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TRIPS and the Dynamics of  
Intellectual Property Lawmaking

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## **TRIPs and the Dynamics of Intellectual Property Lawmaking**

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## TRIPs and the Dynamics of Intellectual Property Lawmaking\*

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### I. Introduction

In prior work, we took up the question of the TRIPs Agreement's resilience to changes in domestic law. We argued that such resilience is necessary because information production is a dynamic enterprise; that additions to the domain of knowledge change the intellectual landscape and alter creative opportunities and challenges. As new industries emerge and mature, nations must have the flexibility to modify their intellectual property rules to readjust the balance between public and private rights.<sup>1</sup> In effect, we asked how to understand Article 1(1) of the TRIPs Agreement, which recognizes member autonomy and gives member states latitude to comply with their international obligations in ways best suited to their political, institutional, economic, and social conditions.<sup>2</sup>

In the course of that study, we examined approaches to TRIPs dispute resolution that could cabin the choices of legislation available to deal with emergent substantive problems, and which could distort the legal environment in which creative enterprises are conducted. We noted the literalist and formalist views that TRIPs jurists take to the text of the Agreement, and argued that these approaches tend to denigrate what we termed neo-federalist values, values that we saw as internal to the Agreement and important to—indeed implicit in—the structure of the international intellectual property system. In this piece, we continue our consideration of the resilience of the Agreement and its commitment to neo-federalism. Here, however, we move from a focus on *outcomes* to the *dynamics* of the legislative process, examining the extent to which TRIPs dispute resolution adequately accommodates the operation of each member's political economy as it relates to intellectual property lawmaking.

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<sup>1</sup> Graeme B. Dinwoodie & Rochelle Cooper Dreyfuss, *International Intellectual Property Law and the Public Domain of Science*, 7(2) J. INT'L ECON. L. 431 (2004); Graeme B. Dinwoodie & Rochelle Cooper Dreyfuss, *WTO Dispute Resolution and The Preservation of the Public Domain of Science Under International Law*, in INTERNATIONAL PUBLIC GOODS AND TRANSFER OF TECHNOLOGY UNDER A GLOBALIZED INTELLECTUAL PROPERTY REGIME (Keith E. Maskus & J. H. Reichman eds., Cambridge U. Press) (forthcoming 2004).

<sup>2</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights, art. 1(1), Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization [hereinafter WTO Agreement], Annex 1C, 33 I.L.M. 1197, 1198 (1994) [hereinafter TRIPs Agreement].

Frequently, as intellectual property lawmaking becomes fiercely contested, reforms can only occur when a balanced package of rules can be reached. Thus, copyright term extension legislation was packaged with a reduction in the scope of protection for nondramatic musical works (the latter later found by a WTO panel to violate TRIPs). The same dynamic was at play with respect to reforms involving patent protection for pharmaceuticals, where term extension was coupled with rights to experiment. We ask whether such deals (or perhaps *which* of such deals, depending upon the connection between the reforms) should be taken into account by WTO panels. We argue that when legislation represents offsetting benefits and detriments, respect for domestic political dynamics requires panels to consider constituent pieces of such legislation in the context of the package in which they were enacted.

We acknowledge that both GATT (*United States–Section 337*) and WTO (*United States–Section 211*) jurisprudence have rejected the argument of substantive equality (or offsetting equality) in adjudicating claims for violations of national treatment and that, instead, there has been an insistence on formal equality.<sup>3</sup> Thus, a member state has not been able to successfully argue that, although it applies different rules to nationals of different countries, equality of treatment in fact results when the applicable rules are viewed as a whole—that is, when the ways in which particular rules offset one another are taken into account. In our previous paper, we questioned whether the jurisprudence that has developed with regard to the GATT’s trade provisions should apply equally to intellectual property; whether the structural implications attached to the guarantee of national treatment are appropriate to other TRIPs obligations; and whether the formalistic approach taken to trade should be utilized when assessing compliance with provisions unique to intellectual property, such as minimum protection standards. We noted that differences between trade and intellectual property policy mandated different approaches. Here we reiterate that position, but make something of a converse argument as well: there are commonalities between the problems that nations experience in executing their trade commitments and their intellectual property commitments. Thus, it is significant that in its early years, the GATT incorporated strategies that created flexibility and permitted nations to deal autonomously with matters of domestic trade; we argue that similar mechanisms are required in TRIPs jurisprudence, especially in the Agreement’s formative stage.

We also focus on the effect that TRIPs, as currently understood, has on domestic lawmaking. If WTO panel decisions intrude more into national law, might lawmakers begin to enact legislation in reliance on international invalidation of whole or parts of the enactment? Should formulation of domestic policy take this into account? Further, would the formalistic approach that has been taken to TRIPs jurisprudence benefit domestic lawmaking by reducing the effect of lobbying? Or would it simply induce more nuanced log-rolling, or the enactment of laws aimed at influencing intellectual property production but under a different legislative rubric (such as food and drug regulation or consumer law)? Indeed,

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<sup>3</sup> See GATT Panel Report on United States–Section 337 of the Tariff Act of 1930, L/6439-36S/345 (Nov. 7, 1989) [hereinafter Panel Report on United States–Section 337]; Appellate Body Report on United States–Section 211 Omnibus Appropriations Act of 1998, WT/DS176/AB/R (Jan. 2, 2002) [hereinafter Appellate Body Report on United States–Section 211].

answers to these questions might affect not only lawmaking at the national level but, in turn, the form of WTO dispute settlement. We go so far as to suggest that there may be a role for the (much-feared) nonviolation complaints in navigating these complexities.

## *II. Domestic Lawmaking Strategies*

As noted above, our previous articles tested the TRIPs Agreement's commitment to what we called neo-federalist values, which is to say, the ability of states to structure their intellectual property laws to deal with changing internal conditions, including changes within the institutional structure of their creative industries, changes in the types of works the country typically produced, and changes in the nature of science or the technological environment. In those pieces, we looked at how discrete legislative provisions were assessed by WTO adjudicators and expressed concern that the analytic approaches they were adopting were not sufficiently hospitable to national priorities. In fact, however, the autonomy interests of states, particularly democratic states, may be even more tightly constrained. Intellectual property laws are not always enacted as discrete mandates; rather they tend to balance the needs of user groups against the interests of rights holders. Disaggregating such measures and testing individual proposals against TRIPs principles ignores this political reality.

To be sure, in a democracy, packaging is an inherent part of the legislative process generally: benefits are traded off until a measure is produced that commands a majority.<sup>4</sup> But in intellectual property legislation, this dynamic tends to play out in ways that pit different stakeholders in the creative industries against one another, prompting tradeoffs internal to the intellectual property system itself. We can only speculate as to why this is so. Perhaps at one time, the topics were thought too technical and without substantial political interest; perhaps now that their significance has been realized, it is because their economic salience has rendered them acutely controversial. We do, however, note the centrality of tradeoffs to the intellectual property lawmaking process. One example is the comprehensive revision of the Copyright Act in 1976, which is well recognized as the product of direct inter-industry negotiation. It was essentially a contract among stakeholders in the copyright industries, embodying tradeoffs and compromises between interested groups, and then enacted into law by Congress.<sup>5</sup> Like all contracts, individual provisions do not reflect the benefits that any one party extracted; instead, the impact of the Act on particular intellectual property holders depends on how the Act applies as a whole.

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<sup>4</sup> Indeed, one could argue that this was the core problem with the Line Item Veto Act, 2 U.S.C. § 691, which allowed the President to “cancel in whole” certain provisions that had been signed into law: it gave the President power to unravel legislation in order “to reward one group and punish another[.]” *Clinton v. City of New York*, 524 U.S. 417, 434 & 451 (1998) (Kennedy, J., concurring).

<sup>5</sup> See *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 743 (1989) (noting that the 1976 Copyright Act, “which almost completely revised existing copyright law, was the product of two decades of negotiation by representatives of creators and copyright-using industries, supervised by the Copyright Office and, to a lesser extent, by Congress”); Jessica D. Litman, *Copyright, Compromise, and Legislative History*, 72 CORNELL L. REV. 857, 860-861 (1986-1987) (“[M]ost of the statutory language was not drafted by members of Congress or their staffs at all. Instead, the language evolved through a process of negotiation among authors, publishers, and other parties with economic interests in the property rights the statute defines.”).

