

**AUSTRALIA'S INTERESTS UNDER *TRIPS*
DISPUTE SETTLEMENT:
TRADE NEGOTIATIONS BY OTHER MEANS,
MULTILATERAL DEFENCE OF DOMESTIC POLICY
CHOICE, OR SAFEGUARDING MARKET ACCESS?**

ANTONY TAUBMAN*

[The TRIPS Agreement subsumes and applies the earlier international law of intellectual property (notably the Paris and Berne Conventions), but is typically distinguished from this juristic heritage by the still controversial reframing of intellectual property law as trade law, and by the more rigorous and compelling character of the dispute settlement mechanism that purportedly gives it 'teeth'. The threat of 'trade sanctions' would suggest that a realist assessment of the likely practical impact of TRIPS dispute settlement would govern national policy choices, more than compliance viewed as an end in itself. This paper reviews the actual interests defined and defended in TRIPS dispute settlement and seeks to illuminate the true character of the TRIPS Agreement as a regime of intellectual property standard-setting within a trade law framework. It concludes that practical experience confirms that a theoretical reconciliation of the supposed tension between intellectual property and 'real' trade law, and the development of an integrated, systematic jurisprudence of the TRIPS Agreement as the most robust defence of legitimate domestic policymaking on knowledge economy issues are now overdue, recalling that the true interpreter of the treaty text — the one ultimately bound to deliver on the promises of public welfare embedded therein — is a domestic policymaker seeking in good faith to establish an optimal balancing of interests through the practical craft of domestic policymaking, rather than a political or legalistic abstraction.]

CONTENTS

I	Introduction.....	2
II	Defining and Defending Australia's Interests under the <i>TRIPS Agreement</i>	2
III	Revisiting the <i>TRIPS Agreement</i> as a Legal Regime.....	8
IV	The <i>TRIPS Agreement</i> as a Covered Agreement.....	12
V	Reconciling Policy and Pragmatism in <i>TRIPS</i> Dispute Settlement.....	19
VI	<i>US — Section 110(5) Copyright Act: Legitimate Interests and Public Performance</i>	21
VII	<i>Canada — Pharmaceutical Patents: Balancing Innovation, Regulation and Access</i>	29
VIII	<i>EC — Trademarks and Geographical Indications: Reconciling the Old and New Economies</i>	34
IX	Enforcement: Technical Cooperation or 'Legal Harassment'?.....	47
X	Conclusion: From Zero Sum Calculation to Pragmatic Coexistence.....	53

* Based on research undertaken at the Australian Centre for Intellectual Property in Agriculture and the College of Law at The Australian National University. The views presented are the author's own and should not be attributed to his successive official positions with the Australian Government and with the World Intellectual Property Organization ('WIPO'). In particular, the views expressed should not be attributed to WIPO, its Secretariat or its Member States, nor to the Australian Department of Foreign Affairs and Trade ('DFAT'). Thanks to the guidance of two anonymous reviewers, one of whose comments valuably drew the analysis into a broader scope to address bilateral norm-setting and the *China — Intellectual Property Rights* case.

How unreasonable people are! They never use the freedoms that they have but demand those they do not have.¹

I INTRODUCTION

This commentary considers the essential nature of the World Trade Organization *Agreement on Trade-Related Aspects of Intellectual Property Rights* ('*TRIPS Agreement*'):² its contrasting characteristics as a politically-mediated regime governing relations between trading partners asserting divergent sets of interests in a globalising knowledge economy and as a set of formal legal obligations on WTO members; the characteristics of *TRIPS* dispute settlement; and the insights that can be drawn from Australia's experience with specific disputes. This is with a view to illuminating the impact of the *TRIPS Agreement* on domestic policymaking and indirectly on the public welfare outcomes that are the ostensible objectives of the *TRIPS Agreement* within the WTO trade regime. In turn, this analysis sheds light on how Australia construes its trade interests as a mid-level player in a global economy increasingly claimed to be 'knowledge based'.

II DEFINING AND DEFENDING AUSTRALIA'S INTERESTS UNDER THE *TRIPS AGREEMENT*

The introduction of minimum standards for protection of intellectual property into multilateral trade law, through the vector of the *TRIPS Agreement*, remains a controversial legacy of the Uruguay Round: intended to foster greater certainty and stability in the management of bilateral trade relations concerning intellectual property (and arguably — in retrospect at least — a natural consequence of the increasing knowledge content of international trade), the *TRIPS Agreement* retains an unsettled, contested quality. Its formal role and its actual effects on government behaviour vary, in part, according to shifts in governments' perceptions of national interests and priorities in how the terms of trade in knowledge resources are settled, monitored, enforced and renegotiated.

Australia's own perceived interests under the *TRIPS Agreement*, and under the *TRIPS Agreement* as mediated through the WTO dispute settlement mechanism, are complex and variable. This is manifested in the diverse factors that led to it intervening in four *TRIPS* disputes: in *Canada — Patent Protection*

¹ Søren Kierkegaard, *Either/Or* (David Swenson and Lillian Swenson trans, 1987 ed) 19 [trans of *Enten-Eller*].

² *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995), annex 1C (*Agreement on Trade-Related Aspects of Intellectual Property Rights*) 1867 UNTS 299, incorporating by reference the *Paris Convention for the Protection of Industrial Property*, opened for signature 14 July 1967, 828 UNTS 306 (entered into force 26 April 1970) ('*Paris Convention*') and the *Berne Convention for the Protection of Literary and Artistic Works*, opened for signature 14 July 1967, 828 UNTS 222 (entered into force 29 January 1970) ('*Berne Convention*').

of *Pharmaceutical Products*,³ *United States — Section 110(5) of US Copyright Act*⁴ and *China — Measures Affecting the Protection and Enforcement of Intellectual Property Rights*⁵ as third party, and in *European Communities — Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs*⁶ as a complainant. But what conceptions of national trade interests and desirable domestic policy settings underlie these interventions? Beneath partisan debate about specific means and priorities, a common theme in economic planning has been the need to innovate for economic wellbeing. Australians are ‘an innovative ... people’;⁷ ‘innovation ... is key to Australia’s future prosperity’;⁸ Australia is a ‘knowledge nation’,⁹ a ‘clever country’,¹⁰ for which ‘innovation policy is industry policy’.¹¹ This policy setting can lead to increasingly conscious reliance on ‘stronger’ intellectual property protection at home and abroad to preserve Australia’s longer-term economic security. Yet when the balance of payment accounts is settled, Australia is in essence a net importer of foreign technology and copyright products — this is easily measurable by reviewing trade in intellectual property based goods, royalties and licence fees.¹² Until recently Australia brought to the

³ WTO Doc WT/DS114/R (17 March 2000) (Report of the Panel) (*Canada — Pharmaceutical Patents*).

⁴ WTO Doc WT/DS160/R (15 June 2000) (Report of the Panel) (*US — Section 110(5) Copyright Act*).

⁵ WTO Dispute WT/DS362 (2007) (*China — Intellectual Property Rights*).

⁶ WTO Doc WT/DS290/R (15 March 2005) (Report of the Panel) (*EC — Trademarks and Geographical Indications*).

⁷ John Howard, ‘Federation Address and Launch of “Backing Australia’s Ability”’ (Address delivered at Australian Technology Park Centre, Sydney, Australia, 29 January 2001).

⁸ Commonwealth of Australia, *Backing Australia’s Ability: An Innovation Action Plan for the Future* (2001) 7, available from <<http://www.dest.gov.au>> at 23 May 2008.

⁹ The subject of a campaign by the opposition Australian Labour Party in 2001. See, eg, Federal Opposition Leader Kim Beazley, ‘Kim Beazley’s Knowledge Nation Policy’ (Speech delivered at the National Press Club, Canberra, Australia, 24 January 2001).

¹⁰ A policy initiative by Australian Prime Minister Bob Hawke in the 1990 federal election campaign, a National Portrait Gallery exhibition in 1996, and the objective of a political party launched in November 1998, termed the ‘Make Australia the Clever Country Party’.

¹¹ Kim Carr, Australian Minister for Innovation, Industry, Science and Research, ‘Government Announces Review of National Innovation System’ (Press Release, 22 January 2008).

¹² The closest index of trade in intellectual property related transactions is probably the flow of royalties and licence fees (series 1932266 of the International Monetary Fund (‘IMF’) Balance of Payments Statistics), although this series excludes much of the broader value exchanged in the form of intellectual property, such as credit card payments for music and software downloads. Australian credits and debits of royalties and licence fees (in effect, exports and imports of intellectual property) were US\$621 million and US\$2221 million in 2006; US\$239 million and US\$970 million in 1994 (the year the *TRIPS Agreement* was concluded); and US\$151 million and US\$542 million in 1986 (when the Uruguay Round negotiations were launched); the net outflow was US\$1600 million, US\$730 million and US\$390 million in 2006, 1994 and 1986; the total flow (imports and exports) was US\$2842 million, US\$1209 million, and US\$692 million; hence the share of Australian exports in this total flow of royalties and licence fees remained consistently at around 20 per cent (22 per cent, 20 per cent and 22 per cent in 1986, 1994 and 2006 respectively), suggesting that Australia is maintaining its place in the global knowledge economy prior to and after *TRIPS*, while the total flow of its relevant trade has quadrupled in this period: IMF, *Australia BOP Statistics Annual at April 2008* (IMF Report, April 2008).

table relatively few distinctive or unique interests when engaged in trade negotiations on intellectual property matters; some of the patterns of behaviour analysed below suggest that intellectual property is seen in a pragmatic context as an inevitable component of defining trade alliances and exercising a broader trade strategy. Well identified, stand-alone intellectual property interests worth pursuing in their own right have tended to be essentially defensive or tactical.

Does (or should) a net inflow of intellectual property content into its economy define Australian interests in intellectual property trade negotiations essentially from a user or consumer perspective, rather than as an intellectual property producer? Or can Australia coherently pursue interests both as consumer and producer by accepting the systemic benefits of intellectual property as essential knowledge economy infrastructure, whoever may own or exercise individual intellectual property titles? If foreign nationals own a significant proportion of intellectual property registered in Australia,¹³ do foreign interests stand to gain disproportionately from strengthened intellectual property protection, to Australia's net loss? This impression induces what might be called 'intellectual property mercantilism', the instinct that knowledge capital only benefits a nation to the extent that it is owned by its own nationals. By contrast, considering exceptions and limitations to intellectual property rights, Australian residents would benefit disproportionately — as compared with foreign nationals — from an expanded public domain under Australian law, by virtue of their physical location.

Hence, when Australian trade negotiators settle on 'higher' or 'stronger' intellectual property standards, is this negotiated adjustment in the terms of trade for knowledge resources inherently a net trade concession to foreign interests, accelerating a net outflow of intellectual property related earnings, and for which a compensatory trade-off in 'traditional' trade areas should be negotiated?¹⁴ Or can such 'strengthening' of intellectual property protection be inherently worthwhile, as an objective step towards laying the groundwork for a robust indigenous innovation economy? Are exports of royalties a sound investment in a knowledge economy, or a pay-off to foreign rent-seekers as the pragmatic cost of holding together an otherwise beneficial multilateral trading system?

Physical goods and resources are rivalrous, and trade negotiations over terms of trade in physical goods are zero sum in their structure and dynamics, being classically expressed in terms of 'concessions' and trade-offs, even though

¹³ Of 9570 standard patents granted in 2006, only 931 were granted to Australian nationals: IP Australia, *P31(Feb08) Countries of Origin of Granted and Certified Patents* (2008); yet Australian nationals owned 58 per cent of all trademarks registered that year: IP Australia, *T30(Feb08) Applications and Registrations by Country* (2008); and also the majority of design and plant breeders rights registrations: IP Australia, *PB10(Feb08) Plant Breeder's Rights — Applications and Grants by Year, Country and Australian State* (2008). Australia has no system of copyright registration.

¹⁴ For example, in the extension of copyright term in bilateral negotiations leading to the *Australia–United States Free Trade Agreement*, opened for signature 18 May 2004, [2005] ATS 1 (entered into force 1 January 2005) ('*AUSFTA*').

essential trade theory tells us liberalised international trade is mutually beneficial and unilateral trade 'concessions' towards reduction of trade barriers promote welfare. By contrast, knowledge resources are not rivalrous, yet negotiations over the terms of trade in knowledge products retain a strong zero sum flavour¹⁵ which seems to betray a lack of practical confidence in systemic benefits from strengthened intellectual property law and administration, rendering any strengthening of intellectual property standards a bare trade concession.

The practice of dispute settlement provides a more immediate imprint of actual, concrete trade interests prioritised and pursued by a country. This practical experience can refute abstract theorising about a distinct knowledge economy conceived as operating in an airy empyrean beyond the humdrum world of trade in goods. Was Australia's intervention in the intellectual property related trade dispute *EC — Trademarks and Geographical Indications* more to do with traditional market access than a dispute over the terms of trade in a 'new' knowledge economy? The case was precipitated by concern about future market access for agricultural products — stuff you can drop on your foot — and was won under the provisions of the 1947 *General Agreement on Tariffs and Trade*¹⁶ not the 'new economy' *TRIPS Agreement*.¹⁷ By contrast, the first country successfully to defend itself in the WTO dispute settlement system against a complaint under the *TRIPS Agreement* was Indonesia, defending trademark measures as a component of that most conventional of national economic champions, a National Car Program.¹⁸

In fact, the range and complexity of interests concerned militate against any such orderly, mutually exclusive caricatures of national interests. Australia's intellectual property laws have deep legal roots and a strong heritage within its industrial and commercial life, predating contemporary internationalisation of the intellectual property system. Australia has long had an active voice in international norm-setting. Yet in part due to 'user' interests¹⁹ and policy concerns, it was historically reluctant to accept new forms of intangible property

¹⁵ See Antony Taubman, 'Cereal Offenders: Access and Equity in Trade Negotiations on Knowledge Resources' in Jay Kesan (ed), *Agricultural Biotechnology and Intellectual Property: Seeds of Change* (2007) 97.

¹⁶ Opened for signature 30 October 1947, 55 UNTS 187 (entered into force 1 January 1948) ('*GATT 1947*').

¹⁷ See below Part VIII.

¹⁸ *Indonesia — Certain Measures Affecting the Automobile Industry*, WTO Doc WT/DS54/R, WT/DS55/R, WT/DS59/R, WT/DS64/R (2 July 1998) (Report of the Panel) ('*Indonesia — Autos*'); *Indonesia — Autos*, WTO Doc WT/DS54/R/Corr.1, WT/DS55/R/Corr.1, WT/DS59/R/Corr.1, WT/DS64/R/Corr.1 (2 July 1998) (Corrigendum); *Indonesia — Autos*, WTO Doc WT/DS54/R/Corr.2, WT/DS55/R/Corr.2, WT/DS59/R/Corr.2, WT/DS64/R/Corr.2 (9 July 1998) (Corrigendum); *Indonesia — Autos*, WTO Doc WT/DS54/R/Corr.3, WT/DS55/R/Corr.3, WT/DS59/R/Corr.3, WT/DS64/R/Corr.3 (6 October 1998) (Corrigendum); *Indonesia — Autos*, WTO Doc WT/DS54/R/Corr.4, WT/DS55/R/Corr.4, WT/DS59/R/Corr.4, WT/DS64/R/Corr.4 (27 October 1998) (Corrigendum).

¹⁹ A contemporary shorthand for interests supposed to be in binary tension with the producer interests of intellectual property right holders.

right such as test data protection²⁰ and performers' rights;²¹ it argued for public interest exceptions in the elaboration of international copyright norms to address new broadcasting technologies;²² and it recently sought to reconcile competing producer and consumer interests by limiting the right of copyright holders to prevent legitimate parallel imports,²³ a position generally opposed by intellectual property rights holders and key trading partners. Reflecting this midway perspective, Australia's early position in *TRIPS* negotiations stressed a negotiating objective of 'adequate' standards, suggesting that the Negotiating Group 'was not necessarily looking for the highest possible standards or the broadest scope of protection'.²⁴

For Australia, as for many other countries, intellectual property policymaking is a complex game of determining nominally objective domestic interests, reviewing domestically favourable policy options to further those interests, and considering the international environment — trading and political relationships as well as legal obligations — which sets legal, political and pragmatic bounds to domestic choices. The cost of concessions made to purchase trade access in other sectors (traditionally agriculture) is measured by the degree to which preferred domestic policy options on intellectual property matters are precluded by the legal constraints negotiated under the *TRIPS Agreement*. Like most countries, Australia did not enter the *TRIPS* negotiations having objectively concluded that its economic wellbeing objectively required at least a 20 year patent term and a three step test to govern patent exceptions;²⁵ compulsory licensing of patents was

²⁰ See Organisation for Economic Co-operation and Development ('OECD'), Environment Directorate, Chemicals Group and Management Committee, *OECD Series on Pesticides, No 6 — OECD Governments' Approaches to the Protection of Proprietary Rights and Confidential Business Information in Pesticide Registration*, OECD Doc ENV/MC/CHEM(98)20 (1998) 27–8. Australia originally abstained from the Council of the OECD, *Recommendation of the Council concerning the Protection of Proprietary Rights to Data Submitted in Notifications of New Chemicals*, OECD Doc C(83)96/Final (26 July 1983).

²¹ At the 1961 Rome Conference, the Australian delegation indicated that 'for geographical reasons the problem of protection for performers ... was probably less urgent in Australia than elsewhere': International Labour Organization, UN Educational, Scientific and Cultural Organization and United International Bureaux for the Protection of Intellectual Property ('BIRPI'), *Record of the Diplomatic Conference on the International Protection of Performers, Producers of Phonograms and Broadcasting Organizations (10–26 October 1961)*, UNESCO Doc CUA.65/D.32/A (1968) 73. See also the review in Antony Taubman, 'Nobility of Interpretation: Equity, Retrospectivity, and Collectivity in Implementing New Norms for Performers' Rights' (2004–05) 12 *Journal of Intellectual Property Law* 351.

²² See discussion of the 1928 Rome Conference below Part VI.

²³ See, eg, *Copyright Amendment Act (No 2) 1998* (Cth); *Copyright Amendment (Parallel Importation) Act 2003* (Cth).

²⁴ Negotiating Group on Trade-Related Aspects of Intellectual Property Rights, including Trade in Counterfeit Goods, *Meeting of Negotiating Group of 12–14 July 1989*, WTO Doc MTN.GNG/NG11/14 (12 September 1989) [6] (Note by the Secretariat):

Introducing his country's proposal (NG11/W/35), the representative of Australia said that the paper was intended to address the key issue of what standards and principles concerning the availability, scope and use of intellectual property rights were appropriate to avoid inadequate or excessive protection of intellectual property in trade. Noting the use of the word 'adequate' in paragraph 4(b) of the April [Trade Negotiations Committee] decision, he said that this suggested to his authorities that the Group was not necessarily looking for the highest possible standards or the broadest scope of protection.

²⁵ *TRIPS Agreement*, above n 2, art 30.

effectively dormant and not a priority need for legislative review or for the tighter procedural safeguards of *TRIPS Agreement* art 31.²⁶ But the actual effects — the legal scope and economic cost of such constraints on domestic policy choices — may only be felt or measurable well after the deal has been closed. Even then, their full effect will only be determined by the constantly evolving international legal and political environment, including pragmatic risk assessment of the likely outcome of any dispute settlement action that may be precipitated by borderline policy choices.

Equally, an initial calculation of interests may overlook possible benefits from accepting certain obligations and renouncing independently preferable domestic policy choices: broader, systemic benefits may include gains in administrative efficiency within the intellectual property system — few nation states are sufficiently resourced to manage in autarchic isolation the administrative challenge of managing efficient and accurate examination and registration of intellectual property titles and the increase in trade and investment flows that convergence in legal standards may promote — as a trade-off against the loss of theoretically optimal autarchic regulation.

To take a conservative view of its legal character, the *TRIPS Agreement* is strictly a legal regime between discrete sovereign states, not a political grouping or an economic union. It regulates mutual expectations regarding protection of intellectual property in national jurisdictions, and within the WTO dispute settlement regime provides a framework for determining compliance with those expectations and containing reactions to disappointed expectations. Its ultimate effect on domestic policymakers and legislators should, objectively, be defined by a pragmatic assessment of the likely impact of findings of noncompliance, including the political fallout from being found noncompliant and the cost of the coercive ‘sanctions’ that popular commentary attributes to the WTO as its distinguishing characteristic, contrasting it for instance with the congeries of treaties administered by the WIPO. Objectively then, given the emphasis on the coercive nature of the WTO regime, it is such pragmatic factors that should finally determine actual constraints on domestic policy choices, not more abstract appeals to conformity as an end in itself.

