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SHAPING THE TRIDENT: INTELLECTUAL PROPERTY UNDER NAFTA, INVESTMENT PROTECTION AGREEMENTS AND AT THE WORLD TRADE ORGANIZATION*

*Allen Z. Hertz***

I. INTRODUCTION

The North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)¹ together with various investment treaties are contributing to the implementation of a new tripartite strategy for the protection of intellectual property (IP). The hypothesis is that countries which are net exporters of technology and copyright product now see optimal IP protection in the shape of a trident. The centre prong is effective dispute settlement for the substantive intellectual property rights (IPRs) in NAFTA, TRIPS, the Paris Convention for the Protection of Industrial Property, and the Berne Convention for the Protection of Literary and Artistic Works.² The left prong is made up of the investment disciplines set out in NAFTA, the Energy Charter Treaty,³ a possible Multilateral Agreement on Investment (MAI) and a growing

* DISCLAIMER: I have written this Article as an individual interested in the study of international intellectual property law and *not* as a representative or spokesman of Canada's Department of Foreign Affairs. Accordingly, the views expressed here are offered purely on my own and not on behalf of the Government of Canada. This article is current up to May 1996.

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¹ As of March 29, 1996, one hundred and nineteen countries and territories were WTO Members and were, therefore, Party to TRIPS.

² One hundred and thirty-six and one hundred and seventeen States are now Party respectively to the Paris and Berne Conventions which are both administered by the World Intellectual Property Organization (WIPO). See WIPO Document 423E (Jan. 1, 1996) States Party to the Convention Establishing the World Intellectual Property Organization and/or the Other Treaties Administered by WIPO: Status on January 1, 1996, at 4-9. [hereinafter WIPO Doc.]

³ Energy Charter Treaty [Lisbon, Dec. 17, 1994] 34 I.L.M. 360 (1995). See Thomas W. Waelde, *International Investment Under the 1994 Energy Charter Treaty*, 29 J. WORLD TRADE 5-72 (1995).

network of Bilateral Investment Treaties (BITs) and Foreign Investment Protection Agreements (FIPAs), all of which define "investment" as implicitly or explicitly including IPRs. The right prong is the non-violation complaint alleging nullification or impairment of benefits, first fully elaborated under the General Agreement on Tariffs and Trade (GATT 1947) and now incorporated in both NAFTA and the WTO Understanding on Rules and Procedures Governing the Settlement of Disputes. Creating this trident seems to be the goal of the net exporters seeking ever higher levels of protection for their valuable IPRs. For the net exporters, the trident is a cleverly crafted instrument, the three prongs of which would ideally be available in any fully integrated trade agreement with interlocking provisions on investment, IPRs, and dispute settlement. Therefore, to be examined here will be: Part 2: IPRs and binding dispute settlement; Part 3: IPRs and the non-violation complaint; Part 4: IPRs and international investment protection regimes; and Part 5: cultural industries exceptions.

A. *What is Intellectual Property?*

For the scope of IPRs, reference can be made to the NAFTA definition which speaks of "copyright and related rights, trademark rights, patent rights, rights in layout designs of semiconductor integrated circuits, trade secret rights, plant breeders' rights, rights in geographical indications and industrial design rights."⁴ IP is commonly understood to be intangible property because the relevant rights refer to an asset which is incorporeal. Furthermore, IP is always concerned with information in the sense that IP focuses on rights with respect to the use of information. An IPR is typically articulated *negatively* as a right to prevent the relevant information's unauthorized use and *positively* as the right to authorize its use via licensing or assignment. Each IP law (*e.g.*, Canada's Copyright Act) can be understood as a special regime of rights with respect to an information category which is authoritatively defined (*e.g.*, by the statutory criteria determining a work's eligibility for copyright protection).

Fitting within the usual domestic criteria for the relevant IP regime

⁴ NAFTA, art. 1721(2). Except for the NAFTA definition's explicit reference to plant breeders' rights, the NAFTA definition is the same as the definition of IPRs in TRIPS, Article 1(2). Although the TRIPS definition does not specifically refer to plant breeders' rights, WTO Members are required to protect plant varieties "either by patents or by an effective *sui generis* system or by any combination thereof." See TRIPS, art. 27(3)(b), which corresponds to the last sentence of NAFTA, art. 1709(3).

are the following examples of pure information: (a) the unique form of expression embodied in the pattern of ones and zeros of an original computer program; (b) a secret process for blending scotch whiskey; (c) the semiotic of a trademark associated with an individual manufacturer's business; or (d) the particulars of a pharmaceutical invention. Even the proto-IP implicit in the 1992 Biodiversity Convention's recognition of a State's sovereign right to its genetic resources is in part a claim to rights in information, *i.e.* rights in connection with the distinct genetic pattern embodied in a DNA sequence drawn from a plant or animal said to originate in that State's territory.⁵ IP law can, therefore, be seen as a significant category of information law, alongside generally newer subsets including laws relating to official secrets, data protection, credit reporting, privacy, and access to information. Seeing IP regimes as a species of information law helps to explain why IPRs are skyrocketing in importance now that we live in the "information age" or the "knowledge society" where manufacturing is being eclipsed by services and factory labourers are becoming fewer than knowledge workers.⁶

B. What Are the Options for Treating Foreign Rightholders?

Apart from setting minimum standards for the protection and enforcement of domestic IPRs, international IP conventions *inter alia* focus on the treatment of foreign rightholders. Treaties and domestic law generally include one or more of the following possibilities for the treatment of foreign rightholders with respect to a given IPR: (i) *national treatment*—we⁷ treat a foreign rightholder under our law the same way we treat our own nationals [the foreign national's country may not provide the relevant right or may provide it to a greater or lesser extent than we do];⁸ (ii) *most-favoured-nation (MFN) treatment*—a foreign

⁵ 1992 Rio Convention on Biological Diversity, Preamble; arts. 2-4; 15(1), (7); 16(3); 19.

⁶ In developed countries, knowledge workers are said now to make up approximately one-third of the total workforce, with another third providing skilled services. In developed countries, the percentage of workers actually "making or moving things" was over 50% in 1950, dropped to 20% by 1990, and is expected to fall to 10% by 2010. See PETER DRUCKER, *POST-CAPITALIST SOCIETY* 40, 64 (1993).

⁷ For ease of presentation, "we" and "our" here refer not specifically to Canada, but rather to the domestic perspective from any country contemplating the treatment of foreign rightholders.

⁸ National treatment's meaning and purpose is explained by STEPHEN M. STEWART, *INTERNATIONAL COPYRIGHT AND NEIGHBOURING RIGHTS*, 38-43 (2d ed. (1989)). WIPO's Director of Copyright, Mihály Ficsor explores national treatment in WIPO Document 8352D/COP/0595D (May 27, 1993) *Statement on the Questions Concerning National Treatment in Respect of a Possible Protocol to the Berne Convention*. The Berne and Paris Conventions require foreign rightholders to receive "the same protection" as nationals. By contrast, NAFTA article 1703(1)

rightholder receives treatment no less favourable than the treatment we give nationals of any other foreign country [the foreign national's country may not provide the relevant right or may provide it to a greater or lesser extent than we do];⁹ (iii) *formal reciprocity*—we treat a foreign rightholder the same way we treat our own nationals if the foreign national's country provides national treatment to our nationals [the foreign national's country may provide our nationals with a right that is greater or lesser than the right we provide];¹⁰ (iv) *material reciprocity*—we allow the foreign rightholder the benefit of the right in our law only if, and to the extent that, his country's law provides the relevant right to our nationals [as long as the relevant right is provided, the extent of protection in the foreign country may diverge substantially from what we provide to our own nationals];¹¹ and (v) *reciprocal rights*—we allow a foreign rightholder the full benefit of the protection of the right in our law only if his country's law offers our nationals the protection of a right substantially equal to the one our law provides [the right provided by our law and by the foreign country's law must be fairly similar].¹²

and TRIPS, article 3(1), require "treatment no less favourable." NAFTA and WTO panels may some day show this distinction to be of some significance.

⁹ On MFN clauses, see ARNOLD DUNCAN, LORD MCNAIR, *THE LAW OF TREATIES* 272-305 (1961). An MFN requirement features in neither the WIPO treaties nor NAFTA's Intellectual Property Chapter. However, there is an MFN requirement in TRIPS, article 4. On MFN in the GATT, see JOHN H. JACKSON, *THE WORLD TRADING SYSTEM: LAW AND POLICY OF INTERNATIONAL ECONOMIC RELATIONS* 133-48 (1989).

¹⁰ Formal reciprocity is a possibility under Canada's Copyright Act, Section 5(2): "Where the Minister certifies by notice, published in the *Canada Gazette*, that any country that is not a Berne Convention country grants or has undertaken to grant, either by treaty, convention, agreement or law, to citizens of Canada, the benefit of copyright on substantially the same basis as to its own citizens . . . , the country shall, for the purpose of the rights conferred by this Act, be treated as if it were a country to which this Act extends . . ." With respect to record performers' secondary use rights, NAFTA art. 1703(1), appears to require at least formal reciprocity: "[a] Party may limit rights of performers of another Party in respect of secondary uses of sound recordings to those rights its nationals are accorded in the territory of such other Party."

¹¹ "Material reciprocity has been described as *tit for tat*." See STEWART, *supra* note 8, at 41. The secondary use (broadcasting and any communication to the public) of sound recordings is covered in Rome Convention, art. 12. However, art. 16(1)(a)(iv) permits a Party to opt for material reciprocity by notifying the U.N. Secretary-General that: "[a]s regards phonograms, the producer of which is a national of another Contracting State, it will limit the protection provided for by that Article to the extent to which, and to the term for which the latter State grants protection to phonograms first fixed by a national of the State making the declaration"

¹² Reciprocal rights is a possibility under Canada's Copyright Act, Section 5(2): "[w]here the Minister certifies by notice, published in the *Canada Gazette*, that any country that is not a Berne Convention country grants or has undertaken to grant, either by treaty, convention, agreement, or law, to citizens of Canada, . . . copyright protection substantially equal to that con-

II: INTELLECTUAL PROPERTY RIGHTS AND DISPUTE SETTLEMENT

For international IP protection a new era began with the entry into force on January 1, 1994 for Canada, the United States, and Mexico of the NAFTA, and on January 1, 1995 for WTO Members of the Uruguay Round Final Act, including TRIPS which is administered and enforced by the WTO. All WTO Members must be TRIPS Parties because the Uruguay Round was based on the concept of the "single undertaking."¹³ Although otherwise enjoying transition periods of varying duration, all WTO Members (other than least-developed countries) were on January 1, 1995 bound by "standstill," *i.e.* an obligation to ensure that any changes in domestic laws during TRIPS transition periods do not result in a lesser degree of consistency with TRIPS provisions.¹⁴ Developed countries like Canada had to apply all TRIPS provisions by January 1, 1996,¹⁵ when developing and least-developed countries were also bound by the requirement to provide MFN and national treatment.¹⁶ However, developing-country WTO Members (and any WTO Member in transformation from a centrally planned into a free-market economy) do not have to apply other TRIPS provisions until January 1, 2000.¹⁷ At that time, developing countries, which have yet to extend product-patent protection to all technology areas, may further delay such protection's domestic application to any area yet to be covered (*e.g.*, pharmaceuticals) until January 1, 2005.¹⁸ A least-developed country

ferred by this Act, the country shall, for the purpose of the rights conferred by this Act, be treated as if it were a country to which this Act extends"

¹³ Setting the mandate for the Uruguay Round, the 1986 Punta del Este Ministerial Declaration affirmed as a general principle that "the launching, the conduct and the implementation of the outcome of the negotiations shall be treated as parts of a single undertaking." See JOHN CROOME, *RESHAPING THE WORLD TRADING SYSTEM: A HISTORY OF THE URUGUAY ROUND* 34, 320-23, 383 (1995). At Marrakesh, it was agreed that there would be acceptance of all the various WTO agreements and understandings as a whole. Accordingly, The Agreement Establishing the World Trade Organization, Article XIV(1), stipulates that a Contracting Party's "acceptance shall apply to this Agreement and the Multilateral Trade Agreements annexed hereto." The appended "List of Annexes" specifically includes "Annex 1C: Agreement on Trade-Related Aspects of Intellectual Property Rights." Correspondingly, Article XV(1) says any "withdrawal shall apply to this Agreement and the Multilateral Trade Agreements."

¹⁴ TRIPS, art. 65(5).

¹⁵ TRIPS, art. 65(1).

¹⁶ TRIPS, arts. 65(2), 66(1). Notwithstanding transition periods, any WTO Member without patent protection for pharmaceutical and agricultural chemical products is required from January 1, 1995 to make available means by which such patent applications can be filed. See TRIPS, art. 70(8).

¹⁷ TRIPS, art. 65(2).

¹⁸ TRIPS, art. 65(4).

may delay the application of TRIPS provisions until January 1, 2006, at which time it may ask the TRIPS Council for a further extension of the transition period.¹⁹

A. Marrying Intellectual Property with International Trade

The 1986 Punta del Este Ministers' meeting of the GATT Contracting Parties decided to include IPRs within the scope of the Uruguay Round of Multilateral Trade Negotiations. According to the September 20, 1986 Ministerial Declaration: "In order to reduce the distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of IPRs, and to ensure that measures and procedures to enforce IPRs do not themselves become barriers to legitimate trade, the negotiations shall aim to clarify GATT provisions and elaborate as appropriate new rules and disciplines."²⁰ This Punta del Este decision was a turning point because it allowed for the creation of the WTO framework in which it became possible to marry trade obligations to IPRs.²¹

The special position IPRs occupy in the WTO has been described by the former Director of the WTO Secretariat's Legal Affairs Division. Frieder Roessler says TRIPS is the only "WTO Agreement that establishes positive standards for the conduct of domestic policies All other agreements on domestic policy matters annexed to the WTO Agreement establish negative standards. The Agreements on Technical Barriers to Trade and on the Application of Sanitary and Phytosanitary Measures, for example, do not oblige any WTO Member to adopt domestic regulations to protect the health or safety of its citizens. They oblige WTO Members to observe certain rules *if they choose to adopt* any technical regulation or sanitary measure. The essential purpose of these rules is thus not to promote domestic policy goals but merely to ensure that market access rights are not undermined through technical regulations and sanitary measures that are in fact disguised restrictions on trade."²²

¹⁹ TRIPS, art. 66(1).

²⁰ Punta del Este Ministerial Declaration, *reprinted by* CROOME, *supra* note 13, at 389.

²¹ *Id.*, at 120-21, 130-38.

²² Frieder Roessler, *Diverging Domestic Policies and Multilateral Trade Integration* (Mar. 22, 1995), unpublished conference paper, at 23-24.

B. Intellectual Property Rights Now Subject to Effective Dispute Settlement

The principal IP achievement of NAFTA and TRIPS is simply that, for the first time, these treaties subject international IP standards to truly effective dispute settlement, *i.e.* compulsory third-party arbitration, including a final ruling requiring treaty compliance and a procedure to enforce decisions. Dealing with State-State dispute settlement, NAFTA Chapter 20 (including Annex 2004: Nullification and Impairment) applies to Chapter 17: Intellectual Property. As an "investment," IPRs are also protected as "intangible property" under Chapter 11 which, in addition to the possibility of State-State dispute settlement under Chapter 20,²³ offers the IP owner as investor the possibility of bringing the host State to binding international arbitration.²⁴ Similarly, TRIPS, Article 64: Dispute Settlement, provides for consultations and settlement of TRIPS disputes under the WTO Understanding on Rules and Procedures Governing the Settlement of Disputes, which in turn specifically applies to TRIPS.²⁵

Highlighted here must be one of the principal advances of the WTO over the old GATT. Namely, under the WTO Understanding on Rules and Procedures Governing the Settlement of Disputes, a defendant WTO Member no longer has the ability to block the adoption of a WTO panel report.²⁶ "One of the elements . . . that Canada pushed for was an improved method of settling trade disputes. The old method used by the WTO's predecessor, the GATT, often did not resolve the problems. Panel investigations dragged on for ages, and decisions often gathered dust while the parties in the conflict continued to argue. When a ruling went against a country, the country could block adoption of the panel

²³ Investor-State dispute settlement under NAFTA's Investment Chapter is without prejudice to Canada, Mexico, and the United States' rights and obligations with respect to State-State dispute settlement under Chapter 20: Institutional Arrangements and Dispute Settlement Procedures. See NAFTA, art. 1115.

²⁴ NAFTA, ch. 11: Investment, sec. B-Settlement of Disputes Between a Party and an Investor of Another Party, arts. 1115-1138.

²⁵ See WTO Understanding on Rules and Procedures Governing the Settlement of Disputes, art. 1(1) and Appendix 1(B), which specifically refers to Annex 1C: TRIPS as one of the covered "multilateral trade agreements."

²⁶ WTO Understanding on Rules and Procedures Governing the Settlement of Disputes, art. 17(14). With respect to dispute settlement under the old GATT, see JACKSON, *supra* note 9, at 99. "Of the panel reports forwarded to the Contracting Parties, most were 'adopted.' Some others were merely 'noted,' or otherwise were not explicitly approved (although none were explicitly rejected), and several are still pending. The procedure of 'adoption' by the Contracting Parties is one of the most troublesome parts of the current procedure, since the losing contracting party can generally block acceptance by refusing to join in a 'consensus' decision to accept."

decision by denying the needed consensus. Smaller countries were often left fuming when the United States used this tactic to delay unfavourable decisions indefinitely.²⁷

C. *Intellectual Property and the International Court of Justice*

The pre-existing jurisdiction of the International Court of Justice (ICJ) must be examined to assess fairly what NAFTA and TRIPS have added to IPRs dispute settlement. The Universal Copyright Convention (UCC), the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations, and the current Acts of the Paris and Berne Conventions each contains an article allowing a Party to bring a dispute to the ICJ²⁸ whose Statute is an integral part of the United Nations Charter. On acceding to the 1967 Act of the Paris Convention and to the 1971 Act of the Berne Convention, a country has the option to declare that it does not consider itself subject to the ICJ's relevant jurisdiction.²⁹ This Paris and Berne option to reject the ICJ's compulsory jurisdiction has been used only by some developing countries, of which thirty (including China) have opted out with respect to Paris and sixteen with respect to Berne.³⁰ The possibility of compulsory third-party adjudication of IP disputes has, therefore, been available to almost all developed countries for copyright since 1948,³¹ for neighbouring rights since 1961, and for industrial property rights since 1967.³²

²⁷ Madelaine Drohan, *Canada Can Take Heart From Earlier WTO Ruling*, *GLOBE & MAIL*, (Toronto), Mar. 13, 1996, at A8.

²⁸ Universal Copyright Convention, 1952, 1971, art. 15; Rome Convention, art. 30; Paris Convention, art. 28; Berne Convention, art. 33. In this regard, see CLAUDE MASOUYÉ, *WIPO GUIDE TO THE ROME CONVENTION AND TO THE PHONOGRAMS CONVENTION* pt. 1, 82 (1981); G.H.C. BODENHAUSEN, *BIRPI GUIDE TO THE APPLICATION OF THE PARIS CONVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY AS REVISED AT STOCKHOLM IN 1967* 216-17 (1968); CLAUDE MASOUYÉ, *WIPO GUIDE TO THE BERNE CONVENTION FOR THE PROTECTION OF LITERARY AND ARTISTIC WORKS: PARIS ACT, 1971* 137-38 (1971); STEWART, *supra* note 8, at 139-40.

²⁹ Paris Convention, art. 28(2); Berne Convention, art. 33(2). There is no opting out from the ICJ's compulsory jurisdiction under Rome Convention, art. 30.

³⁰ See *WIPO Doc.*, *supra* note 2, at 4-9.

³¹ 1948 Brussels Act of the Berne Convention. With respect to copyright, Lebanon and New Zealand are not subject to the ICJ's jurisdiction under the Berne Convention because all their obligations remain at the level of the 1928 Rome Act of the Berne Convention which lacks a clause offering a Party the possibility of bringing a dispute to the ICJ's predecessor, the Permanent Court of International Justice. See *WIPO Doc.*, *supra* note 2, at 7-9.

³² 1967 Stockholm Act of the Paris Convention. With respect to industrial property rights, the Dominican Republic, Iran, Nigeria, and Syria are not subject to the ICJ's jurisdiction because all their obligations remain at the level of an earlier Act which lacks a clause offering a Party the possibility of bringing a dispute to the Permanent Court of International Justice. See *WIPO*

Despite the reference to the ICJ in key IP treaties, the Court has never been used to litigate an IP case for reasons which are not entirely clear. The ICJ's contentious jurisdiction is available exclusively to States which are the only entities permitted to be parties to cases before the Court.³³ Therefore, the easy answer would be that the ICJ has not had an IP case simply because States have preferred not to use the Court for this purpose. States have historically been reluctant to embark on international adjudication. On the one hand, questions of vital national interest are seen as too important to be left to judges. On the other hand, many other issues are imagined to be "too trivial to be the subject matter of formal procedures of settlement."³⁴ Is it possible that States have perceived IPRs to be in the "trivial" category?

Another explanation for the failure to use the ICJ points to the Paris Convention's very general provisions which are said to make a justiciable dispute unlikely. For example, the Paris Convention establishes some minimum requirements for domestic patent systems, but nowhere specifically requires each Party to provide a patent system in its domestic law.³⁵ This lack of precision contrasts with NAFTA and TRIPS which explicitly require that patents be "available for any inventions, whether products or processes, in all fields of technology . . ."³⁶ However, the Paris Convention's generality is not entirely shared by the Berne Convention which tends to have obligations that are more precise and demanding. For example, in Berne Union countries, authors are specifically to enjoy *inter alia* "the rights specially granted by this Convention."³⁷ Subject to certain exceptions, the Berne Convention also requires a minimum copyright term lasting the author's lifetime plus fifty years.³⁸ This contrasts significantly with the Paris Convention which does not set a minimum patent term.³⁹ Whether or not Berne obligations are better adapted to judicial settlement, the ICJ has not been asked to settle a dispute under the Berne Convention. In this regard, could it be relevant that the United States — the world's premier producer of copyright

Doc., *supra* note 2, at 4-6.

³³ Statute of the International Court of Justice, art. 34(1).

³⁴ D.W. GREIG, *INTERNATIONAL LAW* 521 (2d ed. 1976).

³⁵ See G.H.C. BODENHAUSEN, *supra* note 28, at 25-26.

³⁶ NAFTA, art. 1709(1) and TRIPS, art. 27(1).

³⁷ Berne Convention, art. 5(1), which should be compared with the much vaguer language in Paris Convention, art. 2(1).

³⁸ Berne Convention, art. 7.

³⁹ NAFTA, art. 1709(12), specifically requires each Party to provide a patent term "of at least 20 years from the date of filing or 17 years from the date of grant." TRIPS, art. 33, requires no less than twenty years from the filing date.

product — did not accede to Berne until 1989?

Easier to dismiss is the suggestion that IPRs are subject matter too specialized for the ICJ. In many countries, judges do not have special IP expertise because domestic systems do not necessarily maintain special courts for IP disputes. Furthermore, it is well-known that the ICJ has in several cases handled highly technical subject matter, *e.g.*, the delimitation of maritime boundaries.⁴⁰

D. The International Court Does Not Order Specific Performance

The failure to use the ICJ for IP disputes probably can best be explained with reference to judicial remedies at trial. In other kinds of cases, the ICJ has fully demonstrated its capacity to conclude its examination of the merits with a declaratory judgment⁴¹ or a final award to compensate for wrongs and illegal acts.⁴² However, a State which is unhappy with another State's failure to comply with a multilateral IP treaty like the Berne Convention is generally not seeking damages, but rather would want an order that the delinquent State conduct itself in conformity with the treaty's specific requirements.⁴³ For example, the goal would be to have the delinquent State withdraw a domestic measure which is Berne inconsistent because of a failure to extend national treatment. Can the ICJ help in this regard? No, because outside the area of interim measures of protection,⁴⁴ the ICJ does not order States to behave in a particular way.⁴⁵ According to Shabtai Rosenne: "[i]t seems

⁴⁰ Delimitation of the Maritime Boundary in the Gulf of Maine Area, 1984 I.C.J., at 246-390.

⁴¹ On declaratory judgments, see CHRISTINE D. GRAY, JUDICIAL REMEDIES IN INTERNATIONAL LAW 96-111 (1987).

⁴² *Id.*, at 77-95. For States accepting the ICJ's compulsory jurisdiction, the Statute of the International Court of Justice, art. 36(2)(d), specifically recognizes the ICJ's jurisdiction over all legal disputes concerning "the nature or extent of the reparation to be made for the breach of an international obligation." Breach of treaty is a direct wrong which, in an appropriate case, is compensable via an ICJ award of damages. See D.W. GREIG, *supra* note 34, at 596-98. See also IAN BROWNLIE, PRINCIPLES OF PUBLIC INTERNATIONAL LAW 457-65 (4th ed. 1990).

⁴³ On the possibility of an international award for specific performance of a treaty obligation, see Peru's unsuccessful arguments in the 1925 *Tacna-Arica Arbitration* discussed in SIR HERSCH LAUTERPACHT, PRIVATE LAW SOURCES AND ANALOGIES OF INTERNATIONAL LAW 290-93 (1927). For a current, longer, and more negative assessment of specific performance's role, see GRAY, *supra* note 41.

⁴⁴ Statute of the International Court of Justice, art. 41(1), gives the ICJ the power to indicate provisional measures required to preserve the rights of either party to the dispute. With respect to specific performance as an interim measure of protection, see GRAY, *supra* note 41, at 69-77.

⁴⁵ With the possible exception of the 1980 *Iranian Hostages* case, the ICJ has never made a final judgment ordering a State to conduct itself in a specific manner. See *id.* at 64-66. Howev-

that the most it can do is to state whether the actual or intended conduct of a State . . . is or is not in conformity with international law, including treaty-law, binding on the States before it. That is not a form of decision likely to afford adequate satisfaction to a State whose interests are injured by non-performance or malperformance of a treaty by its contracting partner or partners."⁴⁶

For a plaintiff successfully suing for breach of contract, the common law provides *inter alia* the possibilities of an award for damages or, in some circumstances, specific performance, *i.e.* a court order that the defendant perform or complete the contractual obligations.⁴⁷ To remedy the consequences of breach of treaty or another internationally wrongful act,⁴⁸ specific performance is *theoretically* available under public international law in the form of an order for *restitutio in integrum* which seeks "as far as possible, [to] wipe out all the consequences of the illegal act and [to] re-establish the situation which would, in all probability, have existed if that act had not been committed."⁴⁹ However, in international practice, *restitutio in integrum* is seldom applied and pecuniary reparation (damages) is ordered instead.⁵⁰

er, Gray concedes that a declaration can be cast in a form that renders it substantially equivalent to a mandatory order. *Id.* at 67. See BROWNIE, *supra* note 42, at 460: "In the [1980] *Case Concerning United States Diplomatic and Consular Staff in Tehran* the judgment of the International Court included several declaratory prescriptions involving the termination of the unlawful detention of the persons concerned. In the [1986] *Nicaragua* case the judgment at the Merits phase contained an injunctive declaration 'that the United States is under a duty immediately to cease and refrain from all such acts as may constitute breaches of the foregoing legal obligations.'"

⁴⁶ SHABTAI ROSENNE, *DEVELOPMENTS IN THE LAW OF TREATIES 1945-1986* 62 (1989).

⁴⁷ P.S. ATIYAH, *AN INTRODUCTION TO THE LAW OF CONTRACT* 274 (2d ed. (1971)): "As a general principle a person who complains of a breach of contract cannot compel the actual performance of the contract by the other party, but must rest content with compensation in terms of money. In certain circumstances, however, mere damages would be an inadequate remedy, and in these cases the Court may grant a decree of specific performance or injunction, ordering the defendant to do, or abstain from doing, the very thing he agreed upon. The main sanction behind these decrees is the threat of imprisonment for contempt of Court"

⁴⁸ Although domestic systems may delineate more clearly between contract law and tort law, public international law regards the consequences of breach of treaty to be primarily a question of State responsibility which is analogous to tort law. However, the disappointed Party has the option of a treaty law remedy in Vienna Convention on the Law of Treaties, art. 60, which deals with "termination or suspension of the operation of a treaty as a consequence of its breach." On breach of treaty in the law of State responsibility, see SHABTAI ROSENNE, *BREACH OF TREATY* 45-84 (1985).

⁴⁹ *Chorzów Factory (Indemnity) Case* (1927) P.C.I.J., Ser. A, No. 17, at 47.

⁵⁰ See BROWNIE *supra* note 42, at 462: "Restitution in kind, specific restitution, is exceptional, and the vast majority of claims conventions and *compromis* (agreements to submit to arbitration) provide for the adjudication of pecuniary claims only. Writers, and from time to time, governments and tribunals assert a right to specific restitution, but, while it is safe to assume that this form of redress has a place in the law, it is difficult to state the conditions of its ap-

Describing the "essential weakness of the international legal process for the settlement of an international dispute," Shabtai Rosenne observes that the ICJ is unable "to deal with a treaty obligation in all its aspects, and to give judgment for 'specific performance' (to use a common law term). . . . The International Court is thus constitutionally incapable of laying down positively how a treaty is to be performed."⁵¹ This revealing comment is essential for understanding Claude Masouyé's otherwise obscure remark about the possibility of ICJ dispute settlement under the Rome Convention: "Judgments of the Court never condemn either party; they simply pronounce on the law, leaving the States to make of the judgment what they will."⁵²

Although the ICJ is unable to offer specific performance, the GATT was a "worldwide code of conduct" with effectiveness largely due to the availability of the complaint for violation of a GATT obligation.⁵³ This highlights one of the principal contributions which GATT-style dispute settlement brings to IPRs in the WTO context. *Ab initio*, GATT dispute settlement was oriented to regulating the relevant behaviour of the Contracting Parties. "The primary function of violation complaints is to secure compliance with GATT obligations by a legally binding, collective ruling of the GATT Contracting Parties on the disputed meaning of the GATT rule concerned and on the legal obligation to bring the offending measure into conformity with GATT law."⁵⁴ The non-conforming law or practice must be withdrawn because a GATT-inconsistent domestic measure is *prima facie* presumed to nullify or impair the complainant's benefits under the agreement.⁵⁵ "In the absence of a mutually agreed

plication with any certainty." See also Sabine D. Thomsen, *Restitution*, in 10 ENCYCLOPEDIA OF PUBLIC INTERNATIONAL LAW 375-78, at 377 (1987): "Until recently, a consensus prevailed that *restitutio in integrum* is the normal remedy in the case of an internationally wrongful act, notwithstanding the fact that in reality claims for damages considerably outnumber those for restitution." ENCYCLOPAEDIC DICTIONARY OF INTERNATIONAL LAW 341 (Clive Parry et al. eds., 1986) [hereinafter DICTIONARY OF INTERNATIONAL LAW]: "*Restitutio in integrum* is the primary form of reparation, pecuniary reparation only applying where *restitutio* is not possible. However, apart from this theory of primacy, *restitutio* is not generally applied, injured individuals and their governments preferring pecuniary reparation." On the practical difficulties of *restitutio in integrum* as a remedy in international law, see GRAY, *supra* note 41, at 14-16.

⁵¹ See ROSENNE, *supra* note 46, at 61-62. For an exhaustive discussion of the uncertainties surrounding the availability of *restitutio in integrum* and specific performance under international law, see GRAY, *supra* note 41, at 12-14, 16-17, 64-68, 95-96, 152-60, 193-200.

⁵² Rome Convention, art. 30. See also MASOUYÉ, *supra* note 28, at 30. Masouyé makes a similar observation with respect to Berne Convention, art. 33. See WIPO GUIDE TO THE BERNE CONVENTION (1978), at 138.

⁵³ Ernst-Ulrich Petersmann, *Violation-Complaints and Non-Violation Complaints in Public International Trade Law*, 1991 GER. Y.B. INT'L L., 227.

⁵⁴ *Id.*, at 220.

⁵⁵ World Trade Organization. 2 GATT, ANALYTICAL INDEX: GUIDE TO GATT LAW AND

solution, the first objective of the dispute settlement mechanism is usually to secure the withdrawal of the measures concerned if these are found to be inconsistent with the provisions of any of the covered agreements."⁵⁶ NAFTA, too, places a premium on regulating the conduct of the Parties. Wherever possible, resolution of a NAFTA dispute shall be non-implementation or removal of a non-conforming domestic measure.⁵⁷

E. *Enforceability of Decisions of the International Court of Justice*

In addition to the absence of specific performance as a final judgment, effective enforcement remains a significant problem⁵⁸ because the binding quality of an ICJ decision appears practically to depend on the concerned States' willingness to comply with the judgment.⁵⁹ "Albania refused to pay reparations to Great Britain in *Corfu Channel*, Iran disregarded the Court's order to refrain from nationalizing a British corporation pending a final judgment of the Court or agreement between the parties in *Anglo-Iranian Oil Co.*, Iceland refused to obey an order not to enforce a fifty-mile fishing zone until the Court ruled on suits brought by West Germany and the United Kingdom in *Fisheries Jurisdiction*, Iran rejected the Court's Order and Judgment that it release the American hostages in *Diplomatic and Consular Staff*."⁶⁰ Furthermore, nothing has been paid pursuant to a fourteen-to-one decision holding the United States responsible to make reparation for all injury caused by certain military and paramilitary activities in and against Nicaragua.⁶¹

Although of little practical importance, the ultimate remedy for non-compliance is provided by the United Nations Charter. According to Article 94(2): "If any Party to a case fails to perform the obligations

PRACTICE 655 (6th ed.(1995)) [hereinafter 2 GATT INDEX]. See WTO Understanding on Rules and Procedures Governing the Settlement of Disputes, art. 3(8) [hereinafter WTO Understanding]: "In cases where there is an infringement of the obligations under a covered agreement [e.g., TRIPS], the action is considered *prima facie* to constitute a case of nullification or impairment. This means that there is normally a presumption that a breach of the rules has an adverse impact on other Members parties to that covered agreement, and in such cases, it shall be up to the Member against whom the complaint has been brought to rebut the charge."

⁵⁶ See WTO Understanding, *supra* note 55, art. 3(7). According to art. 22(1): "Neither compensation nor the suspension of concessions or other obligations is preferred to full implementation of a recommendation to bring a measure into conformity with the covered agreements."

⁵⁷ NAFTA, art. 2018(2).

⁵⁸ See D.W. GREIG, *supra* note 34, at 688-90.

⁵⁹ See GRAY, *supra* note 41, at 100.

⁶⁰ Mark Weston Janis, *Somber Reflections on the Compulsory Jurisdiction of the International Court*, 81 AM. J. INT'L L., 144-45, (1987).

⁶¹ *Nicaragua v. United States of America* 1986 I.C.J., 14-546, at 149.

incumbent upon it under a judgment rendered by the Court, the other Party may have recourse to the Security Council, which may, if it deems necessary, make recommendations or decide upon measures to be taken to give effect to the judgment." An attempt to get the Security Council to enforce an ICJ decision relating to IP is not likely. However, worth noting is the veto available to China, France, Russia, the UK and the USA as Security Council permanent members.⁶² For example, a Soviet veto would probably have stopped any Security Council enforcement of the ICJ's 1980 judgment in *United States Diplomatic and Consular Staff in Tehran*.⁶³ This availability of a Security Council veto is pertinent to evaluating the ultimate utility of any recourse to the ICJ for the persistent U.S.\China difficulties over copyright.⁶⁴

Because securing compliance with ICJ decisions has been a problem, there is potentially great significance in the NAFTA\TRIPS application to IPRs of dispute settlement, including the ability ultimately to enforce panel decisions via the suspension of equivalent NAFTA\WTO trade concessions or other benefits. The alternative to such institutionalized rule-based enforcement of judgments is to fall back on the unilateral measures (self-help) which would have been available in the absence of compulsory jurisdiction leading to a binding award by a judicial tribunal.⁶⁵ Well-known is the absence from customary international law of a compulsory judicial or arbitral procedure for the settlement of treaty disputes.⁶⁶ Accordingly, for the enforcement of judgments, the rule is the same as that for treaty disputes in general, *i.e.* the aggrieved Party is entitled to terminate or suspend the operation of all or part of a treaty as a consequence of the other Party's breach.⁶⁷ This classic position is

⁶² U.N. Charter, art. 23(1), 27(3).

⁶³ 1980 I.C.J., at 3. The Security Council was not asked to enforce the ICJ's judgment, perhaps because the Soviet Union had earlier vetoed a proposal by the United States to impose an economic boycott on Iran. See Janis, *supra* note 60, at 134-36.

⁶⁴ On October 15, 1992, China became Party to the 1971 Paris Act of the Berne Convention to which the United States had adhered on March 1, 1989. Neither country used Berne, art. 33(2), to opt out of the ICJ's compulsory jurisdiction over disputes concerning the interpretation and application of the Berne Convention. A U.S.\China copyright case at the ICJ is, therefore, theoretically possible. However, China's veto might be used to block a Security Council attempt to enforce any ICJ judgment arising from a case brought by the United States because of China's alleged failure to perform obligations under the Berne Convention. With respect to China-U.S. IP relations, see Agreement Regarding Intellectual Property, 34 I.L.M. 881 (entered into force Feb. 26, 1995) and Memorandum of Understanding on the Protection of Intellectual Property, Jan. 17, 1992, 34 I. L. M. 676.

⁶⁵ See D.W. GREIG, *supra* note 34, at 688.

⁶⁶ See ROSENNE, *supra* note 48, at 117-25.

⁶⁷ For a discussion of the injured Party's rights of unilateral abrogation and retaliatory suspension of performance, see McNAIR, *supra* note 9, at 553-73.

articulated in the 1969 Vienna Convention on the Law of Treaties where Article 60(1) says: "A material breach of a bilateral treaty by one of the Parties entitles the other to invoke the breach as a ground for terminating the treaty or suspending its operation in whole or in part."⁶⁸ How this principle operates with respect to material breach of a multilateral treaty is set out in Article 60(2).

F. Retaliating Against Intellectual Property is Difficult

This customary law principle has not had much practical effect with regard to IPRs because the subject matter does not easily lend itself to retaliation.⁶⁹ In conformity with the international IP regime, domestic legislation generally accords IPRs on the basis of national treatment. Although domestic provisions to enforce U.N. sanctions⁷⁰ or WTO decisions may be broad enough to embrace IP statutes,⁷¹ the complexity of temporarily suspending domestic IP protection is formidable. For example, domestic regimes follow the Paris Convention in according patent applicants priority for a twelve-month period following first filing in another Paris Party.⁷² If filing within twelve months is precluded by the application of temporary domestic sanctions, the foreign inventor might thereafter be unable to obtain a patent, *e.g.*, because of his invention's disclosure at home or abroad.⁷³

The suspension or revocation of existing IPRs might be tantamount to expropriation under any applicable investment protection agreement. If

⁶⁸ See SIR IAN SINCLAIR, *THE VIENNA CONVENTION ON THE LAW OF TREATIES*, 188-92 (2d ed. 1984).

⁶⁹ The European Community might not have the authority to retaliate against IP because the European Court of Justice ruled (1994) that the Member States share competence with respect to IPRs. See Marco C.E.J. Bronckers, *WTO Implementation in the European Community: Antidumping, Safeguards and Intellectual Property*, 29 *J. WORLD TRADE* 94-95 (1995).

⁷⁰ Canada's United Nation's Act, sec. 2, gives the Governor in Council broad authority to "make such orders and regulations as appear to him to be necessary or expedient for enabling" the effective application of a U.N. Security Council measure under article 41 of the U.N. Charter.

⁷¹ Canada's World Trade Organization Agreement Implementation Act, sec. 13(1)(b), gives the Governor in Council the authority to modify or suspend, pursuant to a WTO decision authorizing the suspension of concessions, the application of any federal law with respect to a WTO Member. For suspending benefits of equivalent commercial effect under NAFTA, the parallel provision is sec. 21(1)(b) of the North American Free Trade Agreement Implementation Act. Because virtually all of Canada's IP statutes are federal, it would be legally possible to implement retaliation in the IP area.

⁷² Paris Convention for the Protection of Industrial Property, art. 4.

⁷³ However, a very experienced government lawyer from a developed country told the author that exactly this consideration would make preclusion of filing a very effective form of retaliation against a technology exporting State like the United States.

so, would foreign IP owners be compensated for lost royalties? Temporary suspension of enforcement rights could allow unauthorized third parties to start exploiting the unprotected subject matter. Would such third-party use be grandfathered on expiry of the relevant sanctions or would the domestic regime indemnify for the economic harm arising from the revival of the IP owner's rights?

The many difficulties that would be caused by imposing sanctions with respect to IPRs can be further explored by the analogy of the fate of IPRs in wartime.⁷⁴ For example, IPRs may lapse because wartime payments of industrial-design, trademark, and patent fees by an enemy alien may be deemed to be unlawful intercourse. Under the 1939 U.K. Trading with the Enemy Act, an enemy-owned trademark could properly be vested in the Custodian of Enemy Property with full authority to assign. During the First World War, a similar provision in U.S. law caused the German-owned "Bayer" trademark for aspirin to be assigned to an unrelated U.S. company. For international trade, this posed a problem which lasted until 1994 when Bayer AG purchased the company owning the U.S. trademark rights lost in 1917.⁷⁵ At the end of the Second World War, Belgium confiscated the German-owned "Hag" coffee trademark which was assigned to an unrelated Belgian company. The latter's ability to use trademark rights to block coffee imports from Germany's Hag AG was affirmed by the European Court of Justice in 1990.⁷⁶

G. Cross-Retaliation

Under GATT 1947, Contracting Parties gradually became accustomed to evolving dispute settlement procedures directed towards preserving the balance of benefits a Party might reasonably have expected at the time of the agreement's negotiation.⁷⁷ Pursuant to a panel recommendation, the GATT Council might require a Contracting Party to withdraw an inconsistent trade measure or provide compensation with respect to a measure which, although GATT consistent, was nonetheless found to nullify or impair a benefit anticipated when GATT was negotiated. With respect to such a non-violation complaint, and ultimately as

⁷⁴ ARNOLD DUNCAN, LORD MCNAIR, & ARTHUR D. WATTS, *THE LEGAL EFFECTS OF WAR* 293-96, 333 (1966).

⁷⁵ Brian Milner, *Bayer Plans to Be Big Headache for Drug Firms*, *GLOBE & MAIL*, (Toronto), Jan. 13, 1995, at B1.

⁷⁶ S.A. CNL-Sucal NV v. Hag GF AG (C-10/89) [1990] C.M.L.R. 571-610.

⁷⁷ See 2 GATT INDEX, *supra* note 55, at 658.

the final recourse to a finding of a violation,⁷⁸ the GATT Council could authorize the successful complainant to suspend trade concessions enjoyed by the defendant. And, since trade concessions can be quantified, there was no reason why failure to perform in one trade area could not be compensated by the suspension of benefits in another. This is the key concept of cross-retaliation which has proven essential for applying GATT-style dispute settlement to IPRs.⁷⁹ Both NAFTA and TRIPS envisage the possibility of cross-retaliation against a Party failing to meet its IP obligations. According to NAFTA, a complaining Party should first seek to suspend benefits in the same sector as that affected by the offending measure.⁸⁰ However, if the complaining Party considers that it is not practicable or effective to suspend benefits in the same sector, it may suspend benefits in other sectors.⁸¹ Subject to the authorization of the WTO Dispute Settlement Body, cross-retaliation is also available under the WTO Understanding on Rules and Procedures Governing the Settlement of Disputes.⁸²

H. WIPO Draft Dispute Settlement Treaty

The significance of cross-retaliation can be illustrated by the World Intellectual Property Organization's (WIPO) current efforts towards a Draft Treaty on the Settlement of Disputes Between States in the Field of Intellectual Property.⁸³ This process is running out of steam for several reasons. WIPO could provide much of the panel machinery already familiar from dispute settlement under GATT 1947 and the (now suspended) Canada/U.S. Free Trade Agreement (FTA)⁸⁴ which preceded

⁷⁸ See PETERSMANN, *supra* note 53, at 175-229.

⁷⁹ See CROOME, *supra* note 13, at 134-35, 254, 313, 319, 323.

⁸⁰ NAFTA, art. 2019(2)(a).

⁸¹ NAFTA, art. 2019(2)(b).

⁸² WTO Understanding on Rules and Procedures Governing the Settlement of Disputes, art. 22: Compensation and the Suspension of Concessions. According to art. 22(3)(b), if the complaining Party "considers that it is not practicable or effective to suspend concessions or other obligations with respect to the same sector(s), it may seek to suspend concessions or other obligations under the same agreement". For art. 22(3)(b) purposes, each of the TRIPS IP categories is deemed to be a sector. Art. 22(3)(c) says that the complaining Party may seek to suspend concessions or other obligations under another WTO agreement "if that party considers that it is not practicable or effective to suspend concessions or other obligations with respect to other sectors under the same agreement, and that the circumstances are serious enough."

⁸³ The Draft Treaty is available in WIPO Document SD/CE/VII/2 (Feb. 10, 1995) Committee of Experts on the Settlement of Intellectual Property Disputes Between States, Seventh Session, Geneva, May 29 to June 2, 1995.

⁸⁴ Canada and the United States exchanged two sets of letters (January 19 and December 30, 1993) explicitly constituting a bilateral understanding that the FTA be suspended for such

the NAFTA. However, as a stand-alone treaty without any links to international trade, a WIPO dispute settlement instrument could not be armed with the cross-retaliation teeth needed for a truly effective procedure. Probably, the truth is that, as in the Uruguay Round, some countries would not want a WIPO dispute settlement treaty to have such teeth. Sovereign States are seldom willing to accept binding dispute settlement. This suggests that, if the proposed WIPO treaty could be made an instrument of truly effective dispute settlement, that fact alone would ensure that relatively few States would be prepared to become Party to the instrument.

Fear that conflicting interpretations would emanate from WTO and WIPO panels is another factor generating opposition to a possible WIPO dispute settlement treaty. TRIPS incorporates, and the WTO renders amenable to WTO dispute settlement, the main provisions of WIPO's two key treaties, *i.e.*, the 1967 Stockholm Act of the Paris Convention and the 1971 Paris Act of the Berne Convention.⁸⁵ For this reason, there are concerns that WIPO dispute settlement panels might produce legal interpretations of the Paris and Berne Conventions differing and even conflicting with interpretations emerging from WTO panels. This possibility causes some developed countries to resist a possible WIPO dispute settlement treaty. They wish to see TRIPS interpreted by the WTO and not by WIPO. For example, the United States has clearly stated that it will not become Party to any WIPO dispute settlement treaty.

As net importers of technology and copyright product, some developing countries might welcome the notion of a WIPO dispute settlement treaty as an anodyne alternative to binding settlement of TRIPS disputes by the WTO. They perhaps hope to see a constellation in which the 1994 WTO Understanding on Rules and Procedures Governing the Settlement of Disputes and a subsequent WIPO dispute settlement instrument could be characterized as successive treaties relating to the same subject matter for the same Parties.⁸⁶ In an appropriate case, this chro-

time as the two countries are NAFTA Parties. This means that the FTA would resume if either country leaves NAFTA. See JON R. JOHNSON, *THE NORTH AMERICAN FREE TRADE AGREEMENT: A COMPREHENSIVE GUIDE* 16 (1994).

⁸⁵ For the TRIPS obligation to comply with the Paris Convention, arts. 1-12 and 19, see TRIPS, art. 2(1). TRIPS, art. 9(1), incorporates an obligation to comply with the Berne Convention, arts. 1-21, excluding art. 6 *bis* on moral rights.

⁸⁶ The 1969 Vienna Convention on the Law of Treaties, art. 30(4)(a), stipulates that, as between States parties to both treaties, the earlier treaty applies only to the extent that its provisions are compatible with those of the later treaty. For a discussion of the problem of successive treaties, see SINCLAIR, *supra* note 68, at 93-98. "Conflict with specific obligations created by

nology would allow the WTO Understanding on Rules and Procedures Governing the Settlement of Disputes to be overridden by any WIPO dispute settlement treaty as *lex posterior*. To preserve the integrity of their WTO rights, some developed countries are conversely wary of the possible WIPO dispute settlement treaty. Furthermore, developed countries are unhappy because the present treaty draft denies the complainant the right to choice of forum and fails to incorporate the possibility of *litis pendency*⁸⁷ and *res judicata*⁸⁸ as objections to a WIPO panel's jurisdiction.

I. Trade Offs Between Intellectual Property and Other Sectors

Naturally very different were the prospects for bringing effective dispute settlement to IPRs within the framework of NAFTA and the Uruguay Round. Both NAFTA and the Round presented the prospect of a very big and diverse package, including a degree of guaranteed access to the world's most significant markets. Such guaranteed access was a key consideration for developing countries seeking to attract foreign investment and to increase their exports to rich markets in developed countries. However, the developing countries were generally cool to IPRs which were seen to favour some developed countries as net exporters of technology and copyright product.⁸⁹ Without the tempting carrot of market access, there would have been very little to induce developing countries to accept both the substantive TRIPS standards and the accompanying WTO dispute settlement procedures. In other words, going to Marrakesh to sign the Uruguay Round Final Act, a great many States knew they were swallowing the bitter pill of IPRs with effective dispute settlement in return for access to a range of benefits in trade in goods. NAFTA and TRIPS consequently provide Parties with a very strong incentive to fulfil their IP obligations, since they know that failure to

other treaties." See also MCNAIR, *supra* note 9, at 218-24.

⁸⁷ *Litis pendency* is a preliminary objection to a tribunal's beginning to hear a given case on the grounds that the same case is already being heard by another competent tribunal. See "*Litispendance*" in UNION ACADÉMIQUE INTERNATIONALE, *DICIONNAIRE DE LA TERMINOLOGIE DU DROIT INTERNATIONAL* 377-78 (1959). For further discussion of *litis pendency*, see also DAN CIOBANU, *PRELIMINARY OBJECTIONS RELATED TO THE JURISDICTION OF THE UNITED NATIONS POLITICAL ORGANS* 102-34 (1975).

⁸⁸ *Id.* at 135-49. See also *DICTIONARY OF INTERNATIONAL LAW*, *supra* note 50, at 339: "There is invariably in municipal legal systems a doctrine to the effect that once a matter is judicially determined that matter may not be litigated again by the same parties or parties in the same interest. This doctrine, commonly called *res judicata*, applies equally to international arbitral tribunals and judicial decisions."

⁸⁹ See CROOME, *supra* note 13, at 120-21.

perform may lead to suspension of valuable trade concessions because of an adverse panel finding.

J. International Case Law for Intellectual Property

Enough has been said about dispute settlement to make it clear that TRIPS and the WTO Dispute Settlement Body will in many respects be the most important features of the new international IP system. For developed countries, almost all TRIPS provisions will be applicable and subject to WTO dispute settlement as of January 1, 1996. For developing countries, almost all TRIPS provisions will be applicable and subject to dispute settlement as of January 1, 2000. Accordingly, the WTO Dispute Settlement Body will soon be producing panel decisions which will be the international IP regime's first experience in the development of something approximating "case law." As part of public international law, GATT/WTO law does not incorporate the formal common law doctrine of *stare decisis* which makes judicial precedents binding.⁹⁰ However, the way in which WTO panels will interpret TRIPS will fill in the outlines of the TRIPS obligations of WTO Members.⁹¹ For the interpretation of the Paris and Berne Conventions, authoritative⁹² answers will thus emerge to some difficult questions which have been long debated in the academic literature.⁹³ There will also be WTO jurispru-

⁹⁰ On the common law doctrine, see SIR RUPERT CROSS, *PRECEDENT IN ENGLISH LAW* (3d ed. 1977), and *PRECEDENT IN LAW*, (Laurence Goldstein ed., 1987). With regard to precedent and public international law, see Michel Virally, *The Sources of International Law*, in *MANUAL OF PUBLIC INTERNATIONAL LAW* 116-74, at 151, (Max Sorensen ed., 1968): "In certain municipal systems of law and notably in the common law countries, as a result of the application of the rule of *stare decisis*, decisions are creative of general rules of law. This rule or principle has no place in international law." See SHABTAI ROSENNE, *PRACTICE AND METHODS OF INTERNATIONAL LAW* 91-92 (1984).

⁹¹ Precedent or practice has played an important role in interpretation of the GATT. See JACKSON, *supra* note 9, at 89, 93-94. See also Ernst-Ulrich Petersmann, *supra* note 53, at 221: "In interpreting GATT rules, GATT panel reports take into account previous dispute settlement rulings and agreed GATT practice, and thereby enhance the predictability and acceptability of GATT law."

⁹² For the sense in which decisions of international tribunals are authoritative, but not binding, see SIR HERSCH LAUTERPACHT, *THE DEVELOPMENT OF INTERNATIONAL LAW BY THE INTERNATIONAL COURT* 9-22 (1958); J. L. BRIERLY, *THE LAW OF NATIONS: AN INTRODUCTION TO THE INTERNATIONAL LAW OF PEACE* 63-65 (Sir Humphrey Waldock ed., 6th ed. 1963); CLIVE PARRY, *THE SOURCES AND EVIDENCES OF INTERNATIONAL LAW* 91-94 (1965).

⁹³ For example, Berne Convention, art. 18, subject to certain exceptions, requires protection for all Berne Union copyright works existing on the treaty's entry into force. This provision's meaning may soon be elucidated by a possible WTO panel about sound recordings. TRIPS, arts. 14(6) and 70(2), apply Berne Convention, Article 18, *mutatis mutandis* to the rights of record producers of WTO Members. Japan's failure to apply a fifty-year term of protection retrospec-

dence about some new IPR questions which have yet to be imagined. Thus, a future edition of the GATT Analytical Index is bound to be an essential tool for establishing the meaning and scope of international IPRs.⁹⁴

K. NAFTA's Role in the New World of Intellectual Property

NAFTA, too, has an important part to play in developing the international IP regime. With respect to IPRs, NAFTA closely tracks the language of the 1991 Dunkel draft of the TRIPS negotiating text.⁹⁵ Therefore, NAFTA's Chapter 17: Intellectual Property and TRIPS generally are textually close enough to ensure that interpretations of the meaning of the one would be directly relevant to the elucidation of the other. IP-related findings of eventual NAFTA panels may, therefore, powerfully influence TRIPS interpretation and *vice versa*. In addition, NAFTA will continue to make its own distinctive mark on international IP developments because in some significant respects NAFTA embodies TRIPS-plus features.

For WTO Members, TRIPS applies the key national treatment obligation subject to the many exceptions already provided in the Paris, Berne, and Rome Conventions and the Washington Treaty on Intellectual Property in Respect of Integrated Circuits. Moreover, in respect of performers, phonogram producers, and broadcasters, TRIPS national treatment applies only to the rights which TRIPS specifically provides.⁹⁶ These many qualifications contrast sharply with NAFTA which establishes a sweeping national treatment requirement⁹⁷ which, subject to a few specific exceptions,⁹⁸ applies to all the domestic IPRs a NAFTA Party adopts or maintains.

tively to the existing rights of WTO Member record producers for recordings first fixed in WTO Member countries as far back as 1946, prompted the USA to request (Feb. 9, 1996) consultations pursuant to the WTO Understanding on Rules and Procedures Governing the Settlement of Disputes, art. 4: Consultations; GATT 1994, art. XXII: Consultation; and TRIPS, art. 64: Dispute Settlement. See Bhushan Bahree, *U.S., European Union Turn to WTO To Make Japan Extend Music Protection*, WALL STREET J., Feb. 12, 1996, at A10; *US, EU Complain About Music Piracy in Japan*, Feb. 9, 1996, Reuters News Service, Geneva.

⁹⁴ See GATT INDEX, *supra* note 55.

⁹⁵ MTN. TNC/W/FA (Dec. 20, 1991) GATT Secretariat UR-91-0185.

⁹⁶ TRIPS, art. 3(1).

⁹⁷ NAFTA, art. 1703: National Treatment.

⁹⁸ For example, NAFTA, art. 1703(1), says, in respect of secondary use (broadcasting or other public communication) of sound recordings, a Party may limit the rights of another Party's performers to those rights its nationals are accorded in the territory of such other Party. For the cultural industries, there is between Canada and any other NAFTA Party also the exception in NAFTA, Annex 2106, considered in Part 5 below.

Also in terms of substantive obligations, NAFTA adds a number of significant TRIPS-plus features. For trade secrets, both TRIPS and NAFTA require confidentiality for undisclosed test data submitted to governments for approving the marketing of pharmaceutical or agricultural-chemical products that utilize new chemical entities.⁹⁹ However, NAFTA goes further by also requiring non-reliance. For normally at least five years, NAFTA Parties are not to rely on the first applicant's confidential test data to approve a second applicant's request for approval to market a generic copy of the first applicant's product.¹⁰⁰

Unlike WTO Members, NAFTA Parties have to protect encrypted program-carrying satellite signals.¹⁰¹ This obligation reflects protection which had already been available under U.S. and Canadian law.¹⁰² The NAFTA provision is broad enough to cover the contemporary phenomenon of direct broadcasting by satellite which is specifically excluded from the scope of the 1974 Brussels Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite.¹⁰³

NAFTA goes a long way toward closing alleged gaps in the Berne Convention. For example, a technology-specific reference to "broadcasting" has raised serious questions about the adequacy of Berne rights for the protection of text and data bases on the Internet.¹⁰⁴ In recent negotiations, some have even suggested that Berne "communication" does not extend beyond real time¹⁰⁵ because of the relatively narrow range of technology extant when the Berne language was adopted.¹⁰⁶ In other

⁹⁹ TRIPS, art. 39(3), and NAFTA, art. 1711(5).

¹⁰⁰ NAFTA, art. 1711(6). However, subject to this provision, each Party may implement abbreviated approval procedures on the basis of bioequivalence and bioavailability studies.

¹⁰¹ NAFTA, art. 1707: Protection of Encrypted Program-Carrying Satellite Signals.

¹⁰² The 1991 changes to Canada's Broadcasting Act and Radiocommunication Act are explained by the Department of Communications, *Decoding the Law on Decoding* (1991) and *Distribution Undertakings and the Broadcast Act* (1991).

¹⁰³ The Brussels Convention does not apply where the originating organization's signals are intended for direct reception by the general public (art. 3).

¹⁰⁴ The wide-ranging right of public performance in Berne, article 11, applies only with respect to dramatic, dramatico-musical, and musical works. For the broader category of "literary and artistic works," article 11 *bis* provides rights of broadcasting and communication to the public of the broadcast of the work. However, article 11 *bis* rights seem not to apply to the non-broadcasting network situation of an electronic data base from which a work may be transmitted entirely by wire, *i.e.* via modem and telephone lines. See MASOUYÉ, *supra* note 28, at 64-69 (1978).