A similar approach can be seen in more targeted legislation. Consider, for example, the “Irish bar” provision, which was added to the Copyright Act in 1998 to exempt certain public performances of nondramatic musical works in bars and restaurants from the scope of copyright liability. This exemption was enacted as a part of a political package that included the extension of the copyright term by twenty years. The net result—the Sonny Bono Copyright Term Extension Act<sup>6</sup>—thus contained benefits to all copyright holders, in exchange for a reduction in protection for a few copyright holders. The same lawmaking dynamic can be observed in the enactment of patent law. An example is the 1984 extension of the term of patent protection on pharmaceuticals subject to regulatory review.<sup>7</sup> In exchange for lengthening the term, that Act reduced the scope of protection by permitting unauthorized use of patented pharmaceuticals for the purpose of specified experimentation—to generate information needed to clear generic substitutes for marketing.<sup>8</sup> The net result—the Drug Price Competition and Patent Term Restoration Act (commonly called the Hatch-Waxman Act)<sup>9</sup>—was a package that added to the protection enjoyed by patent holders in the pharmaceutical industries, while at the same time, accelerated public access to cheaper products after patent termination.

But despite the obvious tradeoffs inherent in these legislative measures, WTO adjudicators analyzed them as discrete reforms. In the case of the Sonny Bono Act, the Irish bar provision, § 110(5), was the subject of a complaint by the EU (prompted by Ireland) and it was invalidated by a dispute settlement panel under the TRIPs Agreement.<sup>10</sup> Significantly (in our view), the panel’s 120-page analysis never alluded to the provision’s complicated etymology or to the compromise it entailed. The Hatch-Waxman Act was not the subject of a challenge, but a somewhat analogous Canadian law was. The Canadian law included the regulatory review provision, along with another scope-reducing measure that allowed a manufacturer to stockpile inventory for six months before the patent on the invention expired. The Canadian law did not, however, include any patent-enhancing features. Although the WTO panel noted this key difference between Canadian and American law,<sup>11</sup> it clearly did not believe that the absence of a tradeoff should in any way affect the panel’s decision.<sup>12</sup>

This “discrete” approach to adjudication (by which we mean that discrete parts of legislative compromises are broken out for individual assessment) can produce perverse consequences. Not only

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<sup>6</sup> Sonny Bono Copyright Term Extension Act, Pub. L. No. 105-298, 112 Stat. 2827 (1998).

<sup>7</sup> 35 U.S.C. § 156 (2002).

<sup>8</sup> 35 U.S.C. § 271(e) (2003). This is often called the “Bolar exemption.”

<sup>9</sup> Drug Price Competition and Patent Term Registration Act of 1984, Pub. L. No. 98-417, 98 Stat. 1585 (1984).

<sup>10</sup> See WTO Panel Report on United States—Section 110(5) of the U.S. Copyright Act, WT/DS160/R (June 15, 2000) [hereinafter Panel Report on United States—Section 110(5)].

<sup>11</sup> WTO Dispute Panel Report on Canada—Patent Protection of Pharmaceutical Products, WT/DS114/R (Mar. 17, 2000) [hereinafter Panel Report on Canada—Pharmaceutical Products] ¶¶ 4.28 nn.146-147, 4.31(b) (noting the distinction); *id.* at ¶ 7.47 (putting no weight on regulatory review exemptions in other countries); *id.* at ¶¶ 7.78-7.79, 7.82 (no weight on different approaches to accompanying extensions). The United States, the EU, and Australia appeared to argue that weight should be given to the fact that the Bolar exemption was accompanied by the creation of a special protection certificate that extended the term of patent protection for pharmaceutical products. See *id.* at ¶¶ 4.28 n. 146, 4.36.

<sup>12</sup> *Id.* at ¶ 8.1 (upholding the regulatory review exemption and invalidating the stockpiling exemption).

does it unravel carefully negotiated legislative deals, it does so in a systematic way. Because TRIPs sets only minimum standards, WTO dispute resolution operates as a one-way ratchet: complaints can lead to the invalidation of measures that *reduce* the level of intellectual property protection, but they never reach measures that *increase* protection. Thus, compromises will always unravel in the same direction, requiring nations to change those features of their legislation that benefit user groups while protection-enhancing provisions stay in place.

Of course, user groups may be able to challenge a protection-enhancing measure in a domestic court, claiming that the increase in protection undermines national values and constitutive agreements that protect public access. For example, the other half of the Sonny Bono Act—the term extension benefit given to copyright holders—was challenged as going beyond congressional authority. If such a challenge invoked the same level of scrutiny that the WTO gives to reductions in protection, the systematic effect would be corrected. However, that is not the case. The term extension in the Sonny Bono Act was subjected to an extremely deferential standard of review—ironically, a standard that deferred not only to congressional judgments, but also allowed such judgments to be based in part upon international considerations.<sup>13</sup> As a result, although the Irish bar provision was struck down in the WTO, the term extension was upheld by the Supreme Court.<sup>14</sup>

To make matters worse, this is an iterative process. We leave a full examination of the possibilities to game theorists; for purposes of this article, it is worth noting that as interest groups come to understand the situation, they will utilize it. Intellectual property holders may become quick to agree to provisions that reduce the level of protection in exchange for the protection-enhancing legislation that they want, knowing that the reductions will be successfully challenged at the international level.

Indeed, because interest groups transcend borders, it may even be that domestic rights holders actively promote such challenges themselves.<sup>15</sup> Alternatively, user groups may be less willing to consider compromise, or they may try to end-run a TRIPs challenge by burying provisions that pertain to intellectual property laws in legislation that is less obviously subject to WTO scrutiny, such as food and

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<sup>13</sup> *Eldred v. Ashcroft*, 537 U.S. 186, 205-206 (2003) (concluding that the copyright term extension was a rational exercise of the legislative authority conferred by the Copyright Clause in part because “Congress sought to ensure that American authors would receive the same copyright protection in Europe as their European counterparts,” and because absent legislative flexibility “the United States could not ‘play a leadership role’ in the give-and-take evolution of the international copyright system”) (quoting Shira Perlmutter, *Participation in the International Copyright System as a Means to Promote the Progress of Science and Useful Arts*, 36 LOY. L.A. L. REV. 323, 331 (2002)).

<sup>14</sup> Cf. R. Anthony Reese, *Copyright Term Extension and the Scope of Congressional Power – Eldred v. Ashcroft*, 7 J. WORLD INTELL. PROP. 5, 31-32 (2004) (noting the different levels of review, and deference to legislators, when legislation is reviewed under the U.S. Constitution and under TRIPs).

<sup>15</sup> Cf. MARGARET E. KECK & KATHRYN SIKKINK, *ACTIVISTS WITHOUT BORDERS: ADVOCACY NETWORKS IN INTERNATIONAL POLITICS* (1998). For example, the Irish Music Rights Organization that was at the forefront of the effort to have the EU bring a challenge against Section 110(5) of the United States Copyright Act, works closely (as one would expect) with performing rights organizations in the United States, who (in addition to the composers they represented) were the principal domestic losers as a result of Section 110(5). To a large extent, these concerns are an analogue to Dirk De Bièvre’s observation that WTO adjudication tends to splinter coalitions because cases raise discrete issues and thus disaggregate the packages that were necessary to achieve consensus at the bargaining table. See Dirk De Bièvre, *International Institutions and Domestic Coalitions: The Differential Effects of Negotiations and Judicialisation in European Trade Policy* (European University Institute, Working Paper 2003/17, 2003), available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=574501](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=574501).



drug, consumer protection, telecommunications law, or other regulatory provisions. In the end, nations lose the flexibility to deal effectively and transparently with the issues that emerge at the frontiers of knowledge-production.

### *III. A Vision of the Relationship Between National and International Lawmaking*

Previously, we attributed the problems that TRIPs poses to domestic lawmaking, in part, to the rote application of trade principles to intellectual property. In a sense, the problem identified here is the converse: the failure to treat trade and intellectual property similarly when each exhibits the same needs. Thus, in the earliest years of multilateral trade negotiations, there were fears that national priorities and the dynamics of domestic lawmaking might undermine the emerging international order. To accommodate those concerns, the text of the 1947 GATT, as expanded in subsequent rounds and later subsumed within the WTO trade regime, includes cushioning-provisions that save the agreement as a whole even when a member cannot fulfill particular obligations. For example, the General Exceptions provision of Article XX permits members to deal with issues of overarching national importance, such as preservation of public morals, health, and cultural treasures.<sup>16</sup> Under Article XXVIII, a state that finds it necessary to reduce concessions in one sector is permitted to negotiate compensatory concessions in other sectors.<sup>17</sup> Similarly, Article XIX and its associated Agreement on Safeguards allow a nation to suspend obligations and withdraw concessions on a temporary basis, to give it the time it needs to mount effective competition against sudden increases in imports that result from unforeseen developments and cause, or threaten to cause, serious injury.<sup>18</sup>

While the enduring significance of these provisions in the trade context is debatable (an issue to which we will later return), the absence of similar safeguards to protect the viability of the TRIPs Agreement in its early years is striking. Although there are general provisions akin to Article XX to accommodate national concerns over public health and morals,<sup>19</sup> there are few escapes that allow states to deal effectively with emerging domestic priorities or, for that matter, to grapple efficiently with technological and scientific developments. Article 31 of the TRIPs Agreement bears resemblance to

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<sup>16</sup> General Agreement on Tariffs and Trade 1994 art. XX, Apr. 15, 1994, WTO Agreement, *supra* note 2, 1867 U.N.T.S. 187, 33 I.L.M. 1153 (1994) [hereinafter GATT].

