

Canada in International Law at 150 and Beyond | Paper No. 9 – February 2018

Integrating the Rules of International Intellectual Property Law into the Body of International Trade Law

Ton Zuijdwijk



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About the Series

Marking 150 years since Confederation provides an opportunity for Canadian international law practitioners and scholars to reflect on Canada's past, present and future in international law and governance. "Canada in International Law at 150 and Beyond/Canada et droit international : 150 ans d'histoire et perspectives d'avenir" is a series of essays, written in the official language chosen by the authors, that provides a critical perspective on Canada's past and present in international law, surveys the challenges that lie before us and offers renewed focus for Canada's pursuit of global justice and the rule of law.

Topics explored in this series include the history and practice of international law (including sources of international law, Indigenous treaties, international treaty diplomacy, subnational treaty making, domestic reception of international law and Parliament's role in international law), as well as Canada's role in international law, governance and innovation in the broad fields of international economic, environmental and intellectual property law. Topics with an economic law focus include international trade, dispute settlement, international taxation and private international law. Environmental law topics include the international climate change regime and international treaties on chemicals and waste, transboundary water governance and the law of the sea. Intellectual property law topics explore the development of international IP protection and the integration of IP law into the body of international trade law. Finally, the series presents Canadian perspectives on developments in international human rights and humanitarian law, including judicial implementation of these obligations, international labour law, business and human rights, international criminal law, war crimes, and international legal issues related to child soldiers. This series allows a reflection on Canada's role in the community of nations and its potential to advance the progressive development of global rule of law.

"Canada in International Law at 150 and Beyond/Canada et droit international : 150 ans d'histoire et perspectives d'avenir" demonstrates the pivotal role that Canada has played in the development of international law and signals the essential contributions it is poised to make in the future. The project leaders are Oonagh Fitzgerald, director of the International Law Research Program at the Centre for International Governance Innovation (CIGI); Valerie Hughes, CIGI senior fellow, adjunct assistant professor of law at Queen's University and former director at the World Trade Organization; and Mark Jewett, CIGI senior fellow, counsel to the law firm Bennett Jones, and former general counsel and corporate secretary of the Bank of Canada. The series will be published as a book entitled *Reflections on Canada's Past, Present and Future in International Law/Réflexions sur le passé, le présent et l'avenir du Canada en matière de droit international* in spring 2018.

About the International Law Research Program

The International Law Research Program (ILRP) at CIGI is an integrated multidisciplinary research program that provides leading academics, government and private sector legal experts, as well as students from Canada and abroad, with the opportunity to contribute to advancements in international law.

The ILRP strives to be the world's leading international law research program, with recognized impact on how international law is brought to bear on significant global issues. The program's mission is to connect knowledge, policy and practice to build the international law framework — the globalized rule of law — to support international governance of the future. Its founding belief is that better international governance, including a strengthened international law framework, can improve the lives of people everywhere, increase prosperity, ensure global sustainability, address inequality, safeguard human rights and promote a more secure world.

The ILRP focuses on the areas of international law that are most important to global innovation, prosperity and sustainability: international economic law, international intellectual property law and international environmental law. In its research, the ILRP is attentive to the emerging interactions among international and transnational law, Indigenous law and constitutional law.

About the Author

Ton Zuijdwijk is a senior fellow with CIGI's International Law Research Program and a part-time professor of European Union Law, Faculty of Law (Common Law Section), University of Ottawa. He is a former general counsel in the Trade Law Bureau of the Government of Canada. Ton holds an LL.M. from Leiden University, an LL.M. and a master's of international affairs from Columbia University, and an LL.B. and S.J.D. from the University of Toronto. He is a member of the Ontario Bar.

Acronyms and Abbreviations

CETA	Comprehensive Economic and Trade Agreement
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
DSB	Dispute Settlement Body
DSU	Dispute Settlement Understanding
EC	European Communities
FIPA	Foreign Investment Protection and Promotion Agreement
FTA	free trade agreement
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GIs	geographical indications
IP	intellectual property
MFN	most-favoured nation
NAFTA	North American Free Trade Agreement
TPP	Trans-Pacific Partnership Agreement
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property
UCC	Universal Copyright Convention
USPTO	United States Patent and Trademark Office
USTR	Office of the US Trade Representative
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

Introduction

Within the context of a study of Canada's past, present and future in international law, this paper focuses on the developments of international law with respect to intellectual property (IP) since 1974. The year 1974 was chosen as a baseline because that was the publication year of the book entitled *Canadian Perspectives on International Law and Organization*.¹ That volume was the first time that a group of Canadian scholars and practitioners of international law prepared a comprehensive review of the various areas of international law from a Canadian perspective.² Bruce McDonald contributed a chapter on IP and international law.³

When reviewing the chapter by Bruce McDonald, one is struck by how much the state of international IP law has changed for Canada since 1974. For example, in 1990 Canada became a party to the Patent Cooperation Treaty; it acceded in 1996 to the substantive provisions of the Stockholm Act (1967) of the Paris Convention (whereas previously it was a party to the London Act [1934] and the administrative provisions of the Stockholm Act [1967]); in 1998 Canada acceded to the Paris Act (1971) of the Berne Convention (whereas previously it was a party to the Rome Act [1928] and the administrative provisions of the Stockholm Act [1967]). These changes, however, pale in significance with that of the integration of substantive IP rules into international trade agreements, starting with the North American Free Trade Agreement (NAFTA) and the Marrakesh Agreement Establishing the World Trade Organization (WTO Agreement).

This paper reviews and assesses, from a Canadian perspective, the significance of integrating the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) into the WTO Agreement as well as of integrating comprehensive IP chapters into bilateral and plurilateral free trade agreements (FTAs) and their implications for substantive IP obligations and dispute settlement proceedings.

1 R St J Macdonald, Gerald L Morris & Douglas M Johnston, eds, *Canadian Perspectives on International Law and Organization* (Toronto and Buffalo: University of Toronto Press, 1974) [*Canadian Perspectives*].

2 The editors were R. St. J. Macdonald (Dean of the Faculty of Law, Dalhousie University), Gerald L. Morris (Faculty of Law, University of Toronto) and Douglas M. Johnston (Faculty of Law, Dalhousie University).

3 *Supra* note 1 at 814–25.

The Paris Convention and Berne Convention before the Uruguay Round

Including comprehensive chapters of IP provisions in international trade agreements was still a novelty in the 1990s. Until then, the basic structures of international protection for patents and trademarks were set out in the Paris Convention for the Protection of Industrial Property (Paris Convention, of which the original text goes back to 1883); the terms for copyright were set out in the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention, of which the original text goes back to 1886). In the period before the 1990s, the inclusion of a comprehensive set of IP rules in trade agreements was not even seriously considered.⁴ IP and international trade were seen as two separate worlds. In that era, responsibility for international IP rules was considered to lie with the World Intellectual Property Organization (WIPO)⁵ and responsibility for global trade rules with the General Agreement on Tariffs and Trade (GATT) (as an organization).⁶

4 The first steps toward linking trade and IP in the international context were taken by the United States in the 1980s. In 1983 the United States made its Caribbean Basin Initiative (Caribbean Basin Economic Recovery Act) and in 1984 its Generalized System of Preferences (under the US Trade Act) conditional on respect for US IP rights. See Peter Drahos & John Braithwaite, *Information Feudalism: Who Owns the Knowledge Economy?* (London: Earthscan, 2002), chapters 5 (“The Illusion of Sovereignty”) and 6 (“The Bilaterals”).

5 Convention Establishing the World Intellectual Property Organization, 14 July 1967, 828 UNTS 3 (entered into force 26 April 1970, amended 28 September 1979), online: <www.wipo.int/wipolex/en/treaties/text.jsp?file_id=283833>.

WIPO succeeded a body of the combined secretariats of the Paris Convention and the Berne Convention, which was established in 1893 and was known as BIRPI (Bureaux internationaux réunis pour la protection de la propriété intellectuelle): “WIPO – A Brief History”, online: <www.wipo.int/about-wipo/en/history.html>.

The United Nations Educational Scientific and Cultural Organization had and continues to have an interest in copyright because of the Universal Copyright Convention, 24 July 1971, 943 UNTS 178 (entered into force 10 July 1974) [UCC] online: <www.unesco.org/eri/la/convention.asp?KO=15241&language=E&order=alpha>.

Since the accession of the United States to the Berne Convention (Paris Act, 1971) in 1988 and the incorporation by reference of articles 1 through 21 and the Annex of the Berne Convention (Paris Act, 1971) into TRIPS, the importance of the UCC has diminished significantly.