But the full impact of the *TRIPS Agreement* can be at once overstated and poorly understood, leading at times to overcorrection and excessive deference to the *TRIPS Agreement* by domestic policymakers. Radical jurisprudential uncertainty still clouds assessment of the legal effect of many of its provisions, some twelve years after they entered into force for countries like Australia. On many crucial borderline issues, it may only be at the point of dispute settlement that the true nature of the constraints and options for policymakers is clarified. For instance, Australia exercised third party rights in two of the disputes considered in this commentary because their outcomes could have upset carefully crafted domestic policy balances and led to radical changes in the assumed balance between intellectual property producers and users. *Canada — Pharmaceutical Patents* effectively set terms for generic competition in the

²⁶ The most recent reported judicial decision directly on point appears to be *Fastening Supplies Pty Ltd v Olin Mathieson Chemical Co* (1969) 119 CLR 572, in which the court dismissed a petition for a compulsory licence. See also *Wissen Pty Ltd v Kenneth Mervyn Lown* (1987) 9 IPR 124.

pharmaceutical sector on a contested point and *US — Section 110(5) Copyright Act* clarified the scope of allowable exceptions to copyright, defining the relationship between small businesses and the music industry. Examining actual experience with dispute settlement is therefore crucial in sustaining policy choice and assessing the economic impact of the incorporation of the *TRIPS Agreement* within international trade law.

III REVISITING THE *TRIPS AGREEMENT* AS A LEGAL REGIME

Formally, the *TRIPS Agreement* (being an agreement covered by the *Understanding on Rules and Procedures Governing the Settlement of Disputes*)²⁷ should essentially function to prevent²⁸ or settle²⁹ bilateral disputes in a more objective, less divisive³⁰ and (reasonably) predictable³¹ multilateral³² framework. Further, it should set a fair ceiling to legitimate retaliation,³³ in contrast to the Hobbesian (or at least more anarchic) state of affairs that applied prior to the incorporation of multilateral standards on intellectual property within the trade law framework. Ideally, the *TRIPS Agreement* should objectify trade disputes over intellectual property related commercial interests, contain the escalation of disputes and limit their linkage with unrelated trade interests.

Conventional analyses of the *TRIPS Agreement* as a multilateral regime emphasise trade sanctions — the ‘teeth’ of the *TRIPS Agreement* compared with its multilateral forebears — and the heavy compliance costs for developing countries.³⁴ Compliance with the *TRIPS Agreement*, and willingness to bear the burden of compliance, are assumed to be motivated by the risk of ‘sanctions’, rather than acceptance of the inherent legitimacy of the agreed standards. Some suggest that the *TRIPS Agreement* has lost its binding force as a contract between trading partners because ‘consideration’ in terms of the payoff in other sectors (agriculture and textiles) has not been delivered, or because it was negotiated

²⁷ *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995), annex 2 (*Understanding on Rules and Procedures Governing the Settlement of Disputes*) 1869 UNTS 401 (*Dispute Settlement Understanding*).

²⁸ *TRIPS Agreement*, above n 2, art 63.

²⁹ *Ibid* art 64.

³⁰ ‘It is understood that requests for conciliation and the use of the dispute settlement procedures should not be intended or considered as contentious acts’: *Dispute Settlement Understanding*, above n 27, art 10.

³¹ The dispute settlement system of the WTO is a central element in providing security and predictability to the multilateral trading system: *ibid* art 3(2).

³² *Ibid* art 23 is entitled ‘Strengthening of the Multilateral System’ and provides:

When Members seek the redress of a violation of obligations or other nullification or impairment of benefits under the covered agreements or an impediment to the attainment of any objective of the covered agreements, they shall have recourse to, and abide by, the rules and procedures of this Understanding.

³³ *Ibid* art 22(4).

³⁴ See, eg, Jerome H Reichman, ‘The TRIPS Agreement Comes of Age: Conflict or Cooperation with the Developing Countries?’ (2000) 32 *Case Western Reserve Journal of International Law* 441; Robert M Sherwood, ‘The TRIPS Agreement: Benefits and Costs for Developing Countries’ (2000) 19 *International Journal of Technology Management* 57; Carlos M Correa, *Trade Related Aspects of Intellectual Property Rights: A Commentary on the TRIPS Agreement* (2007).

under the duress of threatened unilateral sanctions.³⁵ This political background may suggest that choices actually to comply with the *TRIPS Agreement* — that its real influence on state behaviour — would be determined by an objective risk assessment as to the likelihood of a successful dispute or, to take a harder-nosed approach, the likelihood of a dispute in which the ultimate assessed compensation or withdrawal of concessions was costlier than compliance; in other words, compliance is not an end in itself. Many countries have sustained *TRIPS*-inconsistent laws for years without any legal repercussions, and in more prominent instances findings of *TRIPS* inconsistency may be unresolved for many years after formal determinations.³⁶ The WTO dispute settlement system has formally permitted limited noncompliance with the *TRIPS Agreement* as a legitimate means of pursuing trade interests in other fields, such as agriculture³⁷ and gaming services.³⁸ This observation goes to underlying questions about the nature of the *TRIPS* regime as a contract between states: does it require ‘specific performance’ — substantive compliance with agreed obligations — or does it simply provide a mechanism to yield reasonable compensation in the event of noncompliance — remedies for disappointed expectations of trading partners? Or, realistically, is it simply a means of organising and bounding the wrangling over trade-related intellectual property interests that inevitably arises between modern economies?

The *TRIPS Agreement* requires judicial authorities under domestic law to have the capacity to issue injunctions against infringing parties³⁹ and apply punitive remedies to deter future infringement.⁴⁰ By contrast, in international law, the Dispute Settlement Body (‘DSB’) cannot enjoin WTO members to cease noncompliant behaviour and cannot impose punitive sanctions or deterrent penalties. If found not to comply, a member has a ‘reasonable period of time’⁴¹ to implement a recommendation that it bring its laws into compliance; failure to remedy noncompliance then brings the risk of compensation or withdrawal of

³⁵ See, eg, Donald Harris, ‘Trips and Treaties of Adhesion Part II: Back to the Past or a Small Step Forward?’ (2007) *Michigan State Law Review* 185; Michael P Ryan, *Knowledge Diplomacy: Global Competition and the Politics of Intellectual Property* (1998); Susan K Sell, *Power and Ideas: North-South Politics of Intellectual Property and Antitrust* (1998); Peter Drahos and John Braithwaite, *Information Feudalism: Who Owns the Knowledge Economy?* (2002).

³⁶ See, eg, *US — Section 110(5) Copyright Act*, WTO Doc WT/DS160/24/Add.39 (4 March 2008) (Status Report by the US), which reports that ‘[t]he US Administration is working closely with the current US Congress and will continue to confer with the European Communities in order to reach a mutually satisfactory resolution of this matter’.

³⁷ *European Communities — Regime for the Importation, Sale and Distribution of Bananas — Recourse to Arbitration by the European Communities under Article 22.6 of the DSU*, WTO Doc WT/DS27/ARB/ECU (24 March 2000) (Decision by the Arbitrators); *United States — Subsidies on Upland Cotton — Recourse to Article 7.9 of the SCM Agreement and Article 22.2 of the DSU by Brazil*, WTO Doc WT/DS267/26 (7 October 2005) (Communication from Brazil).

³⁸ *United States — Measures Affecting the Cross-Border Supply of Gambling and Betting Services — Recourse by Antigua and Barbuda to Article 22.2 of the DSU*, WTO Doc WT/DS285/22 (22 June 2007) (Communication from Antigua and Barbuda).

³⁹ *TRIPS Agreement*, above n 2, art 44(1).

⁴⁰ *Ibid* art 46.

⁴¹ *Dispute Settlement Understanding*, above n 27, art 21(3).

concessions only up to a level equivalent to the damage caused by the noncompliant measure, and not a deterrent or punitive level of damages.⁴²

So what pathway should a member take when confronting a difficult, borderline policy choice that may skirt on *TRIPS* compliance in an area of unsettled jurisprudence? It might legislate according to how it best interprets its interests, scrupulously formulate sound policy reasons for taking its choice (and avoiding discriminatory treatment or special pleading), and then offer the classic riposte of ‘so sue me’ to its trading partners. It would then have its day in ‘court’⁴³ if that bluff (or that legitimate defence) is called. Even if it lost the case, it would have clearer guidance on how to resolve a domestic policy dilemma and reasonable time to make the necessary revisions. The guidance provided by the dispute settlement Panel would indeed be likely to reduce the risk of overcorrection and excessive restraint in domestic policymaking, in contrast to prudential choices made in the face of radical jurisprudential uncertainty. So if compliance with the *TRIPS Agreement* were rooted in fear of sanctions, not from commitment to comply as a true legal obligation and acceptance of the inherent legitimacy of the obligations, this would suggest that a calculation as to the likelihood and impact of ‘sanctions’ would be the principal factor setting the bounds of state behaviour, and that a naïve reading of treaty obligations would be less influential.

Most substantive *TRIPS* obligations regarding copyright, for instance, arise from its direct application of the *Berne Convention*. The *Berne Convention* itself had separate binding legal effect for most WTO members prior to the entry into force of the *TRIPS Agreement*, yet the *Berne Convention* was apparently one of the ‘toothless’ international treaties from which the *TRIPS Agreement* was intended to mark a departure. But where are the ‘teeth’ of the *TRIPS Agreement*, and how is their imprint registered in practice? The United States was found formally not to comply with copyright obligations under the *TRIPS Agreement*,⁴⁴ however the noncompliant measure remains in place some eight years after the original finding.⁴⁵ Ongoing efforts have been aimed not at legal compliance with the *TRIPS Agreement* as an end in itself, but ‘to reach a mutually satisfactory resolution of this matter’.⁴⁶ Is compliance with the *TRIPS Agreement*, then, actually a matter of resolving disputes to mutual — bilateral — satisfaction? In analysing the basis of the 1994 *General Agreement on Tariffs and Trade*⁴⁷

⁴² Ibid art 22.

⁴³ Or before the WTO dispute settlement mechanism.

⁴⁴ *US — Section 110(5) Copyright Act*, WTO Doc WT/DS160/R (15 June 2000) (Report of the Panel). There was no appeal to the Appellate Body.

⁴⁵ See, eg, *US — Section 110(5) Copyright Act*, WTO Doc WT/DS160/24/Add.39 (4 March 2008) (Status Report by the US).

⁴⁶ *US — Section 110(5) Copyright Act*, WTO Doc WT/DS160/24/Add.8 (8 July 2005) (Status Report by the US). The *Dispute Settlement Understanding* provides that the ‘aim of the dispute settlement mechanism is to secure a positive solution to a dispute’: above n 27, art 3(7), which ‘shall be consistent with [covered] agreements and shall not nullify or impair benefits accruing to any Member under those agreements, nor impede the attainment of any objective of those agreements’: art 3(5).

⁴⁷ *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995), annex 1A (*General Agreement on Tariffs and Trade*) 1867 UNTS 190 (*GATT 1994*).

regime, and arguing for 'justified disobedience' of unilateral breaches of *GATT 1994*, Hudec argued that

it is not the legal bond per se that holds GATT law together. It is, rather, the convergence between what GATT law does and what governments need. The viability of the GATT legal system ultimately rests on maintaining that convergence.⁴⁸

Other members have dealt with the *TRIPS Agreement* along these essentially pragmatic lines, at least on some sensitive issues. Domestic policy choices are guided by a practical risk assessment of *TRIPS* implications, not a precautionary approach that would avoid even the outside possibility of a *TRIPS* challenge through the overcorrection of formalistic and reactive compliance. *TRIPS* 'compliance' and formal settlement of *TRIPS* disputes then shade off into the general management of bilateral trading relations (at least on sensitive intellectual property related issues) rather than functioning as a stand alone, discrete regime compelling compliance as an end in itself.

Yet the *TRIPS Agreement* is rarely analysed in this pragmatic manner. This means that its actual operation and its effective influence diverge greatly: there is a black letter law of the *TRIPS Agreement*, and a more restrictive (and often more influential) oral jurisprudence. The *TRIPS Agreement* is seen to play roles as diverse as serving as a benchmark for a level of intellectual property protection needed to attract foreign investors; as offering detailed policy guidance to domestic regulators (or more brusquely laying down the law to those regulators who stray too far into areas of forbidden flexibility); and as acting as a ghostwriter for national legislatures ('implementing *TRIPS*' came close to defining the sum and substance of the workload of a generation of intellectual property legislators in many countries and its opposing bookend, 'implementing *TRIPS* flexibilities' may ironically come to define an intellectual property reform agenda in reaction to that process). Many officials in developing countries were relieved to find, come January 2000 (the deadline for developing country compliance with most substantive provisions), that there were no automatic 'sanctions', nor even any formal determinations of noncompliance, apart from the 'rite of passage' through the *TRIPS Agreement* art 63 transparency process. Compliance with the *TRIPS* regime was not, after all, on the model of parking tickets issued routinely in response to each formal breach. In practice, compliance was more to do with establishing a formal and objective framework for organising trade relations on intellectual property matters between states.⁴⁹

Political economic analysis of the *TRIPS Agreement* concentrates on how the dynamics of the Uruguay Round's single package of negotiations had the effect of imposing upon developing countries a set of developed country policy choices on how to manage the knowledge economy when developing countries would mostly choose fundamentally different pathways for intellectual property policymaking and norm-setting in the absence of the deal making of the Uruguay

⁴⁸ Robert E Hudec, *Essays on the Nature of International Trade Law* (1999) 174. Hudec chaired the Panel in *Canada — Pharmaceutical Patents*.

⁴⁹ As well as separate customs territories, distinct WTO membership being open to such entities (unlike the UN): the distinct recognition of such territories as Hong Kong, Macau and Chinese Taipei (Taiwan) being another 'trade related' aspect of the *TRIPS* regime.

Round and the economic and political coercion that lay behind it.⁵⁰ Objectively, comparing the laws that legislators had drafted relatively freely⁵¹ prior to their incurring *TRIPS* obligations, most developing countries had considerably more work to do than almost any developed country to bring their laws into line with the *TRIPS Agreement*. So the *TRIPS Agreement* became for many critics of conventional intellectual property law and policy a symbol or metonym for a wider range of developments, notably the privatisation of knowledge resources on a neo-liberal Western model — the ‘second enclosure movement’.⁵² Yet the assertion that legislation is ‘*TRIPS* compliant’ also served as a metonym — a brand, even — of a country’s willingness and capacity to provide a regulatory regime that is receptive to the trade interests that defined ‘new economy’ or innovation-based models of growth and prosperity.

IV THE *TRIPS AGREEMENT* AS A COVERED AGREEMENT

The genesis of the *TRIPS Agreement* as a multilateral framework for settling intellectual property related disputes in a trade law context lay in three related concerns: the lack of objectivity as to the substantive intellectual property standards that should define trading partners’ legitimate expectations of one another’s domestic settings and regulatory performance; the lack of neutral means of determining compliance with those standards when bilateral disputes arose; and the lack of proportionate, measured responses to claims of noncompliance. But *TRIPS* negotiators were more successful in setting substantive standards than determining how to resolve bilateral intellectual property disputes. The *TRIPS Agreement* contains extensive substantive requirements for the definition, administration and enforcement of intellectual property rights under domestic law, but barely considers how to settle bilateral disputes about intellectual property. Negotiating proposals to create a distinct mechanism properly tailored for intellectual property disputes failed: the *TRIPS Agreement* is just another covered trade agreement under the *Dispute Settlement Understanding*. This inclusion of the *TRIPS Agreement* in the trade dispute mainstream created legal uncertainty in itself. The normative logic of the *TRIPS Agreement* is the inverse of a ‘mainstream’ trade agreement — *GATT 1994* sets a ceiling to regulatory intervention; the *TRIPS Agreement* sets a floor or regulatory

⁵⁰ See above n 35.

⁵¹ For many countries, the pre-*TRIPS* era did not represent an Arcadian time of untrammelled policy flexibility and a sunny era of autarchic, independent, welfare maximising intellectual property policymaking and administration. Very significant legislative changes had been introduced in a number of developing countries prior to their incurring *TRIPS* obligations, as a result of direct bilateral pressure and the threat of trade sanctions unmediated by a multilateral dispute settlement process. See generally Thomas Bayard and Kimberly Elliott, *Reciprocity and Retaliation in US Trade Policy* (1994); Jagdish Bhagwati, *Free Trade Today* (2002); Jagdish Bhagwati and Hugh Patrick, *Aggressive Unilateralism: America’s 301 Trade Policy and the World Trading System* (1990). In addition, many developing countries had voluntarily adopted reasonably high levels of intellectual property protection broadly consistent with general *TRIPS* standards without coercion. Debate about the policy impact of the *TRIPS Agreement* focuses on certain critical policy areas (notably, patent protection for pharmaceutical products) rather than the broad sweep of pre-existing laws.

⁵² James Boyle, ‘The Second Enclosure Movement and the Construction of the Public Domain’ (2003) 66 *Law and Contemporary Problems* 33, 66; Peter Yu, ‘Intellectual Property at a Crossroads: The Use of the Past in Intellectual Property Jurisprudence’ (2004) 38 *Loyola of Los Angeles Law Review* 1.

minimum. But *GATT 1994* and *TRIPS* dispute settlement share the same cause of action: settlement of disputes under the *TRIPS Agreement* is defined by 'the provisions of Articles XXII and XXIII of *GATT 1994* as elaborated and applied by the [*Dispute Settlement Understanding*]'.⁵³ The *TRIPS Agreement* gives no guidance on the crucial consideration for a pragmatist government: how to assess the extent of nullification and impairment of benefits (and how to define the nature of those benefits), since this would determine the level of any ultimate 'sanction', if any, for noncompliance.

The radical uncertainty over the essential nature of *TRIPS* dispute settlement is epitomised by the continuing failure to agree on non-violation causes of action under the *TRIPS Agreement*. Absent from earlier drafts, the moratorium on non-violation disputes⁵⁴ was itself a negotiating trade-off, rather than a matter of consensual construction of the central cause of action for disputes. Article 64(2) of the *TRIPS Agreement* was added late to the negotiating text to purchase limitations on the grounds for compulsory licensing of patents for semiconductor technology,⁵⁵ reflecting a very narrow band of producer interests. The initial five year period reserved for considering the scope and methodology of such disputes after the *TRIPS Agreement* entered into force⁵⁶ has since more than doubled, leaving this question open longer than the duration of the Uruguay Round itself; yet it seems no closer to a substantive resolution. This debate reveals basic divergences as to the nature of the *TRIPS Agreement* as a regime: is it a market access agreement?⁵⁷ More generally, what is a 'benefit accruing' under the *TRIPS Agreement* that a complainant could claim had been nullified or impaired?⁵⁸ The politicised negotiating environment in which this issue is considered may mask the objectively unsettled status of the deeper questions of what the nature of a non-violation dispute would be under the *TRIPS Agreement*⁵⁹ and how it would be conducted.⁶⁰ The Appellate Body was quick to rein in the scope of *TRIPS* dispute settlement under the *TRIPS Agreement*, rejecting a Panel's attempt to apply the *GATT 1994* notion of legitimate expectations to confidence in the enforceability of patent rights⁶¹ as too broad an invocation of *GATT 1994* dispute settlement jurisprudence and describing the question of non-violation nullification and impairment under the *TRIPS Agreement* as an unresolved policy issue.⁶² On the other hand, another early case already showed in practice how the supposed boundaries between *GATT 1994*

⁵³ *TRIPS Agreement*, above n 2, art 64(1).

⁵⁴ *Ibid* art 64(2).

⁵⁵ 'US Accepts Disputes Moratorium to Protect Chips in TRIPS Deal', *Inside US Trade* (Washington DC, US, 16 December 1993) 45.

⁵⁶ *TRIPS Agreement*, above n 2, art 64(3).

⁵⁷ Council for Trade-Related Aspects of Intellectual Property Rights ('*TRIPS Council*'), *Non-Violation and Situation Complaints*, WTO Doc IP/C/W/349/Rev.1 (24 November 2004) (Summary Note by the Secretariat Revision).

⁵⁸ *GATT 1994*, above n 47, art XXIII:1: the basis of the cause of action under *TRIPS* dispute settlement.

⁵⁹ The 'scope' referred to in *TRIPS Agreement*, above n 2, art 64(3).

⁶⁰ The 'modalities' referred to in *ibid*.

⁶¹ *India — Patent Protection for Pharmaceutical and Agricultural Chemical Products*, WTO Doc WT/DS50/R (5 September 1997) (Report of the Panel) ('*India — Patents (US)*').