<sup>17</sup> GATT art. XXVIII (2) (providing, in part, that: “the contracting parties concerned shall endeavour to maintain a general level of reciprocal and mutually advantageous concessions not less favourable to trade than that provided for in this Agreement prior to such negotiations.”).

<sup>18</sup> GATT art. XIX (1)(a) (providing, in part, that: “If, as a result of unforeseen developments and of the effect of the obligations incurred by a contracting party under this Agreement . . . any product is being imported into the territory of that contracting party in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers . . . the contracting party shall be free . . . to suspend the obligation in whole or in part or to withdraw or modify the concession.”). *See also* Agreement on Safeguards, Apr. 15, 1994, WTO Agreement, *supra* note 2, Annex 1A, 33 I.L.M. 112 (1994) (intending to clarify the application of Article XIX). *Cf.* Jide Nzelibe, *The Credibility Imperative: The Political Dynamics of Retaliation in the World Trade Organization’s Dispute Resolution Mechanism* (University of Chicago Law School, Public Law and Legal Theory Working Paper No. 55, 2004), available at [http://www.ssrn.com/abstract\\_id=495571](http://www.ssrn.com/abstract_id=495571). *See generally* ANDREAS F. LOWENFELD, PUBLIC CONTROLS ON INTERNATIONAL TRADE § 7.2 (2d ed. 1983).

<sup>19</sup> *See, e.g.*, TRIPs Agreement, *supra* note 2, arts. 8, 27(2), 31(b).

Article XIX in that it too allows for temporary derogation from otherwise applicable norms by permitting compulsory licenses in the case of national emergencies. But, as the need for the Doha Ministerial Declaration on TRIPs and Public Health demonstrated, that provision is (even in the case of national emergency) narrowly circumscribed, and in any event is too focused a provision to be of great effect.<sup>20</sup> Similarly, the “three part” exception tests of Arts. 13 and 30 permit members to derogate from protection, but only in highly delimited circumstances.<sup>21</sup>

If TRIPs is to endure, we believe that comparable strategies are necessary—that the institutional and international concerns that prompted caution in the early stages of the GATT trade regime need to be recognized in the intellectual property context as well. In Part A below, we explore ways that the compensatory-concessions philosophy of Article XXVIII could be imported into intellectual property dispute settlement through an analysis that takes tradeoffs into account. In Part B, we adapt the temporary-suspension philosophy of Article XIX to suggest ways in which a time dimension could be used to allow states to respond to changes in the level of exclusivity resulting from scientific and technological developments. We do not in this paper fully describe how the analysis should proceed, although options include altering the burden of proof in cases where the challenged action is part of a tradeoff, or treating such cases as nonviolation complaints which would require the complaining state to establish additional elements, such as an intent to inflict harm or distort intellectual property markets.<sup>22</sup> Instead, we elaborate on the different types of tradeoff that could be imagined, and assess their respective claims to benefit from the neo-federalist value of state autonomy that we seek to advance.

### A. Tradeoffs

Above, we characterized domestic lawmaking in the intellectual property arena as quasi-contractual, involving tradeoffs among interest groups. Admittedly, not all legislative schemes that contract intellectual property rights involve tradeoffs. For example, the Omnibus Appropriations Act of 1998 included, along with budget allocations, provisions on a miscellany of issues—among them, the ban on ownership of Cuban-related trademarks (which was later successfully challenged in the WTO<sup>23</sup>). It did not include any compensating measures that enhanced intellectual property—let alone trademark—protection. Nothing in what we say here would affect the assessment of measures enacted in this way.

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<sup>20</sup> See WTO 4th Doha Ministerial Conference, *Declaration on the TRIPs Agreement and Public Health*, WT/MIN(01)/DEC/2 (Nov. 14, 2001), available at [www.wto.org/english/thewto\\_e/minist\\_e/min01\\_e/mindecl\\_trips\\_e.htm](http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_trips_e.htm) [hereinafter *Declaration on the TRIPs Agreement and Public Health*]; see also WTO General Council, *Implementation of Paragraph 6 of the Doha Declaration on the TRIPs Agreement and Public Health*, WT/L/540 (Aug. 30, 2003), available at [www.wto.org/english/tratop\\_e/implem\\_para6\\_e.htm](http://www.wto.org/english/tratop_e/implem_para6_e.htm).

<sup>21</sup> Exceptions must be limited, must not unreasonably conflict with normal exploitation of the protected work, or unreasonably prejudice the right holder (taking account, in the case of patents, of the interests of third parties). See TRIPs Agreement, *supra* note 2, arts. 13, 30.

<sup>22</sup> The TRIPs Council is currently considering the role for non-violation complaints.

<sup>23</sup> See Appellate Body Report on United States—Section 211, *supra* note 3.

However, where intellectual property provisions come into law through a process of give-and-take among stakeholders in the creative industries, we suggest that there are circumstances where that process should be taken into account. As suggested above, this sort of calculus would not be entirely novel in that it can be seen as analogous to Article XXVIII of the 1947 GATT. As Kyle Bagwell and his coauthors explain, the theory underlying Article XXVIII is that a state that adopts a policy impinging on its trade commitments can nonetheless be regarded as GATT-compliant if balancing concessions maintain market access overall.<sup>24</sup> In the intellectual property context, where compliance with TRIPs commitments can raise the price of goods, market exclusivity is a more important metric than market access. Thus, our argument is that a provision reducing the level of protection should survive scrutiny so long as it is part of a legislative deal that preserves market exclusivity overall. There are a variety of scenarios that should be considered; we focus on those that reflect actual or likely legislative compromises.

### 1. Contemporaneous intra-regime tradeoffs

The Sonny Bono Act illustrates perhaps the most typical variation, in which a specific statutory reform includes both a provision that enhances protection and one that reduces it within the same intellectual property regime. As noted above, the danger in such cases is that the different components of the tradeoff will be subjected to different levels of scrutiny, notwithstanding that the general level of protection—both before and after the reform—are approximately constant. If one provision (the decrease in protection) is invalidated, while the other is upheld, then the bargain is undone. Thus, we argue that adjudicators should take into account the broader national context in which the challenged provision was enacted.

Of course, some level of scrutiny of the protection-reducing measure is required. Even if the same level of overall protection is maintained, it may be that the reallocation undermines the goals of the GATT as a whole. For example, balancing broader protection of works that are primarily exported by shortchanging works that are predominantly of foreign origin could distort trade—arguably, without violating the national treatment provision.<sup>25</sup> Nonetheless, the reduction in protection might be judged to violate minimum standards.

A TRIPs panel must also consider whether the package does, indeed, achieve overall balance. However, the standard should not be overly strict and one to one correspondence between benefits and detriments should not be required. For example, the Sonny Bono Act was overinclusive, in the sense that the benefits of the Act (term extension) accrued to all copyright owners, while the contraction (the reduced scope of public performance rights) affected only holders of rights in nondramatic musical

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<sup>24</sup> See Kyle Bagwell, Petros C. Mavroidis & Robert W. Staiger, *It's a Question of Market Access*, 96 AM. J. INT'L L. 56 (2002). As we discuss later, Art. XXVIII contemplates negotiation before concessions can be withdrawn.

<sup>25</sup> See, e.g., *Canada-Pharmaceutical Products*, *supra* note 11. So long as the legislation focuses on specific economic issues, the impact on particular fields may not be regarded as a de jure violation of equal treatment provisions. There may be a claim of de facto discrimination, but as we argue elsewhere, these claims should be subject to rigorous scrutiny.

works. But everyone who lost protection also enjoyed the benefits. Since the imbalance, overall, was in the direction of increasing copyright protection, it accords with the protective slant of the Agreement.<sup>26</sup>

Obviously, valuation of the costs and benefits will present difficult issues. In the case of Hatch-Waxman, for example, many patent holders complain that term extension does not fully compensate them for the scope they lost by the regulatory review exception.<sup>27</sup> Furthermore, in cases in which the tradeoff is underinclusive, in that the parties who were adversely affected did not enjoy equivalent gains, this approach may not save the legislation in question.<sup>28</sup> However, the fact that this analysis will not always yield a finding of compliance is not a reason to reject it; indeed, its more limited application shows that it will not undermine the basic gains of the TRIPs Agreement secured by intellectual property holders.

