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THE INCLUSION OF A TRADE RELATED INTELLECTUAL PROPERTY CODE UNDER THE GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT)

I. INTRODUCTION

Inadequate international protection of intellectual property rights, such as patents, copyrights, trademarks, trade

* 1990 by Deborah Mall. The author is the winner of the 1989 California State Bar, Intellectual Property Section Writing Competition for a related paper entitled, Moral Rights & U.S. Compliance with the Berne Convention.

1. A patent is a right to exclude others from making, using, or selling an invention within the national territory. Foreign Protection of Intellectual Property Rights and the Effect on the U.S. Industry and Trade, United States Int'l Trade Comm'n Pub. Inv. No. 332-245, at 1-2 (Jan. 1988) [hereinafter Foreign Protection of IP]. Patents in the United States are protected under the United States Constitution "to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." U.S. CONST. art. 1, § 8, cl. 8; 35 U.S.C. §§ 1-376 (1952). Under U.S. law, utility patents have a term of 17 years from the date of issuance, and design patents have a term of fourteen years from the date of issuance. 35 U.S.C. §§ 154, 173 (1952). Patents are essential for the protection of new products and processes in manufacturing and methods of use.

2. A copyright is a form of protection provided by a national government to authors of original works, including literary, dramatic, musical, artistic, and certain other intellectual works. Foreign Protection of IP, supra note 1, at 1-3. Under U.S. law, copyrights are also protected by the U.S. Constitution and Title 17 of the U.S. Code. U.S. CONST. art. I, § 8, cl. 8; 17 U.S.C. §§ 101-914 (1976). The owner of the copyright has the exclusive right to reproduce (in copies or phono records), distribute or prepare derivatives of the copyrighted work. The owner of the copyright has the exclusive right to perform or display the copyrighted work publicly. Foreign Protection of IP, supra note 1, at 1-3. This right applies to literary, musical, dramatic and choreographic works, pantomimes, and pictorial, graphic or sculptural works, including individual images of a motion picture or other audiovisual work. Foreign Protection of IP, supra note 1, at 1-3.

3. "A trademark is any word, name, symbol or device or any combination thereof, adopted and used by the manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others." Foreign Protection of IP, supra note 1, at 2-1. In the United States, protection of trademarks is governed by the Lanham Act. 15 U.S.C. § 22 (1920). Federal registrations of trademarks have a term of twenty years. 15 U.S.C. §§ 1058, 1059 (1920). A trademark "may be renewed for successive periods of twenty years, provided that the mark is in use in interstate commerce and a specimen proving use is provided to the Patent and Trademark Office. Nonuse of the mark may be excused under certain circumstances." See Masterson, Protecting Intellectual Property Rights When Exporting Goods and Services: An Overview, CORPORATE LAW AND PRACTICE, COURSE HANDBOOK SERIES (F.L.I) (Sept. 17, 1987).
secrets, and semiconductor mask registration, has caused global trade distortions and led to a variety of trade related problems. Piracy of intellectual property rights runs rampant abroad despite the fact that ungrateful infringing countries are often afforded protection of their own intellectual property rights within the injured country. International law has failed to develop a workable regulatory system for the global protection of intellectual property rights.

Several countries have attempted to remedy this situation by enacting stricter domestic laws, and entering into bilateral and multilateral international treaties. Despite individual efforts, the present system still proves inadequate. The major international regimes used today to protect international intellectual property rights, the Berne Copyright Convention, the Universal Copyright Convention and the Paris Convention, do not adequately protect international intel-

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4. A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers. Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 474-75 (1974) (accepting the definition of the Restatement Fourth of Torts § 757 comment b (1939)); see also Foreign Protection of IP, supra note 1, at 1-4. In the United States, the regulation of trade secrets is a function of state law. However, many states have adopted the Uniform Trade Secrets Act. The use of trade secrets is preferred over the use of patents to protect technology in quickly evolving high-technology areas. However, "[u]nlike patents, trade secrets do not convey exclusive rights for a specific number of years. Rather, their existence depends upon a continued ability to preserve their confidentiality" (for example, through corporate security measures and confidentiality clauses in employment, technology licensing distributorship and joint venture agreements). Masterson, supra note 3, at 4.

5. Semiconductor chips are the essential component of computer and high technology development. Protection of semiconductor chip layout and design is essentially a new area of law. In the United States, chips are protected under The Semiconductor Chip Protection Act of 1984. 17 U.S.C. §§ 900-914 (1984). "[M]ask work protection exists for original mask works fixed in a semiconductor chip product by, or under the authority of, the owner of the mask work, which have been registered or commercially exploited anywhere in the world." Foreign Protection of IP, supra note 1, at 1-5. For a definition of "mask work," see infra note 37. The Act "provides foreign countries with a strong incentive to enact legislation and regulations, or enter into treaties to protect semiconductor mask works." Masterson, supra note 3, at 10.


lectual property rights abroad. These multilateral treaties contain no effective dispute resolution or enforcement mechanism.\textsuperscript{9} Domestic laws are generally ineffective against infringement of intellectual property rights abroad. The injured country's only recourse is to retaliate on the infringing country's exports to their country.\textsuperscript{10} The United States has recently brought such retaliatory action against Brazil\textsuperscript{11} and South Korea\textsuperscript{12} for infringements of U.S. property rights.

The need for a new regime to protect intellectual property rights abroad is increasingly evidenced by the economic damage caused to industry by the current regime. A 1986 United States International Trade Commission (ITC) estimated aggregate worldwide losses of up to $61 billion due to inadequate international protection abroad.\textsuperscript{13} The developed countries, whose high technology industries depend on the protection of intellectual property rights for their livelihood, were hardest hit. These industries include technologically innovative industries such as aerospace, computers, electronics, automobile and telecommunications; and other stalwarts of industry such as fashion, sporting goods, footwear, cosmetics, watches, liquors, and cassette tapes.