⁶² *India — Patents (US)*, WTO Doc WT/DS50/AB/R, AB-1997-5 (19 December 1997) (Report of the Appellate Body).

law on trade in goods and intellectual property law were difficult to sustain in relation to claims of protectionism and discrimination against foreign traders, from the pragmatic perspective of the underlying trade interests of states.⁶³

While the *TRIPS Agreement* had unprecedented reach as a trade law instrument setting standards for domestic regulation, it did not codify these standards in detail, so they remain controversial issues in bilateral trade relations. The early political life of the *TRIPS Agreement* saw considerable concern that dispute settlement might supplant negotiations on substantive policy matters — that the Panels' findings on unsettled policy questions would override national sovereignty and collective policymaking to impose outcomes on regulatory issues — with disproportionate impact on developing countries. The pattern of early disputes on the *TRIPS Agreement* seemed to confirm this: this concern drew Australia to enter two key disputes as a third party, because the essential policy settings of the very intellectual property system were at stake.⁶⁴ But more recently, the concern has been the exact opposite: that the multilateral dispute settlement mechanism is not used fully or effectively enough to defend policy choices and, instead, bilateral concessions are made or outcomes determined on key policy issues in the course of bilateral negotiations. These are questions which would have been better settled within the agreed multilateral framework. This leaves a paradox: dispute settlement must not pre-empt negotiated outcomes, but negotiated outcomes supplant equitable dispute settlement. The contradiction is resolved by acknowledging the need for, and collective benefit from, a multilateral system of dispute settlement and mediation of intellectual property related economic interests and expectations of trade benefits linked to intellectual property. The *TRIPS Agreement* is a purportedly objective framework for the multilateral settlement of bilateral disputes; it is not a model law, nor a template for policymakers, and leaves fundamental questions to be settled at the domestic level. This realisation — the conception that the *TRIPS Agreement* defines 'policy space' and can defend it against bilateral trade and political pressure — has only recently come into focus, but it is integral to the normative logic and negotiating history of the *TRIPS Agreement*. Similarly, *GATT 1947* did not mandate 'free trade' but set the agreed bounds for government intervention in trading relations. The misleading early emphasis on mechanical, formal compliance with the *TRIPS Agreement* was a consequence of the manner in which 'TRIPS implementation' triggered major legislative changes among developing countries — the *TRIPS Agreement* was reduced to a 'to do' list for the national legislature.

The 'policy space' defined and defended by the *TRIPS Agreement* is a legal construct, and needs to be understood and implemented as such. It follows that, at least in principle, the domestic policymaker and legislator seeking to advance social and economic welfare through intellectual property policy choices would be better served by the availability of an articulated, systematic *TRIPS* jurisprudence than by the more fitful process of de facto reactive legislation shaped by bilateral negotiations and structured by deal making — either trade-offs between competing domestic interests, or trade-offs struck as deals in

⁶³ *Indonesia — Autos*, WTO Doc WT/DS54/R, WT/DS55/R, WT/DS59/R, WT/DS64/R (2 July 1998) (Report of the Panel).

⁶⁴ See below Parts VI and VII.

international trade relations. Such a jurisprudence would positively guide domestic policy processes and would clarify the bounds within which domestic outcomes could safely be expected to be immune from successful challenge by trading partners; it would, in turn, lend political validation to policy choices.

This systemic interest — the preservation of ‘policy space’ — is a reinstatement of the domestic policymaker as the principal player in determining key policy settings and is the antithesis of legislation through reactive and literal compliance with treaty obligations. It is an artefact of the logic of the underlying trade-off that led to the incorporation of intellectual property standards within the multilateral trade law system — an acceptance that bilateral intellectual property disputes, until then essentially resolved through bilateral bargaining in an anarchic international legal space, should be decided with reference to objective international standards. As the initial phase of ‘TRIPS implementation’ concludes, dominated as it was by a strong emphasis on extensive legislative processes, the true nature of the *TRIPS Agreement* should come into focus — ‘TRIPS implementation’ should cease to be a label for the reactive passing of *TRIPS* compliant domestic intellectual property legislation,⁶⁵ and should be seen more as the use of the *TRIPS Agreement* as a mature instrument for objectively settling bilateral disputes — sustaining sufficient ‘policy space’ to accommodate domestic needs, ensuring legitimate market access on fair terms for intellectual property related trade, and mediation. Australia’s experience with the WTO dispute settlement mechanism concerning the *TRIPS Agreement* illustrates this realist approach, both in the disputes in which Australia was engaged and in the many bilateral differences that did not reach the WTO.⁶⁶

But can one speak meaningfully of a systematic, express jurisprudence of the *TRIPS Agreement* as a desirable policy tool (or call for it to be more fully grasped by policymakers, or lament its absence, or seek deliberately to construct it) when the findings of the Panels and the Appellate Body are not binding precedent, when the bulk of *TRIPS* provisions are unlikely ever to be litigated and when few interpretative issues have today been settled in any form? Even a fully developed *TRIPS* jurisprudence would need to be defined just as much by its silences, its areas of permissiveness, as by the minimum standards it sets. In spite of its apparent rigour and its unprecedented reach into the domestic policy realm, the *TRIPS Agreement* is silent (or at least gnostic) on basic questions at the heart of intellectual property policy. Yet many of these questions lie at the heart of national assessments of economic interests and the advocacy of sectoral industry interests. This observation may seem obtuse in the light of the widespread political concern and the extensive academic, polemical and advocacy literature about the constraints that the *TRIPS Agreement* laid on public

⁶⁵ Domestic industry policymakers do not speak of ‘GATT implementation’ and services regulators working under the *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995), annex 1B (*General Agreements on Trade in Services*) 1869 UNTS 183 (‘GATS’) do not define their task as ‘GATS implementation’, any more than policymakers and legislators working to achieve economic and policy goals through the development and reform of intellectual property laws need to consider their task as ‘TRIPS implementation’.

⁶⁶ As recorded, for instance, in the succession of Special 301 Reports by the US Trade Representative, reporting adversely on Australia especially throughout the 1990s, none of which gave rise to a *TRIPS* dispute notification.

polycymaking, and its pre-emptive or chilling effect on the choices of policymakers and legislators. Certainly *TRIPS* implementation forced the pace of intellectual property legislation, inverted policy priorities and closed off some policy options for many countries. The debate over the net costs and benefits of this forced development will probably never reach a definitive conclusion — not least because the point has more clearly emerged that there are more direct costs and burdens arising from uncertainty over the legal boundaries set by the *TRIPS Agreement* and from uncertainty over its role in mediating intellectual property aspects of bilateral trade relations as bilateralism and regionalism grow as an alternative to the multilateral system that the *TRIPS Agreement* epitomises. Political concern and legal debate over the nature of the broad parameters set by the *TRIPS Agreement* also obscured the more immediate and practical question of how positively to determine optimal policy settings within the latitude allowed by those parameters: how best positively to use flexibilities within the defined policy space, once its bounds had been more clearly set. In principle, at least, the freedom to take these choices should be sustained by an expectation under the *Dispute Settlement Understanding* of a safe harbour from ‘legal harassment’.⁶⁷

Even though, objectively, the major burden of legislative change fell on developing countries, they have been less the focus of formal dispute settlement action. Up until 2005, of the 23 *TRIPS* related disputes initiated since the Agreement came into force, 70 per cent involved complaints against developed economies, and lacked a North–South dimension, concerning points of divergence between developed economies. The most recent *TRIPS* Panel reports, on *EC — Trademarks and Geographical Indications*⁶⁸ (the only new *TRIPS* jurisprudence for nearly four years) concerns a long-standing policy divergence between old and new world perspectives — more bluntly, transatlantic differences — dating back to the 19th century and the early years of the *Paris Convention*.⁶⁹

For Australia, the process of compliance with core *TRIPS* provisions was comparatively straightforward,⁷⁰ a consequence of the fact that the standards that the Agreement set essentially reflected mainstream intellectual property law already in operation in many developed countries (the enforcement provisions particularly reflecting recent developments in common law countries on such

⁶⁷ See, eg, Trade Negotiations Committee, *Indonesia: Statement by H E Mr S B Joedono, Minister of Trade*, WTO Doc MTN.TNC/MIN(94)ST/17 (12 April 1994). See also below Part IX.

⁶⁸ *EC — Trademarks and Geographical Indications*, WTO Doc WT/DS174/R (15 March 2005) (Report of the Panel); *EC — Trademarks and Geographical Indications*, WTO Doc WT/DS290/R (15 March 2005) (Report of the Panel).

⁶⁹ For example, the *Madrid Agreement for the Repression of the False or Deceptive Indications of Source on Goods*, opened for signature 31 October 1958, 828 UNTS 164 (entered into force 1 June 1963) (*Madrid Agreement*) was initially concluded in 1891 and was concluded as a special agreement under the *Paris Convention*. Reflecting a long standing policy preference for wine-related geographical indications that finds its imprint in the *TRIPS Agreement* art 23(1), it provides for specific safeguards against genericisation of ‘regional appellations concerning the source of products of the vine’: *Madrid Agreement* art 4.

⁷⁰ See Antony Taubman, ‘Appendix: TRIPS Implementation in Australia — A Practical Perspective’ in *An Informal Survey of the Notification and Review of National Intellectual Property Laws under the WTO TRIPS Agreement* (1999).

questions as ex parte measures)⁷¹ at the time the text was drafted in the late 1980s. The conservative character of the substantive content of *TRIPS* standards is rooted in the fact that negotiations commenced over two decades ago and *demandeurs'* interests, expectations and therefore negotiating objectives were largely defined by the laws and practices then existing. Accordingly, although Australia had earlier in the *TRIPS* negotiations called for a more general statement of principles, the final deal on the *TRIPS Agreement* did not require any major domestic policy reversals (with the exception of data exclusivity) that could be compared with the epic legislative programs of some developing countries in its region.

And on some fundamental policy questions, deep areas of flexibility (or at least exploitable uncertainty) were left open by the *TRIPS Agreement*. Thus, it was essentially silent on fundamental issues such as the nature of an invention, the doctrinal basis of copyright,⁷² the nature of distinctiveness that defines a mark as a trademark, and the function of a geographical indication as a means of denoting a product and connoting its properties. Entire areas of intellectual property law were essentially untouched — for example, the law governing the entitlement to apply for and to hold intellectual property,⁷³ and cognate issues such as inventorship and authorship. And in some key areas where negotiators had sought precision, only very general principles could be established — for example, the definition of exceptions and limitations to rights;⁷⁴ the substantive grounds for compulsory licences;⁷⁵ the specific mechanism required to protect test data against unfair commercial use;⁷⁶ the regime of exhaustion of rights and the entitlement of right holders to curb parallel importation;⁷⁷ and the expectation that trade in counterfeit and pirated goods would be eliminated.⁷⁸ Yet these areas remain the most contentious in bilateral trade relations on intellectual property, as the pattern of disputation since the *TRIPS Agreement* confirms. Such trade irritants reflect concrete, substantial economic interests and go to the heart of perceived economic self-interest. Responses can take four courses: grudging inaction; resolution through multilateral or bilateral dispute settlement where possible, seeking interpretation of the agreed standards to address the particular situation in dispute; influencing national choices alternatively through bilateral and regional negotiations (deploying political and economic pressure, offering the enticement of enhanced market access for goods, or both); or renegotiating multilateral standards, in particular in the context of a comprehensive negotiating round. This dynamic political context led to concerns

⁷¹ The requirements for ex parte injunctions and other provisional measures created difficulties for some civil law countries, notably Sweden and Denmark: *Sweden — Measures Affecting the Enforcement of Intellectual Property Rights*, WTO Dispute WT/DS86 (28 May 1997); *Denmark — Measures Affecting the Enforcement of Intellectual Property Rights*, WTO Dispute WT/DS83 (14 May 1997).

⁷² See WIPO, *Guide to the Berne Convention* (1978).

⁷³ Confirmed by the Appellate Body: *United States — Section 211 Omnibus Appropriations Act of 1998*, WTO Doc WT/DS176/AB/R, AB-2001-7 (2 January 2002) [195] (Report of the Appellate Body) ('*US — Section 211 Appropriations Act*').

⁷⁴ *TRIPS Agreement*, above n 2, art 13.

⁷⁵ *Ibid* art 21.

⁷⁶ *Ibid* art 39(3).

⁷⁷ *Ibid* art 6.

⁷⁸ *Ibid* art 69.

that the gaps would be filled de facto, by dispute settlement Panels whose adventurism might take the place of multilateral negotiation and collective legislation.

The relative paucity of *TRIPS* dispute settlement and limited jurisprudence giving express guidance on such key policy issues — and the studied avoidance of policy issues by the Panels⁷⁹ and the Appellate Body⁸⁰ — has perhaps eased concerns that dispute settlement will supplant negotiation. Indeed, surprisingly little jurisprudence has emerged and the resort to the dispute settlement system has not followed the expected pattern.⁸¹ The original concern — that *TRIPS* dispute settlement would supplant negotiation of policy choices — has been turned on its head: it transpires that the greater risk to good public policy is that ad hoc, pragmatic bilateral renegotiation of the terms of trade in knowledge resources may supplant orderly and objective dispute settlement (and the role of the dispute settlement system in defending legitimate policy choices), introducing a greater element of randomness in policy formation, in which deal making and trade-offs supplant the elaboration and codification of principles. The negotiating and political context of the *TRIPS Agreement* exhibits a constant tension between the fixed rule approach of establishing broad principles for domestic regulation of intellectual property, and the managed trade or result oriented approach of pre-empting the application of those principles domestically by ad hoc negotiating outcomes.

In the three decided disputes on the *TRIPS Agreement* discussed in this commentary, Australia was engaged in defending and maintaining its own policy choices. The disputes had fundamental implications for the nature of the *TRIPS Agreement* as a regime and the dispute settlement process as a means of defining

⁷⁹ For instance, the *Canada — Pharmaceutical Patents* Panel elected not to consider whether an entitlement to effective patent term had been established in international law: see below Part VII.

⁸⁰ See, eg, *India — Patents (US)*, WTO Doc WT/DS50/AB/R, AB-1997-5 (19 December 1997) (Report of the Appellate Body). The Appellate Body rejected the importation of concepts relating to non-violation claims.

⁸¹ Australia had, in the 1990s, wrestled with one widely debated question of *TRIPS* interpretation: whether *TRIPS Agreement*, above n 2, art 39(3) requires true data exclusivity or simply safeguards against unauthorised disclosure of test data. One possibility would have been for this question to be resolved through dispute settlement. In *Argentina — Patent Protection for Pharmaceuticals and Test Data Protection for Agricultural Chemicals*, WTO Dispute WT/DS171 (6 May 1999) and *Argentina — Certain Measures on the Protection of Patents and Test Data*, WTO Dispute WT/DS196 (30 May 2000), the matter was raised, but settled by a mutually agreed solution in which the US and Argentina ‘expressed their respective points of view on the provisions of Article 39.3 ... and have agreed that differences in interpretations shall be solved under the [*Dispute Settlement Understanding*] rules’: *Argentina — Patent Protection for Pharmaceuticals and Test Data Protection for Agricultural Chemicals* and *Argentina — Certain Measures on the Protection of Patents and Test Data*, WTO Doc WT/DS171/3, WT/DS196/4, IP/D/18/Add.1, IP/D/22/Add.1 (20 June 2002) [9] (Notification of Mutually Agreed Solution, According to the Conditions Set Forth in the Agreement). They agreed that if the DSB should ‘adopt recommendations and rulings clarifying the content of the rights related to undisclosed test data submitted for marketing approval according to Article 39.3’ and if Argentinean law was inconsistent with art 39(3) as clarified, Argentina would submit legislative amendments as necessary for conformity with the clarified scope of the provision. In practice, this issue has since been addressed by a range of bilateral agreements: at [9]. It is an example of a policy question that may once have been resolved by dispute settlement in the multilateral environment — and on which there was an opportunity for its resolution — but has been decided for a number of countries in the context of bilateral trade negotiations.

legitimate domestic policy space. The following analysis aims to reinforce the policy rationale for an inclusive and equitable *sui generis* jurisprudence of the *TRIPS Agreement*. This would better define the boundary between broad principles that offer a legitimate means of mediating bilateral disputes and a reflex, result-oriented approach that would pre-empt necessary domestic processes; but it would also enable policymakers to traverse that boundary with clarity and confidence, so that *TRIPS* legalism does not impede clear-sighted domestic-oriented policymaking (whether the over-analysis of *TRIPS* interpretative issues is undertaken in defence of intellectual property holders or against their interests).

V RECONCILING POLICY AND PRAGMATISM IN *TRIPS* DISPUTE SETTLEMENT

Australia's experience in dispute settlement applied to the *TRIPS Agreement* provides valuable insights into a cluster of issues raised by the incorporation of a set of minimum domestic standards for mandatory regulatory action into a body of trade law. It also sheds light on the continuing conundrum about the *TRIPS Agreement*: is there an objective rationale for the shotgun wedding that brought intellectual property standards into the realm of trade law? Can a coherent, legitimate rationale be constructed retrospectively? Yet it also highlights that the attempt to draw fundamental policy or legal distinctions between 'market access' questions, and the standards governing intellectual property protection are problematic. This is so, firstly, on practical grounds, since commercial patterns do transgress traditional boundaries between trade in goods and commercial exchanges involving intellectual property (for instance, in buying a CD, am I essentially buying a physical chattel or licensing intellectual property?); and, secondly, on policy and legal grounds, as perverse outcomes are likely to arise from an artificial exclusion from trade disputes of the regulatory framework that determines the intangible value of many traded goods. In an early case, *Indonesia — Autos*,⁸² the National Car Program was challenged on traditional market access grounds alongside claims that it constrained the legitimate exercise of trademark rights.⁸³ Australia's challenge of the *EC — Trademarks and Geographical Indications* regulations raised parallel claims that the same measures were discriminatory against non-European Union products (a claim under *GATT 1994*), and against non-EU nationals (a claim under the *TRIPS Agreement*); the Panel considered at length how a measure nominally directed against foreign products was also de facto discriminatory against foreign nationals.

Australia's experience with dispute settlement under the *TRIPS Agreement* may be set in context by some general observations. *TRIPS* dispute settlement had the effect of embedding intellectual property law and standards into the broader context of trade law and public international law. Rather than imposing intellectual property standards on the trade law paradigm, the ultimate tendency was the exact opposite: international intellectual property standards, such as the *Paris Convention* and the *Berne Convention*, earlier narrowly defined on the

⁸² *Indonesia — Autos*, WTO Doc WT/DS54/R, WT/DS55/R, WT/DS59/R, WT/DS64/R (2 July 1998) (Report of the Panel).

⁸³ That aspect of the claim was dismissed, and Indonesia remains the sole WTO member to have fully defended itself before a Panel against a claim of *TRIPS* noncompliance.

basis of their specific diplomatic history and institutional background (inasmuch as they were authoritatively defined at all), were now falling under the *TRIPS Agreement*, interpreted and applied in a broader, richer jurisprudential context, more amenable to public policy considerations.⁸⁴ Complainants, defendants and third parties alike were drawn to articulating and defending their interests in terms of public policy and the broader international legal framework, a tendency that was reinforced rather than diminished by the ‘textual’ approach to interpretation adopted by the Appellate Body. The Doha *Declaration on TRIPS and Public Health* subsequently affirmed this emerging interpretative practice and jurisprudential context for the *TRIPS Agreement* and for the *Paris Convention* and the *Berne Convention* within the *TRIPS Agreement*.⁸⁵

These disputes shed light on the factors that determine when a member might elect to initiate a dispute and to reserve third party rights. Should resort to the dispute settlement mechanism be policy-driven, reflecting systemic concerns, or is it limited to defence of market access and domestic sectoral interests? Can one draw a sensible and sustainable distinction between these interests? Is dispute settlement a form of trade negotiation by other means? The rationale for intervention in these cases displayed all elements. In each instance, however, the case represented a definitive choice to move away from bilateral deal making, and marked a degree of trust in having policy questions and market access concerns dealt with according to objective principles in place of negotiated outcomes (rule-based intellectual property policymaking rather than ‘managed trade’ policymaking).