## 2. Contemporaneous inter-regime tradeoffs

There could be situations where a legislature reduces the level of one form of intellectual property protection while increasing protection in another intellectual property regime. For example, the U.S. Congress could decide to eliminate design patents and liberalize trade dress protection for product designs.<sup>29</sup> Similarly, it could limit copyright protection of software to wholesale piracy of the literal aspects of programs, while explicitly endorsing the case law holding that software and computer processing are patentable.<sup>30</sup> In both cases the reduction in protection is arguably challengeable—the design provision under Article 25 and the software provision under Article 10(1).

The formalism with which the Agreement is currently interpreted may make such inter-regime tradeoffs particularly unlikely to be considered by adjudicators, but we believe that a broader perspective of the overall reform should again (though in fewer circumstances than with intra-regime tradeoffs) save particular provisions from invalidation. This argument will be hardest to make where the TRIPs Agreement explicitly provides for protection of stated subject matter within specific regimes, as might be the case, for example, with respect to the protection of software under copyright law. It might also be difficult where the duration of protection is precise and differs between regimes, or where other incidents of protection (such as what amounts to infringement) are clearly stated in the TRIPs Agreement and radically different from one intellectual property regime to another.

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<sup>26</sup> Of course, if the TRIPs Agreement were modified to include substantive maxima, or user rights—as we have separately advocated—this analysis would change. See Graeme B. Dinwoodie, *The Institutions of International Intellectual Property Law: New Actors, New Sources and New Structures*, in PROCEEDINGS OF THE 98TH ANNUAL MEETING OF THE AMERICAN SOCIETY OF INTERNATIONAL LAW 213, 218 (2004); Rochelle Cooper Dreyfuss, *TRIPs-Round II: Should Users Strike Back?*, 71 U. CHI. L. REV. 21 (2004).

<sup>27</sup> See Laura J. Robinson, *Analysis of Recent Proposals to Reconfigure Hatch-Waxman*, 11 J. INTELL. PROP. L. 47, 52 n.42 (2003).

<sup>28</sup> Given the relative strength of the interest groups that favor greater protection and the groups who favor reduced protection, underinclusiveness is a situation that is less likely to occur in practice.

<sup>29</sup> Cf. *Atkinson & Yates Boatbuilders Ltd. v. Hanlon*, [2003] 27 C.P.R. (4th) 195 (Can.) (prohibiting manufacture of similar boat hull design under passing off theory, inferring likelihood of confusion from intentional copying).

<sup>30</sup> *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998), *cert. denied*, 525 U.S. 1093 (1999).

Nonetheless, undue formalism fails to recognize legal and commercial realities. The intellectual property regimes are converging such that there are instances in which particular subject matter could rationally be protected under more than one rubric. Moreover, regulatory liberalization of the information industries has facilitated active cross-sectoral consolidation, particularly in the media.<sup>31</sup> The result is that players in these sectors are less invested in specific strategies, or in particular intellectual property rights, for appropriating gains and recapturing investments. At the same time, these changes may require nations to experiment with different legal approaches in order to decide which works best; in the interim, protection may become excessive. Thus, it is quite important that the TRIPs Agreement not be read to prevent member states from switching legal regimes or rolling back excessive protection to the international minimum.<sup>32</sup>

For example, the abolition of the U.S. design patent system could instigate a complaint against the United States on the grounds of Article 25 of the TRIPs Agreement. But trade dress protection for product design under §43(a) of the Lanham Act arguably provides a scope of protection which, while not identical, is comparable (and probably in practice more effective) than that available through the current design patent system. If the abolition of the patents on design prompted a challenge under Article 25, could the United States claim that the expansion of trade dress protection satisfied its TRIPs obligations? The thresholds for protection and the subject matter of industrial design protection under Article 25 are amenable to the application of widely different rules in national law. In such a case, the ability of producers to capture the amount of return guaranteed by the design provisions of the TRIPs Agreement should be accorded greater weight than the form that the protection takes.

Again, the existence of a tradeoff should not be considered dispositive of compliance. Further examination is needed. As noted above, compliance with minimum standards requires rough equality between the tradeoffs. Adjudicators should also make sure that the change does not violate other TRIPs guarantees. Further, when the intellectual property regime is changed, a finding of compliance should depend on whether the affected parties have to make fresh investments in order to take advantage of the substitute form of protection.<sup>33</sup>

### 3. Contemporaneous external tradeoffs

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<sup>31</sup> See Yochai Benkler, *A Political Economy of the Public Domain: Markets in Innovation Goods Versus the Marketplace of Ideas*, in EXPANDING THE BOUNDARIES OF INTELLECTUAL PROPERTY: INNOVATION POLICY FOR THE KNOWLEDGE SOCIETY 267, 291-292 (Rochelle Cooper Dreyfuss et al. eds., 2001).

<sup>32</sup> Of course, the values attendant to national legislative flexibility are not limited to those advanced in this paper. See Graeme W. Austin, *Valuing "Domestic Self-Determination" in International Intellectual Property Jurisprudence*, 77 CHI.-KENT L. REV. 1155 (2002); Graeme B. Dinwoodie, *A New Copyright Order: Why National Courts Should Create Global Norms*, 149 U. PA. L. REV. 469 (2000).

<sup>33</sup> By "fresh investments," we do not mean to suggest that the need to make application to receive protection rather than receive automatic protection should of itself preclude the alternative form of protection from satisfying TRIPs obligations (unless the Agreement specifically mandated protection without formalities, such as the Berne Convention does for copyright).

The hardest case for taking account of legislative tradeoffs is presented by the situation where the benefits are accorded outside the forms of protection encompassed by the TRIPs Agreement. For example, although the principal offsets in the Hatch-Waxman Act are found in the Patent Act, the deal was partially executed through provisions in the Food, Drug, and Cosmetics Act (FDA).<sup>34</sup> Presumably, other tradeoffs could be enacted in this way as well, and there could be situations where the benefits to user groups (the protection-reducing measures) are in intellectual property legislation while the protection-enhancing provisions are in other laws. Should this legislative strategy affect the weight given to the tradeoff?

Given the formalism of TRIPs dispute resolution, it seems unlikely that nonintellectual property provisions would be considered to satisfy TRIPs obligations. Indeed, because the TRIPs Agreement expressly permits substitution of non-intellectual property regimes in certain clearly identified cases,<sup>35</sup> reliance on outside regimes in other circumstances could meet an *expressio unius est exclusio alterius* response. Even when viewed less formalistically, there might be problems. Relying on compensating protections that are outside the intellectual property system (as defined by TRIPs) has many of the same problems as other tradeoff analyses. Valuation problems are exacerbated because the forms of protection are likely to differ sharply from those of standard intellectual property regimes. In addition, shifting the regime of protection may radically undermine investment-based expectations (reliance interests) that are at the heart of the TRIPs bargain. Looking back at the design example in the previous section, because design producers were surely aware of trade dress protection when they made their initial investments, their expectations would not be dashed by abolishing design patent protection. Similarly, players in the pharmaceutical business are well informed about the regulatory regime imposed by the FDA.<sup>36</sup> In other situations, the change in regimes may be less foreseeable and more disruptive. For instance, switching from a patent system to a bounty system or to a tax subsidy regime would present problems. The returns, and the rate at which they are provided, are highly dissimilar.<sup>37</sup> There would be transition problems for those who made their investments in reliance on patent protection because they may not be in a position to fully utilize their tax benefits to offset costs. Further, an assessment of equivalence should arguably take into account the indirect, nonmonetary benefits of the regime relinquished. For example, patents are

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<sup>34</sup> The main provisions are in the Patent Act, 35 U.S.C. §§ 156 and 271(e). However, provisions regarding the way in which generic producers challenge patents are to receive compensation for such challenges are found in 21 U.S.C. § 355. *See generally*, Alfred B. Engelberg, *Special Patent Provisions for Pharmaceuticals: Have They Outlived Their Usefulness?*, 39 IDEA 389 (1999).

<sup>35</sup> *See* TRIPs Agreement, *supra* note 2, at arts. 23 n.4, 27(3)(b).

<sup>36</sup> *See* Rebecca S. Eisenberg, *Reexamining Drug Regulation from the Perspective of Innovation Policy*, 160 J. INSTITUTIONAL & THEORETICAL ECON. 126 (2004).

