The WTO and the TRIPS Agreement
Dispute Settlement in the TRIPS area
TRIPS and FTAs

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No views or analysis to be attributed to
the WTO, its Secretariat or any of its Members
What is the WTO?

Somewhere to negotiate trade rules and apply the results

- a forum for negotiations
- with agreed rules, commitments
  ... with basic principles for trade
- ... and dispute settlement
- member-driven decision-making
  ... with supporting Secretariat
Previous round: Uruguay Round
1986–1994
Eighth ‘round’ under GATT, since 1948

Result: In 1995
- Rules expanded: goods (GATT) + services (GATS) + intellectual property (TRIPS)
- WTO formed, replacing GATT
Negotiation and Decision making

- Single undertaking
  - “Nothing is agreed until everything is agreed”

- Consensus rule
  - Each Member can block consensus
Structure of the WTO

Ministerial Conference

General Council

DSB

GATT Council

GATS Council

TRIPS Council

Plurilateral Agts.

TPRB
Functions of the WTO

- Administering WTO trade agreements
- Forum for trade negotiations
- Handling trade disputes
- Monitoring national trade policies
- Technical assistance and training for developing countries
- Cooperation with other international organizations
The Making of the TRIPS Agreement

Personal Insights from the Uruguay Round Negotiations

The “Making of the TRIPS Agreement” presents for the first time the diverse personal accounts of the negotiators of this unique trade agreement. Their contributions illustrate how different policy perspectives and trade interests were accommodated in the final text, and map the shifting alliances that transcended conventional boundaries between developed and developing countries.

Free download from www.wto.org
TRIPS: Main features (1)

- Coverage of TRIPS
  - most comprehensive multilateral agreement on intellectual property to date
  - incorporating substantive provisions of:
    - Paris Convention (1967)
    - Berne Convention (1971)
    - Rome Convention (1961)
"Incorporation" Technique

- Build on existing conventions
- To avoid re-opening of existing texts
- To concentrate on negotiating the "plus" elements
- To have a short but comprehensive text

Conventions almost „fully“ incorporated
Conventions referred to Berne/Paris Plus elements
TRIPS: Main features (2)

Coverage of TRIPS

Areas of intellectual property covered:

- copyright and related rights
- trademarks including service marks;
- geographical indications including appellations of origin;
- industrial designs;
- patents including the protection of new varieties of plants;
- the layout-designs of integrated circuits; and
- undisclosed information, including trade secrets and test data.
Minimum Standards of Protection

- Defines main elements of protection
  - the subject-matter to be protected,
  - the rights to be conferred and permissible exceptions to those rights, and
  - the minimum duration of protection.

Incorporation of substantive provisions of the main WIPO-Conventions (Paris/Berne)

Additional Provisions ("Berne/Paris plus")
TRIPS: Main features (4)

- Enforcement Provisions
  - General Principles applicable to IPRs
  - Specifies Procedures that must be available

- Dispute Settlement
  - Part of the integrated Dispute Settlement System of the WTO
  - No unilateral action
TRIPS Basic Principles

- Freedom to determine the appropriate method of implementing the Agreement (Art. 1.1)
- National treatment (Art. 3)
- Most-favoured nation treatment (MFN) (Art. 4, 5)
- Exhaustion of rights (Art. 6); see WT/MIN(01)/DEC/2
- Objectives (Art. 7); see WT/MIN(01)/DEC/2
- Principles (Art. 8); see WT/MIN(01)/DEC/2
TRIPS - Transitional arrangements

- 1 January 1995: entry into force
- 1 January 1996: developed countries
- 1 January 2000: developing countries
- 1 January 2005: developing countries extend product patent protection to areas of technology not previously covered
- 1 July 2021: least-developed countries
- 1 January 2033: least-developed countries provide pharmaceutical patents

Other provisions
- non-backsliding provision
- special transitional arrangements in certain cases
- mail-box and exclusive marketing rights
II. WTO Dispute Settlement in the TRIPS area
The WTO Dispute Settlement System

- Disputes between governments about compliance with TRIPS are subject to the integrated dispute settlement system of the WTO (governed by the Dispute Settlement Understanding (DSU))
- System designed to ensure the rule of law in international trade relations, including in the area of IP
- Impartial and effective resolution of disputes
- Under the DSU, governments are bound to have recourse to, and abide by, the multilateral WTO dispute settlement procedures
- not to make a determination that a violation has occurred except in accordance with these procedures
- not to retaliate except in accordance with authorization from the DSB
Main Stages of Dispute Settlement

