. The Joint Circular No. 129/2004/TTLT - BTC - BKHCN of the Ministry of Finance and Ministry of Science and Technology on border enforcement of industrial property rights included provisions allowing right holders or importers to inspect the detained goods to reinforce their claims. The exemption for de minimis imports allowed under Article 60 of the TRIPS

⁶⁸³ Article 217.2 of the Intellectual Property Law.

⁶⁸⁴ Article 218.2 of the Intellectual Property Law.

Agreement is addressed in Article 25.2 of the Law on Intellectual Property which referred to usage for “personal needs or non - commercial purposes” as not being considered infringement of copyright. Provisions covering goods imported or exported for non - commercial purposes, goods exempted under diplomatic procedures, gifts, souvenirs, personal luggage etc. has been included in Article 2.2 Circular No. 129/2004/TTLT - BTC - BKHCN.

The Joint Circular No. 58/TTLT - BVHTT - BTC of 17 October 2003 of the Ministry of Culture, Sports and Tourism and Ministry of Finance guiding the protection of copyright at customs agencies for imported and exported goods, “copyright infringing imported and exported goods” are imported and exported goods, including copies of works, infringing the moral rights or economic rights of the author or owner of the work.

As for “counterfeit trademark goods”, they are defined in Joint Circular No. 129/2004/TTLT - BTC - BKHCN of 29 December 2004 of the Ministry of Finance and Ministry of Science and Technology on border controls in respect of industrial property rights as imported or exported goods, including packaging, labels and decals, bearing a trademark which is identical with or which may not be distinguished in its essential aspects from a protected trademark without the authorization of the trademark's owner. Then, the Law on Intellectual Property designated both “trademark counterfeit goods” (defined in Article 213.2) and “piracy goods” (defined in Article 213.3) with the common term of “intellectual property counterfeit goods” in its Article 213.1 with a view to making provisions of Articles 156 to 158 of the Criminal Code applicable to intentional and commercial - scale counterfeiting and pirating and for imposing strong administrative remedies for counterfeiting and pirating.

Under Vietnamese laws, all imports and exports suspected as infringing intellectual property rights, not only counterfeit trademark or pirated copyright goods, may be subject to the suspension of the release into free circulation by the customs authorities upon requests of right holders. However, ex officio suspension by the customs authorities is applicable to counterfeited trademark, geographical indication goods and pirated copyright goods only. There is no exception for goods from another member of a customs union or goods in transit. De minimis imports are considered as for personal needs or non - commercial purpose and therefore excluded from these procedures. The suspension procedures are not applied to imports of goods put on the market in another country by or with the consent of the right holder but to goods destined for exportation, provides that there is reasonable basis to suspect that the preparation of goods destined for exportation (manufacture, storage, offer to sell, trading, etc.) do infringe intellectual property rights that are protected in Viet Nam.

According to Article 200 of the Intellectual Property Law, Customs agencies have the authority to handle administrative violations in the field of intellectual property with regard to import and export goods at their own initiative. Particularly, import and export goods that are subject to ex officio actions by the Customs agencies comprise of intellectual property counterfeit goods (i.e. counterfeit trademark, geographical indication goods and pirated copyright goods) and articles bearing a mark or a geographical indication that is identical or confusingly similar to a protected mark or a protected geographical indication. When detecting such goods or articles, the Customs

agencies shall have the right and duty to impose administrative remedies referred to in Article 214 and Article 215 of this Law.

Actions of Viet Nam Customs to combat against copyright infringements including international copyright infringements are provided in the Circular No. 44/2011/TT - BTC in which Customs authority applies measures such as detention, seizure, forfeiture, destruction, imposing administrative penalty and criminal action. Regarding to criminal referrals arising out of these customs actions, applicants must contact with other competent agencies like the Ministry of Public Security, the Market Surveillance Agency, the Inspectorate of Ministry of Science and Technology, Ministry of Culture - Sport and Tourism for more details. The Customs only requires the right holder a security in line with provisions and encourages them to provide the certification to show whether the consignment in suspension is true or fake and other documents such as identification, route, list of key importers, packing.. to facilitate customs in inspection, control to recognize the infringements.