<sup>37</sup> Consider, for example, the proposal in Steven Shavell and Tanguy van Ypersele, *Rewards Versus Intellectual Property Rights*, 44 J. L. & ECON. 525, 529-530 (2001), to give inventors a choice between a patent and a bounty. The ostensible voluntary nature of the tradeoff hides the fact that once one inventor in a product market elects the bounty, others are unlikely to survive on the market charging supracompetitive prices.

used for signaling and to facilitate cross-licensing and pooling; similar benefits may not be available in a tax system.<sup>38</sup>

But there may be circumstances when such tradeoffs should be taken into account. As the FDA and design examples demonstrate, the impact of change on a rights holder's expectations will not always be dramatic. In such cases, adjudicators should accord deference to national political choices. This is especially true when the TRIPs obligation is expressed in language that is more in the nature of a standard rather than a specific rule, where the provision implicates allocation of national resources, and, of course, where the Agreement specifically recognizes national autonomy.<sup>39</sup> It is also worth noting that the places where TRIPs currently envisions non-intellectual property regime enforcement are instances where international protections are in flux (the protection of plants and geographic indications); similar flexibility would be useful in other situations that involve emergent norms (such as trade secrets and rental rights).<sup>40</sup>

## **B. Timing**

As noted above, Article XIX of the GATT provides another avenue for accommodating federalism values. Under this provision, compliance is, essentially, measured over time. WTO members are allowed to suspend obligations and withdraw concessions for the period necessary to deal competitively with unforeseen developments that result in an increase in imports causing, or threatening to cause, serious injury. A calculation based on increasing imports is not directly transferable to the TRIPs Agreement because TRIPs commitments have a more complex effect on imports: they can lead to a decrease in imports (by raising prices to supracompetitive levels) or to an increase (by increasing incentives to exploit the market). Instead, the problem for intellectual property is the changing nature of science and knowledge production. Technologies are developed, institutions change, and rights are created, triggering competitive concerns and threatening progress. Just as members may need transitional periods where they learn to deal with rising imports, they need flexibility to deal with these sorts of changes.<sup>41</sup>

Indeed, an argument can be made that members need even more flexibility to deal with new technologies than with new trade problems. In the trade regime, new commodities trigger fresh negotiations. As Andrew Guzman has pointed out, these negotiations are exercises in sovereignty: an agreement to a new round of concessions represents a contract among states to cede authority under

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<sup>38</sup> See, e.g., Clarisa Long, *Patent Signals*, 69 U. CHI. L. REV. 625 (2002); Robert P. Merges, *Contracting into Liability Rules: Intellectual Property Rights and Collective Rights Organizations*, 84 CAL. L. REV. 1293 (1996).

<sup>39</sup> See, e.g., TRIPs Agreement, *supra* note 2, at art. 41(5) on enforcement obligations.

<sup>40</sup> A problem (or, perhaps, an opportunity) with permitting consideration of such tradeoffs is that it might touch on the issue of nonviolation complaints. We discuss this topic briefly below.

<sup>41</sup> In fact, the TRIPs Agreement uses temporal mechanisms to create such flexibility in that it includes transitional rules that reduce compliance obligations for developing countries. However, these provisions are aimed only at national problems that existed at the time the Agreement went into force; new developments must be handled through narrowly drawn provisions like articles 13, 30, and 31, which we previously noted are highly circumscribed.

specified circumstances.<sup>42</sup> With TRIPs, however, new technologies may be automatically amalgamated into each member's obligations.<sup>43</sup> Since there is no room to exercise sovereign authority at the time a technology is subsumed in the international regime, greater autonomy may be needed as its ramifications become evident.

### 1. Supporting emerging industries

Closest in spirit to Article XIX (as we conceptualize it) would be measures that relax intellectual property protections to support emerging information industries. Consider, for example the cable retransmission rules of the U.S. Copyright Act.<sup>44</sup> Because these provisions essentially reduce the scope of copyright protection by permitting certain free and unauthorized transmissions, they are not easily understood as a matter of copyright policy.<sup>45</sup> Rather, they are intended to pursue telecommunications policy—they helped to establish and stabilize cable technology when it was under development, and were, in actuality, enacted through a compromise brokered by the Federal Communications Commission rather than the Copyright Office.<sup>46</sup> These measures were also passed before TRIPs went into effect and have not been challenged. However, if they became the subject of a complaint, they would presumably be evaluated under the three-part test of Article 13. Perhaps they would survive this analysis on their own. However, we would argue that their survival should not be made to depend on the happenstance of the formalistic way in which that test is administered. The retransmission rules were enacted to stimulate the economy at a crucial time in the development of a technological infrastructure important to the creative

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<sup>42</sup> Andrew T. Guzman, *Global Governance and the WTO*, 45 HARV. INT'L L.J. 303, 346-47 (2004).

<sup>43</sup> For example, art. 27 requires protection for "all fields of technology" and without discrimination as to the place of invention. And, more generally, structural provisions (such as the national treatment and most-favored-nation obligations) and enforcement obligations apply to "intellectual property," which might be conceptualized to include new property rights crafted for emerging technologies. See TRIPs Agreement, *supra* note 2, at arts. 27, 41(1) ("Members shall ensure that enforcement procedures as specified in this Part are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement"); J.H. Reichman, *Universal Minimum Standards of Intellectual Property Protection Under the TRIPs Component of the WTO Agreement*, 29 INT. LAW. 345, 350 (1995) (suggesting that whether members can "escape the MFN and national treatment clauses of the TRIPs Agreement will . . . depend on a variety of factors" including "the extent to which decision makers interpret 'intellectual property' as narrowly defining the seven categories of subject matter to be protected or as broadly defining certain modalities of protection."); Appellate Body Report on United States—Section 211, *supra* note 3, at para. 335 (rejecting a narrow reading of the term "intellectual property"). Thus, it remains an open question whether the European Union's so-called "database right" can properly be denied nationals of other WTO members without violating national treatment obligations. See generally, Guido Westkamp, *TRIPs Principles, Reciprocity and the Creation of Sui-Generis-Type Intellectual Property Rights for New Forms of Technology*, 6 J. WORLD INTELL. PROP. 827 (2003).

<sup>44</sup> 17 U.S.C. § 111(1999); See also 17 U.S.C. § 119 (2002) (covering satellite retransmissions).

<sup>45</sup> For example, at the birth of cable television, broadcasters and content providers claimed that copyright incentives would be reduced if retransmission was permitted, see, e.g., STAFF OF HOUSE COMM. ON THE JUDICIARY, 89TH CONG., COPYRIGHT LAW REVISION PART 6: SUPPLEMENTARY REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW: 1965 REVISION BILL (Comm. Print 1965) (calling cable transmissions a "free ride" and a "moral wrong"), yet in a sense, cable would improve incentives by widening the markets for the protected works. The Supreme Court cases on this issue, *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390 (1968) and *Teleprompter Corp. v. Columbia Broadcasting System, Inc.*, 415 U.S. 394 (1974), are hardly models of clarity.

<sup>46</sup> See, e.g., Memorandum Opinion and Order on Reconsideration of Cable Television Report and Order, FCC 72-108, 36 F.C.C.2d 143 (1972), *reconsideration granted in part by* FCC 72-530, 36 F.C.C.2d 326; Timothy Wu, *Copyright's Communications Policy*, MICH. L. REV. (forthcoming 2005), available at <http://faculty.virginia.edu/timwu/occp.pdf>.



industries. If these industries are to flourish, and new industries are to emerge, then adjudicators must take a nation's decision to support these developments into account when determining compliance with TRIPs.

To be sure, there is a significant difference between the cable rules and the measures contemplated by Article XIX: under the GATT, the industrial support initiative must be temporary. At the end of the day, the United States could not have used this approach to justify an enduring cable retransmission law. However, were this form of analysis to become part of TRIPs jurisprudence, the availability of such a defense might lead Congress to put sunset provisions into future industry-support legislation. In this connection, it is not insignificant that many argue that a sunset provision should have been included in the cable rules, and that, in fact, the retransmission right should now be changed because the exigencies that warranted it no longer exist, and—more importantly—because the cable industry now has so much power, it can use these rules to thwart the vitality of older technologies (such as broadcast), and to impede the development of new technologies that are not covered by the provision (such as the Internet).<sup>47</sup>

## 2. Reacting to emerging technologies

Legal change may not only be the catalyst for developing new technologies, new technologies may also be the catalyst for legal change. In assessing whether the overall level of intellectual property protection complies with TRIPs, we believe that adjudicators should take into account how changing social practices and new technological opportunities alter the balance of protection accorded to innovative works.

An example is the levy system that most European countries impose on the sale of recording equipment. Arguably, this is a right of the copyright owner in that it provides compensation to authors in return for use of their work in private copying, where it would be difficult to collect royalties. However, Article 5 of the European Copyright Directive now contemplates the reduction (arguably to zero) of some of these levy payments. Although the Europeans claim that the levy system falls outside the scope of the TRIPs Agreement, abolishing levies arguably “conflict[s] with the normal exploitation of the work,” in violation of Article 13.