1. Consultations (60 days)
2. Panel established by DSB
3. Panel composed
4. Panel review, report circulated (6-9 months)
5. Appellate review, report circulated (60-90 days)
6. DSB adopts Panel / Appellate Body Report(s) (60 days)

- Report issued to the parties then circulated to Members
- Report circulated in official WTO languages

Report circulated in official WTO languages
Performance

- Busiest “state-to-state” court:
  - **WTO**: 534 disputes in 22 years
  - **ICJ**: 152 disputes in 67 years
  - **GATT** era: 300 disputes in 48 years
- 98 Members participated as parties or third parties, approx. 62%
- Developing/developed country participation approx. 50%
Trends in the Use of the Dispute Settlement Mechanism

As respondents

- **Developing**
- **Developed**

Year: 1995 to 2016
**Most frequent complainants/respondents**

<table>
<thead>
<tr>
<th>Member</th>
<th>No of cases initiated</th>
<th>Member</th>
<th>No of cases defended</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>116</td>
<td>US</td>
<td>130</td>
</tr>
<tr>
<td>EC / EU</td>
<td>97</td>
<td>EC / EU</td>
<td>99</td>
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<tr>
<td>Thailand</td>
<td>13</td>
<td>Mexico</td>
<td>14</td>
</tr>
</tbody>
</table>
Consultations according to Agreement at Issue

- TRIMs, 42
- TRIPS, 34
- Licensing, 46
- Safeguards, 47
- SPS, 43
- TBT, 50
- Agriculture, 76
- Subsidies, 110
- Anti-Dumping, 114
- GATT, 24
- GATT 1994, 409
TRIPS disputes – Statistics

- 39 complaints, relating to 25 separate matters
  - 14 settlements
  - 10 panel and 3 AB reports adopted
  - 6 panels established 1 panel lapsed
  - 6 consultations pending
  - 3 inactive

- This represents about 7% of the total of 534 complaints lodged so far in the WTO Dispute Settlement System (Nov 2017)
Subject-matter of the cases (1)

Early cases on transitional matters

- **JAPAN** – *Measures Concerning Sound Recordings* (two cases settled): application of Berne Article 18 to pre-existing sound recordings
- **PAKISTAN** – *Patent Protection for Pharmaceutical and Agricultural Chemical Products* (settled) and **INDIA** – *Patents I and II*: “mail-box”
- **PORTUGAL** – *Patent Protection under the Industrial Property Act* (settled) and **CANADA** – *Patent Term*: application of Article 70 to pre-existing patents
Subject-matter of the cases (2)

Scope of allowable exceptions and the balance found in TRIPS

- **CANADA** – *Pharmaceutical Patents*: three-step test under Article 30
- **US** – *Section 110(5) Copyright Act*: three-step test under Article 13
- **EC** – *Trademarks and Geographical Indications*: scope for “co-existence” of GIs with prior TM under Article 17
Non-discrimination

- **US – Section 211 Appropriations Act**
  - A Member free to choose not to recognize IPRs in its own territory relating to a confiscation of rights in another territory
  - However, the AB found violation of national and MFN treatment obligations

- **EC – Trademarks and Geographical Indications**
  - Required certain systems from other governments; hence foreign nationals didn’t have guaranteed access to the EC system
  - Protection contingent upon another country adopting equivalent system and offering reciprocal protection
Subject-matter of the cases (4)

Enforcement

- **DENMARK** and **SWEDEN** – Measures Affecting the Enforcement of IPRs (two cases settled): availability of ex-parte search orders in civil procedures pursuant to Article 50.2

- **EUROPEAN COMMUNITIES** and **GREECE** – Enforcement of IPRs in Motion Pictures and Television Programmes (on the same matter, settled)

- **US** – **Section 211 Appropriations Act**: availability of fair and equitable procedures pursuant to Article 42

- **China** – IPRs: customs measures and criminal thresholds

  - No jurisprudence on Article 41 “performance requirements”
Provisions of WIPO Conventions incorporated into TRIPS:

- Effort to interpret TRIPS and WIPO provisions in ways which reconcile them and avoid conflicts between them
- Panels have sought factual information from WIPO about drafting history and subsequent practice in cases where WIPO treaty provisions have been invoked in WTO disputes
Ongoing Panel proceedings (1)