6 Operating pursuant to the Protocol of Provisional Application, online: <www.wto.org/english/res_e/booksp_e/gatt_ai_e/prov_app_l_gen_agree_e.pdf>.

A significant change occurred when the Punta del Este Declaration of 1986, which launched the Uruguay Round negotiations and resulted in the WTO Agreement, instructed negotiators to deal with “trade-related aspects of intellectual property rights, including trade in counterfeit goods.”⁷

The efforts to integrate IP into the body of international trade law in the late 1980s and early 1990s were driven in part by a desire for new IP rules and for more effective enforcement, both domestically and through international dispute settlement. These efforts were led by the United States and were strongly influenced and encouraged by US business interests.⁸

While both the Paris Convention and the Berne Convention contain provisions providing for adjudication of disputes between parties to these conventions by the International Court of Justice, subject to the possibility of an opt-out by each of the parties, this mechanism has never been used.⁹

Dispute settlement proceedings under trade agreements held the promise of effective enforceability because of the possibility of retaliatory measures by the complaining party if the defending

7 *Ministerial Declaration on the Uruguay Round*, GATT Ministerial Declaration of 20 September 1986, 33rd Supp BISD (1987) 19 [Punta del Este Declaration] online: <www.sice.oas.org/trade/Punta_e.asp>. The Punta del Este Declaration provided as follows in respect of IP:

Trade-related aspects of intellectual property rights, including trade in counterfeit goods

In order to reduce the distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade, the negotiations shall aim to clarify GATT provisions and elaborate as appropriate new rules and disciplines.

Negotiations shall aim to develop a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods, taking into account work already undertaken in the GATT.

These negotiations shall be without prejudice to other complementary initiatives that may be taken in the World Intellectual Property Organization and elsewhere to deal with these matters [emphasis added].

8 The history has been told by Drahos & Braithwaite, *supra* note 4, chapters 7–9.

9 The possibility of referring disputes to the International Court of Justice was established by the Paris Convention (1979 text), article 28, and by the Berne Convention (Paris Act, 1971), article 33.

party lost and the outcome of dispute settlement proceedings is not complied with. This promise was more theoretical than real in the practice of the GATT before the World Trade Organization (WTO) had been established.¹⁰ The practice of WTO dispute settlement (discussed below) has confirmed that potential retaliation makes compliance with WTO dispute settlement rulings a more likely outcome.

Further, the realization that the adoption of basic rules for the exercise of regulatory powers by states, such as in the WTO Agreement on Technical Barriers to Trade and the WTO Agreement on Sanitary and Phytosanitary Measures, may have made it easier for countries to accept that IP was just another important regulatory area where the inclusion of basic rules in trade agreements could be justified.

From a Draft Anti-Counterfeiting Code to WTO TRIPS Agreement

Before the Punta del Este Declaration, the United States (encouraged by the International AntiCounterfeiting Coalition¹¹) had circulated drafts

of an Anti-Counterfeiting Code in 1978 and 1979¹² as part of the Tokyo Round negotiations (which took place during 1973–1979).¹³ This US effort came too late in the Tokyo Round negotiations to bear fruit.

In 1982, the United States, supported by Canada, the European Economic Community (as it then was) and Japan (cooperating as “the Quad”¹⁴) circulated a draft Agreement on Measures to Discourage the Importation of Counterfeit Goods.¹⁵ This was followed up by a Ministerial Declaration of the GATT Contracting Parties, on November 29, 1982, which, among other things, instructed the GATT Council to examine trade in counterfeit goods in order to determine the appropriateness of joint action on the commercial aspects of counterfeit goods in the GATT framework and, if found appropriate, to consider modalities for such action, having full regard to the competence of other international organizations.¹⁶

In 1984, the GATT Council established a group of experts to look into this question.¹⁷ That group produced its report in 1985.¹⁸ The report recognized that trade in counterfeit goods was a growing problem but was inconclusive as to whether joint action would be appropriate within the GATT framework on the commercial aspects of counterfeiting. The experts were bothered by questions of jurisdiction between GATT and WIPO. The appropriateness of joint

10 Two cases decided under GATT 1947 in the 1980s were helpful in demonstrating that GATT dispute settlement could be useful in resolving mixed trade/IP issues. Both cases concerned US measures, and in both cases the GATT panels found the US measure to be GATT-inconsistent. The first one concerned the “Manufacturing Clause” of the United States. GATT: *The United States Manufacturing Clause: Report of the Panel adopted on 15/16 May 1984*, GATT Doc L/5609, 31st Supp BISD (1984) 74, online: <www.wto.org/english/tratop_e/dispu_e/gatt_e/83copyr.pdf>.

The second case concerned the use and availability of the border measure of section 337 of the US Tariff Act of 1930, which is a border measure available under US law whereby private parties can obtain the blocking by US customs authorities of imports of goods that violate US IP law: GATT, *United States – Section 337 of the Tariff Act of 1930: Report by the Panel adopted on 7 November 1989*, GATT Doc L/6439, 36th Supp BISD (1989) 345, online: <www.wto.org/english/tratop_e/dispu_e/gatt_e/87tar337.pdf>.

11 See the International AntiCounterfeiting Coalition homepage, online: <www.iacc.org/>.

12 The first US proposal for an agreement on commercial counterfeiting was contained in GATT, Multilateral Trade Negotiations Group “Non-Tariff Measures” Sub-Group “Customs Matters”, *Commercial Counterfeiting* (11 December 1978), GATT Doc MTN/NTM/W/204. The United States, together with the European Economic Community (as it then was), circulated a modified version of the agreement, GATT, *Agreement on Measures to Discourage the importation of Counterfeit Goods* (31 July 1979), GATT Doc L/4817.

13 Christopher Wadlow, “‘Including trade in counterfeit goods’: The origins of TRIPs as a GATT anti-counterfeiting code” (2007) 3 IPQ. 350, online: <https://works.bepress.com/christopher_wadlow/12/>; see also Daniel Gervais, *The TRIPS Agreement – Drafting History and Analysis* (London: Sweet & Maxwell, 1998) at 5–10.

14 The “Quad” or “Quadrilaterals,” consisting of Canada, the European Communities (EC), Japan and the United States, were still a significant group during the Uruguay Round negotiations: “Understanding the WTO: The Organization – Membership, alliances and bureaucracy”, online: <www.wto.org/english/thewto_e/whatis_e/tif_e/org3_e.htm>.

15 *Agreement on Measures to Discourage the Importation of Counterfeit Goods* (18 October 1982), GATT Doc L/5382.

16 *Ministerial Declaration adopted on 29 November 1982*, GATT CP Doc L/5424, 38th Sess.

17 *Trade in Counterfeit Goods – Action taken on 30 November 1984*, GATT CP Doc L/5758, 40th Sess.

18 GATT, *Report of the Group of Experts on Trade in Counterfeit Goods* (9 October 1985), GATT Doc L/5878.

action within GATT was, in their view, a policy question, which was not for experts to resolve.

Thus, before and even during the Uruguay Round the issue of the respective responsibilities of WIPO and GATT was very much alive. That issue grew in importance (as the scope of what eventually became TRIPS grew exponentially compared to the original idea of an anti-counterfeiting code). This was only gradually resolved as the Uruguay Round proceeded and resulted in a wide-ranging TRIPS Agreement, subject to WTO dispute settlement.¹⁹ The changes brought about by TRIPS in both the substantive rules of the international IP system, and the simultaneous shift of jurisdiction for dispute settlement from WIPO (which operated in practice without binding dispute settlement) to the WTO dispute settlement mechanism, should not be underestimated.