The ITC study showed that the profits lost by American indus-
try caused a cut back in employment and less incentive for investment in research and development. Similar problems are suffered by U.S. trading partners. Former United States Trade Representative Clayton Yeutter stated that "[W]e could shrink [the U.S.] $170 billion trade deficit appreciably simply by adding proper protection for our intellectual property rights around the world."14

The United States administration has sought to reform international trade relations by extending multi-lateral trade rules to the Uruguay Round of the General Agreement on Tariffs and Trade16 (GATT).16 Internationally, GATT is the appropriate vehicle for ameliorating the trade distortions not remedied by the present system. GATT contains a dispute resolution mechanism. GATT has also gained international respect with its past successes in developing nontariff related codes, for international trade such as the Standards or Subsidies code.17

A similar set of codes should be negotiated for the protection of intellectual property rights in the present round of GATT.18 The objectives of the GATT intellectual property code should be the elimination of distortions in the trade in goods by penalizing countries which fail to respect intellectual property rights, and adopting effective rules for international property protection.19

Effective rules for the protection of intellectual property rights should be drafted based on minimum standards. These minimum standards should be adopted from effective treaties ratified and laws enacted by other countries to deal within their borders with intellectual property rights. The result of this minimum standard would be to standardize the rules for the international protection of intellectual property without diminishing stricter domestic standards currently

19. Id.
enforced by the various countries.\textsuperscript{20} 

The code should be based on a uniform treatment, among all signatory nations, of intellectual property rights. However, incentives such as preferential treatment, transition rules and technical assistance should be included in the code to encourage developing and underdeveloped country’s (LDCs) participation.\textsuperscript{21} These provisions for offsets to LDCs are important to continued negotiations under the GATT. The offsets must aim at building production bases for the LDCs without contributing to the long term erosion of the LDC’s lead in technology. In this way, LDCs can obtain technology and develop to the standard of technologically developed countries. Included in the offset should be phase out provisions to be used once the economy of the LDC has improved.

The purpose of this comment is to show the inadequacies of the present regime and prove that GATT is the appropriate vehicle for implementing a new system for the international protection of intellectual property.\textsuperscript{22} The comment will also attempt to set out a framework for a new code for the international protection of intellectual property under the GATT.\textsuperscript{23} This code will embody minimum standards, based on current effective regulation, for the global protection of intellectual property rights. The framework will also propose a specialized dispute resolution to deal with countries infringing on GATT set standards on intellectual property protection. The focus will be on reconciling differences between developed countries and LDCs on the proper uniform standards for the protection of intellectual property rights abroad. In this way, progress can be made on intellectual property issues as well as other negotiations in the current Uruguay Round of the GATT.

\section*{II. Background}

Intellectual property rights are strictly protected within U.S. borders.\textsuperscript{24} However, since World War II, countries can no longer survive through trade within their own boundaries. International trade has become a priority for local government\textsuperscript{25} and for manufac-
turers. A global economy has developed where each country gains by producing what they are best able, and trading on the global market for their other needs. Individual firms, such as the semi-conductor producers, have rightly become more concerned with international competition than domestic competition. Intellectual property protection is much weaker in many foreign countries even though holders of intellectual property are afforded the same treatment as a U.S. citizen or entity in the U.S. market. Piracy of intellectual property rights throughout the world has distorted international trade by foreclosing global markets. Piracy has also had devastating impact on the economies of the developed nations due to the tenor of industry affected in those nations and the facility of violation of intellectual property rights. Industries are subject to economic damage from infringement of all forms of intellectual property rights, including patents, trade secrets, copyrights, trademarks and semiconductor mask works.

A. The Effects of Intellectual Property Violations on Industries

1. Patents

"Patent violations are referred to as patent infringement or piracy."\(^\text{26}\) The industries which would suffer the most harm from patent piracy are technologically innovative industries: aerospace, pharmaceuticals, agricultural chemicals, computers and electronics, industrial equipment, processing and control equipment, motor vehicles and parts, photographic equipment, scientific and medical equipment and communication industries.\(^\text{27}\) Patents create a powerful incentive to investment because they often assure a profitable business.\(^\text{28}\) The piracy of patents has a chilling effect on the industries which most developed countries depend on for revenue making and technological advancement.

2. Trade Secrets

The improper acquisition or disclosure of a trade secret is referred to as misappropriation.\(^\text{29}\) Improper acquisition includes means such as theft, bribery, misrepresentation, breach or inducement of a breach of duty to maintain secrecy, or espionage through electronic

\(^{26}\) *Foreign Protection of IP, supra* note 1, at 1-4.

\(^{27}\) *Foreign Protection of IP, supra* note 1, at 1-3.

\(^{28}\) Dam, *supra* note 9, at 629.

\(^{29}\) *Foreign Protection of IP, supra* note 1, at 2-1.
or other means. Essentially, the same industries affected by patent piracy are affected by the misappropriation of trade secrets. Damage caused by the misappropriation of trade secrets is particularly adverse in the evolving high technology areas where the use of trade secrets are preferred over the use of patents. Unlike a patent, there is no exclusive right to a trade secret. Holders of trade secrets depend upon a continued ability to preserve their confidentiality. Once the confidentiality is betrayed, the value of the trade secret is lost.

3. Copyrights

"Copyright violations are referred to as infringement or piracy." Copyright infringements have adverse affects on industries such as printing and publishing, broadcasting, computer software, entertainment, including motion pictures, music, and all audio and video recording, as well as character licensing for fashion and faddish goods, including toys and games, wearing apparel, and miscellaneous consumer goods. Copyright infringement is easily accomplished. For example, cassette tapes or software programs can easily and inexpensively be copied. The copied product can be made to appear like the genuine product. The infringer generally spends little time and money producing a product. Profits obtained from copyright infringements are often high.