Regarding the compelled distribution or use for non - commercial purposes, the Article 30.1 of Decree 105/2006/ND - CP provides that the compelled distribution or use of intellectual property counterfeit goods or infringing goods for non - commercial purposes must satisfy the following requirements (i) the goods are useable; (ii) infringing elements have been removed from the goods; (iii) such distribution or use is for non - commercial purposes and does not unreasonably affect the normal exercise of the rights of the intellectual property right holder, where the purposes of humanity, charity and public interest shall be prioritized; and (iv) persons to whom goods are distributed or delivered for use are not potential customers of the intellectual property right holder. This provision shall also apply to raw materials, materials and means for producing and trading intellectual property counterfeit goods or infringing goods.

Other issues

Following its accession, Viet Nam was continuing to unceasingly make efforts to bring its intellectual property system to full compliance with international standards, and to strictly implement its accession commitments. Particularly, with regard to its commitments to issue legal instruments mandating that government agencies only use legitimate computer software and that all cable television purveyors only provide fully licensed products to their customers. The Prime Minister had issued Instruction No. 04/2007/CT - TTg on 22 February 2007 on strengthening copyright protection for computer programs and the Viet Nam Multimedia Corporation (VTC) had negotiated with television programme suppliers for providing licensed programmes to customers in order to ensure that television copyright and related rights would not be infringed.

Conclusions

1 - The WTO dispute settlement mechanism is generally considered as one of the most important elements for the success of the WTO and for a stable multilateral trading order. In this sense, the dispute settlement system has proved to be very effective for the resolution of disputes between Member States. And this thanks also to the range of available dispute settlement methods (consultations, panel and the Appellate Body adjudication, arbitration, good offices, conciliation and mediation). In particular, the contribution of panel reports and Appellate Body reports to the legal certainty and predictability of the system has led to the growth of the number of claims brought to the Organization and to a high level of compliance with the DSB decisions by Member States. In addition, if the effectiveness of a dispute settlement mechanism has to be gauged by its effect on major powers such as the United States and the European Union, then the achievements of the WTO dispute settlement system have been very significant, as signaled by some scholars.⁶⁸⁵

2 - In a situation where the number of disputes at the WTO is on the rise, the disputes concerning the TRIPS Agreement occupy a singular place. While the latter have been growing in the first decade of life of the WTO, they have decreased in the second one. To the surprise of many, developed countries have often been respondents in cases involving intellectual property matters. Also, many of these disputes have been settled by mutually agreed solutions and have sometimes involved concurrently issues related to different WTO Agreements.

3 - With the above analysis, it can be seen that the WTO has a profound impact to the Vietnamese legal system and the practical implementation of intellectual property. By amendment of the Civil Code of 2005, issuing the Law on Intellectual Property in 2005, the Criminal Code 2009 and other implementation regulations, it can be confirmed that the intellectual property system of Vietnam fully meets the requirements of “adequate” set out by WTO and creates a solid legal ground for meeting its requirements on the “effectiveness”. The biggest challenge for Vietnam is not a legislative issue but a matter of law enforcement. The effectiveness of the enforcement system of intellectual property rights requires not only in the legal framework, but also requires efforts of enforcement agencies, and awareness of IP holders and the public. Therefore, Viet Nam need further promote the implementation of the provisions of the laws, improving the capacity of enforcement agencies, particularly improving the efficiency of settling intellectual property disputes in courts and raising the awareness and enhancing the respects to intellectual property.

4 - One could wonder whether the lower and decreasing number of disputes concerning the TRIPS Agreement is related to the nature and structure of the Agreement in and of itself, or is otherwise connected to other factors. On this vein, the TRIPS Agreement is different from other WTO Agreements. It contains positive obligations for Member States and it establishes a minimum standard of intellectual property protection. Further, it leaves the choice of the most appropriate way to implement the Agreement nationally to Member States. However, some feature of the Agreement, such as the existence of different transitional periods, could concur to explain the

⁶⁸⁵ W. J. Davey, *The WTO Dispute Settlement System at 18: Effective at Controlling the Major Players?*, EUI Working Papers, RSCAS 2013/29 Robert Schuman Center for Advanced Studies Global Governance Program - 47, available at http://cadmus.eui.eu/bitstream/handle/1814/26794/RSCAS_2013_29.pdf?sequence=1.

phenomenon of decreasing number of disputes concerning the TRIPS Agreement. Whether this trend will continue remains to be seen, but in any case this decrease may clearly mean that, thanks to the DSB Role, more certainty and clarity now exists on the TRIPS Agreement and its interpretation.