In two of the cases, *Canada — Pharmaceutical Patents* and *US — Section 110(5) Copyright Act*, the core issue to be decided was the fundamental balance under intellectual property law — not merely a trade-off in market access negotiations, but a balance that defines the essence of intellectual property policy at the domestic level: the degree to which exclusive rights may be curtailed to further the public interest and to defend legitimate third party interests. *TRIPS* negotiators initially sought to codify these balances through positive lists of permitted exceptions (as in earlier negotiating texts)⁸⁶ but had elected instead to express very general rules, adapting for copyright law in general and for patent law the three-step formula that had originally been developed by *Berne Convention* negotiators solely to govern the exceptions allowable for the reproduction right.⁸⁷ In both cases, Australia had gone through thorough domestic policymaking processes, which were exemplary cases of the kind of balancing of interests intended in art 7 of the *TRIPS Agreement*. Defending domestic policy settings in terms of *TRIPS* compliance therefore entailed considering the very *act* of balancing as a policymaking methodology as well as

⁸⁴ Some argue, of course, that the base needs to be broadened further. See, eg, Laurence Helfer, ‘Human Rights and Intellectual Property: Conflict or Coexistence?’ (2005) 5 *Minnesota Intellectual Property Review* 47.

⁸⁵ *Declaration on the TRIPS Agreement and Public Health*, WTO Doc WT/MIN(01)/DEC/2 (14 November 2001).

⁸⁶ See, eg, Negotiating Group on Trade-Related Aspects of Intellectual Property Rights, including Trade in Counterfeit Goods, *Status of Work in the Negotiating Group*, WTO Doc MTN.GNG/NG11/W/76 (23 July 1990) 18 (Chairman’s Report to the Group of Negotiations of Goods). The paragraph is entitled ‘Exceptions to Rights Conferred’.

⁸⁷ *Berne Convention*, above n 2, art 9(2).

the *outcome* of that policymaking process. Compliance with the *TRIPS Agreement* (as for other WTO agreements) concerns how law is made as well as its content and impact. Australia's approach to setting the balance in its domestic processes was, in effect, a form of treaty interpretation.⁸⁸ This was clarified in the Panels' analysis, which underscored that there was no alternative, more 'international' context in which the balance of the *TRIPS Agreement* is set and implemented, other than the development of domestic laws. Hence, by the same token, assessment of the legitimacy of any balancing of interests is determined with reference to the domestic environment. While engagement with these disputes was triggered by specific trade interests, it was broader systemic interests and public policy interests rooted in domestic regulatory choices that guided Australia's interventions and the calculation of interests that precipitated its engagement in the cases.

Canada — Pharmaceutical Patents and *US — Section 110(5) Copyright Act* concerned specific exceptions to exclusive rights, with limited formal scope, and did not deal with the full range of legitimate exceptions. Even so, these disputes might have been tailor-made to provide guidance on how to strike the balance between protecting exclusive rights and the broader public interest: in a neat symmetry, both cases involved a truly limited exception, which had deeper policy roots and was not directly concerned with the normal commercial exploitation of intellectual property rights; as well as a more expansive and egregious exception, which did eat into a significant portion of what were seen as legitimate forms of exploitation, and had more the character of a political arrangement than a clearly defined public policy principle. In these two cases, Australia found itself arguing for a midway position that reflected its own policy choices. In doing so, it chose to intervene as a third party. This meant that it could not claim compensation and could not appeal Panel findings, but it meant that Australia's law and policy processes were considered by the Panels (including a somewhat eccentric empirical approach that entailed questioning third parties as to their domestic practices).⁸⁹ The effect of the intervention was to seek validation of specific policy-balancing processes in the Australian domestic environment, while ensuring that systemic interests were served through the development of a balanced and coherent interpretation of key principles within the *TRIPS Agreement*.

VI *US — SECTION 110(5) COPYRIGHT ACT: LEGITIMATE INTERESTS AND PUBLIC PERFORMANCE*

US — Section 110(5) Copyright Act concerned the right of public performance of broadcast works. Many commercial enterprises play radio or television broadcasts in a public context, which creates an additional public performance of musical works beyond the scope of the original broadcast. In

⁸⁸ For further discussion of this approach to treaty compliance, see Taubman, 'Nobility of Interpretation', above n 21.

⁸⁹ See *Canada — Pharmaceutical Patents*, WTO Doc WT/DS114/R (17 March 2000) (Report of the Panel), annex 5 (*Questions Posed by the Panel and Replies Received from the Parties and Third Parties on the Practice in Countries other than Canada as Regards Regulatory Review Exceptions and Patent Term Extension or Supplementary Protection Certificate Systems*): Australia felt constrained to point out that 'third parties' laws are not at issue in the present case'.

doing so, they derive commercial benefit from the works. Article 11*bis* of the *Berne Convention* (incorporated by reference into the *TRIPS Agreement*) defines a distinct right corresponding with this additional public use of a copyright work. US copyright law created two exceptions to this right: first, the limited ‘homestyle’ exception; and more recently, a much broader ‘business’ exception. The EU challenged both exceptions, claiming its nationals who were authors of musical works were losing a significant proportion of their legitimate income. The US defended both exceptions, on legal and public policy grounds. The Panel found the broader exception incompatible with *TRIPS Agreement* art 13, but the narrower exception compatible.

For Australia, the copyright dispute engaged specific trade interests and systemic interests. It pointed to its ‘immediate trade interest in ensuring that Australian composers and songwriters can obtain equitable remuneration in relation to the public communication of broadcasts of their musical works in the important US market’⁹⁰ and noted one industry estimate that ‘the potential annual loss from the introduction of s 110(5) of the US *Copyright Act* would exceed AU\$1 million, a sum likely to rise given current market trends’.⁹¹ Australia’s interests in the copyright case were squarely based on the lost revenue of Australian songwriters — a nullification of expected benefits that could be (relatively) precisely measured.⁹² This concrete, quantifiable loss of legitimate international commercial transactions was a practical refutation of the strong continuing scepticism as to whether intellectual property related transactions were ‘real’ trade and consequently whether intellectual property was a legitimate subject for international trade law.

Australia’s systemic interest concerned

the integrity of the rules relating to trade-related [intellectual property rights]: that is, ensuring that *TRIPS* (and, in this case, specifically the *Berne* provisions it incorporates) is interpreted and applied in national law in a manner that ensures that the common standards are fully respected, while maintaining a legitimate scope for public policy exceptions to [intellectual property rights], in a way that preserves the balance of interests enshrined in *TRIPS* and promotes its objectives.⁹³

Australia’s submission stressed the policy context of copyright law:

historically, at a national level, copyright and related rights have been developed, enforced, and subject to limitations and exceptions with the overall goal of serving the broader public interest through the provision of effective and appropriate private rights.⁹⁴

⁹⁰ *US — Section 110(5) Copyright Act*, WTO Doc WT/DS160/R (15 June 2000) (Report of the Panel), attachment 3.1.1 (*Written Submission of Australia*) (1 November 1999) [1.6].

⁹¹ *Ibid.*

⁹² As it was in *US — Section 110(5) Copyright Act*, WTO Doc WT/DS160/ARB25/1 (9 November 2001) (Award of the Arbitrators).

⁹³ *US — Section 110(5) Copyright Act*, WTO Doc WT/DS160/R (15 June 2000) (Report of the Panel), attachment 3.1.1 (*Written Submission of Australia*) (1 November 1999) [1.6].

⁹⁴ *Ibid* [1.1].

It then translated this essentially domestic doctrine into the international arena, noting that the *TRIPS Agreement*

articulates this balance, already present in the established copyright norms of [the *Berne Convention*], sets it explicitly into an international trade context, and obliges WTO Members to observe it in a number of specific contexts in their implementation of intellectual property law. *TRIPS* is founded on the understanding that distortions and impediments to trade, and other forms of detriment to legitimate interests, are the consequence of disturbances to this balance.⁹⁵

It argued that the *TRIPS Agreement* accordingly affirmed

that a 'balance of rights and obligations' is a key objective of the 'protection and enforcement of intellectual property rights' (Article 7), and it provides for exceptions and limitations to be imposed on intellectual property rights, including copyright and related rights (Article 13). Any exceptions to the basic framework established by *TRIPS* should be aimed at sustaining this mutually beneficial balance, and should also be consistent with the specific provisions of *TRIPS* (including those provisions of other instruments incorporated within *TRIPS* by reference).⁹⁶

Australia was able to point to the historic character of this systemic interest. The 1928 Rome Conference defined its 'most important result'⁹⁷ as the recognition of a new right of communication to the public through broadcasting. The General Report of the Conference observed that the new text 'had the characteristic of a compromise between two opposing tendencies': one 'entirely assimilating the broadcasting right into the other exclusive rights of the author', and the other considering the right 'as the subject for intervention by the public authorities to protect the cultural and social interests linked to this new and special form of popular dissemination of intellectual works'.⁹⁸ The report singled out the Australian delegation to the Rome Conference especially as promoting the second tendency and defending public intervention for the protection of these cultural and social interests. Some 70 years later, Australia applied this diplomatic history of the *Berne Convention* in *TRIPS* litigation, observing that the formulation of art 11*bis* of the *Berne Convention* was 'a clear instance of the broader "balance of interests" noted in *TRIPS Agreement* art 7'.⁹⁹ The Report of the Sub-Committee on Broadcasting at Rome had noted that the provision reconciled 'the general public interest of the State with the interests of authors',¹⁰⁰ the public interests under consideration being the potential use of the new medium of broadcasting for the dissemination of cultural works.

⁹⁵ Ibid (citation omitted).

⁹⁶ Ibid [1.2].

⁹⁷ 'Records of the Conference Convened in Rome, May 7 to June 2, 1928', extracted in Sam Ricketson and Jane C Ginsburg, *International Copyright and Neighbouring Rights: The Berne Convention and Beyond* (2006) vol 2, 248.

⁹⁸ BIRPI, *Proceedings of the Conference Convened at Rome* (1929) 210, cited in *US — Section 110(5) Copyright Act*, WTO Doc WT/DS160/R (15 June 2000) (Report of the Panel), attachment 3.1.1 (*Written Submission of Australia*) (1 November 1999) [1.5].

⁹⁹ *US — Section 110(5) Copyright Act*, WTO Doc WT/DS160/R (15 June 2000) (Report of the Panel), attachment 3.1.1 (*Written Submission of Australia*) (1 November 1999) [1.5].

¹⁰⁰ BIRPI, *Proceedings of the Conference Convened at Rome*, above n 98, 184.

Australia's intervention in the case therefore sought to defend the legitimate trade interests of Australian musicians, not by arguing for protection of their copyright in isolation, but by calling for an holistic reading of the text of the *Berne Convention* within the *TRIPS Agreement*, which reinforced an established reconciliation of public interest considerations with legitimate private interests. The present commentary does not, for reasons of space, set out the complex interpretative issues raised. But the essence of the interpretative challenge was to reconcile the precise conditions on the right of communication to the public set out in *Berne Convention* art 11*bis* (and its extensive diplomatic history) with the broader test for allowable exceptions and limitations defined by the so-called three-step test of art 13 of the *TRIPS Agreement* without crudely applying the principle of *lex specialis derogat legi generali*. The Australian submission accordingly proposed an holistic approach, by which the author's residual entitlement to equitable remuneration under *Berne Convention* art 11*bis* would set a precise limit to the exceptions or limitations allowed under art 13 of the *TRIPS Agreement*; in many cases (*de minimis*, public interest or marginally commercial public uses), the level of equitable remuneration would in any case be nil, so that the limitation becomes, in effect, indistinguishable from an outright exception.

This accorded with the practice in Australia, where the relevant collecting society (the Australasian Performing Right Association) had agreed to issue complimentary licences in relation to small businesses. This approach had also been encouraged by the Australian House of Representatives Standing Committee on Legal and Constitutional Matters, which recommended a complimentary licence (in effect, an equitable remuneration set at nil) when (among other conditions) broadcast music was not intended to be heard by customers of the business or by the general public.¹⁰¹ But the Committee found it would be inequitable to create a blanket exemption for businesses that used music 'to attract, entertain and create ambience for customers'.¹⁰² This close link between domestic practice and policymaking and the interpretation of international standards underscores that the setting of equitable remuneration and the striking of equitable balances within the copyright system can only be undertaken at the national level, leaving international standards at an inherently abstract level. A good faith national endeavour to establish an equitable balance (as distinct from simple legislative trade-offs) can and should be drawn on as legitimate acts of treaty interpretation, and weighed accordingly as the scope of treaty provisions.¹⁰³ Scholarly analysis similarly gave support to the view that there was a *de facto* grey area between the extinction of the right altogether and a situation where no licence fee was payable. One leading commentator notes that:

there will be certain kinds of use which do not form part of [an author's] normal mode of exploiting his work — that is, uses for which he would not ordinarily

¹⁰¹ Standing Committee on Legal and Constitutional Matters, House of Representatives, *Don't Stop the Music! A Report of the Inquiry into Copyright, Music and Small Business* (1998) [5.82].

¹⁰² *Ibid* [4.39].

¹⁰³ For further discussion, see Taubman, 'Nobility of Interpretation', above n 21.

expect to receive a fee — even though they fall strictly within the scope of his reproduction rights.¹⁰⁴

Guided by its own domestic experience and the historic guidance of past *Berne Convention* negotiations, Australia accordingly argued that *Berne Convention* art 11bis(2) should be used as a guide to the application of art 13 of the *TRIPS Agreement*, and the two should be interpreted in parallel, not in isolation from one another. *Berne Convention* art 11bis(2) stipulates that ‘conditions’ applying to the public communication of broadcast works ‘shall not 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’.¹⁰⁵ This provision could shed light on how to apply the general *TRIPS Agreement* art 13 concepts of ‘normal exploitation’, ‘unreasonable prejudice’ and ‘legitimate interests’ to this particular right. In particular, it implied that ‘unreasonable prejudice’ would occur if equitable remuneration were denied to a *Berne Convention* art 11bis(1) right holder.¹⁰⁶ When questioned by the Panel on the relationship between the two articles, Australia summarised this approach:

11bis(2) could be viewed as a special application of the broader factors under consideration in the Article 13 test: in effect, the requirement for equitable remuneration (as opposed to unlimited or unconditional exercise of the right) provides a safeguard that limitations on the right are in accordance with the general requirements of Article 13.¹⁰⁷

In adopting an alternative approach, the Panel, in the view of the author, missed an opportunity to advance a cohesive interpretation of the *TRIPS Agreement* and the *Berne Convention*, and thus to promote a broad systemic interest shared by all WTO members in clarifying this complex matter. Instead, it drew a line between the two provisions, essentially dealing with *TRIPS Agreement* art 13 in isolation and as though it only provided for exceptions to rights, and not limitations such as compulsory licences (even though its title and text both refer to limitations, in contrast to analogous articles elsewhere¹⁰⁸ in the *TRIPS Agreement*; and the standard commentary on *Berne Convention* art 9(2), from which it is derived, indicates that compulsory licensing with equitable remuneration is one means of remedying unreasonable prejudice to the right holders).¹⁰⁹ By the Panel’s construction, therefore, the scope of art 11bis(2) and art 13 of the *TRIPS Agreement* may differ, with potentially paradoxical results. Logically, if not co-extensive with *TRIPS Agreement* art 13, art 11bis(2) of the

¹⁰⁴ Sam Ricketson, *The Berne Convention for the Protection of Literary and Artistic Works: 1886–1986* (1987) 483.

¹⁰⁵ It is questionable whether the exclusion of art 6bis of the *Berne Convention* under the *TRIPS Agreement* also precludes the requirement for moral rights in the context of art 11bis: are these ‘rights derived’ from art 6bis of the *Berne Convention*, or a right separately reaffirmed in art 11bis of the *Berne Convention*?

¹⁰⁶ *US — Section 110(5) Copyright Act*, WTO Doc WT/DS160/R (15 June 2000) (Report of the Panel), attachment 3.1.1 (*Written Submission of Australia*) (1 November 1999) [4.8].

¹⁰⁷ *US — Section 110(5) Copyright Act*, WTO Doc WT/DS160/R (15 June 2000) (Report of the Panel), attachment 3.1.3 (*Responses of Australia to Written Questions from the Panel*) (19 November 1999) 232.

¹⁰⁸ See *TRIPS Agreement*, above n 2, art 17 (exceptions), art 24 (exceptions), art 26 (limited exceptions), art 30 (exceptions to rights conferred).

¹⁰⁹ WIPO, *Guide to the Berne Convention* (1978) 56.

Berne Convention would have to be broader or narrower than *TRIPS Agreement* art 13. If broader, art 11*bis*(2) would permit compulsory licensing arrangements that failed the *TRIPS Agreement* art 13 test (for instance, by unreasonably prejudicing the right holder) while still ensuring equitable remuneration. In turn, this would implicitly limit the scope of *TRIPS Agreement* art 13 by suggesting that a limitation that provided equitable remuneration under compulsory licensing would be impermissible unless it was already explicitly provided for in the *Berne Convention*. If art 11*bis*(2) were narrower than the general *TRIPS Agreement* art 13 provision, it would mean that a compulsory licence scheme could fail the 11*bis*(2) test but still pass the *TRIPS Agreement* art 13 test. This opens up the incongruous interpretation that, on its face, *TRIPS Agreement* art 13 could otherwise permit remuneration that was not equitable, implying in turn that inequitable remuneration would not unreasonably prejudice the interests of the right holder. Moreover, to establish two parallel tests would create uncertainty and instability in an already overly complex area of international standards. Accordingly, the Panel's approach, while apparently expansive, may unwittingly limit the scope of allowable exceptions or limitations to rights, and may foster uncertainty.

In seeking to promote this systemic consistency and clarity, the Australian submission characterised the interpretative challenge as clarifying the 'specific balance of interests involved in relation to the public performance of broadcast works' as being 'between the right of the author to remuneration,¹¹⁰ and the need for broadcasting media to develop and contribute to social and economic well-being'.¹¹¹ To give the author the right to prohibit the public communication of the broadcast of the work 'would be an unreasonable constraint', and the right holder should not have monopoly bargaining power. This approach was adopted at the Rome Conference, when the Sub-Committee on Broadcasting reported that art 11*bis* was intended 'to bring the author's rights into harmony with the general public interests of the state, the only ones to which specific interests are subordinate',¹¹² while it 'emphatically confirms the author's right'.¹¹³

On this policy basis, the submission called for a deliberately coherent reading of *Berne Convention* art 11*bis*(2) and *TRIPS Agreement* art 13, as this would be consistent with the broader objectives of the *TRIPS Agreement* and would be 'an exemplary application of the "balance" required by Article 7'.¹¹⁴ By this approach, *Berne Convention* art 11*bis*(2) would clarify the considerations that should apply when determining 'unreasonable prejudice' to the legitimate interests of right holders:

¹¹⁰ 'As well as the author's moral rights, if they are not excluded in this context — however, the reference to moral rights in *Berne Convention* art 11*bis* (2) is likely caught by the exclusion of "rights derived" from *Berne Convention* art 6*bis* in *TRIPS Agreement* art 9(1)': *US — Section 110(5) Copyright Act*, WTO Doc WT/DS160/R (15 June 2000) (Report of the Panel), attachment 3.1.1 (*Written Submission of Australia*) (1 November 1999) [4.10], fn 36.

¹¹¹ *Ibid* [4.10] (citation in original).

¹¹² BIRPI, *Proceedings of the Conference Convened at Rome*, above n 98, 183.

¹¹³ *US — Section 110(5) Copyright Act*, WTO Doc WT/DS160/R (15 June 2000) (Report of the Panel), attachment 3.1.1 (*Written Submission of Australia*) (1 November 1999) [4.10]–[4.11].

¹¹⁴ *Ibid* [4.12].

A compulsory licensing system, a denial of monopolistic bargaining power, a *de minimis* or public interest educational exception are all forms of prejudice to legitimate interests that would be reasonable: Berne 11*bis*(2) suggests that denial of the right of *equitable* remuneration and of moral rights would be unreasonable.¹¹⁵

The Panel's approach had the virtue of judicial economy, limiting the scope of interpretation to those provisions that the Panel felt could contribute to the resolution of the dispute before it. Since the Panel apparently did not consider art 11*bis*(2) as permitting complimentary licences or nil remuneration, it presumably could not have elected for a cohesive interpretation if it wished to find the narrower ('homestyle') exception acceptable. Instead, it allowed the homestyle exception under the doctrine of minor reservations, imported from the diplomatic history of the *Berne Convention*. Yet the Australian experience made clear that *de minimis* homestyle exceptions could be construed under *Berne Convention* art 11*bis*(2) as instances when an equitable remuneration would be set at nil. And broader systemic interests were ill-served by Balkanising specific *Berne Convention* provisions and interpreting them in isolation from a broader *TRIPS* jurisprudence that expressed the kind of equitable balancing provided for in arts 13 and 7 of the *TRIPS Agreement*. The Panel unhesitatingly brought the full *Berne Convention acquis* to bear on new *TRIPS* text — in importing a supplementary doctrine that had been recorded with some diffidence in the records of *Berne Convention* negotiations — but arguably did not expose the provisions imported from the *Berne Convention* to the full context of the *TRIPS Agreement* as a legal instrument. The range of interpretative options open to the Panel, more so than the actual choices it made, is evidence of the radical oddness of the *TRIPS Agreement* as a legal text, its curiously unsettled quality and the need to craft a rigorous jurisprudential foundation for the text and its practical interpretation.

