Chapter 5 An analysis of the TRIPS Agreement

It is without contention that the TRIPS Agreement and the Public Health Declaration were fundamentally shaped by public perceptions and political interaction. The TRIPS Agreement is not however a mere political document, it is a binding legal document and is the subject of legal scrutiny and binding legal sanctions. The TRIPS Agreement is therefore capable of objective assessment. The meaning of the TRIPS Agreement, 'interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose'[109] not only provides for a legal understanding of the Public Health Declaration, it also establishes the framework for the future application of the Public Health Declaration and the full use of the TRIPS Agreement. In this regard the analysis of the TRIPS Agreement provisions are divided into thee main parts: the nature and scope, the object and purpose and the material provisions of the TRIPS Agreement.

A. Nature and scope of the TRIPS Agreement

The scope and purpose of the TRIPS Agreement is found in the preamble and Article 1. The determination of the scope and purpose of an agreement is essential as it sets the framework in which a treaty is to operate and the signatory parties to comply.[110] The TRIPS Agreement and its provisions form, like the remainder of the WTO Agreements, a legal instrument and bind the signatories to act in accordance with its contents. The nature of the TRIPS Agreement is, as part of the WTO Agreements, that of a treaty.[111]

The observance of a treaty implies that the signatory parties are to implement the treaty in good faith, or to 'give effect' to it. This obligation derives from the *pacta sunt servanda* obligation, codified in the Vienna Convention.[112] The operation of this rule requires the Member States to ensure that their domestic legal system comply with the TRIPS provisions.[113] The extent of the implementation and the obligations are determined by the scope of the treaty.

To determine the scope of the TRIPS Agreement one needs to consider the contents of the TRIPS Agreement in light of the preamble and Article 1. The TRIPS

109 Vienna Convention Art 31.
110 *UNCTAD/ICTSD,* Resource Book on TRIPS and Development (CUP New York 2005) p. 45.
111 Vienna Convention Art 2(1)(a).
112 Vienna Convention Art 26.
113 TRIPS Agreement Art 1.1, WTO Agreement Art XVI.4. Cf. WTO *United States – Section* 211 (panel ruling) p. 85.

Agreement, as its name states, regulates the trade-related aspects of intellectual property rights. In accordance with Article 1.2 of the TRIPS Agreement 'intellectual property' is considered to include copyright and related rights, trademarks, geographical indications, industrial designs, patents, the layout-designs of integrated circuits, undisclosed information, the anti-competitive practices in contractual licenses and any other rights that are the subject of Part II of the TRIPS Agreement.[114] These categories of intellectual property rights form the scope of the general subject matter of the TRIPS Agreement. The contents of these rights in turn form the operative provisions of the TRIPS Agreement. The contents of Part II of the TRIPS Agreement also reflect that the negotiating parties commenced their negotiations by seeking to regulate the trade-related aspects of intellectual property rights and not intellectual property rights as such. The TRIPS Agreement is however the most comprehensive treaty concerning intellectual property rights. Notwithstanding this fact, the TRIPS Agreement is characterised by trade issues and has, in certain respects, refrained from regulating all aspects of intellectual property rights. An example is Article 31 which deals with compulsory licenses. Article 31 requires that Member States abide by certain procedural elements when granting a compulsory license. It does not however prescribe the grounds for a compulsory license. Further example of this reluctance is Article 6 which has the effect of allowing Member States to elect a system of exhaustion that it deems most appropriate for its domestic needs.[115] The TRIPS Agreement does however require that the application of the exhaustion system is subject to the application of the rules on national and MFN treatment.[116]

The scope of the TRIPS Agreement further requires Member States to incorporate complex substantive legal standards into domestic law. This affirmative obligation exceeds the obligations flowing from the other WTO Agreements.[117] The rules regulating the interpretation of treaties, partially codified in the Vienna Convention, permit a contracting party to exclude the application of elements of a treaty by way of a reservation.[118] The possibility to reduce the scope of the TRIPS Agreement was expressly excluded by Article 72 of the TRIPS Agreement. As partial compliance is excluded, Member States must fully comply with each and every provision of the TRIPS Agreement. The compliance with the TRIPS Agreement does however distinguish itself from other bilateral or multilateral agreements. The first distinction is that the WTO has created its own forum and procedures for resolving disputes – the

114 This includes, for example, *sui generis* rights contained in Art 27.3(b) of the TRIPS Agreement. WTO *United States – Section* 211 (Appellate Body ruling) p. 94.