An important obstacle to overcome was the idea that IP agreements were the responsibility of WIPO and that the GATT or WTO should stay away from including comprehensive texts of IP rights in trade agreements. It took time to overcome this mindset. In the Uruguay Round it was the intensive lobbying efforts of US business that pushed the US government to insist on a comprehensive IP agreement.²⁰ US business also successfully lobbied its European and Japanese counterparts.²¹ TRIPS and NAFTA (the IP chapter of which was based on the 1991 Dunkel Draft of TRIPS) were the first trade agreements with comprehensive sets of IP provisions on various types of IP and

on enforcement.²² The successful outcome of the TRIPS negotiations was, at least in part, attributable to the pressure exerted by the United States through Section 301 and, later, Special 301 on other countries.²³ Section 301 and, later, Special 301 provided the Office of the US Trade Representative (USTR) with a (unilateral) mechanism to review other countries' IP laws and their enforcement, and to take retaliatory action, if necessary. Under Special 301, USTR annually produces a report that can place certain countries the United States is concerned about on a watch list or priority watch list.²⁴

The outcome of the Uruguay Round meant that the world ended up with: a set of minimum standards protecting IP, going far beyond what was originally meant by "trade-related intellectual property"; a new international trade organization supervising

19 The story is told by Adrian Otten, "The TRIPS Negotiations: An Overview" in Jayashree Watal & Antony Taubman, eds, *The Making of the TRIPS Agreement – Personal Insights from the Uruguay Round Negotiations* (Geneva: WTO, 2015) at 55–78. *Mid-term Review Decision (of Ministers)* (21 April 1989), GATT Doc MTN.TNC/11 at 21–22 illustrates the shift in the direction of a much more encompassing IP agreement in the Uruguay Round than what had been envisaged in the Punta del Este Declaration. One reminder of the issue of jurisdiction is the *Agreement between the World Intellectual Property Organization and the World Trade Organization*, 22 December 1995, 35 ILM 754 (entered into force 1 January 1996), online: <www.wto.org/english/tratop_e/trips_e/twotrip_e.htm>.

20 Drahos & Braithwaite, *supra* note 4, chapter 6 ("The Bilaterals"), chapter 7 ("Agendas and Agenda-setters: The Multilateral Game"), chapter 8 ("Persuasion and Principles").

21 *Ibid*, chapter 7 ("Agendas and Agenda-setters: The Multilateral Game"), chapter 8 ("Persuasion and Principles").

22 The integration of IP provisions into trade agreements is described and analyzed by John M Curtis, "Intellectual Property Rights and International Trade: An Overview" CIGI, CIGI Papers No 3, May 2012. See also Allen Z Hertz, "Shaping the Trident: Intellectual Property under NAFTA, Investment Protection Agreements and at the World Trade Organization" (1997) 23 *Canada-USLJ* 261. See further Antony Taubman, "Thematic review: Negotiating 'trade-related aspects' of intellectual property rights" in Watal and Taubman, *supra* note 21. The evolution of GATT 1947 to the WTO TRIPS Agreement is described in great detail in Gervais, *supra* note 14 at 3–28.

23 "Section 301" is based on sections 301–10 of the United States Trade Act of 1974, as amended (19 USC § 2411–20). The consistency of Section 301 with the WTO obligations of the United States (DSU article 23.2) was contested by the EC, unsuccessfully, before a WTO panel in 1999: *United States—Sections 301–310 of the Trade Act of 1974 (Complaint by the European Communities)* (1999), WTO Doc WT/DS152/R (Panel Report), online: WTO <docsonline.wto.org>. The action failed because the United States provided assurances that it would abide by its obligations under DSU article 23, i.e., to have recourse to the rules and mechanisms of the DSU when the United States seeks redress of alleged violations of the WTO Agreement. "Special 301" is based on section 182 of the US Trade Act of 1974, as amended by the Omnibus Trade and Competitiveness Act of 1988, the Uruguay Round Agreements Act of 1994, and the Trade Facilitation and Trade Enforcement Act of 2015 (19 USC § 2242).

24 The latest Special 301 report was issued in April 2017: US, Office of the United States Trade Representative, *2017 Special 301 Report* (Washington, DC: USTR, 2017), online: <<https://ustr.gov/sites/default/files/301/2017%20Special%20301%20Report%20FINAL.PDF>>.

Annex 1 of the report sets out the statutory basis of Special 301. The use by the United States of Section 301 prior to and during the Uruguay Round is described in Drahos & Braithwaite, *supra* note 4, chapter 5 ("The Bilaterals").

Following the establishment of the WTO, the unilateral adoption of retaliatory measures by one WTO member against another WTO member is no longer permitted. The WTO Appellate Body, in *United States—Certain EC Products* (2001), WTO Doc WT/DS165/AB/R at para 111 (Appellate Body Report), online: WTO <docsonline.wto.org> stated: "Article 23.1 of the DSU imposes a general obligation of Members to redress a violation of obligations or other nullification or impairment of benefits under the covered agreements only by recourse to the rules and procedures of the DSU, and not through unilateral action."

these standards; and a rigorous dispute settlement mechanism to enforce these standards.²⁵

WIPO did not easily give up on a special dispute settlement system for the adjudication of dispute between states on the interpretation of international IP agreements. During the period of 1990–1996, a WIPO group of experts worked on the Proposed Treaty on the Settlement of Disputes between States in the Field of Intellectual Property. In the fall of 1997, this draft treaty was referred to the WIPO General Assembly (Twenty-First Session, September 22 to October 1, 1997) for further decision making.²⁶ In accordance with WIPO's normal practice, the next step would have been for the WIPO General Assembly to request the director general of WIPO to convene a diplomatic conference to discuss the text and consider the adoption of the draft treaty. This did not happen.

The outcome is that WIPO has the substantive expertise in IP but it has ceded to the WTO the dispute settlement function regarding IP rules. The WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty (the WIPO Internet Treaties),²⁷ adopted in 1996, were important achievements that found their way into bilateral and plurilateral agreements such as the Comprehensive Economic and Trade Agreement (CETA) and the draft Trans-Pacific Partnership Agreement (TPP). Since then, only five IP treaties have been adopted and opened for signature under the auspices of WIPO: the Patent Law Treaty (2000), the Singapore Trademark Treaty (2006), the Beijing Treaty on Audiovisual Performances (2012), the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled (2013; not yet in force) and the Geneva Act (2015; not yet in force) of the Lisbon Agreement on Appellations of Origin and Geographical Indications. It is too soon to tell if the split in responsibilities regarding IP between WIPO and the WTO has

resulted in less treaty making in WIPO, or if there has been a general shift from multilateral treaty making to bilateral or plurilateral treaties.

The complex system of countries bound by different texts of the Paris Convention and the Berne Convention continues to exist in articles 20–23 of the Paris Convention²⁸ and articles 26–29 of the Berne Convention. Nevertheless, the TRIPS Agreement, through articles 2.1 and 9.1, made the substantive obligations of the Berne Convention (Paris Act, 1971) and Paris Convention (Stockholm Act, 1967) the minimum standard for all WTO members. TRIPS also added a host of substantive and enforcement obligations, and the overall package had been subjected to the national treatment and most-favoured nation (MFN) obligations of TRIPS. WIPO continues to have a role in developing new substantive rules in specific areas of IP, such as through the elaboration and adoption of the WIPO Internet Treaties. However, the dispute settlement function regarding global IP rules has been taken over by the WTO.

FTAs and “TRIPS plus”

The fact that TRIPS became an integral part of the WTO Agreement (on the same footing as the GATT 1994 and the General Agreement on Trade in Services [GATS]) and was made subject to WTO dispute settlement was a major breakthrough. Once that bridge was crossed, there was no going back. Both the United States and the EU subsequently embarked on ambitious programs to raise the level of IP protection through including IP chapters in bilateral or plurilateral FTAs.

In this context, it is worth noting that there are basic differences between the status of FTAs in relation to GATT 1994 and GATS as compared to the relationship of such agreements to TRIPS. Both GATT 1994 and GATS permit WTO members to conclude FTAs (or customs unions) in which they grant each other preferential treatment regarding trade in goods and services, in derogation from

25 Watal & Taubman, *supra* note 21 at 22. The dynamics of the TRIPS negotiations in Geneva are described in Drahos & Braithwaite, *supra* note 4, chapter 9 (“At the Negotiating Table”).

26 *Proposed Treaty on the Settlement of Disputes between States in the Field of Intellectual Property – Memorandum prepared by the International Bureau* (30 April 1997), WIPO document WO/GA/XXI/2, 21st Sess.

27 WIPO Copyright Treaty, 20 December 1996, 36 ILM 65 (entered into force 6 March 2002), online: <www.wipo.int/edocs/lexdocs/treaties/en/wct/trt_wct_001en.pdf>; WIPO Performances and Phonograms Treaty, 20 December 1996, 36 ILM 76 (entered into force 20 May 2002), online: <www.wipo.int/edocs/lexdocs/treaties/en/wppp/trt_wppp_001en.pdf>.