Nonetheless, the Panel's findings were consistent with Australian practice and the broad thrust of the Australian approach to the application of the *Berne Convention* and the *TRIPS Agreement*. Its systemic interests were served by an outcome that was balanced, allowing for *de minimis* exceptions or complementary licensing, but not condoning legislative exclusion of right holders from a major share of a legitimate market. This outcome then raised the question of how Australia's specific trade interests would be served by the Panel's finding.

Australia's implicit expectation in joining the dispute as a third party had been that, if the measures at issue were found to be inconsistent with *TRIPS*, they would be withdrawn or amended within a reasonable period of time to bring them into consistency; and that this would be done with due attention to the Most Favoured Nation principle,¹¹⁶ so that Australian musicians would benefit in proportion to EU nationals. The Panel's methodology meant that third parties' legislative arrangements were reviewed closely by the Panel as it informally sought to establish current state practice. As it transpired, however, the limitations of a third party role became evident. When the two parties to the

¹¹⁵ Ibid [5.8] (emphasis in original).

¹¹⁶ *GATT 1994*, above n 47, art I.

dispute negotiated and sought arbitration upon an appropriate level of compensation as an interim alternative to implementation of the Panel's finding, this was an essentially bilateral matter conducted in a multilateral forum. This was a telling practical demonstration that, at core, the WTO regime remains a congeries of bilateral trade relations, rather than a fully multilateral regime with which compliance is to be considered in true multilateral terms, constituted of obligations *erga omnes*. The dispute outcome established the terms under which a bilateral dispute was settled between the two parties and did not directly consider the interests of third parties in the dispute (while incidentally serving their systemic interests and indirectly some trade interests). The 'mutuality' of satisfaction concerning a dispute outcome, as required by the *Dispute Settlement Understanding*,¹¹⁷ does not necessarily satisfy third parties, leaving aside higher-order arguments about collective systemic interests.

At successive meetings of the DSB, Australia called for the arbitrated compensation to be applied without discrimination. Yet, as a third party, Australia had no procedural basis to claim a share of the compensation, and had to await the implementation of the recommendation (which, at the time of writing this commentary, some eight years after the Panel report, had yet to occur).¹¹⁸ This situation precluded a remedy that seemed to influence Australia's position in the negotiations on improvements and clarifications of the *Dispute Settlement Understanding*, highlighting 'the need to ensure that the rights of non-parties to a dispute are respected, particularly in relation to compensation arrangements'.¹¹⁹ Australia sought amendments of the *Dispute Settlement Understanding* to ensure the temporary character of compensation, so that members would not 'enter into compensation arrangements that in effect constitute a waiver of their obligations'.¹²⁰ Further, Australia sought agreement that '[i]n acknowledging that any compensatory measures need to be available on an *erga omnes* basis, Members will seek, to the extent feasible, to agree on measures that are generally available to other WTO Members'.¹²¹ Australia also sought changes to establish expedited arbitration for third parties to negotiation compensation from a non-implementing member.¹²² The effect of these changes would appear to reinforce the multilateral nature of the WTO *TRIPS* regime and to reduce the scope for bilateral deal making, consistently with Australia's historic position of support for multilateralism in trade relations.

¹¹⁷ Above n 27, art 3.

¹¹⁸ An alternative open to Australia would have been to initiate a distinct dispute, effectively seeking an extension of the original Panel's findings to apply to Australia's bilateral trade relations with the EU.

¹¹⁹ DSB, *Negotiations on Improvements and Clarifications of the Dispute Settlement Understanding*, WTO Doc TN/DS/W/34 (22 January 2003) (Communication from Australia).

¹²⁰ Ibid annex A, [b].

¹²¹ Ibid. See also DSB, *Negotiations on Improvements and Clarifications of the Dispute Settlement Understanding*, WTO Doc TN/DS/W/8 (22 January 2003) (Communication from Australia).

¹²² DSB, *Negotiations on Improvements and Clarifications of the Dispute Settlement Understanding*, WTO Doc TN/DS/W/8 (22 January 2003) (Communication from Australia).

VII CANADA — PHARMACEUTICAL PATENTS: BALANCING INNOVATION,
REGULATION AND ACCESS

Canada — Pharmaceutical Patents dealt with the interplay of the patent system with regulatory approval of new drugs for safety and efficacy and the ‘unintended consequence of the conjunction of the patent laws with product regulatory laws’.¹²³ Canada’s patent law had two exceptions to patent rights, both aimed at accelerating or ‘springboarding’ the entry of generic copies of patented pharmaceuticals onto the market: (i) a regulatory review exception, that entitled generic competitors to take necessary steps during the life of a patent to obtain regulatory approval of drugs covered by the patent, so that regulatory approval would not delay their entry onto the market after the patent expired; and (ii) a stockpiling exception that permitted competitors to make commercial quantities of the patented pharmaceutical late in the life of the patent, so that the product could enter the market as soon as the patent expired. The EU challenged both exceptions on the grounds that they illegitimately curtailed the patent right.¹²⁴ As Australia had a similar regulatory review exception (but linked to a patent term extension scheme), it was a potential target of a follow-up challenge from the EU, since a Panel finding that Canada’s regulatory review exception was noncompliant may have called into question the legitimacy of Australia’s own policy balance. An underlying theme in the dispute was how to reconcile the nominal duration of the patent term with its de facto effect over time: should rights under a patent be limited so as to avoid any de facto extension of the term of exclusivity? Also, how should governments deal with a de facto curtailment of the effective patent term caused by the additional regulatory requirements faced by pharmaceutical producers? Australia’s legislators had addressed both issues through a composite measure that aimed to sustain an appropriate effective patent term. The composite measure affected users and producers of technology, and was therefore a precise instance of the very balancing of producer and user interests explicitly required by the *TRIPS Agreement* art 7 ‘objectives’.

Australia’s submission to the Panel cited trade statistics to establish its ‘substantial trade interest in the protection of pharmaceutical inventions’.¹²⁵ The provisions at issue had the potential to affect legitimate market access both for generic producers (in denying them the possibility of preparing their goods for market at a critical time) and for research based producers (whose capacity to enter export markets depended on the integrity of a period of market exclusivity, a period which was already greatly abbreviated due to regulatory requirements).

¹²³ *Canada — Pharmaceutical Patents*, WTO Doc WT/DS114/R (17 March 2000) [7.57] (Report of the Panel).

¹²⁴ *Ibid* [4.2]–[4.5].

¹²⁵ *Ibid* [5.4].

But in the light of its domestic policy processes, Australia also claimed a broader policy interest in

the integrity of the rules relating to trade-related intellectual property rights. ... [T]he TRIPS Agreement should be applied so as to foster trade and investment, technological innovation and the transfer and dissemination of technology; there should be no unreasonable diminution of intellectual property rights, including the legitimate interests of patent holders; and governments, in implementing the TRIPS Agreement in accordance with its agreed objectives and principles, should have sufficient latitude to maintain the underlying balance of rights and obligations without diminishing the legitimate scope of [intellectual property] rights.¹²⁶

With regard to the issues before the Panel, Australia continued:

governments had recognized that the regulatory burden fell on both research-based and generic producers, and had sought to address this problem in different ways. ... The underlying rationale ... was to shift the balance back towards a reasonable effective period of exclusive commercial exploitation. These two complementary responses had the same purpose: to ameliorate the distorting commercial effects of the regulatory process, while ensuring that the public interest was still served by thorough testing of any new pharmaceutical.¹²⁷

Australia's measures had resulted from a sensitive and thorough process of domestic policymaking. A patent term extension scheme aimed at providing an 'effective patent life' that would partly compensate for the curtailment of commercial opportunity to exercise a patent right while regulatory procedures kept the patented product from the market.¹²⁸ But to extend the patent term would be costly¹²⁹ and could disadvantage Australia's generic producers, including in these key export markets.¹³⁰ Preparatory materials for the legislation had weighed several options, so as to minimise these negative effects, following a review of all public interest factors and lengthy domestic consultations.¹³¹ From the range of options surveyed, the government chose a springboarding exception linked to patent term extension to ensure that generic competitors could enter the market as soon as the extended term expired. This legislative choice was taken in the understanding that it may be challenged under the *TRIPS Agreement* as an illegitimate exception to patent rights: it entailed analysing *TRIPS* provisions that had yet to be formally interpreted, an uncertainty that may have deterred legislators from carving out such an exception.¹³² Yet a risk assessment had concluded that the defence would likely be successful;¹³³ and sound public policy grounds were clearly expressed.¹³⁴ Australia's intervention in *Canada — Pharmaceutical Patents* reflected concern that this risk assessment

¹²⁶ Ibid [5.4].

¹²⁷ Ibid [5.8].

¹²⁸ Explanatory Memorandum, Intellectual Property Laws Amendment Bill 1998 (Cth) [1].

¹²⁹ It was estimated that the annual cost rose from AU\$6 million to a maximum of AU\$160 million: *ibid*, 'Financial Impact Statement'.

¹³⁰ *Ibid* [5].

¹³¹ *Ibid*.

¹³² *Ibid*.

¹³³ *Ibid*.

¹³⁴ *Ibid*.

had to be vindicated, and actively defended, since a sweeping win to the EU could undo this careful domestic policymaking. Indeed, such was Australia's emphasis on sustaining a policy balance centred on the unifying theme of sustaining a fair effective patent term that Canada remarked that 'Australia's argumentation as a third party in the dispute seemed to be an attempt to justify patent term extension'.¹³⁵ (Canada had no analogous, balancing arrangement for extension of the patent term.)

The Panel concluded that the regulatory review exception was permissible under the *TRIPS Agreement*, but that the stockpiling exception was not: it found that the patent holder had no legitimate interest in gaining commercial benefit from any de facto term extension arising when regulatory approval of generic products commences only after the patent lapsed.¹³⁶ However, the stockpiling exception curtailed normal commercial exploitation of basic patent rights in a way that was not 'limited' in the required sense.¹³⁷ The Panel considered the *TRIPS* implications of patent term extension and the notion that a doctrine of 'effective patent term' might require a balancing of the user interest implicit in springboarding exceptions and the producer interest implicit in term extension measures.¹³⁸ Yet the Panel felt that there was insufficient established state practice, based on its survey of the practice of the complainant and the third parties to the dispute (six of which had enacted patent term extensions).¹³⁹ However, the Panel found that this

positive response to the claim for compensatory adjustment has not been universal[:] ... several countries have adopted, or are in the process of adopting, regulatory review exceptions ... thereby removing the de facto extension of market exclusivity, but these countries have not enacted, and are not planning to enact, any *de jure* extensions of the patent term for producers adversely affected by delayed marketing approval.¹⁴⁰

Australia had sought to insulate its domestic choices against future challenge as well as to advance a systematic, integrative interpretation of the *TRIPS Agreement* by submitting the analysis that a true balancing of interests may require a generic regulatory exception to be matched by patent term extensions. This approach would ensure that the prejudice caused by the curtailment of patent rights was not 'unreasonable', taking account of the patent holder's legitimate interests. In short, if the equitable balance required legislative adjustments to the effective patent term, then the 'legitimate interests' of both producer and user of the patented knowledge would require that these adjustments be provided for in a balanced way. Yet the Panel's narrower

¹³⁵ *Canada — Pharmaceutical Patents*, WTO Doc WT/DS114/R (17 March 2000) [4.36] (Report of the Panel).

¹³⁶ *Ibid* [7.105].

¹³⁷ *TRIPS Agreement*, above n 2, art 30; *ibid* [7.36].

¹³⁸ *Canada — Pharmaceutical Patents*, WTO Doc WT/DS114/R (17 March 2000) [7.74] (Report of the Panel).

¹³⁹ *Ibid* [7.78].

¹⁴⁰ *Ibid* [7.79] (citations omitted). The panel cited the replies of Poland and Thailand to questions asked by the Panel to third parties and paras 115 and 116 of the First Submission of Canada, which referred to Hungary and Argentina.

reasoning¹⁴¹ rendered this broader approach unnecessary. The Panel was guided in its interpretation of the treaty by the actual practice of WTO members. It interpreted ‘legitimate interests’ as a ‘widely recognized normative standard’,¹⁴² and in assessing whether a norm is sufficiently ‘recognised’, drew on the actual choices of governments to assess whether the approach was acceptable:

[n]otwithstanding the number of governments that had responded positively to that claimed interest by granting compensatory patent term extensions, the issue itself was of relatively recent standing, and the community of governments was obviously still divided over the merits of such claims. Moreover, the Panel believed that it was significant that concerns about regulatory review exceptions in general, although well known at the time of the TRIPS negotiations, were apparently not clear enough, or compelling enough, to make their way explicitly into the recorded agenda of the TRIPS negotiations. The Panel believed that Article 30’s ‘legitimate interests’ concept should not be used to decide, through adjudication, a normative policy issue that is still obviously a matter of unresolved political debate.¹⁴³

The outcome vindicated Australia’s domestic policy choices, and confirmed that, in effect, a regulatory exception could be justified in its own terms under the *TRIPS Agreement*. This Panel, like the *US — Section 110(5) Copyright Act* Panel, did not take up an opportunity to develop a more integrated reading of the *TRIPS Agreement*; in particular, one that would give special effect to the guidance provided by art 7. In narrowing its focus and avoiding what it saw as unresolved policy issues, it showed considerable deference to the actual practice of a small number of WTO members when seeking validation for its reading. This approach risks circularity, or a reduction of key policy issues in treaty interpretation to a simple survey of state practice — by this approach, the consistency of a nation’s laws with its treaty obligations may be assessed essentially according to the legislative or policy choices of other countries. A degree of circularity — bootstrapping an international jurisprudence from national laws, which are then judged according to that international layer of law — is inevitable in the interpretation of the *TRIPS Agreement*, given that there is no distinct international jurisprudence of intellectual property law, and key terms and concepts within the *TRIPS Agreement* are only intelligible in terms of long-standing doctrines of the municipal law of intellectual property. Notably, however, the Panel did not consider domestic laws as subsequent ‘practice in the application of the treaty’ in the formal sense established in art 31(3)(b) of the *Vienna Convention on the Law of Treaties*.¹⁴⁴ This pragmatic approach allowed the Panel to be guided by national laws, as evidence of a ‘widely recognized normative standard’,¹⁴⁵ without formally recognising them as the subsequent

¹⁴¹ Even if contrary to the author’s analysis, a narrower approach is arguably justified by the firm doctrine and legal culture of judicial economy maintained in the WTO dispute settlement system, and carefully monitored by the Appellate Body.

¹⁴² *Canada — Pharmaceutical Patents*, WTO Doc WT/DS114/R (17 March 2000) [7.80] (Report of the Panel).

¹⁴³ *Ibid* [7.82].

¹⁴⁴ Opened for signature 23 May 1969, 1155 UNTS 331 (entered into force 27 January 1980) (*VCLT*); *ibid* [7.47].

¹⁴⁵ *Canada — Pharmaceutical Patents*, WTO Doc WT/DS114/R (17 March 2000) [7.80] (Report of the Panel).

state practice that guides treaty interpretation. It reflected a political *status quo*, allowing for focused and effective dispute settlement, while avoiding significant disruption to widespread state practice among WTO members (recalling that individual Panel decisions are binding on the parties only, but that systemic considerations mean that precedent is effectively followed, and the close consistency between national intellectual property laws — unlike other government measures that are litigated under the WTO — means that findings in one *TRIPS* dispute are likely to be highly influential in other contexts).

This approach favoured economy and pragmatism over a syncretic interpretation of the provisions in question, and was perhaps tempered by realism, favouring a *de facto* survey of governments' choices over appeals to more abstract or constructive readings. There are compelling policy reasons for this choice that may outweigh the higher-level systemic interest in establishing a more coherent and structured doctrine of 'legitimate interests'. The hint of political realism and the explicit choice to defer to governments on unsettled matters of policy help to clarify the nature of the *TRIPS Agreement* as a multilateral regime. Legally, the legislative choices of a small number of members cannot be regarded as 'subsequent practice' in the terms of the *VCLT*. But there are systemic interests¹⁴⁶ in Panels avoiding (and being seen to avoid) creating law that encroaches on the policy domain and in effectively determining *TRIPS* inconsistent a legislative approach on which 'the community of governments was obviously still divided'.¹⁴⁷ Tension arises between a collective interest in the evolution of a systematic *TRIPS* jurisprudence (in this case, having arts 7 and 8 of the *TRIPS Agreement* in particular guide the formation of a doctrine of 'legitimate interest' that would provide for an effective patent term aimed at benefiting producers and users of technology in an equitable and balanced way); and a narrower approach to dispute settlement that minimises the formation of legal doctrine and — at the cost of predictability and clarity in dispute settlement — rigorously eschews policymaking and defers to state practice in a *de facto* manner. This choice has implications for other issues which continue to divide WTO members, where Panels may have difficulty drawing a line between a suitably reserved and deferential reading of the treaty text, and a simple survey of the domestic practices of third parties.¹⁴⁸

The Australian experience in this case underscored that the best defence for domestic legislative choices is an authentic domestic policymaking process, aiming in good faith at the kind of textually-guided balancing of interests that is responsive, but not subordinate, to international practice and formal obligations. The kind of conscious, deliberate balancing that was manifest in the Australian domestic process is, arguably, closer to a true understanding of *TRIPS* implementation than the kind of nominal or perfunctory literal compliance with

¹⁴⁶ Including ones as fundamental as the integrity and political sustainability of a multilateral dispute settlement regime.

¹⁴⁷ *Canada — Pharmaceutical Patents*, WTO Doc WT/DS114/R (17 March 2000) [7.82] (Report of the Panel).

¹⁴⁸ Including test data protection; exceptions to patentability and to patent rights; the nature of suppression of unfair competition as an obligation in itself and as a doctrinal basis for legislation in key areas, such as undisclosed information, geographical indications and protection of databases; and reasonableness and effectiveness in administration and enforcement of intellectual property rights.

its terms that occurs when legislation is drafted literally by pasting *TRIPS* text into national statutes. The ‘objective’ articulated in *TRIPS Agreement* art 7 therefore provides as much guidance in the policymaking process as it does for the formal interpretation of treaty text: this is the nature of the ‘should’ in that provision. From that point of view, the domestic legislator is the true interpreter of the *TRIPS Agreement*, and the actual exponent of the policy balances and practical equity that it calls for.

VIII *EC — TRADEMARKS AND GEOGRAPHICAL INDICATIONS: RECONCILING THE OLD AND NEW ECONOMIES*

The copyright and patent disputes covered contentious policy issues that had been addressed, but not fully resolved, in the *TRIPS* negotiations. Negotiators eschewed specific lists of exceptions¹⁴⁹ in favour of general tests of the legitimacy of exceptions — tests which ultimately concern the way domestic legislative processes deal with diverse interests. Thus the two cases shed light on the difficult interface between standard-setting through negotiations and through bilateral dispute settlement. As it concerns an area of continuing negotiation, multilaterally and bilaterally, *EC — Trademarks and Geographical Indications* highlights more directly the dynamic interplay between trade negotiations and dispute settlement as two aspects of a complex political process: dispute settlement as trade negotiations by other means; and multilateral trade negotiations as a forum for addressing bilateral differences. Australia raised a range of complaints against *Council Regulation (EEC) No 2081/92 of 14 July 1992 on the Protection of Geographical Indications and Designations of Origin for Agricultural Products and Foodstuffs*¹⁵⁰ and related measures, in the context of a complex bilateral and multilateral trade controversy (with significant domestic implications) over the appropriate manner of protecting geographical indications.¹⁵¹

That Australia resorted to dispute settlement over the *EEC Regulation*, in terms parallel to, but not identical with, the terms of a longer standing US complaint, reflected a complex set of interests and motives. Australia had been negotiating bilaterally with the EU on geographical indications in the context of trade in wine since before the *TRIPS Agreement* was concluded; wine geographical indications were not directly at issue in *EC — Trademarks and Geographical Indications*, but the bilateral process contributed to a certain guardedness about the EU’s regulatory goals and trade interests in this domain. The *EC — Trademarks and Geographical Indications* dispute turned in part on whether the *process* of geographical indication protection should fall within the domain of formal transactions between two governments, or whether it should proceed essentially within a domestic regulatory context. The dispute addressed a policy and legal domain that had been contentious in the *TRIPS* negotiations — Part II, s 3 of the *TRIPS Agreement* in parts resembling more a negotiating

¹⁴⁹ See Negotiating Group on Trade-Related Aspects of Intellectual Property Rights, *Status of Work in the Negotiating Group*, above n 86.