4. Trademarks

A trademark violation is accomplished by counterfeiting. "Other forms of infringement [of trademarks] include the offering for sale, distribution, or advertising of goods or services using a copy or colorable imitation of a trade mark or service mark." "Counterfeiting activity is most prevalent in industries producing goods wherein a significant percent of the retail price is supported by a well-known trademark, such as fashion and sporting wear apparel and footwear, cosmetics, watches, jewelry, sporting goods, aftermarket automobile

30. Foreign Protection of IP, supra note 1, at 1-4.
32. Foreign Protection of IP, supra note 1, at 2-1.
33. "Twenty-five percent of the two billion records and tapes sold in the world are counterfeit, with prices in some countries as low as twenty-five percent of the legitimate price." GATT FRAMEWORK, supra note 18, at 25.
34. "A copy of a popular $500 U.S. software package can be bought for $7.50." GATT FRAMEWORK, supra note 18, at 25.
35. Foreign Protection of IP, supra note 1, at 1-2.
parts, liquors, tobacco products, and blank tapes."™ Trademark counterfeiting can be easily done. Clothes, shoes, luggage, etc. can easily be stamped with a designer name. Profits are greatly increased whereas time and money expended by the counterfeiter is virtually null.

5. **Semiconductor Mask Work**™

Semiconductor mask work violations are referred to as piracy. Innovation in semiconductor development is of foremost importance in the ever advancing computer and high technology industries. Large amounts of money are spent on research and development in this area. However, semiconductor chip technology is easily and inexpensively copied.

B. **The Differing Views of the Developed Countries and the LDCs**

The above mentioned industries suffering adverse effects from the piracy of their intellectual property rights are for the most part the industries of the developed countries. Enough money exists within developed countries to fund research and development (R&D) for further advancement. Unfortunately, there is a lack of an adequate capital base within the LDCs to fund such massive research and development projects. Piracy allows the LDCs to obtain technological advancement without expending massive amounts of funding for R&D. The result has pitted the developed countries against the LDCs in the effort to improve the international protection of intellectual property rights.™ There is no clear mandate to reach an agreement. The industries of the developed nations continue to suffer the adverse effects caused by piracy of their intellectual property

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36. *Foreign Protection of IP*, supra note 1, at 2-1.
37. A mask work is:
   
   [a] series of related images, however fixed or encoded, having or representing the predetermined three-dimensional pattern of metallic, insulating, or semiconductor material present or removed from the layers of a semiconductor chip product, and in which series the relation of the images to one another is that each image has the pattern of the surface of one form of the semiconductor chip product.
   
   *Foreign Protection of IP*, supra note 1, at 1-5.
38. *Foreign Protection of IP*, supra note 1, at 1-5.
39. "A new family of semiconductor integrated circuits also costs $100 million or more to design. Yet, the same chips can be copied for less than $1 million." *GATT Framework*, supra note 18, at 25.
40. For a further discussion of the conflict between developed countries and LDCs, see *infra* text accompanying notes 73-76.

In an effort to better evaluate the effect of inadequate intellectual property protection abroad on domestic industries, former United States Trade Representative (USTR), Clayton Yeutter, at the direction of the President, requested the U.S. International Trade Commission (ITC) to institute investigation No. 332-245, Foreign Protection of Intellectual Property Rights and the Effect on U.S. Industry and Trade.41 According to the study, 193 U.S. firms estimated world-wide aggregate losses of $23.8 billion in 1986 due to inadequate intellectual property protection abroad.42 The study showed, as expected, that the hardest hit were stalwarts of American industry such as those firms producing scientific and photographic equipment, computers and software, electronic equipment, entertainment, motor vehicles and parts, pharmaceuticals, and chemicals. The ITC estimated aggregate world-wide losses of $43 billion to $61 billion for the year 1986.43 These results of the study prompted former Ambassador Yeutter to remark at a February 26, 1988 press conference, "[D]espite some recent improvements, international respect for American intellectual property rights is deplorable, that is why the Uruguay Round of negotiation [of the General Agreement on Tariffs and Trade] on the trade related aspects of intellectual property rights is such a high priority for us."44

The ITC study demonstrated that the lost revenue caused to U.S. firms by sales of infringing goods abroad represented an average profit reduction of ten percent. Before income tax, U.S. firms averaged profits of six percent of sales. The study also showed an adverse effect on employment due to inadequate protection of intellectual property. Also, due to a loss of sales abroad, firms must curtail production levels. The ITC study reported employment loss by forty three U.S. firms of 5,300 jobs.45

In addition to loss of monetary profits, the study showed that U.S. firms suffer other injuries from inadequate intellectual property

41. "As a part of its study, the USITC sent out a questionnaire to 736 U.S. firms, including the Fortune 500 companies and other smaller firms in industries that need intellectual property protection." United States Trade Rep. Press Release 88/10 (Feb. 26, 1988).
42. Foreign Protection of IP, supra note 1, at viii.
43. Foreign Protection of IP, supra note 1, at H-3.
45. Foreign Protection of IP, supra note 1 at 4-13.
protection abroad. Incentives are reduced for research and development of new products if there will be no adequate return on the product because of counterfeiting. A company may use profits to develop a new product which may some day aid society. However, with the loss of profits and guarantee of adequate return due to intellectual property right infringement, the development and production of these products are curtailed. The U.S. firm’s goodwill is damaged by the inferior good produced by the infringing party. Future profits are lost when the consumer assumes the inferior, counterfeit good is in fact the real good and loses faith in the product.46