115 *Katzenberger*, TRIPS and Copyright Law in: Beier and Schricker (eds) From GATT to TRIPS – The Agreement on Trade-Related Aspects of Intellectual Property Rights (VCH Weinheim 1996) p. 80-81.

116 TRIPS Agreement Art 6.

117 *Abbott*, WTO Dispute Settlement and the Agreement on Trade-Related Aspects of Intellectual Property Rights in: *Abbott, Cottier and Gurry* (eds), The International Intellectual Property System: Comments and Materials (Kluwer The Hague 1999) Part I p. 719.

118 Vienna Convention Arts 19-23.

'DSB'). The second distinction is that the WTO Agreements provide for a process that ultimately entitles the infringed party to penalise the infringing party. The infringement does not entitle the termination of the agreement.[119] This distinction derives from the rules-based approach that was chosen to replace the GATT diplomacy-based system. The consequence of this system is that it now has legal 'teeth'. If an infringing party is unwilling to comply with the TRIPS Agreement its sanctions extend beyond chastisement, enabling the withdrawal of trade concessions by the infringed party.[120] The renunciation by the Member State of its membership in the WTO would not necessarily lessen the severity of sanctions as non-membership would mean the forfeit of all the concessions made under the WTO Agreements and it would entitle the other states to impose unrestricted and unilateral trade barriers, either in the form of tariffs or access to markets.

The failure to give effect to TRIPS Agreement, in full compliance with its obligations, has significant repercussions for all Member States. The correct and complete implementation of the TRIPS Agreement has required that all Member States amend, in varying degrees, their intellectual property system to comply. The fear of DSB challenges and their consequences has led to levels that exceed the requirements of the TRIPS Agreement. Developed Member States, especially those with significant political presence and economic strength, have chosen to avoid WTO-compliance in certain fields and bear the financial burden instead. Such political audacity is however reserved for the political heavyweights such as the US and the EC.[121]

The implementation of the TRIPS Agreement need not however exceed what it required. Member States are only required to implement the minimum level of protection for intellectual property rights holders. Member States wishing to provide additional intellectual property protection are likewise not prohibited from doing so, provided the additional measures do not infringe any other TRIPS provision. The preamble further states that the protection need only be 'adequate' to ensure the effective protection of intellectual property rights.[122] The TRIPS Agreement does not require more of any Member State.

Whereas the *pacta sunt servanda* obligation requires the giving of effect to the agreement, the TRIPS Agreement acknowledges that the method of implementation is a national prerogative.[123] The WTO Appellate Body report stated in the *India – Patent* case that Member States 'are free to determine how best to meet their obligations under the TRIPS Agreement within the context of their own legal systems'.[124] The freedom to elect the method of implementation represents the understanding

119 Contrast Art 60 of the Vienna Convention.
120 WTO Agreement Art XV.
121 A period of over 5 years has past since the US was entitled to impose trade sanctions on the EC in the WTO *EC – Hormones* case.
122 *UNCTAD/ICTSD,* Resource Book on TRIPS and Development (CUP New York 2005) p. 10.
123 TRIPS Agreement Art 1.1 third sentence.
124 WTO India – Patent Protection I p. 18.