¹⁵⁰ [1992] OJ L 208/1 (*‘EEC Regulation’*).

¹⁵¹ See, eg, *EC — Trademarks and Geographical Indications*, WTO Doc WT/DS290/R (15 March 2005) [3.1] (Report of the Panel).

ceasefire than a settled multilateral text¹⁵² — and which had divided national positions since the 19th century, as reflected in the choice of some countries to create a plurilateral system of ‘higher’ protection of appellations of origin under the aegis of the *Paris Convention*.¹⁵³ Common ground on core doctrinal issues and basic policy interests is often overlooked or downplayed, and perceived divergences in trade interests and even social and cultural values can drive a contentious debate. Given the continuing multilateral and bilateral negotiations on geographical indications and the generally unresolved character of core issues, the dispute also manifested concerns that the interpretation of agreed *TRIPS* standards may be influenced by further negotiating goals:

The WTO dispute settlement system cannot re-write the covered agreements. In particular, we cannot attribute to the *TRIPS* Agreement rights and obligations which were not agreed during the Uruguay Round negotiations, notwithstanding that participants in those negotiations may have sought different outcomes.¹⁵⁴

The long-standing geographical indications debate is sometimes structured in terms of a cultural or philosophical leaning for geographical indications or trademarks; or for favouring Old World producer traditions over ‘generic’ competition or usurpation from the New World. Yet the range and nature of interests are more diverse and can be difficult to read and construe under the monochrome spectrum of trade negotiations. Australia’s early interventions in the policy debate in the *TRIPS* Council had stressed the need for a balanced approach to considering all the interests engaged.¹⁵⁵ In the background to *EC — Trademarks and Geographical Indications* were questions of legal principle and systemic concerns: apprehensions about future market access, specific linguistic terms and the contested legitimacy of their use; unresolved legal and policy questions about the interaction between trademark and geographical indication protection; and tactical and strategic negotiating positions, as well as some spillover from bilateral negotiations on geographical indications. More speculatively, it is an instance of WTO dispute settlement addressing ‘trade and

¹⁵² Its unsettled quality is apparent in the ‘built-in agenda’ provisions of the text itself (*TRIPS Agreement*, above n 2, art 23(4)), the specific review provision (art 24(2)), the encouragement for negotiations on protection of individual geographical indications (art 24(1)), the specific measure against lessening geographical indication protection in implementing the *TRIPS Agreement* (art 24(3)), the complexity of exceptions and limitations, the ongoing debate on implementation, and the proposals for renegotiation: *Ministerial Declaration*, WTO Doc WT/MIN(01)/DEC/1 (14 November 2001) [18]; *Issues Related to the Extension of the Protection of Geographical Indications Provided for in Article 23 of the TRIPS Agreement to Products other than Wines and Spirits*, WTO Doc WT/GC/W/546, TN/C/W/25 (18 May 2005) (Note by the Secretariat). Tellingly, there is continuing controversy over the nature of the *TRIPS Agreement* art 24(1) obligation to undertake negotiations, quite apart from divergent interests in the negotiations as such: Dwijen Rangnekar, *Geographical Indications: A Review of Proposals at the TRIPS Council: Extending Article 23 to Products other than Wines and Spirits* (UN Conference on Trade and Development–International Centre for Trade and Sustainable Development Project on Intellectual Property Rights and Sustainable Development, Issue Paper No 4, June 2003).

¹⁵³ *Madrid Agreement*, above n 69.

¹⁵⁴ *EC — Trademarks and Geographical Indications*, WTO Doc WT/DS290/R/Add.1 (15 March 2005) (Report of the Panel), annex A-3 (*Oral Statement of Australia: First Substantive Meeting*) (23 June 2004) [3].

¹⁵⁵ See, eg, *Council for Trade-Related Aspects of Intellectual Property Rights*, WTO Doc IP/C/W/211 (10 October 2000) (Communication from Australia), discussing consumer interests, the general public interest and the interests of producers and traders.

culture': 'alarmist cultural rationalization has been drawn into this legal-economic field'.¹⁵⁶ These factors combined to create a complex pattern of overlapping interests, so that no one single factor seemed to prevail in the choice to resort to dispute settlement even though, in essence, it was the same mix of systemic concerns and market access questions that characterised Australia's intervention in the previous two *TRIPS* disputes. However, there was less emphasis on defending Australia's domestic regulatory space, with stress laid on protecting 'the longer-term interests of Australian exporters' and both their 'actual and potential interests'.¹⁵⁷

Further complexity was apparent in the legal and policy issues in the background to the geographical indications dispute. In addressing intellectual property protection and trade in goods, the dispute traversed the policy space between the *TRIPS Agreement* as a set of minimum standards for regulation of intellectual property, and the ceiling on government regulation prescribed in *GATT 1994* and the *Agreement on Technical Barriers to Trade*.¹⁵⁸ It was also confronted by the paradox whereby geographical indication protection and trademark protection could, in some circumstances, be justifiable exceptions to one another, even as trademark protection is accepted as one legitimate form of geographical indication protection.¹⁵⁹ The legal background also confronted the uncertain focus of trade negotiations on intellectual property rules — whether negotiations should be limited to establishing common rules for domestic systems to follow or whether they should also review or even pre-empt decisions by domestic authorities on the validity or otherwise of specific intellectual property rights. Concerning geographical indications in particular, trade negotiations have wavered between setting the rules to be applied in the domestic contexts and bargaining over specific outcomes, pre-empting independent regulatory determinations by scheduling protected terms in trade agreements.¹⁶⁰ From this point of view, it was significant that the Panel held that past individual registrations of geographical indications were 'measures' in themselves,¹⁶¹ in addition to the regulations under which registrations were made, as Australia had challenged the validity not merely of the governing regulations but the very 'registrations of ... more than 120 EC-defined' geographical indications which

¹⁵⁶ Tomer Broude, *Taking 'Trade and Culture' Seriously: Geographical Indications and Cultural Protection in WTO Law* (2005) 4, available from <<http://ssrn.com/abstract=714981>> at 23 May 2008.

¹⁵⁷ DFAT, Australia, *World Trade Organization Dispute: EC — Geographical Indications (GIs) for Foodstuffs and Agricultural Products — Frequently Asked Questions* (2007) ('*EC — Trademarks and Geographical Indications FAQ*'), available from <<http://www.dfat.gov.au>> at 23 May 2008.

¹⁵⁸ *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (1994) (entered into force 1 January 1995), annex 1A (*Agreement on Technical Barriers to Trade*) 1868 UNTS 120 ('*TBT Agreement*').

¹⁵⁹ At the same time as this dispute, Australia was concluding the bilateral free trade agreement with the US, which pointedly included 'Article 17.2: Trademarks, *Including* Geographical Indications': *AUSFTA*, above n 14 (emphasis added).

¹⁶⁰ See, eg, the agreements on trade in wine between the EU and Canada, between Chile and Mexico, and between the EU and the US (the last not strictly dealing with geographical indications, but determining the use of certain listed semi-generics and traditional expressions).

¹⁶¹ *EC — Trademarks and Geographical Indications*, WTO Doc WT/DS290/R (15 March 2005) [7.25] (Report of the Panel).

'clearly form part of the measure at issue'.¹⁶² The geographical indications dispute therefore highlighted the long-standing policy and legal tensions apparent in intellectual property negotiations between a multilateral fix-rules approach aimed at setting non-discriminatory general standards and essentially bilateral outcome-oriented negotiations based on reciprocity of protection or bilateral settlements on the terms of protection of individual terms.¹⁶³ In the background to the dispute was a long-standing practice of using reciprocity-based leverage to secure stronger intellectual property protection in export markets (in this case, how and whether a measure of adequacy of protection in the home market should be established as a precondition for protection in the EU).

This complex picture is manifest in the protean array of claims asserted against the EU's measures, which did not focus on one specific market access barrier but raised a host of claimed infringements of the *TRIPS Agreement* and other WTO obligations.¹⁶⁴ Even so, the claims clustered around two main themes: failure to provide national treatment in the protection of geographical indications and failure to give adequate recognition of trademark rights where these overlap or conflict with geographical indication protection. The specific claims ranged beyond the scope of the *TRIPS Agreement*, and indeed this dispute was in part a conventional *GATT 1994* dispute about regulatory treatment of

¹⁶² *EC — Trademarks and Geographical Indications*, WTO Doc WT/DS290/R/Add.1 (15 March 2005) (Report of the Panel), annex A-3 (*Oral Statement of Australia: First Substantive Meeting*) (23 June 2004) [36].

¹⁶³ For a full discussion, see Antony Taubman, 'The Way Ahead: Developing International Protection for Geographical Indications: Thinking Locally, Acting Globally' (Paper presented at Symposium on the International Protection of Geographical Indications, Montevideo, Uruguay, 28–29 November 2001); Antony Taubman, 'Thinking Locally, Acting Globally: How Trade Negotiations over Geographical Indications Improvise "Fair Trade" Rules' (forthcoming).

¹⁶⁴ The Australian claim against the EU measure at various stages invoked arts 1(1), 1(3), 3(1), 16(1), 20, 22(2), 24(5), 41(1)–(3), 42, 63(1), 63(3) and 65(1) of the *TRIPS Agreement*, above n 2, and art 2(1) of the *TRIPS Agreement* incorporating arts 2(1) and 2(2), 4, 6quinques(b), 10, 10bis(1) and 10ter(1) of the *Paris Convention*, above n 2; arts I:1 and III:4 of *GATT 1994*, above n 47; arts 2(1) and 2(2) of the *TBT Agreement*, above n 158; and art XVI:4 of the *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995); see *EC — Trademarks and Geographical Indications*, WTO Doc WT/DS290/R (15 March 2005) [3.11] (Report of the Panel). It also argued that its claim under art 41 had the effect of extending to claims under arts 43–46, 48 and 49 extended to Part III of the *TRIPS Agreement*: see *EC — Trademarks and Geographical Indications*, WTO Doc WT/DS290/R (15 March 2005) [6.8], [7.44] (Report of the Panel). The Panel ruled that the claims under *Paris Convention* art 4 and *TRIPS Agreement* arts 43–9 were outside its terms of reference: see *EC — Trademarks and Geographical Indications*, WTO Doc WT/DS290/R (15 March 2005) [7.42], [7.49] (Report of the Panel). Australia withdrew its claim under art 20 in its second oral statement: see *EC — Trademarks and Geographical Indications*, WTO Doc WT/DS290/R/Add.1 (15 March 2005) (Report of the Panel), annex A-6 (*Opening Statements of Australia: Second Substantive Meeting*) (11 August 2004) [99]. In its first written submission, Australia reserved its right to pursue claims under art 4 of the *TRIPS Agreement*, art I:1 of *GATT 1994* and art 2(1) of the *TBT Agreement* concerning the Most Favoured Nation principle in the event that the EC applies protection under the *EEC Regulation*, above n 150, to geographical indications from another WTO member or begins to do so but did not pursue this issue further: see *EC — Trademarks and Geographical Indications*, WTO Doc WT/DS290/R/Add.1 (15 March 2005) (Report of the Panel), annex A-2 (*First Written Submission of Australia*) (23 April 2004) [65]. The claims related to the substantive conditions for availability of geographical indication protection, as well as procedures for obtaining a registration and opposing existing registrations.

imported goods that is de facto less favourable than that accorded to like products of national origin, akin to earlier *GATT 1994* decisions.¹⁶⁵ The scope of the claims recalls that once disputes come to assert concrete trade interests, there is a strong conceptual overlap between market access issues under *GATT 1994* and the *TRIPS Agreement*, despite the widespread assumption that these elements of trade law are fundamentally at odds. Further, for Australia, the dispute was couched in conventional market access terms, with the concern that ‘potentially affected products are dairy and processed meat products, although a diverse range of other foodstuffs and agricultural products could possibly also be affected, including beer’.¹⁶⁶ Australia did not contest ‘the right of the European Union to protect geographical indications within the EU’,¹⁶⁷ nor the doctrinal choices that shaped the nature of intellectual property protection in the EU.¹⁶⁸ It focused on the recognition of prior trademark rights and the right of producers of imported products to seek geographical indication protection, rather than the scope and nature of protection per se and the incursions made on the public domain of common descriptive language, advising that regardless of the outcome of this dispute,

unless they had prior trademark rights in these terms within the EU, Australian producers are not able to use in the EU terms registered as geographical indications within the EU, for example, ‘feta’, ‘kalamata’ olives; or terms considered to be translations of registered geographical indications, for example, ‘parmesan’ (which is considered to be a translation of the registered term ‘Parmigiano Reggiano’).¹⁶⁹

On the national treatment question, the Panel had to consider three levels of discriminatory treatment: (i) actual discrimination on the basis of the location identified by a geographical indication; (ii) claimed de facto discrimination against foreign products (a *GATT 1994* claim);¹⁷⁰ and (iii) claimed de facto discrimination against foreign nationals (a *TRIPS Agreement* claim).¹⁷¹ In considering national treatment under the *TRIPS Agreement*, the Panel was guided by *GATT 1994* jurisprudence. It followed the finding of the Panel in *US — Section 211 Appropriations Act*, endorsed by the Appellate Body, that the appropriate standard of examination under art 3(1) of the *TRIPS Agreement* is that enunciated by the GATT Panel in *US — Section 337 Tariff Act*.¹⁷²

¹⁶⁵ See, eg, *United States — Section 337 of the Tariff Act of 1930*, GATT Doc BISD/36S/345, L/6439 (7 November 1989) (Report of the Panel) (‘*US — Section 337 Tariff Act*’).

¹⁶⁶ *EC — Trademarks and Geographical Indications FAQ*, above n 157.

¹⁶⁷ *Ibid.*

¹⁶⁸ For instance, the definition of geographical indication applied in the measure was not questioned vis-à-vis the definition in art 22(1) of the *TRIPS Agreement*, above n 2.

¹⁶⁹ *EC — Trademarks and Geographical Indications FAQ*, above n 157.

¹⁷⁰ *GATT 1994*, above n 47, art III.

¹⁷¹ *TRIPS Agreement*, above n 2, art 3.

¹⁷² *US — Section 211 Appropriations Act*, WTO Doc WT/DS176/R (6 August 2001) [8.130]–[8.133] (Report of the Panel), endorsed by the Appellate Body: *US — Section 211 Appropriations Act*, WTO Doc WT/DS176/AB/R, AB-2001-7 (2 January 2002) [258] (Report of the Appellate Body). In *Korea — Measures Affecting Imports of Fresh, Chilled and Frozen Beef*, WTO Doc WT/DS161/AB/R, WT/DS169/AB/R (11 December 2000) [137], [144] (Report of the Appellate Body) (‘*Korea — Various Measures on Beef*’) the Appellate Body applied the test of whether the measure modifies the conditions of competition when applying *GATT 1994* art III:4 to trade in goods.

That GATT Panel had ruled that

[t]he words ‘treatment no less favourable’ in paragraph 4 call for effective equality of opportunities for imported products in respect of the application of laws, regulations and requirements affecting the internal sale, offering for sale, purchase, transportation, distribution or use of products. This clearly sets a minimum permissible standard as a basis.¹⁷³

Accordingly, the Panel examined

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.¹⁷⁴

Further, the Panel applied the approach of the Appellate Body in *US — FSC*, which had held that

examination of whether a measure involves ‘less favourable treatment’ of imported products within the meaning of Article III:4 of the GATT 1994 must be grounded in close scrutiny of the ‘fundamental thrust and effect of the measure itself’. This examination cannot rest on simple assertion, but must be founded on a careful analysis of the contested measure and of its implications in the marketplace. At the same time, however, the examination need not be based on the *actual effects* of the contested measure in the marketplace.¹⁷⁵

Applying this test, the Panel found that the *EEC Regulation’s*

equivalence and reciprocity conditions modify the effective equality of opportunities with respect to the availability of protection to persons who wish to obtain [geographical indication] protection under the Regulation, to the detriment of those who wish to obtain protection in respect of geographical areas located in third countries, including WTO Members.¹⁷⁶

The Panel observed that two conditions applied within the EU system to geographical indications that refer to locations outside the EU: first, geographical indications must be protected equivalently to the EU approach in that country and reciprocal protection must be available for geographical indications from the EU; and second, if foreign nationals wish to apply for, or object to, an EU geographical indication registration, their request must be examined and transmitted to the EU by their governments, subject also to their governments conducting product inspection akin to the EU system. Even if the *EEC Regulation* was ‘formally identical’ in the treatment accorded to foreign

¹⁷³ *United States — Section 337 Tariff Act*, GATT Doc BISD/36S/345, L/6439 (7 November 1989) [5.11] (Report of the Panel).

¹⁷⁴ *EC — Trademarks and Geographical Indications*, WTO Doc WT/DS290/R (15 March 2005) [7.184] (Report of the Panel).

¹⁷⁵ *United States — Tax Treatment for ‘Foreign Sales Corporations’, Recourse to Article 21.5 of the DSU by the European Communities*, WTO Doc WT/DS108/AB/RW, AB-2001-8 (14 January 2002) [215] (Report of the Appellate Body) (*‘US — FSC’*), citing *Korea — Various Measures on Beef*, WTO Doc WT/DS161/AB/R, WT/DS169/AB/R, AB-2000-8 (11 December 2000) [142] (Report of the Appellate Body) and referring to *Japan — Taxes on Alcoholic Beverages*, WTO Doc WT/DS8/R, WT/DS10/R, WT/DS11/R (11 July 1996) [110] (Report of the Panel) (citations omitted) (emphasis in original).

¹⁷⁶ *EC — Trademarks and Geographical Indications*, WTO Doc WT/DS290/R (15 March 2005) [7.190] (Report of the Panel).

nationals and EU nationals, this was ‘not sufficient to demonstrate that there is no violation of Article 3.1 of the TRIPS Agreement’.¹⁷⁷ Accordingly, the Panel dismissed the overly formalistic argument that a regime that imposed different conditions on geographical indications from *locations* within and outside the EU did not discriminate against foreign *nationals*: the factual background was that foreign nationals overwhelmingly had interests in foreign geographical indications.¹⁷⁸ Similarly, the Panel found that the geographical indications measure accords less favourable treatment to imported products, inconsistently with *GATT 1994* art III:4.¹⁷⁹ However, questions of discrimination aside, the Panel was not required to pass judgement on the *TRIPS* compatibility of the substantive conditions and procedures of the EU system — in particular, the requirement for a system of product inspection as a condition of geographical indication protection.

If the national treatment claim and its resolution underscored the traditional market access character of this dispute, rooted in the *GATT 1994* heartland of trade law, the trademark aspect of the dispute had a greater ‘knowledge economy’ quality. It concerned how the legislator had to regulate overlapping or competing claims to commercial exclusivity over the denotation and connotation of distinctive signs. If the common language can be viewed as a knowledge resource, the legislative choice concerns the equitable dispensation of rights to use and to exclude from that resource. If the preservation of a well-ordered domain of commercial designations and descriptions can be viewed as a higher-order public good, the policy issues concern the promotion of a balanced and effective domain through the management of rivalries over specific terms in commerce through the grant or recognition of exclusivities over certain connotative or evocative terms. The question of fair use of descriptive terms was not before the Panel and it did not address the interests of third parties in continuing use of the common language; the dispute did not directly concern the ‘excluded middle’ between trademark and geographical indication claims — the linguistic public domain. Rather, the Panel concentrated on clarifying the appropriate form of ‘coexistence’, which it defined as ‘a legal regime under which a [geographical indication] and a trademark can both be used concurrently to some extent even though the use of one or both of them would otherwise infringe the rights conferred by the other’.¹⁸⁰ Australia did not succeed in its claim that the *EEC Regulation* was inconsistent with the *TRIPS* obligations to protect trademarks. But the Panel did provide guidance on the relationship between *TRIPS* provisions on geographical indications and trademarks — a contested policy question that the text of the *TRIPS Agreement* had extensively addressed, but did not fully settle, as was amply evidenced by a continuing controversy since the conclusion of the *TRIPS Agreement*.