How should such a claim be analyzed? If one looks simply at the levy reform, the abolition would appear vulnerable to challenge because private copying “could detract significantly from the economic

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<sup>47</sup> An analogue on the patent side may be proposed changes in patent law to accommodate university-based research. Since passage of the Bayh Dole Act, universities have become players in the patent system and courts consider them the equivalent of commercial actors. Yet strong arguments can be made that universities are quite different (their endowments cannot be deployed as freely as venture capital; human capital is similarly differently utilized). One could imagine legislative changes that roll back patent protection to support university research. If such a roll back were challenged in the WTO, we believe that the motivation to support the vitality of university research should be considered part of the legislative package. Again, because the nature of university research could be contemplated to change over time, sunset provisions would help.

returns anticipated from a . . . grant of market exclusivity.”<sup>48</sup> Yet, the Directive will reduce levies only when the application of digital rights management systems (DRMs) would facilitate a return by copyright owners at least equivalent to what would have been obtained under levies. To us, the technical capacity of DRM to secure equivalent returns should be regarded as the tradeoff for reducing formal legal protections.

More generally, we believe that adjudicators should focus on the technological context in which legal rules operate. Without that perspective, replications of the one-way ratchet phenomenon described above in connection with the Sonny Bono Act will likely proliferate. Thus, technological capacity to infringe copyright has been cited as a justification for national measures enhancing the rights of copyright owners. For instance, the anticircumvention provisions of the Digital Millennium Copyright Act are often defended on the grounds that widespread copying has undermined incentives for the production of digitized works.<sup>49</sup> Because of the deferential review under national law, these provisions tend to survive challenge.<sup>50</sup> If protection-contracting provisions are subjected to more intrusive scrutiny, a nation’s ability to consider law and technology as a package that in combination strikes an appropriate balance of protection will be distorted: legislators will be able to take into account technology’s capacity to undermine rights, but not to enhance them. Thus, if technological tradeoffs can justify the enhancement of protection at the national level, they should also be available at the international level to justify contractions.

The packaging of social and legal change is also relevant to initiatives that respond to the inherent nature of scientific advances. For example, many recent fundamental discoveries have a dual character; they are both principles of nature and end-use applications. As such, they are considered patentable subject matter. But as these “upstream” inventions become subject to exclusive rights, the conduct of fundamental research may be impeded and progress stifled. If this proves to be the case, it may become necessary to reduce the scope of protection, for example by creating an experimental use defense. But any reduction in scope, if considered separate and apart from the science that drives it, could result in a successful challenge in the WTO. To avoid chilling progress, contextual examination is thus required and the reactionary nature of the contraction measure should be taken into account in resolving the challenge. If the combination of the change in science and the legal contraction maintains similar levels of protection, the legal change should not be regarded as violating minimum standards. In a sense, those

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<sup>48</sup> Panel Report on Canada–Pharmaceutical Products, *supra* note 11, at ¶ 7.55 (analyzing the analogous provision in art. 30); *see also* Panel Report on United States–Section 110(5), *supra* note 10, at ¶ 6.183 (holding that an exception would rise “to the level of a conflict with a normal exploitation of the work . . . if uses, that in principle are covered by that right but exempted under the exception or limitation, enter into economic competition with the ways that right holders normally extract economic value from that right to the work . . . and thereby deprive them of significant or tangible commercial gains”).

<sup>49</sup> *See* Shira Perlmutter, *Is Copyright Expanding?*, Meyer Memorial Lecture 15-16 (May 21, 2003).

<sup>50</sup> *See* *Universal City Studios, Inc. v. Corley*, 273 F.3d 429 (2d Cir. 2001); *see also* Reese, *supra* note 14 (discussing deferential levels of review).

who made fundamental discoveries are no worse off with a patent of narrow scope than they were when their work was considered unpatentable.

#### *IV. Countervailing Considerations: Decisionmaking, Norms, and Democratic Values*

Three sorts of critiques can be leveled at our approach: that it will make decisionmaking too complex; that it will undermine WTO norms; and that it will interfere with democratic values.

##### **A. Decision-making**

The first problem has been alluded to throughout: measuring tradeoffs will certainly add to the work required to resolve TRIPs disputes. While we acknowledge that this is true, we do not believe it to be dispositive.

Our proposal adds to the workload in two ways: it requires panels to define the terms of the package that produced the challenged action and then to value the tradeoffs made to determine the package's overall effect. As to the first—defining the package—the problem is likely to be transitory. If member states want to benefit from the type of analysis we advance, they will surely develop legislative techniques that make the tradeoffs they enact into law explicit. Such techniques can only be advantageous, both to the efficiency of WTO dispute resolution and to the transparency of domestic legislation.

In contrast, evaluating and comparing the elements of a tradeoff are likely to be enduring concerns, particularly in the case of inter-regime or external tradeoffs. Such evaluations are, however, likewise a problem with the GATT as a whole: each round of negotiations requires members to determine whether the benefits they receive in one area are worth the costs suffered in other sectors.<sup>51</sup> Members have not pulled out of the GATT because of the difficulty of this task, even after the Uruguay Round made valuations even more complex by requiring tradeoffs between intellectual property and trade protection. Admittedly, accurate valuation is more critical in the rule-bound context of adjudication than it is in the diplomatic environment of negotiation, where members retain the sovereign authority to broker deals. However, even the adjudication of minimum-standards complaints has not proved straightforward; analyzing legislation contextually is likely to prove a marginal complication.<sup>52</sup>

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<sup>51</sup> See, e.g., Guzman, *supra* note 42, at 319-320. For example, it has been suggested to us that the tradeoff of the Sony Bono Act is not sufficient because the future value of the last 20 years of the copyright term is very low. However, the compensation the United States is paying on account of the Section 110(5) violation is likewise modest.

<sup>52</sup> See Panel Report on United States–Section 110(5), *supra* note 10; see also Report of Arbitrators, United States–Section 110(5) of the U.S. Copyright Act–Recourse to Arbitration under Article 25 of the DSU, WT/DS160/ARB25/1 (Nov. 9, 2001), available at [http://docsonline.wto.org/gen\\_search](http://docsonline.wto.org/gen_search) [hereinafter Report of Arbitrators, United States–Section 110(5)].

## B. WTO norms

There are several bases on which it could be claimed that an approach of the type we suggest is incompatible with evolving norms within the WTO.

To begin, there are at least two decisions that reject the notion of tradeoffs.<sup>53</sup> As to these, however, we note that both concern denials of national treatment. National treatment goes to the heart of the TRIPs Agreement; it is a commitment that structures the core relationship between member states. It has been the foundation for international intellectual property law for over a century, and a cornerstone of the trade regime of which intellectual property law is now part. Here, the principles of the trade regime and the international intellectual property system have been consonant for an extended period of time. The right to discriminate among trading partners is the one element of sovereignty that a nation clearly cedes when it joins the WTO and the international intellectual property system. As we argue elsewhere, it is not as easy to read into the Agreement the decision to cede other facets of sovereignty—including the right to continue to make law in the manner in which the nation is accustomed.

More important objections relate to the analogies we draw to Articles XXVIII and XIX. Of these, the most serious is the claim that these provisions are an artifact of the original GATT and have no place in the system of binding and predicable rules that has evolved over the last half-century.<sup>54</sup> Indeed, the United States' loss in the Steel Safeguards Case<sup>55</sup> may be an indication that no safeguard measure will ever be approved by the Appellate Body.<sup>56</sup>

We do not believe that these observations diminish the force of our argument. That fifty years' experience has apparently produced a clear understanding of the trade rules is heartening, but it would be a mistake to think that the knowledge that has been acquired is a function of the dispute resolution mechanism in place, or that it extends to intellectual property, which presents issues quite different from those arising in trade.<sup>57</sup> Furthermore, we are reluctant to conclude that the absence of winning cases based on these provisions mean they are ineffective. To the contrary, it is quite likely that complaints are not brought when it is clear that one of these provisions would provide a full defense. By the same token, the actions members take may well be guided by their perceptions of what actions are permissible. These provisions are, in short, background rules and our argument is that they are as necessary in the intellectual property context as they are in trade, at least in the early years of the intellectual property agreement.

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<sup>53</sup> See Panel Report on United States—Section 337, *supra* note 3; Appellate Body Report on United States—Section 211, *supra* note 3.

<sup>54</sup> See, e.g., Debra P. Steger, *Afterword: The “Trade and . . .” Conundrum—A Commentary*, 96 AM J. INT'L L. 135, 137-138 (2002).

<sup>55</sup> Appellate Body Report on United States—Definitive Safeguard Measures on Imports of Certain Steel Products, WT/DS248/AB/R, WT/DS249/AB/R, WT/DS251/AB/R, WT/DS252/AB/R, WT/DS253/AB/R, WT/DS254/AB/R, WT/DS258/AB/R, WT/DS259/AB/R, AB-2003-3 (issued November 10, 2003, adopted December 10, 2003) [hereinafter Appellate Body Report on United States—Steel Safeguard Measures].

<sup>56</sup> See, e.g., Raj Bhala & David A Gantz, *WTO Case Review 2003*, 21 ARIZ. J. INT'L & COMP. L. 317, 401 (2004).

<sup>57</sup> See Rochelle Cooper Dreyfuss & Andreas F. Lowenfeld, *Two Achievements of the Uruguay Round: Putting TRIPs and Dispute Settlement Together*, 37 VA. J. INT'L L. 275, 280-282 (1997).

But even under the assumption that these provisions are of enduring significance, problems with our analogy remain. The GATT contemplates consultation among trading partners before action is taken, while we do not. We agree that a practice of consultation is far preferable to a system in which compliance can be rolled back unilaterally. It would avoid surprises and create an opportunity for member states to discuss approaches to new problems. TRIPs does not create a harmonized system, but strong arguments can be made that a degree of global harmonization would be helpful. An avenue to provide for it on a forward-going basis would be an excellent provision to add to the Agreement in a future round. But the inability to impute a specific consultation requirement should not doom our approach. It is not clear that the consultation requirements of Articles XXVIII and XIX have always been complied with in the past, and yet complaints have not been brought on that basis alone. If some sort of reckoning with trade partners is regarded as important, it could be fostered by having panels entertaining complaints consider whether the state made voluntary attempts to address the issue in the TRIPs Council before changing its law. Further, there is some flexibility to achieve a similar result through the remedial provisions of the GATT. Thus, the Understanding of Dispute Settlement contemplates the possibility of negotiating acceptable compensation in lieu of changing a law found incompatible with TRIPs.<sup>58</sup> One way to avoid unraveling domestic deals would be through such a payment—which, in fact, is precisely the approach the United States took in the 110(5) case.<sup>59</sup> Although this approach has problems of its own,<sup>60</sup> payments could be considered substitutes for a consultation requirement pending consideration of this issue in the next round.

Additionally, we should acknowledge that Article XIX has been interpreted to require a sudden increase in imports.<sup>61</sup> Our proposal does not require *sudden* change. However, it is not clear where the suddenness requirement comes from—it is not found in Article XIX or in the Safeguards Agreement.<sup>62</sup> Nor does this requirement fit well in the context of knowledge production. To the extent that suddenness was introduced to encourage states to follow trends, extrapolate from them, and take prophylactic action to help domestic producers mitigate the effect of imports—it is not realistic for TRIPs. The Agreement covers a vast array of fields. It applies to activity that occurs in garrets and garages, in labs and lobes. Changes are not immediately apparent or public. Indeed, one of the innovations of TRIPs is the protection of confidential information and trade secrets. As a result, governments cannot be expected to

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<sup>58</sup> Understanding on Rules and Procedures Governing the Settlement of Disputes art. 22.1, Dec. 15, 1993, WTO Agreement, *supra* note 2, Annex 2, 1869 I.N.I.T.S. 401, 33 I.L.M 1226 (1994).

<sup>59</sup> See Report of Arbitrators, United States–Section 110(5), *supra* note 52; see also John H. Jackson, International Law Status of WTO Dispute Settlement Reports: Obligation to Comply or Option to “Buy Out”, 98 Am. J. Int’l L. 109 (2004) (discussing whether the provision of compensation represents satisfaction of a country’s legal obligations, or whether instead there exists an international law obligation to comply with a dispute settlement report),

<sup>60</sup> Side payments are problematic because they can be used only by countries that are rich enough to afford them, because they do not necessarily compensate the parties harmed by the violation, and because they could undermine the overall objectives of the WTO system as a whole.

<sup>61</sup> Appellate Body Report on United States–Steel Safeguard Measures, *supra* note 55, at ¶ 340 (“recent enough, sudden enough, sharp enough, and significant enough . . . to cause or threaten to cause ‘serious injury.’”).

<sup>62</sup> See Bhala & Gantz, *supra* note 56, at 408.

follow developments in science and culture in the way that a trade ministry can monitor the effect of imports on domestic industries.

Finally, it can be argued that the absence of provisions similar to Arts. XXVIII and XIX in TRIPs negate the availability of the types of flexibility that we propose. We have already hinted that we are not seriously disturbed by *expressio unius* arguments. A system with judicial bite is new to the international intellectual property regime; it is not conceivable that all possible issues were considered before the Agreement was promulgated. Further, because the system was largely negotiated by trade hands, the dynamics of intellectual property lawmaking were not fully appreciated. In particular, the history of TRIPs makes it apparent that negotiators did not have the incentive to fully grapple with the importance of achieving a balance between proprietary rights and public access interests; rather, protection was regarded as an unmitigated benefit in exactly the same way that free trade was regarded as an unequivocal social good.<sup>63</sup> Further, it may be that the negotiators thought that the provisions that were included provided a sufficient level of flexibility;<sup>64</sup> it is only now that the formalism of dispute resolution, and the structural implications of certain provisions, are fully appreciated that the need for specific outlets for domestic deal-making are clear.<sup>65</sup> TRIPs was itself a political package at the international level; the importance of making deals should not be lost in its interpretation. To put this another way, even if the GATT did not include provisions like Arts. XIX and XXVIII, we would be making the same argument about a need for escape valves that accommodate the dynamics of domestic lawmaking.

We also recognize another normative objection to our proposal, which is that there is a danger specific to the notion of taking into account measures that are not codified in intellectual property laws (as defined by the TRIPs Agreement). If non-intellectual property laws can be proffered as evidence of compliance with the Agreement, then symmetry might be said to demand that nonintellectual property laws should be subject to challenge under TRIPs as violation complaints. We reject the inevitability of that argument. In the cases envisioned here, the packaging of non-intellectual property tradeoffs with intellectual property measures provides a nexus between the enactment and the TRIPs Agreement. In such cases, the intent to effectuate an intellectual property result can be presumed (the Hatch-Waxman Act's FDA provisions are examples). But when a nonintellectual property law is enacted as a free-standing measure, it should not automatically invoke TRIPs obligations. Without the intellectual property packaging, no motivation should be imputed.

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<sup>63</sup> See, e.g., SUSAN K. SELL, *PRIVATE POWER, PUBLIC LAW: THE GLOBALIZATION OF INTELLECTUAL PROPERTY RIGHTS* 75-95 (2003).

<sup>64</sup> These would include arts. 7, 8, 13, 27(3), 30, 31, and 41(5). See generally Reichman, *supra* note 43.

<sup>65</sup> Indeed, in addition to adopting a new mechanism to deal with national health emergencies, see *Declaration on the TRIPs Agreement and Public Health*, *supra* note 20, negotiators have, since TRIPs, extended the moratorium on nonviolation complaints and lengthened some of the transitional periods available for least-developing countries. See WTO 4th Ministerial Conference, *Declaration on Implementation-Related Issues and Concerns* ¶ 11, WT/MIN(01)/17 (14 Nov. 2001), available at [www.wto.org/english/thewto\\_e/minist\\_e/min01\\_e/mindecl\\_implementation\\_e.htm](http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_implementation_e.htm) [hereinafter *Declaration on Implementation-Related Issues and Concerns*]; *Declaration on the TRIPs Agreement and Public Health*, *supra* note 20, ¶ 7 (transition periods).

This is not to say that nonintellectual property measures should evade TRIPs scrutiny. However, challenges to the side-effects that such measures have on intellectual property rights are more naturally categorized as nonviolation complaints because they frustrate the objectives of the Agreement rather than breach specific obligations. The role of these complaints and the modality of enforcing them are currently under discussion within the TRIPs Council.<sup>66</sup> The conditions under which a nonviolation complaint can be brought and the scrutiny that will be given to a measure challenged in this fashion will almost certainly be different from the way that violation complaints are handled because different policy considerations apply. Thus, it is important to prevent manipulation of the characterization of the national measure to achieve differing levels of scrutiny. At the same time, the availability of a tradeoff defense should inform the discussions of the TRIPs Council on the conditions under which nonviolation complaints should be available. By the same token, an analysis of a tradeoff defense should be shaped by the outcome of the Council's deliberations.<sup>67</sup>

### C. Democratic values

It has been forcefully argued that the constraints imposed by the WTO system enhance democratic values because the GATT operates as a pre-commitment strategy that reduces rent seeking by certain powerful interest groups.<sup>68</sup> An approach that relaxes those constraints is, arguably, a move in the wrong direction. More prosaically, it could be claimed that any system that promotes logrolling is bad by definition.

In considering this issue, it is important to keep the differences between trade and intellectual property in mind. Given the theoretical premises underlying the GATT, it is easy to understand the argument that GATT is democracy-enhancing. Under that view, free trade is regarded as an unambiguous good because reaping comparative advantages increases social wealth. Interest groups that seek to

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<sup>66</sup> In Paragraph 11(1) of the Ministerial Declaration on Implementation-Related issues and concerns, agreed at Doha on November 14, 2001, Member States directed that "The TRIPs Council . . . continue its examination of the scope and modalities for [non-violation complaints . . . and make recommendations to the Fifth Session of the Ministerial Conference [in Cancun 2003]. It is agreed that, in the meantime, members will not initiate such complaints under the TRIPs Agreement." *Declaration on Implementation-Related Issues and Concerns*, *supra* note 65. No resolution of the issue was reached at the Cancun Ministerial Conference.