that no two legal systems are identical. The reluctance of the TRIPS Agreement to prescribe the manner of implementation also derives from the consensus amongst the negotiating parties to only require a minimum standard and not to bring about a harmonisation of the global intellectual property system. The use of a minimum standard as the method for the implementation of the TRIPS Agreement is significant as it permits the Member States the flexibility to implement the provisions in a manner best suited to their constitution and domestic legal system.[125] Any attempt to use the TRIPS Agreement as a means to harmonise the Member States' intellectual property system would mean that the degree of consensus amongst the negotiating parties would have been less and consequentially the extent of the TRIPS Agreement more restricted. As the 'minimum standard' was the tool of implementation, it afforded the Member States a significant ability to tailor the implementation to suit their own legal system. The element of flexibility in the 'minimum standard' method also permits Member States to elect whether they would permit, or prohibit, the direct application of the TRIPS Agreement.[126] The prerogatives afforded by the 'minimum standards' method are of special relevance to Member States that institute non-intellectual property measures that either affect or conflict with the intellectual property rights. In accordance with the preamble, the TRIPS Agreement recognises that intellectual property rights are based upon underlying public policy objectives. From the interplay of the preamble and Article 1.1 the TRIPS Agreement acknowledges that the method of implementation can be structured in a way that would further the underlying policy objectives. The preamble further notes that these public policy objectives include, *inter alia*, developmental and technological objectives. The TRIPS Agreement thus accepts that, to the extent provided for by the TRIPS provisions, Member States are able to structure their method of implementation in favour of public policy objectives.

As has been stated above, determining the 'appropriate method' for implementation of the TRIPS Agreement is the sovereign right of the Member States. The manner of giving effect to the TRIPS provisions is the prerogative of the Member States themselves. It therefore follows that the effect can be given either by way of allowing the TRIPS Agreement to be self-executing or by way of a formal transformation of the provisions into domestic law. In addition to permitting, in whatever manner, the application of the TRIPS provisions, Member States must also take measures to ensure the compliance with the provisions. This would also make the legal jurisprudence, either deriving from administrative decisions or legal courts, accountable to the TRIPS Agreement.

It follows that the Member States are obliged to implement the TRIPS Agreement in a manner that gives effect to the provisions contained therein. The scope of the

125 US submitted that Art 1.1 'emphasises flexibility'. WTO *United Stated – Section 110(5) of the US Copyright Act* Report of the Panel (15.06.2000) WT/DS160/R p. 187.

126 *UNCTAD/ICTSD,* Resource Book on TRIPS and Development (CUP New York 2005) p. 17, 24. A significant portion of the TRIPS Agreement is, because of its flexible nature and insufficient precision, unsuited for direct application.

TRIPS Agreement can be divided into three main categories: the material, procedural and organisational provisions. Rights and obligations flow from all three. The material scope of the TRIPS Agreement is defined in Article 1.2 as referring to all that intellectual property contained in Part II of the TRIPS Agreement, i.e. copyright and related rights, trademarks, geographical indications, industrial designs, patents, layout-designs of integrated circuits, undisclosed information and the anti-competitive practices in contractual licenses. These provisions form both the material scope and the substantive norms of the TRIPS Agreement. Having regard to the fact that the remaining TRIPS provisions are either general in nature or seek to implement procedures for the protection of the material rights it is fair to conclude that the scope of the TRIPS Agreement is intellectual property rights.[127] Notwithstanding the widespread scope, the TRIPS Agreement does not regulate every element of intellectual property rights. The TRIPS negotiators were unable to find consensus on each and every element of the intellectual property system. It is therefore necessary when considering the scope of the TRIPS Agreement to recall that the DSB does not have the authority to rule on issues not expressly contained in these material provisions. Thus, for example, Article 31 of the TRIPS Agreement prescribes the procedural requirements for granting a compulsory license. It does not regulate the grounds for a compulsory license. The DSB and other Member States are not able to rely on the TRIPS provisions when assessing the grounds a Member States has in respect of compulsory licenses. A Member State must therefore transpose the minimum standards of all the intellectual property rights found in the TRIPS Agreement and afford the protection to the rights holders as prescribed by the provisions. In the *India – Patent* case the Appellate Body found that the freedom to elect the method of implementation did not extend to permitting a Member State to self-certify compliance with TRIPS obligations.[128]