28 GHC Bodenhausen, *Guide to the Application of the Paris Convention for the Protection of Industrial Property (as revised at Stockholm in 1967)* (Geneva: BIRPI, 1969) at 193–205; WIPO, *Guide to the Berne Convention for the Protection of Literary and Artistic Works (Paris Act, 1971)* (Geneva: WIPO, 1978) at 119–27.

their normal GATT and GATS obligations.²⁹ The MFN obligation of TRIPS article 4, without a general exception for FTAs, means that WTO members must make any concessions regarding IP granted in bilateral or plurilateral FTAs immediately available to all other WTO members. This puts IP provisions of FTAs in a different category than provisions on trade in goods and services.

The entry into force of the NAFTA IP chapter (January 1, 1994) preceded the entry into force of the TRIPS Agreement by one year (January 1, 1995). Both texts had their common origin in the Dunkel Draft of the TRIPS Agreement, of December 20, 1991.³⁰ In practice this has meant for NAFTA parties that compliance with the NAFTA IP chapter, by and large, was the same as compliance with TRIPS and vice versa. Thus, the original NAFTA required little in terms of “TRIPS plus.”

Since NAFTA entered into force, Canada had concluded no FTAs that contained a comprehensive chapter on IP until Canada and the European Union signed CETA on October 30, 2016.³¹ The CETA IP chapter has brought about significant changes to Canada’s IP legislation, in particular on pharmaceutical

patents and new geographical indications (GIs) regarding agricultural products and foods.³²

As between Canada and the United States, the TPP, the negotiations on which were initiated by the United States under the Obama administration, is an example of the United States trying to go beyond TRIPS (and NAFTA) with a small group of negotiating partners. All 12 TPP countries signed the TPP text in 2016. This did not bring the TPP into force as a treaty because these signatures were subject to ratification. The Trump administration subsequently disavowed the signature by the United States. However, the remaining 11 signatory countries have since met periodically to consider turning the TPP into an agreement between them, without the United States. Meanwhile, Canada, Mexico and the United States, at the request of the United States, are engaged in a renegotiation of NAFTA. It can be expected that in this process the United States will press for higher levels of IP protection than are currently found in the NAFTA IP chapter.³³

It makes sense for Canada to pursue a new TPP agreement with the remaining 11 TPP countries, regardless of how well the NAFTA renegotiation progresses. On November 17, 2017, the 11 renamed the TPP “the Comprehensive and Progressive Agreement for Trans-Pacific Partnership” (CPTPP) and “suspended” certain provisions of the earlier TPP.³⁴ Among these are IP provisions that are potentially of concern to Canada.

29 These exceptions are found in article XXIV of GATT 1994 and article V of GATS.

30 The “Dunkel Draft” (endorsed by the then director general of the GATT (organization)) was a close-to-final draft of the TRIPS Agreement. See Gervais, *supra* note 14 at 24–25.

31 *Comprehensive Economic and Trade Agreement between Canada and the European Union and its Member States*, 30 October 2016 (not yet in force, provisional application 21 September 2017) [CETA]. CETA is being applied provisionally by Canada and the European Union since September 21, 2017, subject to certain exclusions of matters that are considered to fall under EU law, at least in part, under the competence of the member states. See Global Affairs Canada, “Canada-European Union Comprehensive Economic and Trade Agreement – Canadian Statement on Implementation, Chapter 30 – Final provisions”, online: Government of Canada <www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/ceta-aecg/index.aspx?lang=eng&menu_id=15>; Ton Zuidwijk, “Intellectual Property in a Renegotiated North American Free Trade Agreement – A Canadian Perspective” CIGI, CIGI Papers No 139, August 2017 at 6–9, online: <www.cigionline.org/sites/default/files/documents/Paper%20No.139web_0.pdf>.

32 “Joint Statement by the Prime Minister and the President of the European Commission on reaching a date for the provisional application of the Comprehensive Economic and Trade Agreement” (8 July 2017), online: <pm.gc.ca/eng/news/2017/07/08/joint-statement-prime-minister-and-president-european-commission-reaching-date>. All provisions of CETA’s IP chapter 20 (except for article 20.12 [Camcording], which is permissive and not mandatory in any event) are being applied provisionally by Canada and the European Union as of September 21, 2017. CETA will not enter into force definitively until all member states of the EU have complied with their respective treaty-approval procedures (because certain provisions of CETA remain under the competence of the member states), which is expected to take several years. This means that ratification by 28 member states in the current composition of the European Union is required and 27 member states after the United Kingdom will have left the European Union.

33 John Ibbitson, “Canada desperately needs a revived TPP as NAFTA talks falter”, *The Globe and Mail* (17 October 2017), online: <<https://beta.theglobeandmail.com/opinion/canada-desperately-needs-a-revived-tpp-as-nafta-talks-falter/article36660556/>>.

34 See Canada, “Trans-Pacific Partnership Ministerial Statement” (17 November 2017), online: Government of Canada <www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/tpp-ptp/statement-declaration.aspx?lang=eng>. The “suspended provisions” are contained in Annex II to the statement. Annex II stipulates that Canada wants consensus on a cultural (industries) exception before the suspensions of Annex II take effect.

Significant consequences flow from the difference between the interface of GATT 1994 and GATS, on the one hand, and of TRIPS, on the other, with subsequent bilateral or plurilateral FTAs.

As already mentioned, in respect of GATT 1994 and GATS, WTO members may derogate from their obligations by concluding FTAs (and customs unions), by virtue of GATT article XXIV and GATS article V. That means that more advantageous preferences can be granted by members of a free trade area to each other than are available for the other WTO members under GATT 1994 and GATS. The same is not true regarding TRIPS. TRIPS does not contain such an exception. That means that all IP provisions in new FTAs concluded by Canada and other WTO members are governed by the MFN treatment, contained in TRIPS article 4. Its effect is that IP obligations in FTAs must be extended to all WTO members, subject to four very specific exceptions. This is presumably why Canada, in its CETA implementing legislation, created an open system for new GIs regarding agricultural products and foods and for the new supplementary protection certificates in respect of pharmaceutical patents, from which nationals or businesses from all WTO members can benefit.

The implication of all this also relates to the current debate about the optimal level of IP protection for countries such as Canada in relation to innovation.³⁵ The current set-up of TRIPS in relation to bilateral IP rules in FTAs makes it very difficult in practice for countries to go back on concessions granted in bilateral agreements because these concessions will have been extended to other WTO members because of the TRIPS MFN obligation. Thus, the international system promotes increasingly higher levels of protection of IP rights, without a country such as Canada realistically being able to consider a reduction of such IP protection.³⁶ The reason for this conclusion is that reducing the IP protection created by a new FTA would require the termination of that agreement and would also involve reducing the rights of other WTO members.

35 See Ariel Katz, “No Time for Tinkering – How a ‘more progressive’ NAFTA could break the vicious circle of global inequities in the ownership of knowledge” CIGI, 14 August 2017, online: <www.cigionline.org/articles/no-time-tinkering>.

36 Peter Drahos has called this the “Global IP Ratchet.” See Peter Drahos, “Expanding Intellectual Property’s Empire: The Role of FTAs” (November 2003), online: <www.ictsd.org/downloads/2008/08/drahos-fta-2003-en.pdf>.

The WTO Dispute Settlement Cases Concerning TRIPS

To date, eight cases involving alleged TRIPS violations have been decided by WTO panels under the WTO dispute settlement system.³⁷ Of these, three panel reports were appealed to the WTO Appellate Body.³⁸

In six of these eight cases (DS50, DS79, DS114, DS170, DS174/290 and DS362), infringements of TRIPS were found in respect of the defending WTO members concerned, i.e., India, Canada, the EC (as it then was) and China, and these findings were subsequently complied with. The defending WTO members notified their compliance to the WTO Dispute Settlement Body (DSB) and these statements of compliance were not contested. However, the other two cases, which both resulted in findings of violations of TRIPS by the United States (the case concerning the “business exemption” in the US

37 *India – Patent Protection for Pharmaceutical and Agricultural Chemical Products* (1997), WTO Dispute No DS50, online: <www.wto.org/english/tratop_e/dispu_e/cases_e/ds50_e.htm>; *India – Patent Protection for Pharmaceutical and Agricultural Chemical Products* (1998), WTO Dispute No DS79, online: <www.wto.org/english/tratop_e/dispu_e/cases_e/ds79_e.htm>; *Canada – Pharmaceutical Patents* (2000), WTO Dispute No DS114, online: <www.wto.org/english/tratop_e/dispu_e/cases_e/ds114_e.htm>; *United States – Section 110(5) Copyright Act* (2000), WTO Dispute No DS160 [Dispute DS160], online: <www.wto.org/english/tratop_e/dispu_e/cases_e/ds160_e.htm>; *Canada – Patent Term* (2000), WTO Dispute No DS170, online: <www.wto.org/english/tratop_e/dispu_e/cases_e/ds170_e.htm>; *United States – Section 211 of the US Omnibus Appropriations Act of 1998 (Havana Club)* (2002), WTO Dispute No DS176, online: <www.wto.org/english/tratop_e/dispu_e/cases_e/ds176_e.htm> [Dispute DS176]; *European Communities – Trademarks/Geographical Indications* (2005), WTO Dispute No DS174 (case brought by the United States), online: <www.wto.org/english/tratop_e/dispu_e/cases_e/ds174_e.htm> and *European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs* (2005), WTO Dispute No DS290 (case brought by Australia), online: <www.wto.org/english/tratop_e/dispu_e/cases_e/ds290_e.htm>. I have treated DS174 and DS290 as one case (although as a matter of WTO law these were two separate cases, brought by the United States and Australia, respectively) because the claims in these cases largely overlap and were heard by the same WTO panel. The eighth case is *China – Intellectual Property Rights* (2009), WTO Dispute No DS362, online: <www.wto.org/english/tratop_e/dispu_e/cases_e/ds362_e.htm>.