A coexistence regime balances two distinct positive rights to use the contested sign against two corresponding negative rights to exclude others from using it — hence a right to use a trademark is an exception to geographical indications

¹⁷⁷ *Ibid* [7.210].

¹⁷⁸ *Ibid* [7.230].

¹⁷⁹ *Ibid* [7.272].

¹⁸⁰ *Ibid* [7.518].

protection (as in art 14(2) of the *EEC Regulation*);¹⁸¹ and a right to use a geographical indication is an exception to trademark protection. Thus, the EU claimed that use of a subsequent geographical indication could be permitted under the exceptions to trademark rights under *TRIPS Agreement* art 17. Positive and negative rights merge in practice: thus the Panel notes that the geographical indication confers 'negative rights to prevent, essentially, uses which are misleading as to the origin of a product or otherwise unfair'¹⁸² but also that the *EEC Regulation* 'impliedly grants the positive right to use the [geographical indication] in accordance with the product specification and other terms of its registration to the exclusion of any other sign'.¹⁸³ Article 14(3) of the *EEC Regulation* provides that a geographical indication 'shall not be registered where, in the light of a trade mark's reputation and renown and the length of time it has been used, registration is liable to mislead the consumer as to the true identity of the product'. Registration of a geographical indication normally confers on interested parties the right to exclude illegitimate use.¹⁸⁴ But this provision also implies a positive right, as it notably refers to *registration* and not *use* of the geographical indication that misleads the consumer, even though it is conflicting use, not registration, that occurs in the actual marketplace. Further, where a trademark right is founded on actual use, this can also suggest an overlap of positive and negative rights. Australia's own trademarks legislation confers the positive 'exclusive rights ... to use the trade mark; and to authorise other persons to use the trade mark'; and the negative 'right to obtain relief ... if the trade mark has been infringed'.¹⁸⁵

The need for a coexistence regime arises because the one sign may function in several different ways as an indication. Depending on its context, a sign may identify, denote or connote different aspects of different products: the one original geographical connotation may be supplanted by a 'secondary meaning'¹⁸⁶ once it acquires distinctiveness as a trademark; it may be a descriptive element within a trademark; it may be a term in common use to

¹⁸¹ This provides in part that:

a trademark the use of which engenders one of the situations indicated in Article 13 [essentially, uses which are misleading as to the origin of a product or otherwise unfair] and which has been applied for, registered, or established by use, if that possibility is provided for by the legislation concerned, in good faith within the territory of the Community, before either the date of protection in the country of origin or the date of submission to the Commission of the application for registration of the designation of origin or geographical indication, may continue to be used notwithstanding the registration of a designation of origin or geographical indication, provided that no grounds for its invalidity or revocation exist.

EEC Regulation, above n 150, art 14(2), quoted in *ibid* [7.524].

¹⁸² *EC — Trademarks and Geographical Indications*, WTO Doc WT/DS290/R (15 March 2005) [7.520].

¹⁸³ *Ibid* [7.521].

¹⁸⁴ It may also establish a capacity for government agencies to exclude illegitimate use on behalf of legitimate users and in the public interest.

¹⁸⁵ *Trade Marks Act 1995* (Cth) s 20.

¹⁸⁶ This term of art, though widespread in discussion of trademark law, can be misleading: it usually refers to a situation in which extensive commercial use has given to a geographically descriptive term a subsequent meaning, as a distinctive trademark, which is not strictly secondary in the sense of being subordinate or subsidiary; if it were 'secondary' in that sense, it would not be distinctive in fact.

describe a product's properties; or it may serve as a geographical indication as defined in *TRIPS Agreement* art 22(1). Certain consumers may perceive any one or indeed several of these significations and bright lines between these forms of perception may be difficult to draw. A laissez-faire coexistence regime would defer altogether to actual linguistic use and simply prohibit false or misleading indications of any sort, or it may intervene and direct the flow of traffic in the various significations, denotations and connotations of signs. The legitimacy of a coexistence regime is determined by how it deals with the overlap between potentially conflicting positive and negative rights associated with geographical indications, trademarks and descriptive terms (although, as noted, this dispute did not deal with any 'right' of third parties simply to use common descriptive language, such as genericised trademarks or geographical indications). This in turn depends on the legitimate scope of those respective rights. Australia argued extensively before the Panel that a coexistence regime should take account of the full scope of a trademark right: *EEC Regulation* art 14(3) only confers upon a trademark owner the right to prevent *registration* of a conflicting geographical indication when this is liable to mislead the consumer. This is further qualified as the liability to mislead is judged with respect to the reputation, renown and duration of use of the mark. This is a narrower degree of exclusivity than the *TRIPS Agreement* requires to be accorded to a trademark owner; art 16(1) of the *TRIPS Agreement* confers the right to exclude all third parties from using the same or a similar sign for the same or similar goods 'where such use would result in a likelihood of confusion'. Australia argued that preventing registration of geographical indications liable to *mislead* was narrower in scope than preventing a likelihood of confusion resulting from use and that this truncated the legitimate exclusive scope of trademark rights required under the *TRIPS Agreement*. The Panel agreed that in this situation trademark rights did 'apply in a narrower set of circumstances' than were required under the *TRIPS Agreement* and thus had been curtailed. The Panel found that a prior trademark right should prevent conflicting use of a subsequent geographical indication; in other words, use of a sign as a geographical indication did not provide an absolute defence against trademark infringement.

The Panel was called upon to consider how the relevant provisions of the *TRIPS Agreement* interacted and in particular how limitations on trademark rights caused by geographical indication protection should be justified. The EU sought to justify the impact of the *EEC Regulation* with reference to *TRIPS Agreement* art 24(5), arguing that this provision, not *TRIPS Agreement* art 16(1), set the terms for coexistence¹⁸⁷ and that geographical indication protection could prejudice any trademark right not mentioned in *TRIPS Agreement* art 24(5), including, in effect, the right to exclude use of a geographical indication.¹⁸⁸ Beneath the complex textual analysis on this point, one can detect the value-laden debate about whether geographical indications or trademarks represented the better policy mechanism. A key difference, too, concerned whether use of a geographical indication *as* a geographical indication need be

¹⁸⁷ *EC — Trademarks and Geographical Indications*, WTO Doc WT/DS290/R/Add.2 (15 March 2005) (Report of the Panel), annex B-2 (*First Written Submission of the European Communities*) (25 May 2004) [298].

¹⁸⁸ *Ibid* [300].

justified as a positive right under trademark law, or whether legal recognition of a geographical indication trumped conflicting trademark rights.

The Panel concluded that *TRIPS Agreement* art 24(5) simply created an exception to geographical indication protection, rather than setting the full terms for coexistence. So, in effect, the Panel followed a neatly symmetrical approach: a positive right to use a geographical indication may be considered a fair use exception to a trademark owner's right to exclude, given that use of a geographical indication is a kind of very precise descriptive use of a sign, as well as being an indication of origin; equally, a right to use a trademark may be a fair use exception to (or not prejudiced by) geographical indication protection, as *TRIPS Agreement* art 24(5) provided. The coexistence of the different references or significations of distinctive signs therefore entailed acknowledging that distinctiveness need not be wholly exclusive; legal recognition of the import of signs need not be zero sum or mutually exclusive. However, coexistence was only construed as a deal brokered between two sets of exclusive right holders. The true excluded middle, however — the 'common property'¹⁸⁹ of the English language — was not addressed, since the basis of EU recognition of geographical indications was not at issue in the dispute: as in trademark law, 'traders are habitually eager to enclose parts of the great commons of the English language and to exclude the general public of the present day and of the future from access to the enclosure'.¹⁹⁰

The Panel clarified that where geographical indications conflict with registered trademarks, the *TRIPS Agreement* did not require exclusive use of the term to be vested in either the trademark or the geographical indication: in limited circumstances, a geographical indication could legitimately be recognised in the face of a prior trademark right. Within the scope of the trademark owner's right to *exclude* commercial use of the term, there may be a residual right to *use* a geographical indication, akin to fair use of descriptive terms, as a legitimate interest of third parties, provided the trademark owner's own legitimate interests are preserved. Thus the Panel found the *EEC Regulation* an acceptable exception to trademark rights, under *TRIPS Agreement* art 17(1),¹⁹¹ and did not determine its acceptability as a form of implementing *TRIPS Agreement* art 24(5) (which, to recall, it read only as an *allowable exception to geographical indication protection*, not as defining positively the legitimate scope of trademark protection).¹⁹² This finding arises from the fact that a registration under the *EEC Regulation* creates a positive right to use the geographical indication,¹⁹³ not merely a negative right to exclude third party use. This is a further distinguishing characteristic of geographical indication protection, which sets it apart from regular intellectual property (which normally confers no such positive right). For instance, the Panel points out that art 14(2) of the *EEC Regulation* constrains the right to use a trademark by the reference to

¹⁸⁹ *Eastman Photographic Materials Co Ltd v Comptroller-General of Patents, Designs and Trade Marks* [1898] 1 AC 571, 580.

¹⁹⁰ *In the Matter of an Application by Joseph Crosfield and Sons Ltd to Register a Trade Mark ('Perfection')* (1909) 26 RPC 837, 854 (Cozens-Hardy MR).

¹⁹¹ *EC — Trademarks and Geographical Indications*, WTO Doc WT/DS290/R (15 March 2005) [7.661] (Report of the Panel).

¹⁹² *Ibid* [7.615], [7.619].

¹⁹³ *Ibid* [7.521].

legislation concerning labelling and misleading advertising.¹⁹⁴ Yet the subsequent recognition of geographical indications under *TRIPS Agreement* art 17 was inherently limited, and meant that there was no unqualified right to use any geographical indication in the light of prior trademark registration.

The impact of this decision on broader negotiating and trade interests can only be assessed over time. Given the political and trade negotiation context of the dispute, it is unlikely to be considered purely in terms of immediate market access. The outcome of the dispute did not appear to limit the EU's capacity to exclude non-geographical indication uses of terms it has registered as geographical indications. The dispute was followed by the finding of the European Court of Justice that 'feta' was a legitimate geographical indication and not a generic term, so that the capacity of the EU regulator to create incursions on the public domain of language was not affected.¹⁹⁵ No pre-existing Australian trademarks were cited in the dispute: the principal trademark referenced was 'Bud' or 'Budweiser'. While Australia has been ambivalent about the economic benefits of geographical indication protection from a government¹⁹⁶ and industry¹⁹⁷ perspective, one effect of the dispute — due to the strengthening of access to foreign geographical indication interests — may be to facilitate geographical indication protection in the EU for developing countries which may not otherwise have been able to meet the EU's standards for reciprocity and equivalence, or whose producers might have had limited capacity to surmount the additional regulatory burdens addressed by the Panel's report. For instance, Colombia has reportedly since sought protection in the EU for 'Café de Colombia' as a Protected Designation of Origin;¹⁹⁸ access to the EU system may be facilitated by the Panel's findings, precisely because it confirms the need to eliminate 'additional steps' that may have made access to geographical indication protection especially difficult for developing countries with resource constraints.

The Panel report also apparently influenced the EU when revising its proposals in the ongoing negotiations on a multilateral register of geographical indications, recognising the Panel's clarification of the terms of coexistence:

the EU's year 2000 proposal [WTO Doc IP/C/W/107/Rev.1] was based on the interpretation that [the] *TRIPS Agreement* rendered co-existence compulsory. On that basis, a geographical indication would always be able to be protected and, more importantly, used, in any WTO Member. The panel report in DS174/290 has determined that certain validly protected trademarks (namely those that fall under Article 24.5 *TRIPS*) can impede the use of [geographical indication] (when the use engenders one of the situations of Article 16 *TRIPS* and the use of a [geographical indication] does not fall under an existing national provision

¹⁹⁴ Ibid [7.532].

¹⁹⁵ *Federal Republic of Germany and Kingdom of Denmark v Commission of the European Communities* (C-465/02; C-466/02) [2005] ECR I-09115.

¹⁹⁶ David Spencer, 'The Way Ahead — What Future for Geographic Indications?' (Lecture delivered at Worldwide Symposium on Geographical Indications, Parma, Italy, 27–29 June 2005).

¹⁹⁷ Tony Battaglene, 'The Australian Wine Industry Position on Geographical Indications' (Lecture delivered at Worldwide Symposium on Geographical Indications, Parma, Italy, 27–29 June 2005).

¹⁹⁸ The South Centre, *The South Centre Quarterly on Trade Disputes* (Second Quarter 2005) 13–14.

implementing Article 17 *TRIPS*, if existing at all). Therefore, there are instances in which, under the current EU proposal, countries could give the appearance that a certain [geographical indication] would be protectable in their territory, where, in fact, conflicting trademarks could in practice result in a [geographical indication] not being allowed to be used in the course of trade.¹⁹⁹

This led to a proposal 'no longer ... to exclude trademark provisions from those whose application shall be facilitated by the multilateral register'²⁰⁰ and to provide for the notification '[f]or information purposes only ... of a trademark that contains or consists of the notified geographical indication'.²⁰¹ While this issue remained highly contentious in the preparations for the WTO's Hong Kong Ministerial, and while opinions may differ on the merit of the overall proposal, there can be no more explicit instance of a dispute settlement outcome influencing negotiation positions.

The Panel report illustrated the dynamic interplay between multilateral and bilateral negotiation; between market access and the protection of distinctive signs; and between a painstakingly literal reading of the treaty text and tendentious or policy-oriented interpretation — for instance, in asserting the positive trademark provisions over a reading of *TRIPS Agreement* art 24(5) that would create a distinct basis for trademark rights. In addressing the national treatment issue as well, the findings strongly recall the market-access dimension of intellectual property protection. But the findings also shift the focus from a zero sum approach over competing exclusive rights, to clarifying rules for their coexistence instead. In doing so, perhaps they offer lessons for broader resolution of trade differences over distinctive signs. Trademark coexistence agreements are standard practice; and the *TRIPS Agreement* directly requires for homonymous geographical indications subject to determining

the practical conditions under which the homonymous indications in question will be differentiated from each other, taking into account the need to ensure equitable treatment of the producers concerned and that consumers are not misled.²⁰²

Thus coexistence, in the form of 'practical conditions' between competing connotations within the scope of geographical indication protection is an express *TRIPS* requirement. It should therefore be uncontroversial (if not so expressly stated) that in practice the *TRIPS Agreement* should allow for coexistence when the one distinctive sign may have trademark significance, geographical indication significance and legitimate descriptive significance among different linguistic communities and different jurisdictions. Hence, in a global marketplace which spans numerous linguistic communities, the zero sum goal of absolute exclusivity over a connotative sign is less likely to be sustainable than a coexistence regime tempered by public policy considerations.

One striking aspect of this dispute was how difficult it was to frame the complaint: a substantial portion of the Panel's findings concern the legitimate scope of its own terms of reference. Further, it could not establish the basis for

¹⁹⁹ *TRIPS* Council, *Geographical Indications*, WTO Doc WT/GC/W/547, TN/C/W/26, TN/IP/W/11 (14 June 2005) 3 (Communications from the European Communities).

²⁰⁰ *Ibid.*

²⁰¹ *Ibid.* 14.

²⁰² *TRIPS Agreement*, above n 2, art 23(3).

Australia's invocation of right of priority and the enforcement provisions under *TRIPS Agreement* Part III. No specific Australian trademark was cited that would signify a positive interest and there was no evidence of problems enforcing actual Australian trademarks against conflicting geographical indications in Europe (and only one example was cited in the corresponding US complaint).²⁰³ In addition, Australia's market access to Europe that had most bearing on the geographical indication debate — the wine trade — had been busily prosecuted through a complex bilateral process, and was not at issue in this case. However, the complexity of the bilateral process on wine trade suggests that the two processes were interrelated, recalling that dispute settlement is indeed trade negotiation by other means and is not a formal hearing on compliance initiated by an impartial prosecutor; dispute settlement forms part of the bilateral trade and political relationship and is motivated by tactical considerations within that relationship. More speculatively, the intensity of effort generally on geographical indications may also reveal a displaced sense of frustration with the long lasting efforts to secure conventional market access for agricultural products. However, the case also illustrates the limitations of dispute settlement that is tactical in character and not founded on established actual market access and regulatory difficulties.

Similarly, the argument by the EC that its reciprocity condition for geographical indication protection did not apply to WTO members illustrated the systemic risks arising when legal argumentation is too defensive and tactical in character; should this argument have prevailed, it would be sufficient to immunise a discriminatory measure against WTO incompatibility through textual measures such as savings clauses with the effect that the conditions for registration are 'subject to international obligations' and the like. This argument potentially stands in tension with the ruling of the Appellate Body in *India — Patents (US)*²⁰⁴ that a country needs to 'provide a legal mechanism ... that provides a sound legal basis' for protection,²⁰⁵ a requirement that may need to be substantiated with convincing reference to national laws and administrative measures, rather than through relatively abstract formal legal arguments. Ultimately the dispute, like much WTO trade dispute settlement, highlighted the critical gap between the purported formal intent of regulatory measures and legalistic textual readings of text on the one hand, and their actual impact on practical market access on the other.²⁰⁶ The *Canada — Pharmaceutical Patents* Panel took an analogous approach in recognising the de facto character of the extended protection beyond the legal patent term in weighing legitimate interests under patent law.²⁰⁷ Another link with the other two cases discussed here is the

²⁰³ *EC — Trademarks and Geographical Indications*, WTO Doc WT/DS174/R/Add.1 (15 March 2005) (Report of the Panel), annex A-4 (*Replies by the United States to Questions Posed by the Panel and the European Communities to the Complaining Parties Following the First Substantive Meeting*) (8 July 2004) [78].

²⁰⁴ WTO Doc WT/DS50/AB/R, AB-1997-5 (19 December 1997) (Report of the Appellate Body).

²⁰⁵ *Ibid* [58].

²⁰⁶ Traversing similar territory, under *GATT 1994*, see *Japan — Customs Duties, Taxes and Labelling Practices on Imported Wines and Alcoholic Beverages*, GATT Doc BISD/34S/83 L/6216 (13 October 1987) (Report by the Panel).

²⁰⁷ See generally above Part VII.

Panel's literal reading of the legal text: while in each case, this approach has found its critics, who are looking for a stronger imprint of their policy interests in the interpretative methodology chosen by the Panel, this choice is in fact an instance of the policy of judicial economy practiced in WTO dispute settlement. There is a consistent choice not to explore 'richer' doctrinal resolutions — this gets back to two pragmatic points: first, that WTO dispute settlement remains trade negotiations by other means, rather than a dispensation of justice and the assertion of abstract points of principle; and second, that dispute settlement tribunals should not set policy directions, a point also stressed by the Panel in *Canada — Pharmaceutical Patents*.

While the *EC — Trademarks and Geographical Indications* decision hinged on such conventional trade law issues as national treatment and non-discrimination under *GATT 1994*, the trademark–geographical indication coexistence issues discussed in the case do shed authoritative light on the distinct character of rights associated with non-rivalrous intangible property and, in this case, with potentially polyvalent signs. The winner need not take all, as the law in practice may provide for interrelated positive rights to use and rights to exclude third parties. The case accordingly reads the geographical indication provisions of the *TRIPS Agreement* as allowing for continuing use of overlapping legitimate trademarks, as a kind of 'fair use' of the geographical indication (not dissimilar to the right to continue prior use under patent law, or fair use under copyright). Such a continuing right to use a trademark despite an adverse geographical indication does not entail being granted an unhampered right to exclude others from using a materially similar term, such as when this is a 'legitimate' geographical indication. Accordingly, the decision confronts the central misconception in the geographical indication–trademark policy and legal debate that the matter must be negotiated and determined in a zero sum, winner-take-all manner, and that a coexistence regime lacks legitimacy — a misconception that overlooks the explicit policy preference in the *Dispute Settlement Understanding* for a mutually acceptable solution.²⁰⁸

IX ENFORCEMENT: TECHNICAL COOPERATION OR 'LEGAL HARASSMENT'?

When the *TRIPS Agreement* was adopted by the Marrakesh Ministerial Meeting in April 1994, Indonesia put on record the apprehensions of many developing countries which had experienced unilateral pressure on intellectual property enforcement during the course of the Uruguay Round:

Among the new obligations which we consider as a major concession is the agreement on intellectual property. In order for us to implement the agreement fully, we require technical assistance from our developed trading partners. As we make our adjustment, what we need most is technical cooperation and not legal harassment.²⁰⁹

This pressure concentrated on intellectual property enforcement, at least as much as substantive content of standards expressed in national laws, many of

²⁰⁸ *Dispute Settlement Understanding*, above n 27, art 3.

