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# **Seeking Multilateral Protection for Intellectual Property: The United States “TRIPs” over Special 301**

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The United States introduced the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) under the General Agreement on Tariffs and Trade (GATT) in order to create internationally binding minimum standards of protection for intellectual property. These standards are enforced through the dispute settlement agreement of the World Trade Organization (WTO). The United States now looks to WTO dispute settlement as an alternative and a supplement to more coercive unilateral measures such as section 182 of the Omnibus Trade Act of 1974, commonly referred to as “Special 301.” This Note hypothesizes that the United States will be forced to rely on Special 301-type measures to give effect to the provisions of TRIPs because the WTO dispute settlement process will prove to be inadequate. In addition, the same unilateral measures upon which the United States will depend to advance TRIPs will be susceptible to attack under the WTO agreements, thus weakening their effectiveness. As a result, the United States’ ability to externalize its strong intellectual property rights protection will suffer, particularly when viewed against its ability to do so before the implementation of TRIPs.

This Note examines the probable relationships between and interactions of the TRIPs Agreement and unilateral measures used by the United States in the protection of intellectual property interests internationally. First, the introduction of the TRIPs Agreement is discussed, with an emphasis on problems with past multilateral intellectual property agreements and the major shortcomings embodied in the TRIPs Agreement itself. Next, the development of Special 301 and its past and current uses by the United States is introduced. Lastly, this Note analyzes the likely interactions between TRIPs and Special 301 and predicts whether the United States will in fact be able to effectively use TRIPs and Special 301 to advance its goal of strong international intellectual property protection.

## I. BACKGROUND: THE INTRODUCTION OF TRIPS

For over 100 years there has been an ongoing effort to globally harmonize intellectual property rights,<sup>1</sup> and a number of agreements in pursuit of this objective have been reached. Although the various agreements to this end have targeted different areas,<sup>2</sup> their ultimate goal has been movement towards

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1. See generally STEPHEN P. LADAS, *PATENTS, TRADEMARKS, AND RELATED RIGHTS: NATIONAL AND INTERNATIONAL PROTECTION* (1975). For a brief introduction of the development of international protection of intellectual property rights, see *id.* at 1-16. Intellectual property includes patents, copyrights and trademarks. This Note tends to focus on patent law but applies to intellectual property rights in general.

2. The oldest international treaty protecting patent rights internationally is the Paris Convention for the Protection of Industrial Property. It was drafted in 1880, ratified in 1883, and implemented in 1884. Paris Convention for the Protection of Industrial Property, *opened for signature* Mar. 20, 1883, last revised at Stockholm, July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305 [hereinafter Paris Convention]. The main principle espoused by the Paris Convention is one of national treatment. That is, each Member agrees to grant the same protection to citizens of other Member countries as it does its own citizens under its intellectual property laws. Anthony D. Sabatelli, *Impediments to Global Patent Law Harmonization*, 22 N. KY. L. REV. 579, 591-92 (1995). The Paris Convention does not, however, impose substantive standards on its Members. *Id.* at 592. The most recent revision of the Paris Convention, in Stockholm in 1967, established the World Intellectual Property Organization (WIPO) as its main administrative body. INTERNATIONAL TREATIES ON INTELLECTUAL PROPERTY 563 (Marshall A. Leaffer ed., 1990). WIPO is now an agency of the United Nations and oversees all major intellectual property treaties and conventions. *Id.* at 13.

The Berne Convention for the Protection of Literary and Artistic Works extends the basic principles espoused by the Paris Convention into the realm of copyright protection. Berne Convention for the Protection of Literary and Artistic Works, *opened for signature* Sept. 9, 1886, last revised at Paris July 24, 1971, 25 U.S.T. 1341, 1161 U.N.T.S. 3.

The Patent Cooperation Treaty (PCT), enacted in the United States on January 24, 1978, standardized international patent application filing procedures so that only a single application designating each country in which patent protection is sought need be filed. Patent Cooperation Treaty, *opened for signature* June 19, 1970, 28 U.S.T. 7645, 1160 U.N.T.S. 231. The PCT does not, however, define substantive standards for patentability. Sabatelli, *supra*, at 595-96.

The European Patent Convention (EPC) was signed in Munich, Germany on October 5, 1973 and entered into force on October 7, 1977. Convention on the Grant of European Patents, *opened for signature* Oct. 5, 1973, 1065 U.N.T.S. 199, *reprinted in* 13 I.L.M. 270 (1974). Like the PCT, the EPC provides standard procedures for filing international patent applications, although the EPC is limited to countries of the European Union. Sabatelli, *supra*, at 596. However, the EPC also defines patentable subject matter and provides other substantive standards. *Id.*

In addition, the Eurasian Patent Convention (EAPC) came into force early in 1996. Richard P. Beem, *Patent Developments in Eastern and Central Europe and the Former Soviet Union*, 78 J. PAT. & TRADEMARK OFF. SOC'Y 483, 483 (1996). The EAPC provides for a Eurasian patent that may be obtained by filing a single application with the Eurasian Patent Office and that is enforceable

internationally recognized and enforceable intellectual property rights. These attempts have, by and large, failed to fully harmonize intellectual property protection because they have done little to address two major problems: defining minimum standards of protection<sup>3</sup> and providing adequate dispute resolution mechanisms.<sup>4</sup> A general unwillingness to give up national sovereignty in exchange for a viable solution to these problems has led to the failure of recent harmonization efforts.<sup>5</sup>

International intellectual property agreements that provide for national treatment without defining minimum standards, such as the Paris Convention, have an inherent problem — member nations are free to treat foreign interests poorly as long

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in all nine contracting countries. *Id.* The contracting countries as of July 3, 1996 were Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russian Federation, Tajikistan, and Turkmenistan. *Id.* at 484.

3. For example, the Paris Convention does not provide minimum standards of protection for intellectual property. *See supra* note 2 (discussing the Paris Convention).

4. For example, the Paris Convention leaves the enforcement of intellectual property rights up to the laws of each nation, making it impossible to achieve a global settlement between parties. John R. Thomas, *Litigation Beyond the Technological Frontier: Comparative Approaches to Multinational Patent Enforcement*, 27 LAW & POL'Y INT'L BUS. 277, 290-91 (1996). Some regional agreements, such as the EAPC, provide mechanisms for adjudicating intellectual property disputes. *See supra* note 2 (describing the EAPC).

5. Recently, two proposed patent harmonization treaties failed to be ratified. First, WIPO proposed a treaty that grew out of a series of meetings conducted since 1985, which had addressed the problems with achieving worldwide patent law harmonization. The WIPO proposal was drafted in 1987, and in 1991 the treaty was revised for final negotiations. The scope of this treaty was similar to the EPC in that it sought to completely unify patent procurement procedures. Sabatelli, *supra* note 2, at 599-600 and 604-11. Ultimately, the United States halted negotiations because it was unwilling to make two fundamental changes in its patent law called for in the WIPO harmonization treaty, namely awarding patents on a first-to-file basis rather than a first-to-invent basis, and publishing all patent applications eighteen months after filing. *Id.* at 605. In addition, the protection of intellectual property rights under the General Agreement on Tariffs and Trade has shifted the focus of patent harmonization efforts away from WIPO. *See generally* Monique L. Cordray, *GATT v. WIPO*, 76 J. PAT. & TRADEMARK OFF. SOC'Y 121 (1994) (discussing the higher standards of intellectual property protection provided by TRIPs as compared to those provided by the standards of traditional WIPO treaties; how the U.S. achieved those higher standards; GATT's relatively effective dispute settlement mechanisms; and enforcement procedures required by TRIPs).

Second, the European Union sought to expand on the EPC through the Community Patent Convention (CPC), which would create a single multinational patent for all Union Members. Sabatelli, *supra* note 2, at 597-98. The CPC proposal was the first attempt at complete harmonization of patent laws among several nations. *Id.* at 598. The CPC was last revised and amended in 1985, but to date has not been ratified by all EU Members. *Id.* at 597.

as domestic interests are treated just as poorly. The national treatment provision of the Paris Convention states, "Nationals of each of the countries of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals. . . ."<sup>6</sup> Under this reciprocity requirement, no member nation may afford protection to its own citizens under its intellectual property laws unless it affords the same protection to the nationals of the other member nations. However, the Paris Convention does not require its members to adhere to any substantive standards of patent protection.<sup>7</sup> Thus, a member nation is free to provide as much or as little patent protection as it wishes, so long as it guarantees equal treatment for domestic and foreign claimants.<sup>8</sup> For example, Brazil and India, although members of the Paris Convention, have historically provided little or no patent protection for pharmaceutical products whether they be foreign or domestic.<sup>9</sup> Minimum standards of protection would cure this shortcoming of national treatment by defining a baseline to which all members could be held accountable.

The second major problem afflicting international intellectual property agreements is insufficient enforcement mechanisms. Again, the Paris Convention indicates how inadequate such measures may often be.<sup>10</sup> The Paris Convention, as administered by the World Intellectual Property Organization (WIPO), requires disputes between members to be settled by the International Court of Justice (ICJ).<sup>11</sup> However, many members do not recognize the jurisdiction of the ICJ.<sup>12</sup> Those members that do recognize the ICJ often do not utilize its procedures, and even when the ICJ makes a ruling, it may be ignored.<sup>13</sup> Other disadvantages of the Paris Convention enforcement procedures include a reliance on the voluntary cooperation of any party receiving an unfavorable judgment and the absence of a mechanism requiring and implementing the seizure of infringing

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6. Paris Convention, *supra* note 2, art. 2.

7. See *supra* note 2 (discussing Paris Convention's lack of substantive patent protection standards for individual countries); Thomas, *supra* note 4, at 289.

8. Sabatelli, *supra* note 2, at 592-93.

9. *Id.* at 593.

10. *Id.* at 592-593.

11. Cordray, *supra* note 5, at 131.

12. *Id.*

13. Sabatelli, *supra* note 2, at 592 n. 58.

goods.<sup>14</sup> Therefore, the nationals of Paris Convention members must rely heavily on separate adjudication in each country where patent protection is sought.<sup>15</sup> Because of these shortcomings, international agreements such as the Paris Convention have been highly criticized. As a set of procedures through which members may challenge other members' compliance with the WIPO Conventions, WIPO dispute settlement mechanisms have been called "effectively worthless."<sup>16</sup>

Both of these problems—the lack of minimum standards and the weakness of enforcement mechanisms—were recognized and addressed in the TRIPs Agreement. In 1994, TRIPs negotiations were concluded as part of the Uruguay Round of GATT and the agreement establishing the WTO.<sup>17</sup> The United States provided the impetus for the development of the TRIPs Agreement, in part because its economic incentives to push for strong intellectual property protection are large. It is estimated that in 1989, U.S. exports of goods and services embodying intellectual property amounted to nearly \$60 billion.<sup>18</sup> Thus, the desire to combat piracy of U.S. products and protect this large income base motivated the United States to create an effective multinational intellectual property agreement that would identify and require minimum standards for intellectual property protection as well as provide for effective enforcement and dispute settlement procedures.<sup>19</sup> Because of the perception that "the national web of intellectual property laws has effectively created non-tariff barriers that interfere with international trade and technology transfers,"<sup>20</sup> the United States considered GATT to be an excellent forum in which to harmonize protection of intellectual property rights.

The inclusion of trade-related aspects of intellectual property rights in the Uruguay Round of GATT was met with much resistance, particularly from developing nations, because many

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14. Cordray, *supra* note 5, at 132.

15. Thomas, *supra* note 4, at 291.

16. Cordray, *supra* note 5, at 131.

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

18. THOMAS O. BAYARD & KIMBERLY ANN ELLIOTT, RECIPROCITY AND RETALIATION IN U.S. TRADE POLICY 191 (1994).

19. Michael L. Doane, *TRIPs and International Intellectual Property Protection in an Age of Advancing Technology*, 9 AM. U. J. INT'L L. & POL'Y 465, 465-68 (1994).

20. Sabatelli, *supra* note 2, at 611.

felt that such a topic exceeded GATT's mandate and that WIPO was the proper forum for such negotiations.<sup>21</sup> However, resistance subsided when the WIPO Director General agreed to participate in the TRIPs negotiations.<sup>22</sup>

Through the Uruguay Round negotiations, the United States sought to rectify what it saw as major holes in existing multinational intellectual property agreements.<sup>23</sup> For example, the United States was concerned that the Paris Convention failed to require patent protection for such important products as chemicals and pharmaceuticals.<sup>24</sup> Many of the United States' concerns were met within the formulation of TRIPs. First, provisions for national treatment<sup>25</sup> and most-favored-nation (MFN) treatment,<sup>26</sup> which mirror the general requirements contained in the pre-Uruguay Round GATT, are contained in TRIPs. Second, the copyright provisions call for a fifty-year term of protection<sup>27</sup> and for protection of computer programs and certain other original data compilations.<sup>28</sup> A twenty-year term of protection was granted for patents,<sup>29</sup> which are to be available for any product or process.<sup>30</sup> Significantly, TRIPs mandates that Members enact domestic enforcement procedures to prevent infringement of intellectual property rights covered by the Agreement.<sup>31</sup> Lastly, parties to TRIPs are required to settle disputes that arise under the agreement by adhering to the GATT dispute resolution process.<sup>32</sup>

#### A. MINIMUM STANDARDS OF INTELLECTUAL PROPERTY PROTECTION UNDER TRIPs

As discussed above, detailed minimum standards must be included in an international intellectual property agreement

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21. Doane, *supra* note 19, at 472-73.

22. *GATT Negotiating Group Sets Talks This Week on U.S. Proposal, WIPO Will Join Discussion*, 4 Int'l Trade Rep. (BNA) No. 43, at 1358 (Nov. 4, 1987).

23. Myles S. Getlan, *TRIPs and the Future of Section 301: A Comparative Study in Trade Dispute Resolution*, 34 COLUM. J. TRANSNAT'L L. 173, 201 (1995).

24. Alan S. Gutterman, *International Intellectual Property: A Summary of Recent Developments and Issues for the Coming Decade*, 8 SANTA CLARA COMPUTER & HIGH TECH. L.J. 335, 353 (1992).

25. TRIPs, *supra* note 17, art. 3.

26. TRIPs, *supra* note 17, art. 4.

27. TRIPs, *supra* note 17, art. 12.

28. TRIPs, *supra* note 17, art. 10.

29. TRIPs, *supra* note 17, art. 33.

30. TRIPs, *supra* note 17, art. 27(1).

31. TRIPs, *supra* note 17, art. 41.

32. TRIPs, *supra* note 17, art. 64.

that provides for national treatment. TRIPs is governed by the national treatment provisions of GATT and the WIPO Conventions.<sup>33</sup> Thus, the United States considered it vitally important to ensure that TRIPs contain significant minimum standards. These standards are binding on all Members, with grace periods of compliance granted to developing countries,<sup>34</sup> and are to be enforced through the GATT dispute settlement procedures.<sup>35</sup>

TRIPs is divided into seven parts. Part II is entitled "Standards Concerning the Availability, Scope and Use of Intellectual Property Rights." This Part describes the substantive standards for protection of copyrights, trademarks, geographical indications, industrial designs, patents, integrated circuit topographies and undisclosed information (i.e. trade secrets), as well as for control of anti-competitive practices in licensing.<sup>36</sup> For example, Articles 27-34 detail the protection to be afforded to patents. The provision defining patentable subject matter mirrors U.S. patent law<sup>37</sup> by providing that "patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application."<sup>38</sup> However, TRIPs allows for specific exclusions from patentability for surgical methods, plants or animals (other than micro-organisms), and any invention whose commercial exploitation would threaten "*ordre public* or morality."<sup>39</sup> Other major provisions governing patent protection include defining the exclusive rights that each Member must afford patent holders (Article 28), placing minimum conditions on what a patent application should disclose about the invention (Article 29), and providing a uniform patent term of twenty years from the date of filing (Article 33).

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33. TRIPs, *supra* note 17, art. 3.

34. TRIPs, *supra* note 17, arts. 65-66.

35. TRIPs, *supra* note 17, art. 64.

36. TRIPs, *supra* note 17, arts. 9-40.

37. "Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter . . . may obtain a patent therefor. . . ." U.S. Patent Act, 35 U.S.C. § 101 (1994). The explanatory footnote 5 in TRIPs Article 27 states, "the terms 'inventive step' and 'capable of industrial application' may be deemed by a Member to be synonymous with the terms 'non-obvious' and 'useful' respectively." This conforms to the language of 35 U.S.C. §§ 101, 103 (1994) requiring usefulness and non-obviousness.

38. TRIPs, *supra* note 17, art. 27(1). This includes allowing exclusions from patentability for inventions whose commercial exploitation is deemed by the host country to threaten human, animal, and plant life or health or the environment.

39. TRIPs, *supra* note 17, art. 27



Part III of TRIPs obligates Members to provide adequate national enforcement. The national enforcement provision provides:

Members shall ensure that enforcement procedures as specified in this Part are available under their laws so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements.<sup>40</sup>

Members must make available fair and equitable judicial procedures for civil infringement suits, including timely written notice to defendants, the right to legal counsel, and the ability for claimants to present all relevant evidence.<sup>41</sup> TRIPs also provides minimum rules of evidence;<sup>42</sup> it requires that judicial authorities have the power to grant injunctions,<sup>43</sup> award damages and expenses,<sup>44</sup> and remove infringing goods from channels of commerce;<sup>45</sup> and it requires that administrative procedures whereby the importation of counterfeit goods may be stopped at the border be available under certain circumstances.<sup>46</sup> All these procedures for enforcement "shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse."<sup>47</sup>

Finally, to allow the policing of Members' adherence to their minimum obligations under the TRIPs standards, Article 63 sets forth transparency requirements. All laws, regulations, final judicial decisions, and administrative rulings pertaining to TRIPs must be published, if possible, or at least made publicly available so that other Members may have adequate access to them.<sup>48</sup> Members are obliged to automatically notify the Council for TRIPs concerning amendments to their laws or adoption of new laws pertaining to TRIPs, and they must supply any information of this sort requested by other Members.<sup>49</sup> These transparency requirements are meant to facilitate compliance

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40. TRIPs, *supra* note 17, art. 41.

41. TRIPs, *supra* note 17, art. 42.

42. TRIPs, *supra* note 17, art. 43.

43. TRIPs, *supra* note 17, art. 44(1).

44. TRIPs, *supra* note 17, art. 45.

45. TRIPs, *supra* note 17, art. 46.

46. TRIPs, *supra* note 17, art. 51. Of course, such border measures must conform with the provisions of MFN in GATT Article I and national treatment under GATT Article III. Mitsuo Matsushita, *A Japanese Perspective on Intellectual Property Rights and the GATT*, 1992 COLUM. BUS. L. REV. 81, 91-92 (1992)

47. TRIPs, *supra* note 17, art. 41.

48. TRIPs, *supra* note 17, art. 63(1).

49. TRIPs, *supra* note 17, arts. 63(2) and (3).

with the substantive standards of TRIPs so that disputes may be prevented.<sup>50</sup> Taken as a whole, TRIPs sets forth sufficiently detailed minimum substantive standards of intellectual property protection, the depth and breadth of which have no equal among other multilateral intellectual property agreements.

## B. ENFORCEMENT MECHANISMS OF TRIPs

TRIPs fills the second major hole left by other multinational intellectual property agreements by providing a detailed dispute settlement mechanism. This dispute settlement mechanism has evolved over 50 years under GATT to become a "reasonably sophisticated dispute settlement process."<sup>51</sup> The Dispute Settlement Understanding (DSU), introduced with the recent WTO Agreements, covers all the WTO Agreements, including TRIPs.<sup>52</sup>

The DSU improved the old system<sup>53</sup> through provisions that guarantee a right to a panel,<sup>54</sup> adoption of panel reports unless there is a consensus to reject,<sup>55</sup> appellate review of panel deci-

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50. Article 63 of TRIPs appears in Part V, entitled "Dispute Prevention and Settlement." It comes just before Article 64, which discusses dispute settlement.

51. John H. Jackson, *WTO and GATT*, LAW QUADRANGLE NOTES (The University of Michigan Law School), Fall/Winter 1996, at 75.

52. Understanding on Rules and Procedures Governing the Settlement of Disputes, Apr. 15, 1994, WTO Agreement, Annex 2, LEGAL INSTRUMENTS—RESULTS OF THE URUGUAY ROUND vol. 31, 33 I.L.M. 114 (1994), art. 1 [hereinafter DSU].

53. See generally JOHN H. JACKSON ET AL., LEGAL PROBLEMS OF INTERNATIONAL ECONOMIC RELATIONS, 339-44 (3d ed. 1995) (comparing old and new GATT dispute resolution systems). The original GATT dispute settlement process developed not from a detailed set of procedures, but rather according to what worked. *Id.* at 339. The results of the evolution were ultimately codified in the 1979 Tokyo Round understanding. *Id.* at 340. The basic understanding was that when parties were unable to settle their dispute without the GATT's intervention, a panel would be formed consisting of national representatives from GATT Member nations or non-governmental individuals such as law professors or former GATT officials. *Id.* at 339-40. However, panel formation took place only upon consensus, so that one Member, including the "defendant" party, was able to block formation. *Id.* at 341. Similarly, adoption of a panel report was by consensus of all the members so that even the losing party could block it. *Id.* at 342. This aspect of GATT dispute settlement was often criticized even though the system as a whole was fairly successful. *Id.* at 343. A panel report typically recommended that the losing party withdraw the offending measures. *Id.* Recommendations left unimplemented would expose the offending party to suspension of trade concessions by the injured party. *Id.* at 344.

54. DSU, *supra* note 52, art. 6.

55. DSU, *supra* note 52, art. 16.

sions,<sup>56</sup> and time limits upon which a Member must comply with a final ruling.<sup>57</sup> A final ruling of a violation requires the offending Member to either change the inconsistent measure or negotiate a compensatory settlement.<sup>58</sup> As a last resort, if the offending Member fails to change the measure or compensate the injured party, the WTO may authorize retaliation in the form of suspension of trade concessions.<sup>59</sup> When suspending concessions, the complaining party is obligated to retaliate only in the "same sector" in which the violation occurred, if possible.<sup>60</sup> With respect to TRIPs concessions, "sectors" are defined as each of the section headings of Part II of the TRIPs Agreement.<sup>61</sup> In other words, "sectors" for TRIPs dispute purposes are either copyright and related rights, trademark rights, rights regarding geographical indications, industrial design rights, patent rights, and so on. What it means to retaliate within each of these sectors is not entirely clear from the text of the DSU and TRIPs. It will be interesting to see how WTO panels interpret Article 22 of the DSU (setting forth the "same sector" requirement) with respect to TRIPs complaints.

The advantages of a set of minimum standards for intellectual property protection coupled with an effective dispute settlement mechanism are apparent. First, the easier it is for a country to determine the source of a controversy and to ascertain its obligations, the more cooperative that country is likely to be.<sup>62</sup> In addition, the multilateral nature of TRIPs and the DSU as compared to more coercive unilateral or bilateral methods increases the likelihood of adherence to the obligations and panel recommendations.<sup>63</sup> More generally, the advantage of placing a strong intellectual property agreement in the context of GATT is that a broad range of terms are negotiated. Because GATT may be viewed as a package deal rather than as a single item, nations that, along with the United States, wish to increase the levels of international intellectual property protection, have an opportunity to do so simply by making concessions in other areas, such as lowering tariffs or other trade barriers. Conversely,

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56. DSU, *supra* note 52, art. 17.

57. DSU, *supra* note 52, art. 21.

58. Nicole Telecki, Note, *The Role of Special 301 in the Development of International Protection of Intellectual Property Rights after the Uruguay Round*, 14 B.U. INT'L L.J. 187, 206 (1996).

59. DSU, *supra* note 52, art. 3.

60. DSU, *supra* note 52, art. 22.

61. *Id.*

62. Getlan, *supra* note 23, at 211.

63. *Id.*

less developed nations may be willing to accept strong intellectual property rights requirements in a package deal that provides tariff concessions and other protections.<sup>64</sup>

Now that minimum standards and effective dispute settlement have become reality in TRIPs, the United States must take an active role to ensure that Members honor the provisions if it wants to realize its vision of harmonized minimum standards of intellectual property protection. To this end, the United States Trade Representative (USTR) recently announced that the United States expects all developed countries to comply with TRIPs obligations on schedule and that the United States intends to use the WTO dispute settlement process vigorously.<sup>65</sup> In addition, current U.S. actions have shown its willingness to pursue any means available under the WTO Agreements to ensure that developing countries comply with TRIPs to the extent they are obligated to do so.<sup>66</sup>

Because it is governed by WTO dispute settlement procedures, TRIPs goes farther to provide adequate enforcement mechanisms than any previous international intellectual property agreement. However, TRIPs is not without shortcomings. Indeed it poses serious practical problems, even for developed countries, such as the United States, that have a vested interest in strong international protection of intellectual property rights.

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64. Cordray, *supra* note 5, at 143-44.

65. Tim Huber, *USTR Announces Two Decisions: Title VII and Special 301*, WEST LEGAL NEWS, May 2, 1996, available in 1996 WL 359843. On February 9, 1996, the United States initiated WTO dispute settlement proceedings against Japan, complaining that Japan failed to protect the rights of U.S. performing artists and producers between 1946 and 1971. *Id.* On March 11, 1996, the USTR announced initiation of WTO dispute settlement proceedings against Canada for its discriminatory protection of its domestic magazine industry. *Id.*

66. *Id.* In April 1996, the USTR announced that the United States would initiate WTO dispute settlement proceedings against Portugal, Turkey, India, and Pakistan. Article 70 of TRIPs requires all countries that do not currently provide patent protection for certain areas of technology to establish so-called "mailbox" mechanisms by January 1, 1995. *Id.* These mailboxes would preserve the patentability of products of the specified technologies until a patent law is passed to protect them, even if the country in which the patent is sought is eligible for the transition period made available by the TRIPs Agreement. *Id.* Thus, developing countries cannot use the transition period for compliance to deny protection to specific patent applications. The United States complains that some of the countries listed do not provide mailbox mechanisms for technologies not currently provided patent protection such as pharmaceuticals and agricultural chemicals. *Id.*

Recently, the United States secured a favorable WTO panel decision in its complaint against India for failing to put "mailbox" mechanisms in place. *See generally* 1997 WL 556224 (W.T.O.), Sept. 5, 1997.

## II. POTENTIAL SHORTCOMINGS OF TRIPS

Although TRIPs represents a major step forward in international intellectual property agreements, two major problems threaten its effectiveness for the United States. First, from the perspective of a developed country like the United States, TRIPs is overly conciliatory to developing countries.<sup>67</sup> The Agreement over-emphasizes the special needs of developing countries that must now generate or improve protection for intellectual property.<sup>68</sup> The second concern is best phrased as a question: how will a "young and still untested international organization like the WTO . . . hope to manage the complexities of the TRIPs Agreement . . . when so many of its constituent members lack the legal infrastructure, technical skills, and philosophic commitment to make it work[?]"<sup>69</sup> Such concerns are heightened by the recognition that the WTO has little or no expertise in governing the complex trade issues involved with intellectual property.<sup>70</sup>

### A. TRIPs CONCESSIONS TO DEVELOPING COUNTRIES

As noted above, one major downfall of TRIPs from the point of view of the United States is the number of concessions granted to developing countries.<sup>71</sup> The conflict over the difference in scope of intellectual property protection afforded by developed and developing countries, and the extent to which TRIPs preserves this difference, poses significant obstacles.<sup>72</sup>

As one major concession, TRIPs allows extended transition periods for developing countries to comply with the minimum standards.<sup>73</sup> Articles 65 to 67 of TRIPs define these grace periods. The earliest a Member country could be held to the obligations under TRIPs was January 1, 1996, or one year after the WTO Agreement came into force.<sup>74</sup> For developing countries, the transition period extends to January 1, 2000.<sup>75</sup> In addition,

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67. Sabatelli, *supra* note 2, at 616.

68. *Id.* at 603.

69. J.H. Reichman, *Compliance with the TRIPs Agreement: Introduction to a Scholarly Debate*, 29 VAND. J. TRANSNAT'L L. 363, 367 (1996).

70. Sabatelli, *supra* note 2, at 616.

71. For the purposes of this Note, "developing countries" includes countries that are currently undergoing the transition from a centralized economy to a free market economy.

72. Sabatelli, *supra* note 2, at 612-13.

73. Telecki, *supra* note 58, at 210.

74. TRIPs, *supra* note 17, art. 65(1).

75. TRIPs, *supra* note 17, art. 65(2).

any Member country in the process of transforming to a market economy enjoys the same grace period allowed for developing countries.<sup>76</sup> In terms of patent protection, developing countries are allowed five years beyond the standard grace period to recognize the patentability of inventions in technology areas previously not afforded protection.<sup>77</sup> Finally, less-developed countries may also take advantage of a ten year transition period, with the possibility of further extensions, from the date the WTO Agreement came into force in which to comply with the substantive standards of TRIPs.<sup>78</sup>

Many consider these transition periods to be excessive. It is speculated that, rather than using these periods to develop meaningful intellectual property protection in compliance with TRIPs, some developing countries will exploit the grace periods by stepping-up already thriving pirating industries.<sup>79</sup> Indeed, transitional periods for developing countries are more likely to delay the growth of third-world economies by inhibiting their integration into the world market instead of encouraging their assimilation through the recognition of the rights of intellectual property owners.<sup>80</sup> Developing countries tend to resist strengthening intellectual property protection because of the fear that in so doing they will compromise any competitive advantage they have over developed countries.<sup>81</sup> Thus, developing countries may consider the grace periods an opportunity to exploit their competitive advantages by encouraging pirating efforts, while more powerful countries remain obligated to honor TRIPs.

TRIPs does, however, contain a provision to encourage and facilitate the implementation of its substantive standards in developing countries by obligating developed countries to provide, upon request, technical and financial assistance regarding the drafting of regulations and the establishment of agencies for enforcement.<sup>82</sup> Although this provision is undoubtedly aimed at accelerating developing countries' compliance, it does not address the potential exploitation of grace periods through increased pirating efforts.

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76. TRIPs, *supra* note 17, art. 65(3).

77. TRIPs, *supra* note 17, art. 65(4).

78. TRIPs, *supra* note 17, art. 66(1).

79. Doane, *supra* note 19, at 481.

80. *Id.*

81. Sabatelli, *supra* note 2, at 612-13.

82. TRIPs, *supra* note 17, art. 67.

The second major concession to developing countries emanates from the public policy exceptions to patentability allowed under Article 27:

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

The "escape clause" of Article 27 "arms the developing countries with grounds for excluding from patentability important technology areas such as pharmaceuticals, chemicals, agro-chemicals, computers, and electronics simply on the pretense of public policy."<sup>83</sup> It is likely that this escape clause will be easily invoked by developing countries, because patenting such subject matter is per se against public policy in many developing countries.<sup>84</sup> Although developed as well as developing countries may invoke this broad escape clause, it stands to reason that countries that have historically had less patent protection are more likely to voice objections to patenting inventions in certain areas of technology than developed countries that complied with the substantive standards of TRIPs before they acceded to the Agreement. Developed countries like the United States already comply with the patentable subject matter provisions of TRIPs and have long outgrown many of their policy-development growing pains. On the other hand, developing countries such as India have deeply-rooted objections to patenting products like pharmaceuticals.<sup>85</sup>

In addition, as discussed above, TRIPs ultimately relies on each individual Member for implementation. Although this preserves national sovereignty for all Members, it primarily benefits those countries with minimal existing intellectual property protection.<sup>86</sup> Generally, the laws of developed areas such as the

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83. *Id.*

84. Sabatelli, *supra* note 2, at 614.

85. Michael Yeh, Note, *Up Against a Great Wall: The Fight Against Intellectual Property Piracy in China*, 5 MINN. J. GLOBAL TRADE 503, 506-08 (1996). The usual objections of developing countries to granting patent monopolies are, first, that patent protection tends to increase the costs of goods and, second, that knowledge should benefit the public at minimal cost. Theresa Beeby Lewis, *Patent Protection for the Pharmaceutical Industry: A Survey of the Patent Laws of Various Countries*, 30 INT'L LAW. 835, 839 (1996). These objections are even more powerful for pharmaceuticals patenting, because health care costs are at stake. *Id.*

86. Sabatelli, *supra* note 2, at 613. Another guarantee of sovereignty is that the WTO cannot require a Member to change its laws to conform with a

United States, Japan, Canada, and the European Union already embody the intellectual property protections sought under TRIPs. Consequently, the majority of the problems likely to arise will concern whether the ultimate implementation of intellectual property protection in developing countries fulfills TRIPs obligations. Without adequate implementation, the United States will not attain its goal of externalizing its strong intellectual property protection through TRIPs.

While concessions to developing countries may have been necessary both to gain their accession to the TRIPs Agreement and to ensure their ultimate compliance, it is doubtful that the concessions given will provide the necessary incentives for developing countries to meet the TRIPs standards as soon as possible. It is more likely that developing countries will attempt to use these concessions to expand pirating efforts and retain every competitive advantage possible.

#### B. THE WTO'S LACK OF EXPERTISE IN INTELLECTUAL PROPERTY MATTERS

Apart from the general questions regarding the WTO and its ability to give effect to the results of the Uruguay Round, specific questions arise as to whether the WTO will be able to expand the success of the GATT philosophy and dispute settlement process into the realm of intellectual property protection. The barriers to trade in intellectual property are "very different from those traditionally handled through the GATT."<sup>87</sup> Intellectual property practice results in non-tariff trade barriers that are often tied to ideas or technologies rather than goods, and which reflect a particular nation's policy balance between encouraging innovation and allowing the public free access. Although governed by the DSU, TRIPs never spells out the specifics of how disputes over intellectual property are to be settled given these unique considerations.<sup>88</sup> The effectiveness of the WTO dispute settlement process is thus an open question and will remain so for a number of years, given the transitional ar-

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dispute settlement ruling. "[T]he good news is that the United States is not required to comply with [an adverse ruling] . . . [but t]he correspondingly bad news is that neither is any other member." Judith Hippler Bello, *The WTO Dispute Settlement Understanding: Less is More*, 90 AM. J. INT'L L. 416, 418 (1996).

87. Sabatelli, *supra* note 2, at 616.

88. *Id.*



rangement for developing countries.<sup>89</sup> The WTO seems to have anticipated a lack of expertise in this area, however, and hopes to alleviate this problem by establishing "a mutually supportive relationship between the WTO and [WIPO]."<sup>90</sup> To solidify this commitment, an agreement was reached between WIPO and the WTO which sets forth, in general terms, how the two organizations will share information and expertise.<sup>91</sup>

In addressing the problems associated with managing the complexities of such a comprehensive intellectual property agreement as TRIPs (when many of the developing country Members lack the tools necessary for implementation), the WTO stresses the importance of transparency.<sup>92</sup> The hope is that transparency will deter Members from enacting non-conforming legislation and encourage Members to implement adequate internal enforcement measures.<sup>93</sup> Such reliance on transparency measures, however, places a heavy burden on the dispute settlement procedures. Unless other Members report non-compliance, transparency will have no effect. Also, if non-compliance is reported but dispute settlement proves inadequate, then transparency will again have no effect. The WTO also emphasizes the importance of giving technical assistance to developing countries as they reform their intellectual property laws.<sup>94</sup> However, there is no guarantee that such assistance will be either welcomed or heeded. Regardless, only effective dispute settlement will be able to correct compliance efforts that come up short. The WTO will need to rely on the assistance of other organizations, especially WIPO, for suggestions.<sup>95</sup> However, the efficacy

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89. The effectiveness of the DSU with regard to TRIPs will remain an open question for a few years with regard to developed countries as well. Article 64 of TRIPs provides that the DSU shall not be applied to non-violation nullification or impairment for a period of five years from the date of entry into force of the WTO Agreement. See DSU, *supra* note 52. This means that for those five years only complaints of direct violations of TRIPs by developed countries may be the subject of WTO dispute settlement. This will severely limit the number of cases that will go through the entire DSU process. Thus, the drawing of inferences about the future of dispute settlement under TRIPs will be tenuous even after those five years.

90. TRIPs, *supra* note 17, preamble.

91. Agreement between the World Intellectual Property Organization and the World Trade Organization (visited Aug. 20, 1997), <<http://www.wto.org/wto/intellect/17-wipo.htm>>.

92. Reichman, *supra* note 69, at 368 (discussing the views of Adrian Otten, Director of the WTO's Intellectual Property and Investment Division and his deputy, Hannu Wager, of the WTO's Legal Affairs Office).

93. *Id.* at 368-69.

94. *Id.* at 369.

95. *Id.*

of such collaborations remains to be seen since WIPO itself has never administered an intellectual property agreement with such a wide set of minimum standards and a mature dispute settlement process.

In the broader picture, uncertainties arise concerning the willingness of the WTO to allow the imposition of strong intellectual property policy on resistant developing countries, even though TRIPs requires such an imposition. To illustrate, a comparison can be drawn with the GATT's past treatment of environmental measures. For example, in the Tuna/Dolphin case, a GATT panel reasoned that although a Member country has every right to develop its own environmental protection policies, it may not unilaterally force other Members to adopt the same policies by refusing to import goods produced in a manner that would violate the environmental measure if produced domestically.<sup>96</sup> The panel was concerned that more powerful Members could expand their environmental policies outside their jurisdiction by denying less powerful Members their rights under GATT.<sup>97</sup> Like environmental regulations, intellectual property laws embody unique national policy judgments, and attempts to externalize these laws necessarily infringe upon the sovereignty of other nations.<sup>98</sup> Thus, GATT history indicates that the WTO may be reluctant to force developing countries to change their deeply-rooted intellectual property policies, even though TRIPs sets particular standards.

For these reasons, the ability to bind developing countries to the minimum standards of TRIPs hinges on the very aspect that raises the most questions concerning the efficacy of TRIPs – the dispute settlement process. In addition, the concessions afforded developing countries provide no positive incentives for meaningful implementation of intellectual property protection, and may even hinder such efforts.

### III. UNILATERAL PROTECTION WITH SPECIAL 301

In 1988, dissatisfied with the international protection for intellectual property provided by multilateral efforts such as the Paris Convention and the Berne Convention, Congress created

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96. See generally United States—Restrictions on Imports of Tuna from Mexico, GATT B.I.S.D. (39th Supp.) at 204 (1993) (panel report not adopted by GATT Contracting Parties) (finding that the United States could not justify its import restrictions).

97. *Id.*

98. Sabatelli, *supra* note 2, at 582-83.

section 182 of the Omnibus Trade Act of 1974.<sup>99</sup> Section 182, commonly referred to as "Special 301," allows the United States to identify countries that deny adequate protection to U.S. intellectual property rights, and to encourage any country so identified to alter its offending practices.<sup>100</sup> What follows is a brief description of the evolution of Special 301 from its inception to the present day.

#### A. THE DEVELOPMENT OF SPECIAL 301

Section 301 of the Trade Act of 1974 is the principal statutory mechanism by which the United States protects U.S. export of goods and services from foreign unfair trade practices.<sup>101</sup> The 1974 version of section 301 expanded the President's authority to respond to foreign unfair trade practices and allowed private parties to petition the USTR to investigate complaints of unfair trade barriers.<sup>102</sup> The 1984 amendment to section 301 authorized the USTR to initiate investigations without a presidential order or a private party petition.<sup>103</sup> Congress periodically amended section 301 to increase executive branch authority in the hopes that the USTR would become more aggressive in bringing and prosecuting section 301 cases.<sup>104</sup> In the 1988 Omnibus Trade and Competitiveness Act, Congress continued this process by creating mandates for the USTR to initiate section 301 procedures and to retaliate in cases where unfair trade practices could not be cured through negotiations.<sup>105</sup> Congress also tightened up the deadlines, allowing a maximum of 18 months between initiation and retaliation even if dispute settlement procedures were still underway.<sup>106</sup>

As part of the 1984 amendments to section 301, Congress required the executive branch to produce a report identifying

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99. Trade Act of 1974, Pub. L. No. 93-618, § 182, 88 Stat. 1978, 2041 (1975) (codified as amended at 19 U.S.C. § 2242 (1994)).

100. 19 U.S.C. § 2242. The Office of the USTR was created as the Office of the Special Representative for Trade Negotiations by Exec. Order No. 11,075, 3 C.F.R. 692 (1959-1963). The Trade Act of 1972, 19 U.S.C. § 2171 (1994), established the Office as an agency of the Executive Office of the President charged with administering trade agreements and setting and implementing overall trade policy.

101. Timothy C. Bickham, *Protecting U.S. Intellectual Property Rights Abroad with Special 301*, 23 AIPLA Q.J. 195, 198 (1996).

102. BAYARD, *supra* note 18, at 26-27.

103. *Id.* at 27.

104. *Id.* at 28.

105. *Id.* at 29.

106. *Id.*

barriers to U.S. exports, including any actions deemed to deny protection for U.S. intellectual property rights.<sup>107</sup> In the 1988 Omnibus Trade Act, Special 301 was added.<sup>108</sup> Special 301 requires the USTR to identify and investigate each foreign country whose acts, policies, or practices deny adequate intellectual property rights or fair market access.<sup>109</sup> These countries, deemed "priority foreign countries" (PFCs), are considered to be those "that have the most onerous or egregious acts, policies, or practices that deny adequate and effective intellectual property rights,"<sup>110</sup> and "whose acts . . . have the greatest adverse impact . . . on the relevant United States products."<sup>111</sup> The designation of PFC will be removed if the country in question has entered into good faith negotiations or made significant progress toward providing adequate protection for U.S. intellectual property rights.<sup>112</sup>

In the first Special 301 report released by the USTR in May 1989, no cited countries were identified as PFCs even though the USTR concluded that none of the countries cited provided adequate protection of intellectual property.<sup>113</sup> Twenty-five of those countries were named to watch lists, and the USTR scrutinized those watch-listed countries for progress in improved recognition of intellectual property rights.<sup>114</sup> In April 1990, the USTR again declined to designate any watch-listed country as a PFC, under the rationale that adequate progress had been made.<sup>115</sup> The first PFCs, China, India, and Thailand, were designated by the USTR in its third annual report in 1991.<sup>116</sup> This more proactive approach by the USTR coincided with stalled TRIPs negotiations.<sup>117</sup> Thus, negotiation challenges in the Uruguay Round shifted U.S. policy toward placing more emphasis on Special 301.<sup>118</sup>

A particularly illustrative case is the Special 301 action against Brazil for its failure to provide patent protection to pharmaceuticals. The USTR initiated a section 301 action in

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107. JACKSON, *supra* note 53, at 832.

108. *See supra* note 100 and accompanying text.

109. JACKSON, *supra* note 53, at 832.

110. 19 U.S.C. § 2242(b)(1)(A)(i).

111. 19 U.S.C. § 2242(b)(1)(B).

112. Getlan, *supra* note 23, at 183.

113. *Id.*

114. *Id.*

115. *Id.*

116. *Id.*

117. *Id.* at 184.

118. *Id.*

1987 in response to complaints from the Pharmaceutical Manufacturers Association (PMA) that Brazil encouraged piracy, costing the U.S. pharmaceutical industry millions of dollars annually.<sup>119</sup> Brazil initially refused to negotiate, and in 1988 the United States retaliated by imposing 100% tariffs on \$39 million worth of Brazilian exports including paper products, drugs, and electronics.<sup>120</sup> Brazil responded by complaining that the U.S. retaliation was illegal under GATT because it violated tariff bindings.<sup>121</sup> The United States repeatedly blocked efforts to form a GATT panel to settle the Brazilian complaint.<sup>122</sup> When Brazil finally agreed to introduce legislation to protect pharmaceuticals, the United States withdrew section 301 sanctions and Brazil dropped its GATT complaint.<sup>123</sup> In April 1993, because Brazil had still failed to implement the promised legislation, the USTR designated Brazil as a PFC under Special 301 and threatened to renew sanctions.<sup>124</sup> In negotiations, Brazil once again promised to enact corrective legislation, and the United States withdrew its threat.<sup>125</sup>

It is difficult to assess whether U.S. Special 301 actions such as the one against Brazil have been effective. As the Brazil case illustrates, Special 301 actions tend to drag out over long periods of time as they cycle between threats by the United States and unfulfilled promises by the foreign nation in question.<sup>126</sup> Indeed, none of the intellectual property cases under Special 301 have been satisfactorily resolved in the section 301 time frame of six to nine months.<sup>127</sup> Moreover, even when corrective legislation is implemented, there is no guarantee that effective enforcement will be provided.

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119. BAYARD, *supra* note 18, at 187.

120. *Id.* at 197-98.

121. *See id.* at 187, 198.

122. *Id.* at 188. Before the new WTO Agreements, the formation of a GATT panel and the adoption of a panel report required a consensus. Thus, any Member, including the offending party in a particular case, could block panel formation. Judith H. Bello & Alan F. Holmer, *Dispute Resolution in the New World Trade Organization: Concerns and Net Benefits*, 28 INT'L LAW. 1095, 1096-97 (1994). In order to avoid such a possibility, the DSU needed overhauling so that the TRIPs Agreement could be effective. Getlan, *supra* note 23, at 204.

123. BAYARD, *supra* note 18, at 187.

124. *Id.*

125. *Id.*

126. *Id.* at 188. "[E]ven with highly credible U.S. threats of [unilateral] retaliation, it is exceedingly time-consuming and difficult to achieve effective [intellectual property] protection in developing countries in which powerful groups oppose it." *Id.* at 200.

127. *Id.* at 200.

GATT Members have sharply criticized the United States for its use of Special 301, charging that it violates the spirit, if not the letter, of GATT.<sup>128</sup> The United States responds to this criticism by maintaining that unilateral coercion under Special 301 is not inconsistent with GATT because GATT never contemplated the protection of intellectual property.<sup>129</sup> This argument highlights a defect in GATT, one which allowed the United States to leverage the inclusion of intellectual property protection in the Uruguay Round.<sup>130</sup> While Special 301 may have had limited success in unilaterally coercing foreign countries to change their deeply-rooted intellectual property policies, "at the very least it seems plausible that aggressive [U.S.] unilateralism encouraged developing countries to negotiate on intellectual property in the [Uruguay] round as a way of establishing rules to restrain U.S. unilateralism."<sup>131</sup> Although one goal of aggressive use of Special 301 may have been to leverage TRIPs negotiations, it is clear that the United States also intends to continue vigorously using Special 301 for its originally designed purposes.<sup>132</sup>

#### B. USE OF SPECIAL 301 TO SUPPLEMENT TRIPs

The Special 301 process may be used as a means to monitor trading partners with respect to their compliance with TRIPs. In this manner, the Special 301 process could be used to accelerate the conformity of developing countries with TRIPs during their transition periods.<sup>133</sup> It may also be used to identify non-conforming developed countries and to initiate WTO dispute settlement proceedings.<sup>134</sup> The United States may, in any case, continue to use Special 301 against GATT non-Members.

The first scenario in which the United States may justify its continued use of Special 301 is to encourage developing countries, and those countries moving towards a free market econ-

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128. Getlan, *supra* note 23, at 177.

129. *Id.* at 175-77.

130. *Id.*

131. BAYARD, *supra* note 18, at 207.

132. *Results of the Uruguay Round Trade Negotiations: Hearings Before the Senate Comm. on Finance*, 103rd Cong. 213 (1994) (statement of Mickey Kantor, U.S. Trade Representative). Using Special 301, the USTR recently identified 35 countries that deny adequate and effective protection of intellectual property or fair and equitable market access to U.S. products embodying protected intellectual property. According to the USTR, nineteen other trading partners will require monitoring. Huber, *supra* note 65.

133. Doane, *supra* note 19, at 493.

134. Telecki, *supra* note 58, at 198.

omy, to comply as quickly as possible with TRIPs standards.<sup>135</sup> Because the grace periods granted to these Members may be exploited by increased piracy or grace period extensions, the United States will attempt to force developing countries to comply with TRIPs as soon as possible by threatening Special 301-type sanctions.<sup>136</sup> The Brazil pharmaceuticals case is an early indication of the efficacy of such a plan. Due to continued threats of retaliation under Special 301, Brazil ultimately agreed to immediate implementation of TRIPs standards without regard to the transition period it was allowed as a developing country.<sup>137</sup>

Despite this apparent success, some scholars warn that the potency of Special 301 will be diminished during the phase-in period for developing countries, and thus Special 301 will have little utility in coercing Members to accelerate their compliance.<sup>138</sup> This view is premised on the opinion that the emergence of TRIPs will heighten the effectiveness of Special 301 only when used in conjunction with the WTO dispute settlement process.<sup>139</sup> This would render Special 301 all but useless against developing countries, which have no obligation to comply with TRIPs during their transition periods.

Another use of Special 301 review is to monitor other Members' degree of compliance with TRIPs. "Participating in the Special 301 review allows [U.S. intellectual property rights holders to file complaints with] the USTR in a unique forum that addresses current international trade issues and gives [them] a chance to influence economic policy in line with [their] business interests."<sup>140</sup> The review system relies on information provided by domestic businesses, producers and organizations that possess an intimate familiarity with any inadequacies in the intellectual property protection provided by foreign countries. Using this information, the United States can more efficiently monitor questionable trade practices and engage offending countries in

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135. Getlan, *supra* note 23, at 215. However, some suggest that the continued use of Special 301 against developing countries would be susceptible to attack as a nullification of the transitional period allowed developing countries. See Yeh, *supra* note 85, at 515 (explaining the dangers of the USTR's use of Special 301).

136. Bickham, *supra* note 101, at 207-08.

137. Doane, *supra* note 19, at 493.

138. BAYARD, *supra* note 18, at 204.

139. *Id.*

140. Bickham, *supra* note 101, at 197. For example, the Brazil pharmaceuticals case was initiated based on complaints by a private organization of pharmaceuticals manufacturers.

consultations on a regular basis.<sup>141</sup> Special 301, as it stands today, requires that the USTR monitor the protection of intellectual property provided by other countries and bring disputes that arise to the WTO dispute settlement process when a country violates U.S. rights under TRIPs.<sup>142</sup>

It is also argued that Special 301 will be more efficient when used in conjunction with TRIPs because the minimum substantive standards provided by TRIPs serve as a uniform target for compliance. The utility of TRIPs in a Special 301 action is that it provides a baseline of intellectual property protection that Special 301 by itself lacks.<sup>143</sup> For instance, in the Brazil pharmaceuticals case, the United States withdrew sanctions and threats of sanctions as soon as Brazil promised to change its laws because the United States had no benchmark standards which it could reasonably expect Brazil to meet.<sup>144</sup> If a similar case arose today, the trigger for lifting sanctions would not be promises, but rather compliance with TRIPs.<sup>145</sup> Thus, it is posited that the United States will no longer need to use Special 301 as a way to unilaterally force other countries to provide intellectual property protection, but only as a method of encouraging compliance with TRIPs, and perhaps as a method of providing additional protection above and beyond the scope of TRIPs.<sup>146</sup> It should be noted that the United States announced its intention to use Special 301 not only as a method to ensure full participation in the DSU and compliance with TRIPs, but also to secure the continued development of intellectual property protection in nations that are not Members of the WTO Agreements, such as China.<sup>147</sup>

#### IV. SPECIAL 301 AS A GATT VIOLATION

The major problem affecting the efficacy of Special 301 as a TRIPs supplement is that Members to the WTO Agreements are hostile to efforts by the United States to unilaterally enforce international patent rights.<sup>148</sup> An example of this came in 1989 when a GATT panel ruled that section 337 of the Tariff Act of 1930, a provision drawn to block goods that infringe upon U.S.

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141. *Id.* at 208.

142. Telecki, *supra* note 58, at 208.

143. *Id.* at 209.

144. Getlan, *supra* note 23, at 216.

145. *Id.*

146. Bickham, *supra* note 101, at 209.

147. Telecki, *supra* note 58, at 212.

148. Sabatelli, *supra* note 2, at 603.



patents, violated the national treatment provision of Article III:4 of the GATT.<sup>149</sup> Since then, both section 337 and Special 301 have been highly criticized because their use against GATT Members seemingly violates major provisions of GATT.<sup>150</sup> The view is widely held, even in developed countries, that “[u]nilateral action, such as that which can be taken under Special 301, is contrary to the letter and spirit of the GATT.”<sup>151</sup>

It is further argued that, even though Special 301 may have previously served a purpose, the implementation of TRIPs was meant to abolish Special 301 actions by replacing them with GATT dispute settlement mechanisms.<sup>152</sup> The United States may be responsible for the genesis of this argument, having used the Special 301 sanctions against Brazil to leverage the TRIPs negotiations even though these sanctions “were clearly illegal [under GATT], and other GATT Members widely condemned them.”<sup>153</sup> Thus, by agreeing to TRIPs, other countries were in effect attempting to ensure that the United States would be precluded from implementing such methods of unilateral coercion in the future. The implication is that the use of unilateral coercion to force intellectual property protection in the face of TRIPs violates the entire purpose of the TRIPs Agreement.

There are two ways in which Special 301 retaliation may violate the WTO Agreements. First, a Special 301 action used against a GATT Member for violating TRIPs, thereby superseding WTO dispute settlement, violates the WTO Agreements. The DSU requires Members to invoke the dispute settlement mechanism without making unilateral determinations regarding violations of any of the WTO Agreements.<sup>154</sup> The United States also interprets GATT Article XXIII (covering dispute settlement) to require Members to resort solely to the DSU when a dispute arises under any of the covered agreements.<sup>155</sup> However, the United States has taken steps to ensure that this potential violation is unlikely to arise. The amended Special 301 now requires that the USTR refer any alleged violations of any WTO Agreement, including TRIPs, to the WTO dispute settlement body (DSB), thus precluding the United States from im-

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149. United States—Section 337 of the Tariff Act of 1930, Nov. 7, 1989, GATT B.I.S.D. (36th Supp.) at 395 (1990).

150. Sabatelli, *supra* note 2, at 617.

151. Matsushita, *supra* note 46, at 90.

152. *Id.* at 85.

153. BAYARD, *supra* note 18, at 188.

154. Telecki, *supra* note 58, at 213-14.

155. *Id.* at 218-19.

posing unilateral sanctions via Special 301.<sup>156</sup> In other words, the United States plans to use the Special 301 mechanism merely as a means to identify countries in violation of TRIPs and to notify the WTO of these violations. The United States considers that the requirement to refer disputes under TRIPs to the WTO makes Special 301 procedurally consistent with the DSU.<sup>157</sup>

In addition to using Special 301 actions against GATT Members for TRIPs violations, using Special 301 against GATT Members for behavior that is not TRIPs-illegal may also violate the WTO Agreements. "The United States arguably must refrain from using Special 301 against a TRIPs Member to force further development of international intellectual property standards beyond those provided by the TRIPs regime."<sup>158</sup> This situation resembles the era in which the United States used Special 301 to force GATT Members to develop stronger intellectual property protection, as in the Brazil pharmaceuticals case. That case was never decided by a GATT panel because the United States blocked panel formation efforts.<sup>159</sup> Although the common view among Members was that the use of Special 301 against Brazil violated GATT,<sup>160</sup> there was never any panel report announcing this view. In the new DSU, however, panel formation is automatic unless there is a consensus against it.<sup>161</sup> Therefore, the United States will be unable to block panel formation or panel reports in future disputes over retaliation under Special 301 that are aimed at gaining intellectual property protection beyond the obligations of TRIPs.

Special 301 is also inconsistent with TRIPs in the scope of its remedies. TRIPs allows only same-sector retaliation whereas

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156. *Id.* "[T]he obligation to turn to the DSB is considered by the United States to strengthen the effectiveness of Special 301 because it promotes the use of a stronger dispute settlement system under the DSU to enforce intellectual property protection that previously did not exist under the GATT." *Id.*

The Uruguay Round Agreements Act amends the Special 301 procedures to give priority to DSU procedures when the dispute falls under TRIPs. Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809, 4814 (1994) (codified in scattered sections of 19 U.S.C.).

The U.S. Congress amended Special 301 to ensure it would not conflict with U.S. obligations under TRIPs and the DSU. Specifically, Special 301 now coordinates its time limits in a manner consistent with the formal requirements of the DSU. Telecki, *supra* note 58, at 194.

157. Bickham, *supra* note 101, at 201-02.

158. Telecki, *supra* note 58, at 220.

159. BAYARD, *supra* note 18, at 188.

160. *Id.* at 198.

161. Bello & Holmer, *supra* note 122, at 1099.

Special 301 may be used in a more coercive manner. The DSU calls for withholding only same-sector concessions, where possible, which means "the new dispute resolution system under TRIPs seeks to target industries that will ultimately benefit from the greater protection of intellectual property rights that will result from the DSB action."<sup>162</sup> As discussed above, sectors are defined for the purposes of retaliation by the areas of protection enumerated in the TRIPs Agreement.<sup>163</sup> For example, in the Brazil pharmaceuticals case, the United States imposed 100% tariffs under section 301 on a variety of products, some of which bore no relation to the pharmaceuticals for which the United States sought patent protection in Brazil.<sup>164</sup> However, if this case had been brought under the DSU as a TRIPs violation and the United States prevailed over Brazil, retaliation would be limited to Brazilian exports related to the subject matter of the dispute. Retaliation, if ultimately authorized by the WTO, would be limited to same-sector retaliation. The retaliation limitations built into the DSU, coupled with the obligation of Members to utilize the DSU to deal with disputes arising under the WTO Agreements, imply that retaliation under Special 301 beyond the scope of the DSU violates the WTO Agreements.

Although it remains to be seen whether the amended Special 301 will be used in a manner that violates WTO obligations, it is clear that unilateral judgment and retaliation by the United States over intellectual property disputes with other WTO Members violates the WTO Agreements. If the United States intends to continue its use of Special 301 as a mechanism of unilateral coercion, it should be prepared to offer compensation.

#### A. THE UNITED STATES AS A TRIPs PLAINTIFF

In order to examine the likely role that Special 301 may play in TRIPs disputes, it is helpful to consider separately what may happen with the United States as a plaintiff and as a defendant in a TRIPs dispute.

First, recall that the United States wants to externalize its strong intellectual property protection by supporting a multilateral agreement that provides sufficient minimum standards of protection and adequate enforcement mechanisms. Without strong protection for intellectual property abroad, U.S. industry

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162. Getlan, *supra* note 23, at 210.

163. DSU, *supra* note 52, art. 22.

164. BAYARD, *supra* note 18, at 197-98.

stands to lose billions of dollars annually.<sup>165</sup> As a TRIPs plaintiff, it is in the best interest of the United States to seek not merely compensation for injuries from TRIPs violations, but the full compliance of violating Members. This necessitates full recognition, implementation and enforcement of the TRIPs standards in these countries. Without this, the United States will be forced to continuously seek compensation through WTO dispute settlement procedures for every injury U.S. industry endures. Full compliance prevents such injury in the first place.

Although the current WTO dispute settlement procedures prefer compliance with GATT and the various side agreements, if negotiation and panel recommendations fail to compel the offending country to change its laws, the WTO allows the offending party to provide compensation to the injured party.<sup>166</sup> Only as a last resort may the injured party retaliate.<sup>167</sup> The multi-level structure of alternative remedies embodied by the DSU is meant to ensure that preferable trade conditions will be restored without forcing an unwilling Member to change its laws. Since the WTO views compensation as a viable alternative to compliance, it is unlikely that full compliance will be forced in a TRIPs dispute. This is especially true with regard to developing countries that would prefer the imposition of sanctions over being forced to change their laws.

Two observations support the contention that the WTO will be unwilling to infringe the sovereignty of developing countries by forcing their compliance with TRIPs. First, as noted above, TRIPs provides powerful concessions to developing countries which limit their compliance obligations.<sup>168</sup> A concern for the plight of developing countries and a reluctance to push too hard is already built into the Agreement, presumably in order to protect their fragile economies from undue burdens. Second, the WTO has stressed the involvement of WIPO in settling disputes under TRIPs. It is no secret why developing countries insisted on WIPO's involvement in TRIPs even during the Uruguay Round negotiations – developing countries hold a substantial

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165. The U.S. International Trade Commission estimated that in 1988 U.S. companies lost \$43 billion to \$61 billion to piracy of intellectual property. ADVISORY COMMITTEE FOR TRADE POLICY NEGOTIATIONS, A REPORT TO THE PRESIDENT, CONGRESS, AND THE UNITED STATES TRADE REPRESENTATIVE CONCERNING THE URUGUAY ROUND OF NEGOTIATIONS ON THE GENERAL AGREEMENT ON TARIFFS AND TRADE 67 (1994).

166. DSU, *supra* note 52, art. 22.

167. *Id.*

168. See *supra* notes 68-69 and accompanying text.

voting bloc in WIPO, and can therefore leverage WIPO's sympathies.<sup>169</sup> The willingness of the WTO to rely on the judgment of WIPO, in addition to the concessions granted to developing countries under TRIPs, evidences a low probability that the WTO will exert much force to ensure full TRIPs compliance by developing countries.

Taking all this into consideration, if the United States wishes to compel developing countries to comply with TRIPs by changing their laws, it is not likely to achieve that objective through the WTO dispute settlement process. The only other alternative, aside from accepting compensation, is to resort to unilateral threats to compel change. In order to realize the gains in international intellectual property protection expected under TRIPs, the United States will eventually need to rely on unilateral measures such as Special 301.

#### B. THE UNITED STATES AS A TRIPs DEFENDANT

The problems that will arise when the United States is a TRIPs plaintiff are predicated on the well-founded assumption that the WTO will resist forcing developing countries to change their laws. However, the United States has long suspected that international agencies such as the WTO may overstep their bounds and infringe on U.S. sovereignty.<sup>170</sup> Although the exercise of such power by the WTO would help the United States as a TRIPs plaintiff, it would hurt the United States as a TRIPs defendant.

There is a perception that, because the DSU is now more effective, the new WTO dispute settlement procedure may prove disadvantageous when the United States must defend itself.<sup>171</sup> This is especially true under the TRIPs provisions. In general, with a more effective DSU, developing countries may be less intimidated by U.S. coercion through Special 301. Because actions by the United States under Special 301 may very well violate WTO rules, such actions would be open to challenge by trading partners. The more powerful DSU may be seen as an invitation for other Members to challenge U.S. Special 301 actions. "The expectation engendered by the new system—that little countries as well as big, powerful ones might be able to stand up to U.S.

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169. Cordray, *supra* note 5, at 137.

170. For example, the proposal to establish an International Trade Organization through the 1948 draft Havana Charter failed because it was not ratified by the U.S. Congress. See JACKSON, *supra* note 53, at 92.

171. Getlan, *supra* note 23, at 215-16.

'bullying' under section 301—could undermine the credibility of the U.S. threat of unilateral action, and thus the success of section 301-type programs.<sup>172</sup>

On the other hand, it is also argued that the United States will continue to use Special 301 despite TRIPs because the WTO multilateral dispute settlement process is perceived to threaten U.S. sovereignty.<sup>173</sup> Unless strong unilateral methods are preserved as viable options, the United States may lose its ability to autonomously protect its own intellectual property because its unilateral arsenal will be reduced.<sup>174</sup> Despite such concerns, some argue that the United States should not be concerned about loss of sovereignty. If the United States is willing to accept trade sanctions as a TRIPs defendant, it need not change its laws upon an adverse decision by a panel, and may in fact feel free to adopt provisions that violate TRIPs, if necessary.<sup>175</sup> In addition, if the United States believes that the WTO has greatly overstepped its bounds by infringing upon U.S. sovereignty over intellectual property laws, the United States has the option, however drastic, of opting out of the WTO altogether.<sup>176</sup>

The United States, as the world's largest exporter, has a vested interest in strengthened WTO dispute settlement.<sup>177</sup> However, the stronger the dispute settlement process, the greater the probability that the United States, as a TRIPs defendant, will perceive it as an infringement on national sovereignty. The weaker the dispute settlement, the less likely the United States as a TRIPs plaintiff will be able to count on the DSU to compel violating countries to change. Under either scenario, the United States will find it necessary to resort to unilateral measures such as Special 301 to compel change or simply assert sovereign power, regardless of whether such unilateral measures violate the very agreements which the United States seeks to effectuate.

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172. Bello & Holmer, *supra* note 122, at 1102.

173. Getlan, *supra* note 23, at 215-16.

174. Again, an analogy may be drawn between possible loss of sovereignty over intellectual matters and the loss of sovereignty over health and environmental standards. *Id.*

175. Bello & Holmer, *supra* note 122, at 1102-03.

176. Getlan, *supra* note 23, at 215-16.

177. Bello & Holmer, *supra* note 122, at 1102-03.

## V. CONCLUSION: THE UNITED STATES TRIPS OVER SPECIAL 301

The United States has pursued a clear policy of attempting to secure strong intellectual property rights worldwide. To this end, it has employed unilateral measures such as Special 301, has sought protection under the various WIPO Conventions, and, most significantly, has succeeded in introducing TRIPs, which provides minimum substantive standards governed by the WTO dispute settlement procedures. However, these efforts are not without their respective imperfections. It is with respect to these imperfections that the interaction among these efforts, and primarily between Special 301 and TRIPs, must be analyzed.

There are two major shortcomings of TRIPs. First, it treats developing countries preferentially even though they are the very countries that provide the least protection for intellectual property rights. Second, it is unlikely that the DSU will be effective in securing the TRIPs compliance of developing countries, especially in light of the WTO's sympathies for developing countries.

In the past, the United States has responded to industry complaints against the inadequate protection of intellectual property by implementing Special 301 actions. With the introduction of TRIPs, it is anticipated that the United States will no longer need to rely on such methods of unilateral coercion. However, the major problems embodied in the TRIPs Agreement directly undermine this expectation. The United States will find that without more forceful threats, the mere referral of TRIPs violation complaints to the WTO likely will not lead to an adequate resolution of the problem – an adequate resolution being the full compliance of the violating country with TRIPs standards. Therefore, if it wishes to achieve full compliance and not merely to secure trade concessions, the United States must look beyond the scope of the DSU for coercive power. The only viable alternative seems to be the unilateral measure of Special 301.

The fatal error with reliance on Special 301 to effectuate TRIPs is that such actions violate the WTO Agreements. The DSU requires that Members seek resolution of TRIPs complaints exclusively through WTO dispute settlement procedures. In addition, the scope and severity of trade sanctions traditionally imposed under section 301 violates both the letter and the spirit of GATT, which binds all Members to maximum tariffs and prohibits quantitative border restrictions. Also, GATT

panels have rejected U.S. arguments that GATT-illegal measures to protect intellectual property rights are necessary to protect national security.

The United States has dealt with the problem of GATT-illegality by blocking panel formation when Special 301 retaliation prompted complaints. However, that option is no longer available under the new DSU which guarantees panel formation and panel report adoption. Thus, by using Special 301 to promote compliance with TRIPs when the DSU fails to compel such compliance, the United States will open itself up to attack under the WTO Agreements. The new DSU will therefore encourage developing countries to file complaints against the United States for retaliatory use of Special 301. The almost certain result would be a finding that such Special 301 measures violate the WTO Agreements.

Upon such a finding, the United States will be required to either withdraw the violating measure by discontinuing its use of Special 301 or offer trade concessions to compensate the party being injured by the retaliation. Because Special 301 retaliation comes in the form of trade restrictions, compensatory trade concessions will serve only to nullify any effect that the retaliation had in the first instance. Thus, the result under each alternative is the same. The United States will be unable to effectively use Special 301 retaliation to enforce the standards of TRIPs when the DSU proves to be an inadequate enforcement mechanism.

In the past, mere threats by the United States, without retaliation, were often enough to prompt a country to negotiate settlements or promise compliance. Now, the strengthened dispute settlement procedures will undermine the potency of Special 301 even as a method to communicate such threats. These threats will lose all credibility because the United States will not be able to make good on them without violating the WTO Agreements. Developing countries will no longer be intimidated when the United States threatens unilateral action because they will be able to bring complaints before the WTO knowing that the United States will not be able to block panel formation. It follows that the strengthened dispute settlement process provides more incentives for developing nations to ignore the standards of TRIPs and increase pirating efforts in the hope that the DSU will do more to curb the retaliatory propensities of the United States than to force compliance by developing countries.



Rather than increasing worldwide adherence to strong standards of intellectual property protection, it seems that TRIPs under the strengthened DSU has simultaneously increased the need for the United States to rely on unilateral coercion to ensure TRIPs compliance and undermined the ability of the United States to use that coercion. Although TRIPs seemed to fill the holes left by other international intellectual property agreements (i.e. the lack of minimum substantive standards and inadequate enforcement measures), its conciliatory attitude towards developing countries provides few assurances that it will be effective in promoting worldwide intellectual property protection. If, as this Note predicts, the United States proves unable to use the DSU to compel TRIPs compliance by developing countries, it will have taken a step backward in its efforts to externalize strong intellectual property protection. This is because retaliation under Special 301 and other methods of unilateral coercion will no longer be available, even to the limited extent that unilateral retaliation was effective before the implementation of TRIPs.

Of course, the major question yet to be determined is whether and to what extent the WTO will hold developing countries to the standards of TRIPs. The conciliatory treatment of developing countries within TRIPs itself, along with the seemingly sympathetic posture of the WTO toward developing countries, indicates that TRIPs will fall short of providing the necessary incentives for developing countries to conform to the enumerated minimum substantive standards of intellectual property protection. If this is true, the United States will have lost its unilateral mechanisms of intellectual property protection in the pursuit of multilateral mechanisms which have little or no effect.