38 *India – Patent Protection for Pharmaceutical and Agricultural Chemical Products*; *Canada – Patent Term*; and *United States – Section 211 of the US Omnibus Appropriations Act of 1998 (Havana Club)*.

Copyright Act and that concerning Havana Club³⁹), remain outstanding and have not been resolved.

The case regarding section 110(5) of the US Copyright Act (DS160) concerned the TRIPS-consistency of two specific exceptions regarding the broadcasting of covered works contained in the US Copyright Act. The first one, contained in section 110(5)(A), which the panel called the “homestyle exemption,” allows small restaurants and retail outlets to amplify music broadcasts without an authorization of the right holders and without the payment of a fee, provided that they use only equipment of a kind commonly used in private homes.⁴⁰

The second exception, contained in section 110(5)(B), which the panel called the “business exemption,” allows the amplification of music broadcasts, without an authorization or payment of a fee, by food service and drinking establishments and by retail establishments, provided that their size does not exceed a certain square footage limit (and by larger establishments, subject to certain equipment limitations).⁴¹ The panel held that the homestyle exemption met the criteria of article 13 of TRIPS but that the business exemption did not. As a consequence, the panel found that the business exemption of the United States had violated articles 11bis and 11 of the Berne Convention (which had become part of TRIPS through TRIPS article 9.1).

Following the adoption of the panel report by the DSB, the United States was granted 12 months (through WTO arbitration) to implement the outcome of the litigation, which period was subsequently extended by the DSB until December 31, 2002, at the request of both parties. The developments since have been unconventional, with an arbitration under article 25 of the WTO Dispute Settlement Understanding (DSU) to determine the level of impairment of benefits caused by the US measure (which fixed the level of “nullification or impairment” at €1,219,900 per year),⁴² a request by the EC for the granting

of retaliation rights⁴³ (followed by a request for a new arbitration by the United States⁴⁴), a suspension of the second set of arbitral proceedings⁴⁵ and a period of a “mutually agreed temporary arrangement” (covering the period of June 23, 2003, through December 20, 2004), during which the United States compensated the EC by making a lump-sum payment into a fund set up by performing rights societies in the EC to provide general assistance to their members, in accordance with the level of the denial of benefits fixed by the arbitral award of 2001.⁴⁶

The second outstanding case concerns section 211 of the US Omnibus Appropriations Act of 1988 (DS176). This case is about US countermeasures regarding trademarks, trade names and commercial names that are the same as or substantially similar to trademarks, trade names or commercial names used in connection with businesses or assets confiscated by the Cuban government following the changeover to the Castro regime at the end of 1958. The litigation was really about the sales of rum under the trademark “Havana Club” in the United States. This trademark was confiscated by the government of Cuba and is currently used to sell Cuban rum around the world through a joint venture (Havana Club International) between Pernod Ricard and the Cuban government, except in the United States. In the United States, it is Bacardi that sells its rum under the trademark Havana Club. This split between the US market and the rest of the world in respect of Havana Club is at the root of this dispute.

The WTO panel found violations regarding the trademark part of the US measure under TRIPS articles 3.1, 4 and 42 and Paris Convention article 2(1). This was upheld on appeal. The Appellate Body, reversing the panel, held that these provisions also apply to trade names. The Appellate Body completed the panel’s legal analysis regarding

39 Legally the litigation concerned section 211 of the US Omnibus Appropriations Act of 1998.

40 Dispute DS160, *supra* note 37.

41 *Ibid.*

42 *United States – Section 110(5) of the US Copyright Act: Recourse to Arbitration under Article 25 of the DSU: Award of the Arbitrators* (9 November 2001), WTO Doc WT/DS160/ARB25/1, online: WTO <docsonline.eto.org>. Paragraph 1.6 records that the parties agreed that the award would also apply in respect of DSU article 22.

43 On January 7, 2002. Dispute DS160, *supra* note 37.

44 On January 17, 2002. *Ibid.*

45 On February 26, 2002, the parties requested the arbitrator to suspend the arbitration proceeding, while noting that the proceeding may be reactivated at the request of either party after March 1, 2002. *Ibid.*

46 *Ibid.*

trade names and reached the same findings as the panel did in respect of trademarks.⁴⁷

Despite the “reasonable period of time” for implementation agreed between the EC and the United States, and four extensions, the United States did not implement the outcome of the WTO litigation. The EC did not request retaliation rights against the United States (but the United States waived its legal rights under the DSU to block any possible future request by the EU for retaliation rights as being out of time).⁴⁸

In January 2016, the United States Patent and Trademark Office (USPTO), in a surprising decision, allowed the government of Cuba to renew its registration of the Havana Club trademark.⁴⁹ This decision of the USPTO has been challenged in the US courts by Bacardi.⁵⁰ Regardless of this dispute about trademark rights, any importation into the United States of Cuban Havana Club depends on the lifting of the US trade embargo against Cuban commercial imports. It seems unlikely that this will happen in the near future. Nevertheless, if the litigation in the US courts were to confirm the registration of the Havana Club trademark by the government of Cuba, this would likely constitute compliance in practice with the outcome of the WTO litigation.

These two unresolved WTO cases show that the availability of retaliatory measures for a successful complaining member may not always be enough to secure implementation of the litigation result. Some cases may be too hot politically to be resolved through litigation. Havana Club appeared to be one of those cases. However, there is a possibility that the 2016 decision of the USPTO has created an opening for a solution.

It is less clear as to why the case about the business exemption in the US Copyright Act, which appears to be a technical case, has not been resolved. Perhaps the domestic interests of US industry are so strong that correcting legislation is almost impossible to get adopted by the US Congress. Another explanation may be the division of powers under the US Constitution. Because the legislative branch is independent of the executive branch, it becomes necessary in practice for other WTO members not only to interact on trade disputes with the executive branch but also to engage in an intense lobbying effort with the US Congress to have it implement the outcome of WTO litigation that requires repeal of or amendments to US legislation.⁵¹

Regardless of the internal political reasons for non-compliance by the United States in these two cases, there is an obvious irony in the United States monitoring the behaviour of other countries and judging them through the Special 301 process, while at the same time the United States remains delinquent in its compliance with the outcome of these two WTO dispute settlement cases.

Five other important WTO cases have been brought against Australia, alleging WTO-inconsistencies regarding Australia’s mandatory plain-packaging measure concerning cigarettes. Ukraine (DS434), Honduras (DS435), the Dominican Republic (DS441), Cuba (DS458) and Indonesia (DS467) are the complainants. These five separate cases are being heard by the same panel. Although the meeting of the parties and the panel took place in the summer of 2016, the reports in these cases have not yet been issued.⁵²

Two investor-state arbitration cases on the same Australian measure, and a similar measure adopted by Uruguay, were brought by Philip Morris against

47 The Appellate Body found other violations. With respect to “successors-in-interest,” section 211(a)(2) violates the national treatment obligation. With respect to “original owners,” the Appellate Body found that sections 211(a)(2) and (b) violate the national treatment obligation. It also found that with respect to “original owners,” sections 211(a)(2) and (b) violate article 4 of TRIPS (MFN).

48 Dispute DS176, *supra* note 37.

49 David Montgomery, “Havana Club vs. Havana Club: Inside the rum war between Bacardi and Cuba”, *The Washington Post* (23 July 2016), online: <www.washingtonpost.com/business/havana-club-v-havana-club-inside-the-um-war-between-bacardi-and-cuba/2016/07/22/57c32a06-2cb4-11e6-9b37-42985f6a265c_story.html?utm_term=.c48170eb5937>.

50 Mimi Whitefield, “Bacardi says it’s not over yet in Havana Club battle”, *Miami Herald* (2 February 2016), online: <www.miamiherald.com/news/business/international-business/article57948323.html>.

51 This was the experience of Canada and Mexico in their WTO cases against the United States concerning the compulsory country-of-origin labelling requirements of beef and pork (DS483 and DS486), which is one of the rare instances in which the US Congress actually repealed US legislation in response to the outcome of WTO litigation. In the end it was the retaliation rights acquired by Canada and Mexico of a total amount of approximately US\$1 billion per year that appears to have been decisive.

52 There is an unconfirmed report (attributed to Bloomberg) that Australia would have won the case: Tom Miles & Martinne Geller, “Australia wins landmark WTO tobacco packaging case – Bloomberg”, *Reuters* (4 May 2017), online: <www.reuters.com/article/us-wto-tobacco-australia/australia-wins-landmark-wto-tobacco-packaging-case-bloomberg-idUSKBN1801S9>; see also “Australia wins landmark WTO tobacco plain packaging case”, *ABC News* (5 May 2017), online: <www.abc.net.au/news/2017-05-05/australia-wins-landmark-wto-tobacco-packaging-case/8498750>.

Australia and Uruguay under the Australia-Hong Kong Bilateral Investment Treaty⁵³ and the Uruguay-Switzerland Bilateral Investment Treaty, respectively.⁵⁴ These cases raised similar issues as those raised in the WTO (state-to-state) cases. The claims by Phillip Morris in both these cases were rejected in 2015 and 2016, respectively.

Suspension of WTO Members' TRIPS Rights as Part of Retaliation Authorized by the DSB

Another dimension of TRIPS being part of the WTO Agreement is the possibility of IP rights of one WTO member being suspended by another member in a WTO dispute settlement case that is not about TRIPS at all.

From a WTO perspective, retaliation across the three main agreements (GATT 1994, GATS and TRIPS) is logical because these agreements are all integral parts of the WTO Agreement to which the DSU applies. When it comes to retaliation rights, the DSU (in article 22.3) takes the approach of requiring the suspension of concessions or obligations in first instance in the area where violations occurred (usually trade in goods, and less frequently trade in services) and that only in rare cases a crossover to another agreement, such as TRIPS, should be permitted.⁵⁵ The possibility of such crossover will most likely be relevant only in

disputes where there is a very significant disparity between the economies of two WTO members.

Suspension of TRIPS rights of another WTO member has arisen so far in two arbitrations under DSU article 22.6, in which WTO arbitrators⁵⁶ were called upon to quantify the right of a complaining WTO member to suspend concessions or other obligations of another member previously determined to have violated certain WTO obligations. In these cases, the complainants (Ecuador and Antigua, respectively), who had prevailed on the merits, found it necessary to request authorization to suspend IP rights.

The first arbitration arose in EC-Bananas (which concerned trade in goods and services) because of a request by Ecuador for authorization to retaliate against the EC for non-implementation of the outcome of the WTO litigation.⁵⁷ As part of determining the quantum of retaliation, the arbitrators were also asked to rule on the WTO-consistency of Ecuador's request for authorization to suspend TRIPS rights of the EC as a potential means of retaliation.

The second case arose in the services area, in *United States—Measures Affecting the Cross-Border Supply of Gambling and Betting Services*, brought by Antigua against the United States. Following the successful challenge by Antigua, Antigua requested WTO retaliation rights, including the suspension of TRIPS rights of the United States. That request by Antigua was referred to arbitration by the United States. The arbitration determined the value of the provision of gambling services blocked by the US measure and also addressed the suspension of TRIPS rights.

In both these awards the arbitrators agreed that Ecuador and Antigua, respectively, were entitled to suspend TRIPS provisions vis-à-vis the EC (as it then was) and the United States. The arbitrators' approval regarding the potential suspension of TRIPS rights was conditional with regard to Ecuador's request (which would only apply if suspension of GATT or GATS obligations could not achieve the

53 *Philip Morris Asia Ltd v Australia*, PCA Case No 2012-12 (UNCITRAL), online: <www.italaw.com/cases/851>.

54 *Philip Morris Brands Sàrl, Philip Morris Products SA and Abal Hermanos SA v Uruguay*, ICSID Case No ARB/10/7 (formerly *FTR Holding SA, Philip Morris Products SA and Abal Hermanos SA v Uruguay*), online: <www.italaw.com/cases/460>.

55 Article 22.3 of the DSU sets out a detailed set of rules as to when a crossover to another WTO agreement is possible. Article 22.3(c) is especially relevant. It provides: "In considering what concessions or other obligations to suspend, the complaining party shall apply the following principles and procedures: ... (c) if that party considers that it is not practicable or effective to suspend concessions or other obligations with respect to other sectors under the same agreement, and that the circumstances are serious enough, it may seek to suspend concessions or other obligations under another covered agreement[.]"

56 DSU article 22.7 makes it clear that the "arbitrator" under article 22.6 can be one or more persons. Since both arbitrations discussed here were carried out by three persons, the term "arbitrators" has been used here, rather than "arbitrator."

57 *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: Decision by the Arbitrators* (24 March 2000), WTO Doc WT/DS27/ARB/ECU, online: WTO <docsonline.eto.org>.

overall level of retaliation fixed by the arbitrators), but unconditional with regard to Antigua's.

Specifically, the award to Ecuador approved the suspension of TRIPS obligations vis-à-vis the United States (but only if the suspension of GATT or GATS obligations could not achieve the overall level of retaliation of US\$201.6 million per year approved by the arbitrators) under article 14 of TRIPS (protection of performers, producers of phonograms [sound recordings] and broadcasting organizations), part II, section 3 (GIs) and section 4 (industrial designs).⁵⁸ In the end, Ecuador did not resort to retaliation against the European Union. This case ended in 2012 through notification to the DSB of a mutually agreed solution by the parties.⁵⁹

Antigua was allowed to suspend TRIPS rights under part II of TRIPS, section 1 (copyright and related rights), section 2 (trademarks), section 4 (industrial designs), section 5 (patents) and section 7 (protection of undisclosed information), to a value not exceeding US\$21 million annually.⁶⁰ The dispute between Antigua and the United States remains unresolved.⁶¹

Cases such as the two outlined here will probably remain rare because usually the suspension of WTO rights in the goods or services sector should provide sufficient inducement toward compliance.

The Interface of Investor-State and State-State Dispute Settlement: The Impact on IP

The availability of the investor-state dispute settlement mechanism to owners of IP rights is potentially a matter of concern because it offers IP right holders of other states an avenue to challenge administrative decisions and judgments of domestic courts as falling short of the requirements of the investment provisions of an FTA or of the Foreign Investment Protection and Promotion Agreement (FIPA). From the perspective of right holders who are nationals of the defending state party, this can be seen as preferential treatment of foreign right holders and as discrimination by the defending state party against its own nationals. The main current criticisms of the investor-state arbitration mechanism are: the preferential treatment of foreign right holders; and the ad hoc nature of the investor-state arbitration mechanism, which makes the outcome difficult to predict, in particular without an international appeal mechanism.

As the recent arbitration brought by Eli Lilly against Canada under NAFTA Chapter 11 demonstrates, a foreign IP right holder could claim monetary compensation for losing a patent by alleging that the court's decision to invalidate the patent constituted a measure tantamount to expropriation without compensation,⁶² or failed to meet the minimum standard of treatment required under international investment law.⁶³

Canada's FTAs and FIPAs generally contain a provision that would bar a finding of expropriation without adequate compensation if IP rights were lost or impaired due to a measure that (in the case of an FTA) was in conformity with the IP chapter of the FTA or (in the case of a FIPA) was in conformity with TRIPS. This makes sense because foreign investors should not be able to challenge IP measures of the host country that are in conformity with the IP

⁵⁸ *Ibid.*

⁵⁹ *European Communities – Regime for the Importation, Sale and Distribution of Bananas* (1997), WTO Dispute No DS27, online: <www.wto.org/english/tratop_e/dispu_e/cases_e/ds27_e.htm>.

⁶⁰ *United States – Measures Affecting the Cross-Border Supply of Gambling and Betting Services: Recourse to Arbitration by the United States under Article 22.6 of the DSU: Decision by the Arbitrator* (21 December 2007), WTO Doc WT/DS285/ARB, paras 5.6, 6.1.

⁶¹ *United States – Measures Affecting the Cross-Border Supply of Gambling and Betting Services* (2005), WTO Dispute No DS285, online: <www.wto.org/english/tratop_e/dispu_e/cases_e/ds285_e.htm>.

⁶² Under NAFTA article 1110.

⁶³ Under NAFTA article 1105. Depending on the facts, another potential legal basis would be the failure to respect national treatment (article 1102) in a de facto sense. Such a violation of NAFTA article 1102 was not alleged in the investor-state arbitration initiated by Eli Lilly.

chapter of the FTA concerned (if one was included) or with TRIPS in case of a FIPA. While it makes good sense to have such an exception in the FTA or FIPA, it should also be appreciated that arbitrators judging an investor-state case may wish to avoid the application of the exception because administrative or court decisions invalidating IP rights will not automatically amount to “expropriation.” In the Eli Lilly arbitration, the arbitrators dismissed the investor’s claims but saw no need to resort to the exception. They decided that the court decisions invalidating the two patents concerned did not amount to expropriation because there was no “sudden and dramatic change” in the courts’ interpretation of Canada’s patent law; the exception thus became irrelevant in deciding the case.⁶⁴

The formula used to capture the exception of IP measures that are in conformity with the IP chapter of the FTA concerned or with TRIPS has varied somewhat in different agreements. One example of such a provision is article 1110(7) of NAFTA: “This Article does not apply to the issuance of *compulsory licenses* granted in relation to intellectual property rights, or to the *revocation, limitation or creation of intellectual property rights*, to the extent that such issuance, revocation, limitation or creation is consistent with *Chapter Seventeen (Intellectual Property)*.”⁶⁵

The Canada-Chile FTA, in article G-10, paragraph 7, provides: “This Article does not apply to the issuance of *compulsory licences* granted in relation to intellectual property rights, or to the *revocation, limitation or creation of intellectual property rights*, to the extent that such issuance, revocation, limitation or creation is consistent with the *TRIPS Agreement*.”⁶⁶ This approach of tying the conformity with the expropriation provision to TRIPS-compliance makes

sense in the context of the Canada-Chile FTA, because the FTA does not contain a chapter on IP.

The Canada-Mali FIPA, in article 10(5) (on expropriation), follows the standard FIPA formula, which provides: “This Article does not apply to the issuance of *compulsory licenses* granted in relation to intellectual property rights, or to the *revocation, limitation, or creation of intellectual property rights*, to the extent that the issuance, revocation, limitation, or creation is consistent with the *WTO Agreement*.”⁶⁷ The rationale of this provision appears to be the same as for the provision cited above from the Canada-Chile FTA, i.e., that the FIPA does not contain substantive provisions on IP.⁶⁸

The Canada-China FIPA, in article 10(2) (on expropriation) includes a somewhat broader formula, which provides: “This Article does not apply to the issuance of *compulsory licenses granted in relation to intellectual property rights, or to other measures in respect of intellectual property rights, to the extent that such measures are consistent with international agreements regarding intellectual property rights to which both Contracting Parties are parties*.”⁶⁹ This provision is a broader exception than the previous ones, which are limited to compulsory licences or to the revocation, limitation or creation of IP rights. The reference to “other measures in respect of IPRs” broadens the scope of the exception. The exception is also broadened because the justification of the measure concerned may be based on any international agreement regarding IP to which both parties to the FIPA are party.

64 Ton Zijldwijk, “Big Pharma Arbitration Defeat a Warning to Investors – Eli Lilly loss to Canada should discourage use of investor-state arbitration to overturn national judicial decisions” CIGI, Opinion, 11 May 2017, online: <www.cigionline.org/articles/big-pharma-arbitration-defeat-warning-investors>.

65 *North American Free Trade Agreement between the Government of Canada, the Government of Mexico and the Government of the United States*, 17 December 1992, Can TS 1994 No 2 art 1110(7) (entered into force 1 January 1994) [emphasis added], online: Government of Canada <www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/nafta-alena/fta-ale/11.aspx?lang=eng>.

66 *Free Trade Agreement between the Government of Canada and the Government of the Republic of Chile*, 4 December 1996, Can TS 1997 No 50 art G-10, para 7 (entered into force 5 July 1997) [emphasis added], online: Government of Canada <international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/chile-chili/fta-ale/2017_Amend_Modif-App1-Chap-G.aspx?lang=eng>.

67 *Agreement between Canada and Mali for the Promotion and Protection of Investments*, 28 November 2004, Can TS 2016 No 5 art 10(5) (entered into force 8 June 2016) [emphasis added], online: Government of Canada <international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/mali/fipa-apie/index.aspx?lang=eng#a10>.

68 The inclusion of the reference to the WTO Agreement may have broadened the exception too much (because TRIPS is only one of the multiple agreements annexed to the WTO Agreement). It is the TRIPS agreement, which is an integral part of the WTO Agreement, that contains the provisions that are relevant in determining the permissibility of the compulsory licences or the revocation, limitation or creation of IP rights. Therefore, the general reference to the WTO Agreement opens the door to arguments that might cite provisions of other annexed agreements in an attempt to justify a compulsory licence or the revocation, limitation or creation of IP rights.

69 *Agreement between the Government of Canada and the Government of the People’s Republic of China for the Promotion and Reciprocal Protection of Investments*, 9 September 2012, Can TS 2014 No 26 art 10(2) (entered into force 1 October 2014) [emphasis added], online: Government of Canada <international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/china-chine/fipa-apie/index.aspx?lang=eng>.

A further variation can be found in the exception of paragraphs 5 and 6 of article 8.12 in the Canada-EU CETA. The text provides as follows: “5. This Article does not apply to the issuance of compulsory licences granted in relation to intellectual property rights, to the extent that such issuance is consistent with the TRIPS Agreement. 6. For greater certainty, the revocation, limitation or creation of intellectual property rights, to the extent that these measures are consistent with the TRIPS Agreement and Chapter Twenty (Intellectual Property), do not constitute expropriation. Moreover, a determination that these measures are inconsistent with the TRIPS Agreement or Chapter Twenty (Intellectual Property) does not establish an expropriation.”⁷⁰ While paragraph 5 is limited to the consistency of compulsory licences with TRIPS, paragraph 6 (which is “[f]or greater certainty”) is concerned with “the revocation, limitation or creation of intellectual property rights” and excludes these from expropriation to the extent that consistency with TRIPS or the CETA IP chapter can be demonstrated. Obviously, paragraph 6 (despite being for greater certainty) is significantly broader than paragraph 5.

The provisions cited above are important in that they exclude from the scope of the expropriation articles of FTAs and FIPAs measures that are consistent with the IP rules cited in these provisions. In fact, it is significant that the arbitral tribunal in *Eli Lilly v Canada* never addressed whether the invalidation of Eli Lilly’s two patents was consistent with NAFTA Chapter 17 (on IP). In the eyes of the tribunal, there was no need to address this issue because a domestic court exercising its judicial function with no irregularity could not possibly be engaged in a measure tantamount to expropriation. The arbitral tribunal thus was wise not even to address NAFTA article 1110(7). However, this does not undermine the utility of having the exception discussed above included in Canada’s FTAs and FIPAs.

Broader issues are still outstanding in respect of the investor-state dispute settlement system. The system has come under considerable criticism, especially within the EU because it provides a privileged status for foreign investors and because of the ad hoc nature of the arbitration process (usually three arbitrators, consisting of one arbitrator appointed by each party, and the third arbitrator

appointed by agreement of both parties or in accordance with a procedure agreed to by them).

While the privileged status of the foreign investor is an inherent feature of investor-state arbitration, questions of transparency of the procedural process and the consistency of arbitral decision making are issues beginning to be addressed. In fact, that was the underlying thinking that resulted in the investment court system included in chapter 8 (investment) of the Canada-EU CETA, consisting of a tribunal and an appellate tribunal.⁷¹

CETA also foresees the possibility of the establishment of a multilateral investment tribunal and an appellate mechanism that might take over from the CETA Tribunal and Appellate Tribunal.⁷² The investor-state arbitration mechanisms were excluded from the current provisional application of CETA. The CETA Appellate Tribunal was added to the CETA text very late, after the actual negotiations had been completed. The CETA text of article 8.28 left the organization of the Appellate Tribunal to the CETA Joint Committee. This means there will be a further negotiation between Canada and the European Union in due course on the composition and operation of the Appellate Tribunal. While these new provisions go in the right direction to counter some criticisms of the investor-state arbitration mechanism, it remains to be seen how the CETA investment court system will operate in the future (after CETA enters into force definitively, after it has been ratified by all the member states of the European Union). It also remains to be seen whether a multilateral investment tribunal and appellate mechanism will in fact be established and whether that will satisfy the critics of investor-state arbitration.

70 CETA, *supra* note 35, arts 8.12.5, 8.12.6 [emphasis added], online: <<http://international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/ceta-aecg/text-texte/08.aspx?lang=eng>>.

71 *Ibid*, arts 8.27, 8.28.

72 *Ibid*, art 8.33.

The Efforts to Modernize the Multilateral IP Treaties: How to Integrate Modern WIPO IP Treaties into TRIPS?

While the United States and the European Union have tried to achieve TRIPS-plus IP standards through bilateral FTAs, the international community, through WIPO, has made continuing efforts to improve the international IP rules through the preparation and elaboration of new international IP treaties. A good example is the WIPO Internet Treaties of 1996. These treaties are generally considered important new agreements in the copyright area (the compliance with which is required by CETA and the accession to which was required by the text of the TPP as it was signed in 2016). The WIPO Internet Treaties are probably of a stature that would warrant their integration into TRIPS as the global IP treaty of the WTO.⁷³ This has not happened. Including references to these treaties in TRIPS, which would achieve incorporation by reference of their provisions into TRIPS, would require an amendment to TRIPS, which is not an easy thing to achieve. The adoption of such an amendment through the WTO Ministerial Conference or the General Council would probably require consensus, which means that any WTO member could block the adoption.⁷⁴ Also, bringing the text of such an amendment into force will probably take a long time.

The only amendment to date to TRIPS adopted by the General Council of the WTO pursuant to article X.1 and article IV.2 (on access to medicines) of the WTO Agreement dates back to 2005.⁷⁵ It took more than 11 years for the amendment to enter into force, on January 23, 2017, after two-thirds of the WTO members had filed their acceptances

of the amendment with the WTO (in accordance with article X.3 of the WTO Agreement).⁷⁶

If the WTO members are unable or unwilling to periodically amend TRIPS, the text will become less relevant over time, which would be regrettable. It may also affect the willingness of WTO members to litigate IP disputes on the basis of the TRIPS text or (in the alternative) affect the significance of panel and Appellate Body reports, if the TRIPS text is considered out of date. In that case, WTO members would likely be inclined to avoid WTO dispute settlement and instead make use of dispute settlement under FTAs that contain more up-to-date IP rules.

Conclusion

Integrating international IP rules into TRIPS and the simultaneous subjection of TRIPS to WTO dispute settlement has probably been the most important change in the international IP system since the mid-1970s.⁷⁷ This change resulted from a constellation of developments in the late 1980s and early 1990s. It resulted from a gradual evolution of the thinking about a new international set of rules and dispute settlement mechanism regarding IP rules, first in the Tokyo Round and later in the Uruguay Round. The current enforceability of TRIPS through WTO dispute settlement has unquestionably strengthened the position of global IP rules. The same can be said of new TRIPS-plus rules included in more recent FTAs (since the establishment of the WTO) and subjected to the dispute settlement rules of these FTAs.

While the possibility of retaliation under the WTO Agreement is useful because it makes compliance with the outcome of WTO litigation more likely, the limited experience with the WTO dispute settlement in respect of TRIPS rules also shows that retaliation is not a panacea that ensures compliance in all cases. There is irony in the fact that in the two WTO dispute settlement cases that did not result in compliance with the outcome, the United States was the respondent. The United

⁷³ It is doubtful that any of the WIPO treaties adopted since 1996 are of the same stature.

⁷⁴ Pursuant to article IX of the WTO Agreement.

⁷⁵ *Amendment of the TRIPS Agreement* (8 December 2005), WTO Doc WT/L/641, online: <www.wto.org/english/tratop_e/trips_e/wtl641_e.htm>.

⁷⁶ See WTO, "Amendment of the TRIPS Agreement", online: <www.wto.org/english/tratop_e/trips_e/amendment_e.htm>.

⁷⁷ 1974 is taken as the baseline, the year of publication of *Canadian Perspectives*, *supra* note 1.

States was the most significant proponent of stronger IP rules (through TRIPS) in the WTO Agreement and continues to assess the measures of other countries and exert pressure on them through its unilateral mechanism of Special 301.

There is an interaction between TRIPS and subsequent FTAs containing TRIPS-plus provisions, which may not be fully appreciated. TRIPS, unlike the other foundational agreements of the WTO, contains no exception for FTAs allowing two or more WTO members to grant higher levels of IP protection vis-à-vis each other as compared to other WTO members. The effect of a strong MFN provision in TRIPS and the absence of an exception for FTAs is that new IP obligations in FTAs must be extended to all WTO members, subject to four very specific exceptions stated in article 4. This makes it very difficult for countries that import significant quantities of IP from abroad, such as Canada, to establish an IP and innovation policy for the future.

This also makes it very difficult, in practice, for countries such as Canada to rescind TRIPS-plus provisions granted in earlier bilateral agreements. The reason is that these IP provisions are embedded in FTAs and are therefore part of a broader package of trade-related provisions, which Canada is unlikely to want to reject totally. Further, the IP concessions of previous FTAs will already have been extended to other WTO members because of the TRIPS MFN obligation. Thus, the international system promotes increasingly higher levels of protection of IP rights that countries such as Canada cannot, in practice, reverse. This raises serious questions, especially at a time in which NAFTA is being renegotiated and some are questioning whether Canada has gone too far in setting levels of IP rights protection that may be at odds with its economic interests and desire to promote an innovation economy.

The relationship between investor-state arbitration (under FTAs or FIPAs), on the one hand, and the decisions of domestic courts on IP, on the other, remains a matter of concern for the future. Up to now, the arbitral tribunals dealing with investor-state arbitration have been sufficiently deferential to avoid conflicts. One way of avoiding this concern altogether would be to exclude IP from the scope of investments covered by the investor-state arbitration mechanism. Since that appears unlikely to be politically acceptable for those countries that are significant exporters of IP, one should encourage the current development of new mechanisms that aim to ensure greater consistency

in the jurisprudence of arbitral tribunals, i.e., by making the arbitral tribunals more permanent in nature and by creating an appeal mechanism.

Finally, it will be important for the international IP system that the substance of new and important international IP rules (to be generated by WIPO or other sources from time to time) be integrated into TRIPS by way of future amendments. If not, TRIPS will become a document that is out of date, which may not be worth relying on in WTO dispute settlement. Without periodic amendments of the TRIPS text, WTO members may instead increasingly rely on the bilateral or plurilateral FTAs with TRIPS-plus provisions, rather than the TRIPS text, thereby eroding the most significant development in international IP law of the last 25 years.

ON CANADA'S PAST, PRESENT AND FUTURE
IN INTERNATIONAL LAW

REFLECTIONS

RÉFLEXIONS

SUR LE PASSÉ, LE PRÉSENT ET L'AVENIR DU CANADA
EN MATIÈRE DE DROIT INTERNATIONAL

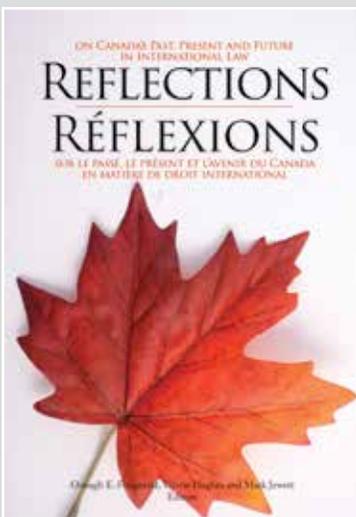
Oonagh E. Fitzgerald, Valerie Hughes and Mark Jewett,
Editors



Marking 150 years since Confederation provides an opportunity for Canadian international law practitioners and scholars to reflect on Canada's rich history in international law and governance, where we find ourselves today in the community of nations, and how we might help shape a future in which Canada's rules-based and progressive approach to international law gains ascendancy. These essays, each written in the official language chosen by the authors, provide a critical perspective on Canada's past and present in international law, survey the challenges that lie before us and offer renewed focus for Canada's pursuit of global justice and the rule of law.

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