D. The Current International Regime for the Protection of Intellectual Property Rights Abroad

Reviewing the negative impact on the U.S. and world economy of inadequate international protection of intellectual property makes apparent the inadequacies of the current international regime for protecting intellectual property. The current regime consists of a series of bilateral and multilateral agreements, too numerous to be discussed in this comment. Since 1955, multilateral conventions have prevailed over bilateral conventions for securing intellectual property rights abroad.47 There are three major multilateral treaties. The Berne Convention48 provides for minimum levels of copyright protection. The U.S. only recently joined the Berne Convention.49 The Secretariat for the Berne Convention is the World Intellectual Property Organization (WIPO).50 Second is the Universal Copyright Convention (UCC)51 which deals with rights afforded to authors, composers, artists and film-makers, but makes no attempt to set a detailed minimum standard of protection.52 The U.S. adheres to the UCC, but it is administered by UNESCO53 from which the U.S. has

46. Foreign Protection of IP, supra note 1, at 4-1.
50. Berne Convention, supra note 6.
51. Universal Copyright Convention, supra note 7.
withdrawn. Third is the Paris Convention for the international regulation of patents. The U.S. is a party to the Convention. These treaties provide inadequate protection since none provide meaningful dispute resolution procedures.

E. The General Agreement on Tariffs and Trade (GATT)

Negotiations are currently underway to include the regulation of trade related intellectual property rights under the General Agreement on Tariffs and Trade (GATT). The GATT is silent on some areas, such as intellectual property. Therefore, the Ministers to the GATT are currently in the process of writing new rules.

GATT is not an international organization, it is a “treaty mechanism for the establishment and the maintenance of a common code for international trade.” GATT was established in 1948 by twenty-three countries seeking to curtail the protectionist actions which fueled the Depression and were a catalyst to World War II. There are currently ninety-six signatory countries known as Contracting Parties to the GATT. The GATT was created with an objective of liberalizing world trade through the reduction of trade barriers and other measures which distort international competition. Signatories to the GATT agree to uphold the principles of non-discrimination, national treatment of imports, avoidance of quantitative restrictions on trade, minimal government intervention in the market, transparency (open, clear and verifiable practices), and recourse to consultations to resolve disputes.

As a treaty, GATT is unique because it contains a dispute settlement procedure. However, “[t]here is no single dispute settlement procedure of general application in the GATT system.”

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54. Dam, supra note 9, at 631.
55. The Paris Convention, supra note 8.
56. Dam, supra note 9, at 630.
57. GATT, supra note 15. For a discussion of current negotiations in the GATT concerning intellectual property, see infra text accompanying notes 66-72.
61. Morrison, supra note 60, at 6.
63. K. SIMMONDS & B. HILL, supra note 15, at 11 (quoting O. LONG, LAW AND ITS
cle XXIII of the GATT gives only an outline of how disputes are to be settled. When a member country engages in a trade practice inconsistent with the GATT, the affected member country may seek redress through the dispute settlement procedure relevant to the violation. Under the current system when a dispute arises the countries are required to consult. If there is no resolution, the affected countries must arrange for a meeting of the contracting parties and request a panel. The panel decides a term of reference and prepares a report. The report must be unanimously adopted by the contracting parties to the GATT before appropriate remedial actions may be taken. Many contracting parties to the GATT have grown frustrated with the length of time involved in the dispute resolution process. Efforts are underway in the Uruguay Round to shorten the time frame involved, and to improve the dispute resolution mechanism. Improvements of the dispute resolution mechanism will further strengthen the GATT's ability to deal with international trade related problems.

F. GATT Action on Trade Related Intellectual Property Issues

Since 1948, there have been eight rounds of negotiation held to add to the original text of the GATT. The last negotiation, the Tokyo Round, concluded in 1979. Significant headway in the Tokyo Round was made on an anti-counterfeiting code. The purpose of the code was to curtail trade in goods bearing counterfeit trademarks. The counterfeit code allowed signatories to adopt regulations controlling the influx of counterfeit goods at the border. However, comple-

LIMITATIONS IN THE GATT MULTILATERAL TRADE SYSTEM 71-88 (1987)).


66. Recently, signatories have grown increasingly frustrated with the GATT dispute settlement procedures. This frustration especially results from the length of settlement time involved in resolving the European Community, "Pasta War" dispute, and the problems involving the U.S./Japan Semiconductor agreement problems. Ironically, the GATT currently has the quickest international dispute resolution of any agency. The average dispute is resolved under the GATT in 14 months. Address by Dr. Ernst-Ulrich Petersmann, Legal Officer to the GATT, on "the Legal Aspects of the Uruguay Round" at California State Bar-International Law Weekend in San Francisco, California (Nov. 19, 1988) (notes available in a memorandum written on Nov. 21, 1988 in the SANTA CLARA LAW REVIEW Office) [hereinafter Address by Dr. Petersmann].

67. UNITED STATES TRADE REPRESENTATIVE, GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT), URUGUAY ROUND PROGRESS REPORT 17 (Dec. 14, 1988).
tion of the code was held up by the strong objections of the LDCs.\textsuperscript{68} No other intellectual property issues were discussed in the Tokyo Round.

In September 1986, the Uruguay Round of negotiations was launched in Punta del Este, Uruguay. The Ministers meeting on this occasion adopted a declaration "to clarify GATT provisions and elaborate as appropriate new rules and disciplines" on intellectual property rights.\textsuperscript{69}

Negotiations shall aim to develop a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods, taking into account work already undertaken in the GATT. These negotiations shall be without prejudice to other complementary initiatives that may be taken in the World Intellectual Property Organization and elsewhere to deal with these matters.\textsuperscript{70}

The declaration is wide enough to encompass any path of negotiation the Ministers might choose to take in the Uruguay Round.