- Australia – Tobacco Plain Packaging
  - Ukraine (DS434) **suspended**
  - Honduras (DS435)
  - Dominican Republic (DS441)
  - Cuba (DS 458)
  - Indonesia (DS467)
- Issues raised (e.g.)
  - Art. 15, 16, 20 TRIPS - Trademark rights
  - Art 2.2 TBT – unnecessary obstacle to trade
Ongoing Panel proceedings (2)

DS 526: UAE – Measures relating to GATT, GATS and TRIPS

- Qatar, on 22 November 2017, requested the establishment of a panel to examine UAE’s measures to economically isolate it. UAE claims that these measures were taken in response to Qatar’s funding of terrorist organizations, and that
  - Art. 73 TRIPS allows Members to take action in the interest of national security
  - issues in the dispute were not trade issues.
- Requests for consultations also to Saudi Arabia and Bahrain
Pending Consultations (1)

- DS 408/409: Brazil and India challenging the EU’s/NL’s practice of stopping pharmaceutical goods in transit on the basis of patent infringement in the EU

  - Measure at issue:
    - EU Customs Regulation 1383/2003 and other EU/Dutch legislative provisions, as well as Dutch Court decisions

  - Both requests refer to:
    - GATT: Art. V (freedom of transit), Art. X:3
    - TRIPS:
      - Art. 28 in conjunction with Art.2 and Art.4bis Paris Convention, para.6(i) of August 2003 Decision (limits to patent rights conferred)
      - Art.41, 42 (barriers to legitimate trade)
      - Art. 31 in conjunction with August 2003 Decision (interference with right to grant CL for export under Para.6 System)
      - TRIPS interpretation and implementation in light of Art.7 and 8, Doha Declaration on TRIPS and Public Health, as well as International Covenant on Economic, Social and Cultural Rights
DS 542: China – Certain measures concerning the protection of Intellectual Property Rights

- On 23 March 2018 the United States requested consultations concerning certain measures related to IP protection.

- The United States claim that China’s rules on technology transfer in the context of market access discriminate with respect to patent rights and thus appear inconsistent with
  - Article 3, 28.1(a) and 28.2 TRIPS Agreement.
WTO Dispute Settlement System: Suspension of Concessions

- Full implementation of Panels findings preferred
- Suspension of concession or other obligations ("retaliation") can be authorized if a Member fails to implement recommendations within the period fixed or to offer acceptable compensation

Applicable principles – Article 22.3 DSU

- Normally suspension of concessions in the same sector
- If not practicable or effective, may seek to suspend concessions in other sectors under the same agreement
- If not practicable or effective, may seek to suspend concessions under another covered agreement ("cross-retaliation")
WTO Dispute Settlement: TRIPS Cross-Retaliation Cases

- EC – Bananas III (DS27, 2000)
- US – Upland Cotton (DS267, 2009)
- US Regime of agricultural domestic support and export subsidies found in violation of AG and ACSM
  - Level of nullification and impairment varies with level of US payments (USD 147.4m for FY 2006 plus USD 147.3 m/year)
- On 31 August 2009, the DSB authorized Brazil to suspend concessions, to the extent insufficient under GATT, under TRIPS (and GATS) in the areas of
  - Copyright and related rights, Trademarks, Industrial designs, Patents, Protection of undisclosed information.
Brazil – TRIPS cross-retaliation

- On 10 February 2010, President Lula enacted "Medida Provisória" No. 482 with immediate effect (later confirmed by Law 12,270 of June 24, 2010), which sets out the categories of obligations that can be suspended and specific measures that can be applied.

- Provides domestic legal basis for
  - reducing the term of protection of IPRs by delaying the start of protection;
  - reducing the IPR's term of protection at any time;
  - Issuing compulsory licences for public non-commercial use (with or without remuneration);
  - increasing fees, or creation of new fees, with respect to the "registration" and "maintenance" of IPRs;
  - freezing of the remittance of royalties or remuneration for use of IPRs;
  - imposing levies on the remuneration obtained by the IPR owner
  - imposing mandatory registration as a condition to obtain IPR ownership.

- within the limits authorized by the WTO Dispute Settlement Body

- A temporary arrangement in early 2010 provided for annual US payments of USD147.3 million to Brazil Cotton Institute

- **US-Brazil Agreement reached on 1 Oct 2014:**
  - US one-time payment of USD300 million / Brazil agrees to a peace clause on sanctions
Non-Violation and Situation Complaints

Art. XXIII of GATT 1947

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

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

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

(c) the existence of any other situation, [Situation]

the contracting party may, with a view to a satisfactory adjustment of the matter, make written representations or proposals to the other contracting party or parties which it considers to be concerned.
Non-Violation and Situation Complaints

Art. 64.2 TRIPS

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

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

- Moratorium on non-application
  - extended repeatedly, most recently until next Ministerial meeting planned for December 2019
Non-Violation and Situation Complaints

IP/C/W/349/Rev.3 (November 2012)

Discussion on applicability under TRIPS:

- exceptional character
- purpose of non-violation complaints
  - TRIPS not a market access, but *sui generis* agreement
- systemic concerns
  - Positive/negative consensus
  - No general exception under TRIPS
  - Imbalance between Members and AB?
- Nature of benefits accruing under TRIPS
  - Balance of rights between right holders and users
  - No benefits “beyond the boundaries of the text”
- “Competitive Relationships”
  - Traditionally used as indication of expected benefits
  - relationships complicated under TRIPS (user/right holder; domestic/foreign)
Current state of affairs

- Large majority of Members against application of non-violation and situation complaints under TRIPS
- Japan in favour of developing “scope and modalities”
- US and Switzerland in favour of full applicability of non-violation and situation complaints under TRIPS once the moratorium expires
- Current moratorium expires at the next Ministerial (planned for 12/2019)
RTAs by Non-Violation and IP provisions

238 RTAs notified to WTO and in force

49 RTAs containing non-violation provisions

24 RTAs containing NV provisions applicable to IP

20 RTAs containing NV and significant IP provisions

53 RTAs containing a significant number of IP provisions
III. TRIPS and FTAs
Evolution of Regional Trade Agreements in the world, 1948-2018

Note: Notifications of RTAs: goods, services & accessions to an RTA are counted separately. Physical RTAs: goods, services & accessions to an RTA are counted together. The cumulative lines show the number of notifications/physical RTAs that were in force for a given year.
Source: RTA Section, WTO Secretariat, 25-Jan-18.
Multiple overlapping RTAs

The ‘Spaghetti Bowl’ of FTAs in the Americas and Asia-Pacific (2005) Source: Integration and Regional Programs Department, IDB.
WTO rules: Most Favoured Nation principle

The MFN principle is established in:

• Article I of GATT – Trade in Goods
  • Exception for RTAs: Article XXIV
• Article II of GATS – Trade in Services
  • Exception for RTAs: Article V
• Article 4 of TRIPS – Intellectual Property
  • No Exception for RTAs
TRIPS: minimum standard

• Article 1.1
  • … Members may, but shall not be obliged to, implement in their law more extensive protection than is required by this Agreement, provided that such protection does not contravene the provisions of this Agreement. …
TRIPS: Non-Discrimination Rules

- Article 4: Most-favoured-nation treatment
  - With regard to the protection of intellectual property, **any advantage, favour, privilege or immunity** granted by a Member to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other Members.

- Limited Exemptions
  - e.g. agreements pre-dating TRIPS; privileges deriving from general law-enforcement agreements not specifically aimed at IP; reciprocity permitted by Berne or Rome etc.; rights of performers, phonogram producers, and broadcasters not in TRIPS.
Scope of Article 4

Footnote 3:

For the purposes of Art. 3 and 4 «protection» shall include matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in this Agreement.
I LOVE LASAGNA!
What are the implications of layers of obligations?

<table>
<thead>
<tr>
<th>EFTA - Mexico (2001)</th>
<th>The Parties shall ensure in their respective laws at least the following: adequate and effective protection of undisclosed information consistent with the level provided for in the TRIPS Agreement, in particular Article 39</th>
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<td>Colombia Mexico (1995)</td>
<td>Cada Parte dispondrá, ... que ninguna persona distinta a la que los haya presentado de pueda, sin autorización de esta última, contar con esos datos en apoyo a una solicitud para la aprobación de un bien durante un periodo razonable después de su presentación. Para este fin, por periodo razonable se entenderá normalmente un lapso no menor a cinco años contados a partir de la fecha en que la Parte haya concedido a la persona que produjo los datos, la aprobación para poner en el mercado su bien, tomando en cuenta la naturaleza de los datos y los esfuerzos y gastos de la persona para generarlos. Sujeto a esta disposición, nada impedirá que una Parte lleve a cabo procedimientos sumarios de aprobación para esos bienes sobre la base de estudios de bioequivalencia o biodisponibilidad.</td>
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<td>6. Each Party shall provide that for data subject to paragraph 5 ... no person other than the person that submitted them may, without the latter's permission, rely on such data in support of an application for product approval <strong>during a reasonable period of time after their submission</strong>. For this purpose, a reasonable period <strong>shall normally mean not less than five years</strong> from the date on which the Party granted approval to the person that produced the data for approval to market its product, ...</td>
</tr>
</tbody>
</table>

Mexico and “test data protection” provisions as an example...
What are the implications of layers of obligations?

Mexico and “test data protection” provisions as an example…

Section 7: protection of undisclosed information

Article 39

3. Members, when requiring, as a condition of approving the marketing of pharmaceutical or of agricultural chemical products which utilize new chemical entities, the submission of undisclosed test or other data, the origination of which involves a considerable effort, shall protect such data against unfair commercial use. In addition, Members shall protect such data against disclosure, except where necessary to protect the public, or unless steps are taken to ensure that the data are protected against unfair commercial use.
NAFTA (1994)
6. Each Party shall provide that for data subject to paragraph 5 ... no person other than the person that submitted them may, without the latter's permission, rely on such data in support of an application for product approval during a reasonable period of time after their submission. For this purpose, a reasonable period shall normally mean not less than five years from the date on which the Party granted approval to the person that produced the data for approval to market its product, ...
Implications? Layers of obligations?

Colombia – Mexico (1995)

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EFTA – Mexico (2001)

The Parties shall ensure in their respective laws at least the following: adequate and effective protection of undisclosed information consistent with the level provided for in the TRIPS Agreement, in particular Article 39.
What are the implications of layers of obligations?
Regional trade agreements (RTAs) have seen a notable increase in large plurilateral agreements between members of the WTO, such as RTAs between China and Japan in June 2018. Non-discrimination among trading partners is a notable exemption to RTAs. However, RTAs allow for the trade of goods and services. In line with these rules, and also recognizing the impacts of RTAs on the interests of WTO members to gather information on RTAs, the WTO database offers a valuable resource for understanding the implications of RTAs for the wider trading system. All RTAs in the WTO have in common the requirement for each RTA to be notified to the WTO. If notified, the RTA is available in the WTO database. The WTO also receives notifications of plurilateral arrangements (PTAs). In the WTO, PTAs typically involve two or more partners. Information on these arrangements is also available in the WTO database.

Database. The WTO also receives notifications of plurilateral arrangements (PTAs). In the WTO, PTAs typically involve two or more partners. Information on these arrangements is also available in the WTO database.

https://www.wto.org/english/tratop_e/region_e/region_e.htm
IP provisions in RTAs vary widely in scope and breadth

Two Examples:

Provisions relating to copyright infringement in the digital environment

Ratification or accession to WIPO Copyright Treaty (1996) and WIPO Performances and Phonograms Treaty (1996) (ex: EU - CARIFORUM States EPA)

Technological protection measures and Internet Service Provider Liability (ex: Korea, Republic of – United States)
Article 17.9 – Patents

1. Each Party shall make patents available for any invention, whether a product or process, in all fields of technology, provided that the invention is new, involves an inventive step, and is capable of industrial application. The Parties confirm that patents shall be available for any new uses or methods of using a known product. …
FTAs in Force – IP Content

Breakdown by level of IP Content

Source: WTO RTA Database
Percentage of FTAs with **General** IP Provisions

- Commitment to IP protection
- TRIPS reaffirmation
- References to WIPO treaties
- Nat'l or MFN treatment
- Assistance, cooperation
- Enforcement procedures
- Border measures
- Exhaustion
- Non-violation complaints
- IP defined as investment

Source: WTO RTA Database
Percentage of FTAs with **Specific** IP Provisions

- Geographical indications
- Trademarks
- Copyright and related rights
- Patents
- Plant variety protection
- Industrial designs
- Trade secrets
- Traditional knowledge/Genetic resources
- Encrypted signals
- Domain names
- Integrated circuits

Source: WTO RTA Database
www.wto.org

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