<sup>67</sup> Again, it can be argued that WTO members have come to prefer a strict rules-based system in which the "meaningful cause of action for transgressions of th[e] rules is a claim of violating them." Steger, *supra* note 54, at 138. We remain skeptical as to whether the all-or-nothing approach that has evolved in trade will ultimately prove to be an appropriate response to developments on the intellectual property side, especially in its early years. *See generally*, Bagwell et. al., *supra* note 24, at 65-67 (finding a place for nonviolation complaints in the context of nontrade policies that impinge on trade).

<sup>68</sup> *See, e.g.*, John O. McGinnis & Mark L. Movsesian, *The World Trade Constitution*, 114 HARV. L. REV. 511 (2000). More broadly viewed, our proposal may in fact further democratic values. The notion that a domestically balanced package might have improper distorting effects on trade in the broader political arena is of course well recognized in Commerce Clause case law of the United States Supreme Court and in the free movement jurisprudence of the European Court of Justice. But we note that the level of scrutiny applied to such national legislation vis-à-vis the "federal" area is essentially an allocation of prescriptive power between the local and federal authorities. The respective claims of the federal government in the United States and (to a lesser extent) the European Union, on the one hand, and the constituent states of those federal unions, on the other, should be calibrated differently than in the WTO context because the WTO does not possess the same direct claims of legitimacy that the United States or (to a lesser extent) the EU could make.

undermine free trade (“protectionists” in trade parlance) are thinking irrationally or in too short a term. Unfortunately, they include labor and other highly organized entities, while those who stand to benefit from free trade are largely unorganized consumers. Without a powerful side constraint, in the form of an enforceable international agreement, the concentrated group will win domestically, thereby undermining the good of the majority.

Whatever one might think of this argument in the trade context, it is clearly not applicable to intellectual property. In the intellectual property story, the “protectionists” are still the more highly organized group, but the TRIPs Agreement does not constrain them—instead it favors them by insuring that they will enjoy certain minimum levels of protection. It is user groups—the groups that are less organized domestically—who are constrained by TRIPs. In effect, the Agreement reduces their domestic leverage by exposing their legislative wins to the scrutiny of dispute resolution while leaving their legislative losses alone. And yet it is not clear that they are the ones who are thinking irrationally or in the short term. Because knowledge is cumulative and one person’s output is another’s input, intellectual property law needs a domain in which access to information is assured. Accordingly, the law must strive for a balance between producer and user interests. As we have shown, overly narrow or formalistic application of TRIPs can easily destroy the ability of nations to strike that balance.

A system that takes tradeoffs into account can, of course, be condemned as logrolling—as facilitating the raw power of particular interest groups and other rent seekers.<sup>69</sup> However, it is logrolling of a peculiar kind. Because it is only effective as a defense to a TRIPs challenge when there are compensatory benefits on all sides, it creates, in essence, leverage for the benefit of those less able to help themselves (usually, user groups) and, in the final analysis, promotes the enactment of balanced legislation. The nature of the logrolling induced by this proposal is also quite constrained. The tradeoffs must be internal to the system of promoting intellectual progress and initiatives that include a close nexus between expanded and contracted protection (such as tradeoffs within a particular intellectual property regime) are more likely to survive scrutiny than those that do not have such a nexus. This system has other advantages as well. It renders lawmaking more transparent because it rewards clear articulation of the tradeoffs in the legislative package.

Furthermore, the standard critiques of legislative outcomes produced by rent-seeking tend to assume that interest groups have only one forum (a domestic legislature) in which to advance their agendas. Once the possibility of multiple fora—and forum shopping—is introduced into the equation, the analysis might change.<sup>70</sup> Enabling accommodation of competing interests within a single domestic institution, as effected by a more generous treatment of tradeoffs under the WTO system, would reduce the need to

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<sup>69</sup> For a classic account of interest group analysis, see Jonathan R. Macey, *Promoting Public-Regarding Legislation Through Statutory Interpretation: An Interest Group Model*, 86 COLUM. L. REV. 223 (1986). In some ways, this approach to TRIPs adjudication accords nicely with Macey’s notions of statutory interpretation. It recognizes the reality of interest group activity, rewards explicit tradeoffs, and ultimately makes for law that is more public-regarding.

<sup>70</sup> See JOHN BRAITHWAITE & PETER DRAHOS, *GLOBAL BUSINESS REGULATION* 564 (2000) (suggesting different forms of “forum-shifting”).



achieve balance through alternative avenues (such as the development of contrary norms in foreign or international systems). There may be benefits to be gained by encouraging groups to achieve their goals through domestic compromise rather than through forum-shifting or regime-shifting. Seeking substantive compromise within a single institution is likely to be more transparent than the more clandestine back-and-forth of multi-forum lawmaking, which often gives an advantage to those with insider status. Moreover, the results that emanate from a single institutional process are less likely to be a function of the resources of interest groups to engage in transnational lobbying.

By the same token, developing countries have recently seen regime-shifting as a bulwark against the established power balance in international lawmaking, and over time user groups might likewise view the ability to shift forum as a valuable defensive technique.<sup>71</sup> And the lesser *need* to use alternative fora to resolve disagreements is unlikely to constrain interest groups that believe that a more favorable compromise can be achieved than through a domestic deal. Finally, digital communication may be facilitating the development of transnational civil society networks that can increasingly engage with rights holders simultaneously in multiple fora.<sup>72</sup> On balance, the conventional critiques of logrolling are less weighty when the possibility of forum-shifting is introduced to the equation. But we claim the advantages for our approach conscious that the benefits that accrue to the lawmaking system are not without possible costs.

#### V. Conclusion

Our analysis shows the complex, interactive dynamic that now operates in intellectual property lawmaking. Domestic lawmaking and national adjudication increasingly involve international lawmaking processes.<sup>73</sup> Likewise, international lawmakers and adjudicators must take into account political strategies found in national lawmaking, including the practice of tradeoffs, the increasing need to refer to technological or social practices in fashioning appropriate levels of legal protection, and the capacity of non-intellectual property regimes to work in combination with traditional intellectual property rights. The deployment of these lawmaking strategies at the national level will differ from country to country depending not only on varying priorities in innovation policy, but also on differences in their political economy. We believe that the long-term vitality and credibility of the international system depends upon accommodating diversity of political economy as well as a diversity of substantive intellectual property strategies. To do so, however, might require a less formalistic approach to WTO dispute settlement.

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<sup>71</sup> Recent history suggests that developing countries on occasion may also wish to pursue regime-shifting strategies. See Laurence R. Helfer, *Regime Shifting: The TRIPs Agreement and New Dynamics of International Intellectual Property Lawmaking*, 29 YALE J. INT'L L. 1 (2004) (noting that regime shifting may be pursued by both developed and developing countries). Doctrines that discourage alternative fora might also reduce the number of competing norms or approaches that are developed globally; yet a broad menu of empirically tested options might usefully contribute toward the development of an international standard.

<sup>72</sup> See generally KECK & SIKKINK, *supra* note 15 (discussing transnational advocacy networks).

<sup>73</sup> See *Eldred v. Ashcroft*, 537 U.S. 186 (2003) (considering the scope of Congress' constitutional powers in light of the interest in harmonizing U.S. and European Union law); Perlmutter, *supra* note 13, at 330.

We advance that proposition aware of the broader effect that a more flexible approach to forms of national implementation of intellectual property norms might have on the political structure of WTO member states. The WTO system does more than promote free trade. It is often defended as a means to effect juridicization in countries until recently laboring under the weight of totalitarian regimes, or to confine the excesses of political influence in democratic polities. Our recommendations may in fact advance these broader goals, in that, depending upon the doctrines selected to implement them, they may also impose constraints (albeit different constraints from those imposed by current interpretations of the TRIPs Agreement) on state lawmaking. For example, we believe that, especially in so far as they reward transparency in the political process, these new constraints are less damaging than the current ones and may even have some positive benefits. And to the extent that such goals as spreading the reach of certain democratic norms are slowed by our suggestions, we take the view that imposing a formalist, monolithic view of intellectual property rights is not the appropriate way to realize these otherwise important objectives, and the costs to innovation worldwide from such an approach would be too great to bear.

We have sought to implement this philosophy in the context of interpretive strategies that might be deployed by WTO dispute settlement panels and, to a lesser extent, in the development by the TRIPs Council of a role for nonviolation complaints. These are the fora in which the most immediate development of the TRIPs system is occurring. But it may be that the approach that we suggest cannot easily be accommodated within the current structure of the Agreement, in which case it would be appropriate for international negotiators to work toward a modification of the international intellectual property system, perhaps using models found in the trade context.