The Montreal Mid-Term Review was held December 5-8, 1988, to evaluate the process made to date on the Uruguay Round. Agreements were achieved in eleven of the fifteen negotiating groups. However, the completed agreements were held in abeyance until a consensus could be reached in the areas of agriculture and intellectual property. The United States and many developed and developing countries supported incorporation of substantive intellectual property rules in the GATT.\textsuperscript{71} However, some developing countries, such as Brazil and India, were against the prospect that any type of intellectual property regulation should be included under the GATT.\textsuperscript{72} A consensus had to be reached on all elements of the framework for a GATT intellectual property agreement, including GATT jurisdiction over trade related intellectual property (TRIP) regulation, before negotiations could continue.\textsuperscript{73}

After a more than two year deadlock in GATT intellectual property negotiations, a compromise accord was worked out in April


\textsuperscript{70}\textsuperscript{\textendash} \textit{Id.}

\textsuperscript{71}\textsuperscript{\textendash} \textit{Id.}

\textsuperscript{72}\textsuperscript{\textendash} \textit{United States Trade Representative, supra note 67, at 5.}

\textsuperscript{73}\textsuperscript{\textendash} \textit{Id. at 6.}
1989, at the conclusion of the midterm review of Uruguay Round Progress. The compromise stipulated that future negotiations "would cover 'adequate standards and principles concerning the availability, scope and use of trade-related intellectual property rights (TRIPs)' and means of enforcing them." The stumbling block of unanimous agreement on GATT jurisdiction over TRIP negotiations was effectively removed. Uruguay Round negotiators are now free to put together a whole framework of proposed international regulations for policing TRIP violations. Albeit, at the end of the Uruguay Round a decision will be made on whether GATT ultimately is the appropriate forum for a TRIP code.

Recent negotiations on the trade related intellectual property framework explored including in the GATT such areas as: "effective border and internal enforcement measures; a dispute settlement mechanism which takes into account existing GATT procedures and adapting them to intellectual property; and the application of other provisions drawn from GATT principles to intellectual property such as national treatment and transparency."

III. Analysis

The question of how to improve the protection of intellectual property rights abroad has been the subject of hot international debate. A myriad of key officials of industrialized countries, such as

76. Id. at 5.
the United States, Japan, and the European Communities, support the view that the current system should be completely revamped under the GATT. These officials contend that GATT is a superior forum for dealing with intellectual property issues because GATT is equipped with a dispute resolution mechanism and efforts are under way to strengthen enforcement procedures. The LDCs believe that GATT should concentrate on trade in goods and services. The LDCs and the industrialized countries had not reached a consensus on the issue. As a result of the compromise reached in April 1989 at the conclusion of the midterm review of the Uruguay Round, negotiators are able to bring TRIP negotiations under the GATT. However, the compromise stipulated that "the negotiations would be without prejudice to conflicting views of which international body was competent to implement the results, meaning, in effect, that this decision would be deferred until the end of the


79. India issued a statement at a July 25, 1988 meeting of the Group of Negotiators on Goods (GNG), one of the two principal sub-bodies of the Trade Negotiations Committee, which oversees the GATT Uruguay Round. In the statement, GATT was criticized for exceeding its authority in discussing intellectual property. Id. Brazil had formerly been a strong objector to TRIP negotiations under the GATT. However, recently Brazil has submitted a proposal for integrating trade related intellectual property protection into the GATT. European Community, Brazil Submit Proposals to Integrate Intellectual Property Into GATT, 6 INT'L TRADE REP. (BNA) No. 48, at 1663 (Dec. 20, 1989).

A. GATT is the Appropriate Forum for Dealing With Trade Related Intellectual Property Issues

Opponents to the inclusion of TRIP provisions in the GATT argue that the GATT is not the appropriate forum for intellectual property issues. The GATT, they contend, was created to deal in goods and services, and intellectual property is not "goods." While the GATT does not contain a specific code dealing with intellectual property, this does not preclude the Ministers from writing a new code. Early GATT negotiations centered around tariffs on goods and services. In the Tokyo Round, considerable progress was made in non-tariff areas such as government procurement, technical barriers to trade, customs valuation, import licensing, anti-dumping, and subsidies and countervailing duties. Negotiations are currently being held in the Uruguay Round to amplify the GATT to include such areas as trade related investment measures, services and subsidies and countervailing measures. GATT is an elastic body with the ability to adapt to changing economic conditions and new trade problems. An international trade institution is needed at this point in history to regulate the global economy and to rectify global trade problems in one forum. If the GATT is to be effective as an international trade institution it must address all problems which relate to trade. This includes intellectual property issues.

GATT is the appropriate vehicle for improving the protection of intellectual property rights abroad. The present intellectual property regimes, such as the Berne Copyright Convention, the Universal Copyright Convention and the Paris Convention, are not sufficient to mitigate the extensive trade distortions and economic damage caused by piracy of intellectual property rights. Many of

82. Address by Russ Lamantia, Office of the United States Trade Representative, at the California State Bar—International Law Weekend in San Francisco, Cal. (Nov. 19, 1988) (notes available in a memorandum written on Nov. 21, 1988 in the SANTA CLARA LAW REVIEW Office) [hereinafter Address by Mr. Lamantia].
83. Id.
84. Berne Convention, supra note 6.
85. Universal Copyright Convention, supra note 7.
86. The Paris Convention, supra note 8.
87. For a discussion of economic damage caused by the insufficient protection abroad of intellectual property rights, see supra text accompanying notes 41-46.
88. UNITED STATES PROPOSAL FOR NEGOTIATIONS ON TRADE-RELATED ASPECTS OF
the countries whose mistreatment of intellectual property rights has caused trade distortions and economic damage are not party to these agreements. In addition, "[t]hese intellectual property conventions were never intended to be used as enforcement mechanisms for intellectual property rights. They do not have effective dispute settlement provisions."\(^8\) The GATT code can be created to embody as minimum standards the attributes of the present regimes. However, GATT can add teeth to the conventions by supplying dispute settlement provisions and enforcement mechanisms. This will facilitate the protection of intellectual property rights abroad and lead to a reduction of trade related intellectual property problems.

Third World nations contend that WIPO, the secretariat of the Berne Convention, is the appropriate forum for discussing trade related intellectual property matters. The Ministers from the LDCs stress that current negotiations under WIPO should be extended rather than implementing a new set of codes under the GATT. However, WIPO, as mentioned above, has no authority under the Berne Convention for effective dispute settlement and enforcement. WIPO's successes with the resolutions of international intellectual property, trade related disputes have been relatively few. This is evidenced by the current plethora of injury to industries caused by the infringements of intellectual property rights. Current negotiations under the GATT in no way undermine the current authority of WIPO. The declaration of the Ministers on intellectual property initiatives in the Uruguay Round stated that negotiations under the GATT would be taken without prejudice to complementary initiatives taken by WIPO.\(^9\) Protection of intellectual property rights can only be improved by GATT initiatives which could essentially bring GATT contracting parties into the Berne Convention by forcing signatories to adhere to minimum standards chosen from the Berne Convention.

B. The Inclusion of a Specialized Dispute Resolution Mechanism within the TRIP Code

The TRIP code should embody a specially created dispute mechanism in accordance with Article XXIII of the GATT. GATT has been criticized in the past for lack of an effective dispute resolu-

\(^1\) INTELLECTUAL PROPERTY RIGHTS 1 (Nov. 5, 1987) [hereinafter U.S. FRAMEWORK]. See also Dam, supra note 54 at 627; GATT FRAMEWORK, supra note 18, at 27.

\(^8\) U.S. FRAMEWORK, supra note 88, at 1.

\(^9\) See supra note 69 and accompanying text.
tion mechanism. Efforts are currently underway in the Uruguay Round to improve GATT dispute settlement procedures. Creating a specialized dispute resolution mechanism for TRIP related issues will circumvent all current problems involving Article XXIII. Dispute resolution under Article XXIII often leads to ambiguous, non-standardized results. Under a TRIP code specialized dispute resolution, procedures for enforcement and assignment of specific penalties only for intellectual property rights infringement could be facilitated.

The dispute resolution mechanism should allow for the establishment of a single panel of technical experts to address violations of an individual country’s intellectual property rights. Under Article XXIII, a new panel is established in accordance with each dispute. This, among other reasons, makes dispute resolution under the GATT a time consuming process. In this case a panel, schooled on intellectual property issues, would be easily assembled. Since the panel is somewhat familiar with intellectual property issues, less time would be needed to educate the panel on the particular issue under dispute. This would expedite the issuance of a report to the GATT, which in turn would expedite the resolution of the dispute and lead to a more effective solution.

C. Enforcement Procedures

The TRIP code should be created with an eye towards correct enforcement procedures and assignment of remedies. Border control procedures similar to the border control formulated in the Anti-Counterfeiting Code in the Tokyo Round are needed. The infringing goods of both the contracting parties and the nonsignatory nations would be stopped at the borders of the signatory nations. This would curtail infringer’s access to foreign markets. Domestic political pressures that support low standards would be reduced and nonsignatory countries would have incentives to apply more stringent standards to the protection of intellectual property rights. Access should be allowed to local courts where remedies could range from injunctions and monetary awards to criminal penalties. If other remedies fail, the GATT dispute resolution mechanism should be invoked.

91. See supra text accompanying notes 62-67.
93. GATT FRAMEWORK, supra note 18, at 34.
D. *Minimum Standards*

Opponents to the inclusion of a TRIP code in the GATT argue that a new set of codes for the protection of intellectual property rights is unnecessary. 94 Articles III 95 and XX 96 of the GATT already adequately protect intellectual property rights by forcing national treatment of property rights on signatories. 97 However, national treatment is not substantial for intellectual property right protection if the infringing countries do not adequately protect intellectual property within their own borders. Most treaties in effect today operate by enforcing national treatment on signatory nations. These treaties have not proved entirely effective against intellectual property piracy. Minimum standards must be codified under the GATT. In this way, all contracting parties to the GATT would be forced to protect intellectual property rights at least to the extent provided in the minimum standards.

In addition, intellectual property protection under the GATT could be expedited by the creation of a new set of codes rather than adding to existing amendments. The advantage of creating a new code is that not all GATT parties would have to agree to it. Adding amendments to the GATT requires the unanimous consent of all GATT signatories and this is a difficult, time consuming task, which is not likely to be completed before the termination of the Uruguay Round.

E. *Current Problems in TRIP Negotiations*

There are differing views as to what are the actual problems in current TRIP negotiations. The developed countries’ view is that piracy of intellectual property rights is the problem. The LDCs find a lack of availability of technology and that the current protection of intellectual property rights is too extensive. Whereas developed countries would like to see the trade problem reduced by implementing substantive standards, LDCs would like to see preferential treatment and facilitated access to technology. 98

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96. Article XX(d) regulates barriers to legitimate trade. GATT, *supra* note 15, art. XX(d). *See* GATT FRAMWORK, *supra* note 18, at 31.
97. Address by Dr. Petersmann, *supra* note 66.
98. Address by Dr. Petersmann, *supra* note 66.
Among the common objectives of GATT are transparency of practices and nondiscrimination among countries. However, certain aspects of the GATT, such as the Enabling Clause, legalize various types of special and differential treatment in favor of the developing nations. The current conflict exists because international intellectual property piracy is essentially a trade distortion caused by the LDCs against the developed nations. The LDCs feel they have the right to develop by using technology protected by intellectual property rights. The LDCs want differential treatment under the GATT. The developed countries want uniform treatment for all countries.  

1. Arguments Against Differential Treatment for LDCs under the TRIP Code

Differential treatment is plausible in some instances when it leads to development. However, in this instance, differential treatment is essentially impossible. Allowing some countries to not abide by laws which protect intellectual property rights defeats the existence of the right. An industry can be injured substantially by one foreign infringer. Selectively permitting infringement for development or for other reasons does nothing to remedy the harm done to the industry. Enforcement of GATT-TRIP codes must be uniform if they are to be effective.

The LDCs must be made to realize that inadequate intellectual property protection, through piracy or differential treatment, hurts both the holder of the right and the country with inadequate protection. An adequate economic return to cover the cost of production and research and development is necessary to finance the next generation of products. Due to inadequate intellectual property protection, industries are finding it difficult to generate new capital to finance new products. Innovations are stunted at this early stage. The global economy, including the economies of the LDCs, suffers by lack of global technological innovation.

Furthermore, a company may decide to develop a product but stipulate that no exports shall be allowed to countries where extensive infringement of intellectual property rights has occurred. A
LDC may be denied the use of a product which may aid in further development. Also, "the displacement of legitimately produced goods and works by high levels of infringement reduces the willingness and ability of industry to commit to long-term planning and to develop the next generation of products, processes and services in, and specifically for, those country markets."\textsuperscript{102} Global efficiency is reduced and the transfer of technology is impeded to underdeveloped countries.\textsuperscript{103} Again, it is the LDC which suffers the consequences.

"Infringements of intellectual property rights also have a chilling effect on the development of a local technological infrastructure."\textsuperscript{104} A technologically advanced work force\textsuperscript{105} is necessary for technological innovation leading to development. When a LDC uses its work force for copying rather than for innovation, the work force is not maximized to its full potential. Often the work force leaves the country to pursue intellectual and creative ventures.\textsuperscript{106} The talent and energy used to copy protected technological advancements should be used by the LDC to develop and sell products using their own inventions, under their own brand names.\textsuperscript{107}

Inadequate protection of intellectual property rights creates an atmosphere of distrust among the industries of the various countries. Legitimate subsidiaries, joint ventures and licensing operations will not be pursued. Lack of trust leads to severe disincentive to investment and local sub-contracting in that country.\textsuperscript{108} Legitimate transfers of technology and investment leading to technological advancement is curtailed and the LDCs again suffer harm rather than good from intellectual property piracy.

F. Negotiations for Offsets to LDCs

Development for the LDCs should not be neglected by the developed nations. It is to the developed nation's advantage to aid the LDCs in solving their problems because the LDCs provide the

\textsuperscript{102} GATT Framework, supra note 18, at 26.
\textsuperscript{103} 'Already, to the extent that reverse engineering is difficult, large firms are keeping new breakthroughs as trade secrets rather than copyrighting or patenting them. This hampers the theft of intellectual property, but also slows the diffusion of new knowledge to those who might benefit from it.' C. Aho & J. Aronson, Trade Talks, America Better Listen! 51-52 (Council on Foreign Relations 1985).
\textsuperscript{104} GATT Framework, supra note 18, at 27.
\textsuperscript{105} A technologically advanced work force would consist of scientists, engineers, etc.
\textsuperscript{106} GATT Framework, supra note 18, at 15.
\textsuperscript{107} General Agreement on Tariffs And Trade Publication, L/5512, July 8, 1983, at 7.
\textsuperscript{108} Id.
world with a large export market. Therefore, offsets such as pledges for technical assistance and direct investment should be included in the code. Good planning must be employed whereas production bases could be built for the LDCs without contributing to the long term erosion of the technical lead of the developed countries. Negotiations must also take place outside of the GATT and involve the World Bank, WIPO, and other international organizations. GATT negotiators must consider the needs of the Third World. In this way, deadlocks in current GATT negotiations can be mitigated. This would pave the way for a clear mandate towards the establishment of a TRIP code.

IV. PROPOSAL

A. Minimum Standards

A new set of codes adopting minimum standards for the protection of intellectual property rights should be codified under the GATT. Minimum standards should be derived from synthesis of currently existing, effective national laws and international treaties and conventions for the protection of intellectual property rights. The GATT Ministers must come to a consensus on what areas of national laws, treaties and conventions function effectively in the various areas of intellectual property and bring the results together into one code. For example, the European Communities Commission, the United States Trade Representative and the European, Japanese and United States Business Communities agree in their Uruguay Round proposals that the Berne Convention should be adopted as a minimum standard for the international protection of copyrights. Contracting parties to the TRIP codes must then conform their national law to act in accordance with the Berne Convention.

Care should be taken that standards of the individual country’s national law will not be lowered by the minimum standards im-


110. *See GATT Framework, supra note 18, at 40.*

111. *See GATT Framework, supra note 18, at 36; U.S. Framework, supra note 83, at 4.*


114. *GATT Framework, supra note 18, at 82.*
posed. In accordance with GATT principles, contracting parties should provide national treatment to the exports of GATT signatories. Stricter standards currently enforced by the various countries should not be affected by the implementation of the new code.

Signatories whose existing laws do not comport to minimum standards adopted should agree to amend existing laws to adhere to the TRIP agreement. Signatories with intellectual property protection that satisfies or provides better protection than minimum standards adopted would not have to change their national law.

B. Incentives

1. Offsets

Offsets must be offered to LDCs as incentives to take part in TRIP negotiations and sign on to the TRIP framework developed. The TRIP code must embody uniform standards for the enforcement of intellectual property rights abroad. Offsets in the code would allow for uniform treatment but would aid developing and underdeveloped countries in their quest towards technological advancement.

Pledges should be made by developed countries to develop plans for direct investment earmarked for technological development in the LDC. Direct investment should be made with an aim towards the maximizing of profits through the globalization of production.

Best efforts should be made to increase bilateral technical assistance programs. Industrialized countries should individually use long term planning to share technology. The aim is to build the production bases of the LDC, without contributing to a long term erosion of the donor country’s lead in technology. Provisions for bilateral technical assistance programs should include safeguard systems that protect the domestic industry of the industrialized country. There should also be included some type of domestic adjustment program for the home industry in the industrialized country so that the technical assistance program does not have protectionist effects.

The LDC should be allowed a transition period to bring their national laws into step with the GATT set minimum standards. In this way, the LDCs could currently sign on to the framework requiring adherence to minimum standards within a reasonable

115. GATT, supra note 15, art III.
116. GATT FRAMEWORK, supra note 18, at 39.
117. A safeguard system could be modeled on Article XIX of the GATT. GATT, supra note 15, art. XIX.
amount of time.\textsuperscript{118} 

The code should be equipped with phase out provisions to be put into effect once the economy of the developed country has improved. Eventually this would allow for undifferentiated treatment of all countries under the code.

2. \textit{Incentives to Nonsignatories of the GATT}

Most-favored-nation status would be offered to all signatories of the TRIP framework. Parties to the GATT-TRIP will enjoy all the benefits and rights of all the other signatory nations. A signatory would be afforded national treatment of their exports in the country of any other signatory nation.\textsuperscript{119}

Provisions should be made in which parties to the agreement develop procedures which would link access to their market with the improved protection of intellectual property rights.\textsuperscript{120} In this way, improved market access can be offered as an incentive to sign on to the TRIP code.

C. \textit{Dispute Resolution Mechanism}

A specialized dispute resolution mechanism should be included in the code to address only intellectual property rights infringement. This code should be based on the current dispute resolution mechanism found in Article XXIII of the GATT.\textsuperscript{121}

The dispute resolution mechanism should include provisions for the formation of a single panel composed of technical experts\textsuperscript{122} within the GATT. When an intellectual property dispute arises the panel could easily be assembled. The experts should be schooled in intellectual property issues so less time would be needed to gather information on the disputed issue. Realistic retaliatory measures should be issued by the panel against the offending party. In accordance with Article XXIII, these measures would then be voted on by the Contracting Parties.

The dispute resolution will be brought into effect by the initiative of the individual parties. In the event that a party to the TRIP agreement fails to provide adequate intellectual property protection

\textsuperscript{118} GATT Framework, supra note 18, at 39.
\textsuperscript{119} GATT Framework, supra note 18, at 38.
\textsuperscript{120} GATT Framework, supra note 18, at 38.
\textsuperscript{121} GATT Framework, supra note 18, at 31; U.S. Framework, supra note 88, at 2.
\textsuperscript{122} U.S. Framework, supra note 88, at 3.
based on the minimum standards established, a private party would request its government to use the TRIP dispute resolution mechanism. The effect of the agreement will depend on the individual countries monitoring markets to detect infringing goods.

D. Enforcement Procedures

The Basic Framework of GATT Provisions on Intellectual Property (GATT Framework), which encompasses the views of U.S. Intellectual Property Committee, the Keidanren in Japan and the European UNICE, set out enforcement provisions and mechanisms which should be adopted by negotiators of the TRIP framework. The GATT Framework sets out three mechanisms to ensure and maintain the agreed upon minimum standards. First, owners of intellectual property rights can compel stopping an infringing product at the border. Second, owners of an intellectual property right that comes into contact with an infringing good could seek a remedy through the local courts. Third, where owners are unable to obtain a remedy through the court, their own government could invoke the dispute resolution mechanism in the TRIP code.

The objectives of the enforcement procedure of the code are “to ensure (a) that existing and improved intellectual property rules in signatory countries are adequate, effective and expeditiously enforced, (b) that such enforcement is impartial and even-handed and (c) that all parties to the procedures enjoy due process of law.”

1. Remedies

Under the GATT Framework for a three-tiered enforcement structure, a choice of remedies is offered to the intellectual property owner. First, all signatories should enforce border control measures, such as those explored in the draft work for an Anti-Counterfeiting Code in the Tokyo Round. This would consist of signatory nations stopping the infringing goods of both the Contracting Parties and nonsignatory nations at the border. The infringing party would be chastised by being cut off from foreign markets for export. Second,
access would be allowed to the local courts where remedies would include preliminary and final injunctions, monetary awards adequate to compensate owners of intellectual property, seizure and destruction of pirated goods and criminal procedures and remedies in the appropriate cases. Third, if other remedies are inadequate, the TRIP dispute resolution mechanism would be invoked. "This procedure would subject member countries to multilateral scrutiny, enhance international cooperation and reduce the use of those bilateral and unilateral actions which might become barriers to legitimate trade."

V. CONCLUSION

The Uruguay Round ends in December 1990. Little time remains to negotiate a final TRIP agreement. However, GATT officials are sanguine regarding the success of current negotiations. At the end of 1989, Brazil came forward with a proposal and displayed a willingness to compromise. Brazil had formerly rallied developing and underdeveloped countries against the inclusion of a TRIP code in the GATT. A GATT official recently noted:

We are on track with negotiations in the Uruguay Round in the sense that everyone has now come forward with his plan of how intellectual property can be integrated into a new trade regime. This means that 1990 can be devoted to negotiating the chapter and verse of the proposed agreement on the basis of what we have in hand.

A new code to protect trade related intellectual property rights must be implemented during this round of the GATT. Failure to implement a TRIP code will augment worldwide damage from infringements of intellectual property rights. If a remedy is not forthcoming as a result of the Uruguay Round, then it will be many years into the future before a similar international code can be worked out.

It is imperative that new international policies now be formulated to accommodate the new global economy. GATT has the potential to be the all encompassing single authority in international trade. Bringing all trade regulation, including trade related intellectual property issues, under the GATT would strengthen GATT as an international regulatory body. This would be an incentive for po-

131. GATT FRAMEWORK, supra note 18, at 35.
tentative signatories to sign on to the GATT. The end result would be
to facilitate global trade and lead to a stronger global economy.

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