The second sentence in Article 1.1 states that a Member State shall not be 'obliged' to implement more extensive protection than is afforded in the TRIPS Agreement. Obliged means there must be a form of coercion, in whatever form, exercised on the Member State to apply 'TRIPS-plus' standards of protection. Such circumstances may occur in bilateral trade negotiations. If this is indeed the case, it has been argued that the pressurised party could resist the implementation of the TRIPS-plus provisions on the ground that they would disturb the balance negotiated in the TRIPS Agreement and effectively constitute a bad faith implementation of the TRIPS Agreement by the opposing party.[129] This argument fails for a number of rea-

127 The scope of the TRIPS Agreement is less than that of the NAFTA Agreement. Cf. *Dwyer*, Trade Related Aspects of Intellectual Property Rights in Stewart (ed) The GATT Uruguay Round: A negotiating History (1986-1994) (Kluwer The Hague 1999) vol VI p. 560-571.

128 WTO *India – Patent Protection I* p. 18.

129 *UNCTAD/ICTSD,* Resource Book on TRIPS and Development (CUP New York 2005) p. 24-25.

sons. All modern international trade negotiations are a result of compromise.[130] If the compromises are not voluntarily made but instead have been forced upon another country, the validity of the resulting treaty will be subject to provisions of Article 52 of the Vienna Convention and may lead to the treaty being declared void. Member States must be permitted to negotiate on bilateral and multilateral forums for further intellectual property protection. If TRIPS-plus provisions were to be declared outside the scope of future negotiations, there would be less motivation to enter into further trade agreements. Lastly, Member States are free to conclude treaties, including treaties that provide for additional intellectual property protection. If the obligations concerned to be too onerous, a Member State could refuse to adopt the treaty.

To conclude, the nature of the TRIPS Agreement is that of a treaty and the consequences thereof flow from the application of customary international law and codified principles contained in, *inter alia*, the Vienna Convention. The TRIPS Agreement is part of a single undertaking and is as such to be implemented as part of the obligations flowing from the WTO Agreement. The scope of the TRIPS Agreement is the subject matter of Part II of the Agreement and includes patents, copyright and related rights and undisclosed information. This scope must however be viewed in light of the title of the Agreement and of the preamble which limits the trade-related aspects of intellectual property rights. As development and technological objectives form the underlying basis for intellectual property rights they are also to be respected.

B. The object and purpose of the TRIPS Agreement

The objectives and purposes of an agreement guide the interpretation of a treaty. The classification of the object and purpose of the TRIPS Agreement is, therefore, fundamental to determining how the TRIPS Agreement is understood and how it is to be implemented. Only when there is predictability in the TRIPS Agreement will a sense of security emerge for Member States implementing the Agreement. The DSU requires that in doing so the DSB must take customary international law into account.[131] A number of Panels and Appellate Body rulings have revealed that the Vienna Convention embodies a number of key interpretational tools of customary international law.[132] In terms of the Vienna Convention the interpretation of a treaty

130 *Straus* also notes that states concluding such agreements only do so if their 'cost-benefit' equation, on a macroeconomic level, favours the agreement. Cf. *Straus*, 6 J. Marshall Rev. Intell. Prop.L 1(2006) p. 11-12.

131 DSU Art 3.2.

132 The first Appellate Body decision to do so was the WTO *United States – Gasoline* case. Cf. WTO *United States – Gasoline* Report of the Appellate Body p. 17. See also *Abbott*, WTO Dispute Settlement and the Agreement on Trade-Related Aspects of Intellectual Property Rights in: *Abbott, Cottier and Gurry* (eds), The International Intellectual Property System: