Recent activities before the WTO raise new questions about international protection for intellectual property rights

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Illinois State Bar Association Newsletter (Fall 2002)

www.isba.org/sections/Intellectualproperty/10-02a.htm

Recent "losses" by the United States before the World Trade Organization (WTO) have revived concerns about the desirability of subjecting domestic intellectual property law to international dispute resolution processes. In relatively short order both U.S. copyright and trademark laws have been found to be in violation of international treaty obligations under TRIPS. (TRIPS is the multinational treaty governing intellectual property that is administered by the WTO). Unless the U.S. changes these laws to conform with findings of the Dispute Settlement Body (DSB) of the WTO, the European Union will be empowered to impose trade sanctions, including higher tariffs on goods the EU selects for such treatment. Such "losses" become even more notable since to date only four substantive decisions have issued from the DSB finding a member country to be in violation of TRIPS. Thus, U.S. "losses" represent 50 percent of all written intellectual property rights (IPR) decisions. Worse, the United States is the only country to date to have two separate violation decisions in IPR against it.

The undeniable advances in the required level of international protection for intellectual property contained in the TRIPS Agreement appear to be under their strongest attack since its establishment. The Doha Ministerial in November 2001 has initiated a potential new round of negotiations regarding such contentious issues as special concessions to compulsory licensing and grey market imports of pharmaceuticals, expanded protection for geographic indications, and greater emphasis on affirmative obligations on developed countries to transfer technology to the developing world. Piracy levels remain high internationally despite the express requirement in TRIPS that member countries provide "effective enforcement" of IPR, "including *expeditious* remedies to prevent infringements and remedies which constitute a *deterrent* to further infringement." (Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), Art. 41(1)). Recent U.S. "losses" in the Fair Music Licensing and the Havana Club cases have similarly placed the Dispute Settlement Process of the WTO under attack for its questionable efficacy in resolving TRIPS disagreements.

At the time of its signing in 1994, TRIPS represented an undeniable advance in the protection of intellectual property rights internationally. Among its most notable accomplishments were its establishing an affirmative obligation on signatories to actually enforce intellectual property rights, as well as a device for sanctioning failures to meet these obligations. No longer could countries meet their international IPR obligations by establishing laws on the books without also establishing effective mechanisms to enforce these laws. More significantly, failures to meet

treaty obligations were no longer subject to the never-used right to seek sanctions before the European Court of Justice. Instead, strengthened procedures for dispute resolution before the WTO finally gave a "sting" to the duty to meet IPR treaty obligations.

Recent U.S. "losses" before the WTO and current developments under the Doha Ministerial, however, raise new concerns about how effective the WTO may ultimately prove in enforcing intellectual property rights globally.

The first significant U.S. "loss" before the WTO involving intellectual property occurred with the issuance in 2001 of the final decision of the DSB upholding portions of the EU's complaint against the United States in the Fair Music Licensing Case. At the heart of the dispute was the critical issue of the scope of fair use rights granted under TRIPS. Briefly, in 1998 the United States amended Section 110(5) to provide a royalty-free compulsory license for the public performance of non-dramatic musical works. The beneficiaries of this "business exemption" included food service or drinking establishments and retail establishments which fit within particularized size limitations. (17 U.S.C. §1105(B)). The statutory limits were 2,000 gross square feet for retail establishments and 3,750 gross square feet for restaurants. Ultimately, relying on statistical evidence that demonstrated that the business exemption applied to over 70 percent of potential business licensees of a sound performance license, the DSB found that section 110(5)(B) the business exemption did not qualify as an acceptable fair use under TRIPS. To the contrary, the DSB found that this provision violated U.S. obligations under TRIPS and ordered the U.S. to bring its laws into compliance or face trade sanctions. (*United States Section 110(5) of the U.S. Copyright Act,* DS/160/R at www.wto.org/english/tratop_e/dispu_e/distab_e.htm).

The second decision which the US has "lost" before the WTO has its roots in the Cold War and the Cuban Revolution of the 1950s. Specifically the European Union challenged section 211 of the Omnibus Appropriations Act of 1998 which prevents protection of trademarks or trade names "used in connection with a business or assets that were confiscated" by the Cuban government, absent consent of "original owner." Basically, under section 211 US courts are prohibited from "recogniz[ing], enforce[ing] or otherwise validat[ing] any assertion of rights" in a trademark, trade name or commercial name that is "the same as or substantially similar to [one] ... used in connection with a business or assets that were confiscated [by the Cuban government on or after 1 January 1959] unless the original owner ... or the bona fide successor in interest has expressly consented." (Omnibus Appropriations Act of 1998, Section 211(a)(1)). Cuban Asset Control Regulations (CACR) under the Act permit the grant of exception to U.S. nationals to obtain enforcement in limited circumstances. (31 CFR §§ 515.305, et seq.) Evidence presented to the DSB indicated that no such exception had ever been granted. The DSB ultimately found that section 211 violated national treatment (non-discrimination) obligations under TRIPS and ordered amendment of U.S. law to eliminate the unequal treatment. Significantly, the WTO did *not* find that the U.S. embargo against confiscated marks itself violated TRIPS. (*United States Section 211 Omnibus Appropriations Act of 1998,* DS/176?R at www.wto.org/english/tratop_e/dispu_e/distab_e.htm).

At face value, dispute settlement proceedings before the WTO resemble adversarial proceedings, with the filing by a member government of a "request for consultations" (complaint) alleging

violations by another member of its obligations under TRIPS. If the dispute is not satisfactorily resolved in consultations before the parties, the unhappy member country may request the establishment of a panel. After such panel is established, briefs are submitted, oral arguments and documentary evidence presented, and eventually a report issued concerning whether the alleged TRIPS violation has occurred. Rights of appeal, as well as penalties in the form of trade sanctions, are available. Thus, the process has a strong facial resemblance to traditional litigation models. In fact the summary page which the WTO has on its website regarding dispute resolution procedures even refers to consulting parties as being encouraged "to settle 'out of court'."

WTO proceedings are strictly limited to government-to-government disputes. Yet despite this seemingly limited role, private parties nevertheless play a significant role. At the most fundamental level, private parties, and particularly industry representatives, provide needed information to government officials regarding in-field enforcement and protection issues. Perhaps even more significantly, such private parties often provide necessary statistical evidence of the impact of the violation on trade, and the monetary harm such violation causes.

The role of private parties may be even more expanded in light of recent pronouncements regarding the separate role private parties may play in supplying evidence to the DSB. In the Fair Music Licensing case, the DSB ultimately accepted into evidence a letter from a law firm representing ASCAP to the United States Trade Representative that was copied to the panel. It stated that it would not "reject outright the information contained in the letter." It is difficult to determine how effective this "amicus" role will be, or how much weight any such non-governmental submissions will be granted, however, since the panel found that the information contained in the letter was duplicative. Nevertheless, the door has been opened to a more broadened participatory role for non-governmental entities, including private party litigants.

At present, the "losses" discussed in this Article have had little direct impact on US intellectual property owners since none of the laws at issue have been changed. Perhaps the most significant impact of these losses is the impact of the use of the DSU to resolve disputes between countries. Recent events have seen a number of consultations end short of panel establishment. If this trend continues, the ultimate effectiveness of the WTO in securing compliance with TRIPS obligations is questionable, to the say the least.

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