²⁰⁹ Trade Negotiations Committee, *Indonesia: Statement by H E Mr S B Joedono, Minister of Trade*, WTO Doc MTN.TNC/MIN(94)ST/17 (12 April 1994).

which essentially conformed with the *TRIPS Agreement*. The conclusion and ‘implementation’ of the *TRIPS Agreement* did not resolve the uncertain relationship between (i) formal compliance with substantive standards on intellectual property enforcement — the in principle availability of the required remedies — and (ii) meeting trading partners’ broader expectations about the standard of performance in enforcing intellectual property rights — actually reducing the level of commercial piracy and counterfeiting to economically insignificant (or politically tolerable) levels. How to use international trade law to reconcile bilateral trade tensions over disappointed expectations of effective enforcement remains a conceptually unsettled and politically contested task, even though the phenomenon of widespread systemic infringement was a major impulse towards the conclusion of the *TRIPS Agreement*, indeed including multilateral efforts predating the Uruguay Round.²¹⁰ This issue is one factor behind the resistance of many countries to broadening the effective cause of action under the *TRIPS Agreement* to include non-violation disputes²¹¹ — in effect, a resistance to moving beyond a complaint based on formal noncompliance with substantive standards, to embrace complaints of disappointed expectations of economic benefits reasonably anticipated under the *TRIPS Agreement*: in this instance, not merely the existence of remedies on the statute books but their effective exercise to eliminate substantively the incidence of infringement. This is a dynamic issue at the very centre of the unsettled nature of the *TRIPS Agreement* as a regime — is it aimed at ensuring legal compliance, or at providing an orderly multilateral framework for pursuing politically directed trade interests?

Australia itself has felt direct pressure on enforcement questions, most notably in its repeated citations under the unilateral Special 301 process conducted by the US Trade Representative²¹² and in the negotiations that concluded the bilateral

²¹⁰ *Report of the Group of Experts on Trade in Counterfeit Goods*, GATT Doc L/5878 (9 October 1985); a code on trade in counterfeit goods was unsuccessfully pursued in the Tokyo Round (1973–79): see, eg, Multilateral Trade Negotiations Group, *Commercial Counterfeiting*, GATT Doc MTN/NTM/W/204 (11 December 1978) (Proposal by the US).

²¹¹ Contrast the view of the US on non-violation disputes:

Inadequate legal systems for protection and enforcement of intellectual property rights can mean, for example, that an anticipated increase in market access resulting from a negotiated tariff reduction for a certain product or elimination of a quota would not be realized ...

TRIPS Council, Scope and Modalities of Non Violation Complaints Under the TRIPS Agreement, WTO Doc IP/C/W/194 (17 July 2000) 2–3 (Communication from the US), with the view of several developing countries: such complaints may ‘encompass actions of courts or law-enforcement authorities, leading to the use of the non-violation remedy as a means of appealing national legal decisions and upsetting the balance between State bodies’: *TRIPS Council, Non-Violation and Situation Nullification or Impairment under the TRIPS Agreement*, WTO Doc IP/C/W/385 (30 October 2002) [45] (Communication from Argentina, Bolivia, Brazil, Colombia, Cuba, Ecuador, Egypt, India, Kenya, Malaysia, Pakistan, Peru, Sri Lanka and Venezuela).

²¹² Under the ‘Special 301’ provisions of the *Trade Act of 1974* 19 USC (2008), as amended, the USTR identifies foreign countries that deny adequate and effective protection of intellectual property or fair and equitable market access for US persons that rely on intellectual property protection. Australia was listed on the Watchlist in 1994, and 1996–99, and on the Priority Watchlist from 1991–93; aspects of enforcement were repeatedly cited.

free trade agreement with the US.²¹³ While issues of substantive intellectual property standards — such as pharmaceutical patents and copyright term extension — have occupied much of the debate and the critical attention paid to the bilateral agreement, it was arguably the combination of enforcement issues and the reshaping of the cause of action for international trade disputes over intellectual property protection that was the more momentous consequence of the agreement in terms of the way trade relations on intellectual property matters are legally framed. The agreement significantly expanded the mandatory scope of criminal remedies for trademark and copyright infringement²¹⁴ (and related acts such as circumvention of technological protection measures and rights management information).²¹⁵ The agreement broadened the cause of action beyond simple noncompliance to embrace complaints that ‘a benefit [a] Party could reasonably have expected to accrue to it under ... [inter alia, ch 17 of the *AUSFTA* regarding intellectual property] is being nullified or impaired as a result of a measure that is not inconsistent’ with the Agreement.²¹⁶ This opens up considerable possibilities — at least in theory²¹⁷ — for dispute settlement on a broader scale that could link limited practical impact of criminal prosecution of copyright infringement with legitimate expectations of reduced systemic levels of piracy flowing from the conclusion of the bilateral agreement.

Multilaterally, enforcement under the *TRIPS Agreement* has remained a contested issue, with the WTO *TRIPS* Council failing to take up proposals for substantive consideration of enforcement.²¹⁸ The call for stronger and more effective enforcement of intellectual property rights in developing countries has become a stock theme in the analysis of the North–South dimension of the conduct of intellectual property related trade diplomacy. It relates to cultural differences and expectations: typically on an East–West axis,²¹⁹ and more specifically in the voluminous literature on enforcement in China.

²¹³ *AUSFTA*, above n 14.

²¹⁴ *Ibid* art 17(11).

²¹⁵ *Ibid* art 17(4).

²¹⁶ *Ibid* art 21(2)(c).

²¹⁷ It should be noted that Australia does not figure in the list of countries for which levels of piracy were reported in 2007 by the influential US-based industry group the International Intellectual Property Alliance (‘IIPA’): IIPA, *USTR 2007 ‘Special 301’ Decisions* (IIPA Report, 29 April 2007), available from <<http://www.iipa.com/statistics.html>> at 23 May 2008.

²¹⁸ Recent submissions include: *TRIPS Council, Enforcement of Intellectual Property Rights (Part III of the TRIPS Agreement): Experiences of Border Enforcement*, WTO Doc IP/C/W/488 (30 January 2007) (Communication from the US); *TRIPS Council, Enforcement of Intellectual Property Rights: Communication and Coordination as a Key to Effective Border Measures*, WTO Doc IP/C/W/492 (31 May 2007) (Communication from Switzerland). The Council had before it a submission from Japan: *TRIPS Council, Enforcement of Intellectual Property Rights*, WTO Doc IP/C/W/501 (11 October 2007) (Communication from Japan). Different views were expressed on the appropriateness of dealing with the issues raised in those communications in the *TRIPS* Council, as well as on whether the item should be on the *TRIPS* Council’s agenda.

²¹⁹ See the discussion in Antony Taubman, ‘TRIPS Goes East: China’s Interests and International Trade in Intellectual Property’ in Deborah Cass, Brett Williams and George Barker (eds), *China and the World Trading System: Entering the New Millennium* (2003) 345.

Yet the issue confronts three teasing paradoxes:

- (i) A paradox in the practice of dispute settlement under the original GATT 1947 is that the sanction against impairment of one's trade interests is to withhold trade liberalising 'concessions' which are in principle in a nation's unilateral interests — in theory, adding further damage to the damage already caused to the complaining party by the original adverse measure; analogously, a well designed TRIPS consistent intellectual property system should, on the face of it,²²⁰ promote a nation's welfare not merely because it is formally legislated and administered but also when it is effectively enforced in compliance with TRIPS standards, yet an instinct lingers that building intellectual property administration is non zero sum capacity building, while actually enforcing intellectual property rights is a concession to foreign interests.²²¹
- (ii) For some significant economies — most strikingly for this debate, China²²² — intellectual property is predominantly held by domestic nationals, so that all else being equal²²³ the investment of resources in enforcement would directly promote domestic interests more than those of trading partners,²²⁴ yet again, enforcement is assumed to be a 'concession'.
- (iii) Enforcement, one of the most divisive issues in bilateral intellectual property trade relations, can only be effectively and systematically sustained through international cooperation and coordination, particularly in information exchange: the TRIPS Agreement itself acknowledges that cooperation is integral to 'eliminating

²²⁰ The *TRIPS Agreement* provides that

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: above n 2, art 7 (emphasis added).

²²¹ In this context, Taubman, 'TRIPS Goes East', above n 219, 351, refers to '[t]he self-defeating characteristic of [intellectual property right] infringement as an instrument of economic development'.

²²² This trend was cited and discussed in 2002 in *ibid*, and has strengthened since then. The proportion of domestic patent filings in China rose from 29 per cent in 1998 to 54 per cent in 2005: WIPO, *Patent Applications by Origin (1995 to 2006)* (14 December 2007), available from <<http://www.wipo.int/ipstats/en/statistics/patents>> at 23 May 2008. Throughout this period the percentage of direct domestic trademark filings consistently remained in the high eighties: WIPO, *Trademark Applications by Origin (1995 to 2006)* (30 January 2008), available from <<http://www.wipo.int/ipstats/en/statistics/marks>> at 23 May 2008.

²²³ And — admittedly largely based on anecdotal evidence — there are concerns in many markets about de facto failure to apply the national treatment principle in the administration and enforcement of intellectual property rights, with implicit favouring of domestic interests; other anecdotal reports suggest to the contrary that external trade pressure leads to the lion's share of scarce enforcement resources going to defend right holders from abroad, to the detriment of domestic nationals.

²²⁴ Taubman, 'TRIPS Goes East', above n 219, 353: 'on the face of it, in so far as "TRIPS implementation" favours individual right-holders' interests, China's trading partners seem to be calling on China to improve a system with the potential to benefit its domestic interests to a proportion greater than in almost all other WTO Members'.

international trade in goods infringing [intellectual property rights]²²⁵ and requires WTO members to 'promote the exchange of information and cooperation between customs authorities with regard to trade in counterfeit trademark goods and pirated copyright goods'.²²⁶ The TRIPS Council debate continues to underline this point: 'given the inherently transnational component of border measures, communication and coordination efforts need to be extended to regional and international cooperation for these measures to be truly effective'.²²⁷

This paradoxical character gives enforcement of intellectual property under domestic law a curious and intractable quality in international trade relations, above all making it more difficult for Australia to determine optimally how to defend its distinct national trade interests. To put the point with artificial bluntness, perhaps, does Australia need to lobby China to invest in the enforcement of trademarks when in 2005, 593 382 Chinese trademark applications were filed by domestic applicants, out of a total of 670 884? Intellectual property related business interests in Australia broadly said 'yes', as indicated by domestic consultations on the proposed bilateral trade agreement with China:

[g]eneral difficulties in enforcement of [intellectual property rights], particularly by Chinese federal authorities, were identified. Enforcement action taken by provincial authorities appears to be of very limited value. The lack of faith by Australian companies in Chinese [intellectual property] enforcement practices makes it very difficult for an Australian company with [intellectual property rights] to deal with a Chinese company. ... Also in relation to enforcement, Australian companies have difficulties with counterfeit products produced in China and imported into Australia. Many of these counterfeit products do not meet Australian standards and safety regulations and, in some cases, place Australian lives at risk.²²⁸

Australia could pursue its interests in intellectual property right enforcement through several pathways: regular bilateral trade and diplomatic relations; bilateral negotiations; regional mechanisms, notably the Asia-Pacific Economic Cooperation ('APEC'); new multilateral initiatives and norm-setting; the review of legislation and implementation in the WTO; and WTO dispute settlement. This array of choice illuminates the complex relationship between formal legalisation of trade relations on intellectual property as constituting 'disputes' to be 'settled', and broader forms of promoting national economic interests.

Australia took the initiative to strengthen regional cooperation on enforcement through regulatory networks, cooperation and information sharing — in effect,

²²⁵ *TRIPS Agreement*, above n 2, art 69.

²²⁶ *Ibid.*

²²⁷ TRIPS Council, *Enforcement of Intellectual Property Rights: Communication and Coordination as a Key to Effective Border Measures*, WTO Doc IP/C/W/492 (31 May 2007) [26] (Communication from Switzerland).

²²⁸ Letter from Michael Caine, Convenor, International Patent Committee, Institute of Patent and Trade Mark Attorneys of Australia, to Chinese FTA Study Taskforce, DFAT, 23 March 2005 <http://www.dfat.gov.au/geo/china/fta/submissions/cfta_submission_6se16.pdf> at 23 May 2008.

implementing the spirit of art 69 of the *TRIPS Agreement* in what has been described as ‘collective management of TRIPS’²²⁹ within APEC: ‘enforcement of trading partners’ intellectual property rights undertaken collaboratively as a performance of positive comity, rather than as a grudging concession in a zero sum trade deal struck between atomistic protagonists’.²³⁰ In bilateral trade negotiations within Australia’s immediate region, intellectual property enforcement was addressed through stronger cooperation more than substantive performance norms: bilateral agreements with Singapore²³¹ and Thailand²³² established practical cooperative initiatives and policy dialogue on enforcement,²³³ rather than *TRIPS*-plus standards, the key exception being measures to prevent exports of infringing goods.²³⁴

Just as the bilateral negotiating dynamic with the US showed marked differences measured by the more substantive standards on enforcement in the concluded free trade agreement, intellectual property reportedly took on a contentious character in bilateral negotiations with China,²³⁵ even though preliminary work had highlighted prospects for cooperation:

Australia tabled additional draft text covering [intellectual property issues] raised by Australian Industry: the establishment of a possible bilateral consultative mechanism on [intellectual property] issues and the protection of confidential information provided by enterprises when applying for tenders or regulatory approval. ... China used a significant part of the meeting to reiterate its strong concerns regarding the scope and content of Australia’s draft [intellectual property] chapter. We responded firmly, providing sound policy and commercial reasons for the provisions included in our draft chapter. While there are signs of convergence on a few of the draft provisions, the [intellectual property] negotiations remain characterised by two strongly divergent competing visions for what constitutes an appropriate [intellectual property] chapter.²³⁶

This complex background sheds light on the options reviewed by Australia when the US initiated WTO dispute settlement proceedings against China on

²²⁹ Antony Taubman, ‘Collective Management of TRIPS: APEC, New Regionalism and Intellectual Property’ in Cristoph Antons, Michael Blakeney and Christopher Health (eds), *Intellectual Property Harmonisation within ASEAN and APEC* (2003) 161.

²³⁰ *Ibid* 163.

²³¹ *Singapore–Australia Free Trade Agreement*, signed 17 February 2003, [2003] ATS 16 (entered into force 28 July 2003) (‘SAFTA’).

²³² *Australia–Thailand Free Trade Agreement*, signed 5 July 2004, [2005] ATS 2 (entered into force 1 January 2005) (‘TAFTA’).

²³³ SAFTA, above n 231, ch 13, art 5; *ibid* art 1304.

²³⁴ SAFTA, above n 231, ch 13, art 4; TAFTA, above n 232, art 1303.

²³⁵ See also Anne Leahy et al, ‘In the Shadow of the China–Australia FTA Negotiations: What Australian Business Thinks About IP’ (Intellectual Property Research Institute of Australia Working Paper No 07/07, 2007), <<http://www.law.unimelb.edu.au/ipria/publications/workingpapers/2007/IPRIAWP%2007.07.pdf>> at 23 May 2008.

²³⁶ DFAT, Australia, *Subscriber Update: Ninth Round of Negotiations* (29 June 2007) <http://www.dfat.gov.au/geo/china/fta/070629_subscriber_update.html> at 23 May 2008. See also DFAT, Australia, *Subscriber Update: Eighth Round of Negotiations* (12 April 2007) <http://www.dfat.gov.au/geo/china/fta/070412_subscriber_update.html> at 23 May 2008, referring to ‘strong differences’ and ‘the sensitive and difficult nature of the negotiations’ regarding intellectual property. See also DFAT, Australia, and Ministry of Commerce, People’s Republic of China, *Australia–China Free Trade Agreement Joint Feasibility Study* (March 2005) <http://www.dfat.gov.au/geo/china/fta/feasibility_full.pdf> at 23 May 2008.

intellectual property enforcement: become a complainant, exercise third party rights, or observe at a remove? To what extent should the reported difficulties for Australian business in China be formalised as a bilateral 'dispute' to be resolved through the WTO settlement mechanism? In practice, the response was measured: Australia abstained during the consultation phase of the dispute, but entered as a third party, along with ten other WTO members, once the DSB established a Panel.²³⁷ The then government cited 'important commercial and systemic issues'²³⁸ raised by the dispute, rather than the specific complaints by Australian industry, and underlined that '[p]articipation as a third party does not mean [Australia is] taking sides in the case',²³⁹ but that it allowed Australia to register its views on the issues raised in the dispute. The announcement underscored that third party participation was 'common practice amongst WTO members — China itself has been a third party more than 40 times'.²⁴⁰ At the time of writing, Australia's views had not been made public, but the newly elected Rudd Government had taken a similar position on third party participation in a dispute brought by the US against China regarding audiovisual services, stressing it was 'not ... taking sides'.²⁴¹ The new government announced its participation in a new multilateral normsetting initiative, negotiations towards an Anti Counterfeiting Trade Agreement,²⁴² which effectively returned to the earliest roots of the *TRIPS Agreement* in the GATT Tokyo Round work on anti-counterfeiting code, and is itself a commentary on the disappointed expectations of the *TRIPS* regime. Accordingly, to pursue trade interests that were increasingly expressed in terms of expectations of enhanced enforcement of intellectual property, Australia continued to rely on both regional and bilateral cooperation for effective enforcement, and the crafting of multilateral norms, rather than the formalisation of these trade difficulties as stand alone disputes to be formally resolved within the WTO regime.

X CONCLUSION: FROM ZERO SUM CALCULATION TO PRAGMATIC COEXISTENCE

The *TRIPS Agreement* pre-empts major policy choices, imposing, for instance, the obligation to grant patents on pharmaceutical products and putting an effective end to the debate about optimal patent term. In principle, however, its essence as a regime is to shift intellectual property policymaking into a richer policy space, and to provide a safe haven for legitimate, principled domestic policymaking, aimed at setting a welfare-enhancing balance of interests, in contrast to the awkward, ad hoc outcomes that result from bilateral deal making. The jurisprudence arising from these disputes endorsed principled exceptions to intellectual property rights and allowed governments to defend those choices,

²³⁷ *China — Measures Affecting the Protection and Enforcement of Intellectual Property Rights*, WTO Doc WT/DS362/8 (13 December 2007) (Note by the Secretariat).

²³⁸ Warren Truss, Australian Minister for Trade, 'Australia and WTO Dispute on Intellectual Property between the US and China' (Press Release, 7 October 2007).

²³⁹ *Ibid.*

²⁴⁰ *Ibid.*

²⁴¹ Simon Crean, Australian Minister for Trade, 'WTO Dispute: China Market Access: Australia's Third Party Involvement' (Press Release, 10 December 2007).

²⁴² Simon Crean, Australian Minister for Trade, 'Australia to Negotiate an Anti-Counterfeiting Trade Agreement (ACTA)' (Press Release, 1 February 2008).

while ruling against more arbitrary exceptions that resulted from sectoral deals in domestic politics. The supposed theoretical tension between the *TRIPS Agreement* and the 'real' trade law of *GATT 1994* is difficult to sustain in the light of actual dispute settlement practice, which reveals strong organic linkages between legitimate interests in the two domains. This practical experience should lead to a systematic assimilation of intellectual property standards into the broader scope of trade law, yielding a systematic and robust *TRIPS* jurisprudence, guided by the equity and balance of art 7 of the *TRIPS Agreement*, that should in time serve to defend principled domestic policymaking in the more mature phase following the burdensome and chaotic initial phase of *TRIPS* implementation.

The analysis and actual practice of *TRIPS* dispute settlement has been dominated by the zero sum logic that tends to define trade negotiations. Yet the *Dispute Settlement Understanding* provides that '[t]he 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'.²⁴³ Zero sum thinking, in the regulatory domains traversed by the WTO regime, is typically both theoretically unsound and politically sub-optimal. The notion of a coexistence regime created by the Panel in *EC — Trademarks and Geographical Indications*, the scrupulous balancing of legitimate interests by the Panel in the pharmaceutical and copyright cases, and the conception of enforcement as requiring positive comity and practical cooperation to achieve, together serve as powerful metaphors for an ideal conception of the WTO regime not as rewarding winners or sanctioning losers, but rather as exposing sectoral interests and discriminatory practices in national regulation; as reinforcing genuine policy balances as legitimate practical interpretations of treaty text; and as promoting the kind of mutually beneficial coexistence (in favour of the championing of national trade interests) that is rendered inevitable by the progressive fading of national borders in a globalising knowledge economy.

²⁴³ *Dispute Settlement Understanding*, above n 27, art 3(7).