¹⁰⁵ Conventional broadcasting may be considered to be "real time" because reception occurs virtually simultaneously with the origination of the transmission embodying the communication.

¹⁰⁶ "Communication" was absent from the Berne Convention until the 1928 Rome Act which introduced art.11 *bis* (1) stipulating that "authors of literary and artistic works shall enjoy the exclusive right of authorizing the communication of their work to the public by broadcasting." With the same language carried forward to the current 1971 Paris Act, the 1948 Brussels Act,

words, Berne communication rights are said to apply only where a person directly communicates the work for simultaneous reception by others. This interpretation is troubling because, with respect to communication, it would exclude from Berne Convention rights and obligations the key configuration of a solitary midnight user accessing a work previously placed in a data base.

Whether or not these are really Berne lacunae, the holes are filled by NAFTA which not only requires each Party to give effect to the substantive provisions of the 1971 Paris Act of the Berne Convention¹⁰⁷ but also adds an entirely separate and, therefore, contemporary right to authorize or prohibit the communication to the public of all kinds of literary and artistic works embodying "original expression."¹⁰⁸ For a NAFTA Party volunteering to apply to all categories of works¹⁰⁹ a domestic understanding of "the public" broad enough to include the network situation of a number of individuals accessing the same work at different times and places, this generous communication right¹¹⁰ appears to supply whatever might be missing from the Berne Convention. This aspect is crucial to copyright in the global information infrastructure where works will increasingly be commercialized via the world's expanding information highway.

IPRs as an "investment" is another significant feature present in NAFTA which defines "investment" as including "intangible property."¹¹¹ Therefore, all the IPRs a NAFTA Party adopts or maintains are automatically included within the ambit of the NAFTA investment protection provisions. By contrast, the WTO Agreement on Trade-Related Investment Measures (TRIMS) only applies to investment measures with respect to trade in goods¹¹² and does not include a definition of "investment" after the fashion of NAFTA. According to Canada, TRIMS was one of the "disappointments" of the Uruguay Round.¹¹³ Later,

article 11(1)(ii), gave authors of dramatic, dramatico-musical and musical works the exclusive right of authorizing any "communication to the public of the performance of their works." Similarly, the text of article 11 *bis* in the current 1971 Paris Act dates from the 1948 Brussels Act.

¹⁰⁷ NAFTA, art. 1701(2)(b).

¹⁰⁸ NAFTA, art. 1705: Copyright.

¹⁰⁹ NAFTA, art. 1721: Definitions, provides an open (*i.e.* inclusive) definition of "public" applying to dramatic, dramatico-musical, musical and cinematographic works. For other kinds of literary and artistic works (*e.g.*, computer programs, legal and financial data bases, etc.), the author's exclusive right to authorize or prohibit the work's communication to the public does not have to be read in accordance with the article 1721 definition.

¹¹⁰ NAFTA, art. 1705(2)(c).

¹¹¹ NAFTA, art. 1139: Definitions.

¹¹² WTO Agreement on Trade-Related Investment Measures, art. 1.

¹¹³ Canada, Dept. Foreign Aff. Int'l Trade, *Agreement Establishing the World Trade Organi-*

more will be said about the important conjunction between investment obligations and IPRs.

NAFTA's TRIPS-plus provisions are likely to have a substantial impact on the development of international IP norms. There is a general influence because NAFTA standards are now a significant part of what the United States seeks in bilateral IP agreements. Furthermore, NAFTA has had a profound influence on the formulation of Canada's Model Foreign Investment Protection Agreement (FIPA) which continues to be the starting point for a number of ongoing negotiations. Current examples are the FIPAs which Canada recently concluded with South Africa and the Philippines.

NAFTA also may exercise a specific influence via the accession of new Parties. April 1995 witnessed the inauguration of quadrilateral talks to explore the possibility of Chile's accession to NAFTA. For the moment, the accession process is stalled due to the failure of the U.S. Congress to give President Clinton the Fast Track authority which Chile deems to be essential for continuing serious and substantive negotiations. Nonetheless, the prospect of NAFTA expansion has greatly stimulated Latin American interest in NAFTA's IP Chapter.

This Latin American focus on NAFTA applies in other exercises as well. For example, NAFTA and other IP norms will be thoroughly studied in the current efforts to develop a Free Trade Agreement of the Americas (FTAA) by the year 2005.¹¹⁴ This process was inaugurated at the December 1994 Miami summit of Western Hemisphere leaders. At a June 1995 Denver meeting, the hemisphere trade ministers approved the principle of establishing an IP Working Group which was created in March 1996 at their second meeting in Cartagena.¹¹⁵ As in the Chilean

zation: *Canadian Statement on Implementation*, CANADA GAZETTE, PART 1, Dec. 31, 1994, at 4855: "The TRIMS Agreement fails to capture the importance of foreign direct investment as an agent of international integration and economic development. There is still need for a multilateral investment code that addresses the full range of issues related to discriminatory regulation of the conduct of business. The comparable chapter in NAFTA is much further along in capturing the reality of the global economy." WTO Member trade ministers will soon be examining the possibility of enhanced investment disciplines within the WTO framework.

¹¹⁴ Ongoing FTAA developments regarding IP and other topics are weekly reported in detail from Washington in an authoritative newsletter entitled *INSIDE NAFTA*. This key publication covers NAFTA implementation and dispute settlement as well as trade policy in the Americas. From the same publisher comes *INSIDE U.S. TRADE* which is invaluable with respect to the WTO and global aspects of the United States' participation in the world trading system.

¹¹⁵ Joint Declaration, Summit of the Americas, Second Ministerial Trade Meeting, Cartagena, Colombia, March 21, 1996. The IPRs Working Group will create an inventory of the hemisphere's IP agreements, treaties and arrangements, including all international conventions to which countries are Parties; compile an inventory of the hemisphere's IP protection laws, regulations and enforcement measures and, on the basis of this information, identify areas of common-

accession process, comparison of TRIPS and NAFTA standards with the realities of Latin American regimes will greatly expand mutual understanding and knowledge of comparative IP law. For example, IP enforcement in Canada and the United States is principally a question of civil remedies.¹¹⁶ By contrast, in many parts of Latin America, IPRs are normally enforced via a combination of administrative, criminal, and civil remedies.¹¹⁷ One way or another, higher levels of protection and enforcement are bound to result from this ambitious hemispheric initiative.

III: NON-VIOLATION NULLIFICATION OR IMPAIRMENT OF BENEFIT

With respect to dispute settlement under GATT 1947, reference has already been made to the difficult concept of the non-violation nullification or impairment complaint.¹¹⁸ This phrase describes a right of legal action arising out of circumstances in which there has been no outright inconsistency or breach of a legal obligation.¹¹⁹ The non-violation complaint's rationale is to protect the overall balance of concessions reasonably expected when the agreement was negotiated.¹²⁰ The non-violation complaint is designed to deal with the contingency that the standard legal commitments in a trade agreement may fail to preserve

ality and divergence; recommend methods to promote the understanding and effective implementation of TRIPS; identify possible areas for technical assistance involving both IPRs administration and enforcement; analyze the implications of emerging technologies for FTAA IPRs protection; and make specific recommendations on how to proceed in building the FTAA in this area.

¹¹⁶ For Canadian enforcement, see GORDON F. HENDERSON, *INTELLECTUAL PROPERTY LITIGATION, LEGISLATION AND EDUCATION: A STUDY OF THE CANADIAN INTELLECTUAL PROPERTY AND LITIGATION SYSTEM*, REPORT FOR DEPARTMENT OF CONSUMER AND CORPORATE AFFAIRS (1991).

¹¹⁷ For example, see the central role played by administrative sanctions and criminal offences in Title 7, Chapters II-III of Mexico's industrial property law (*Ley de fomento y protección de la propiedad industrial*). In Chile, the possibility of civil compensation for the IPR owner depends on a prior administrative or criminal finding of a violation of the copyright law (*Derecho de autor*) or the industrial property law (*Normas aplicables a los privilegios industriales y protección de los derechos de propiedad industrial*).

¹¹⁸ See PETERSMANN, *supra* note 53, at 175-229.

¹¹⁹ GATT, Article XXIII(1)(b), specifically provides for the possibility of a complaint of nullification or impairment with respect to the application by another Contracting Party of any measure "whether or not it conflicts" with GATT provisions. See JOHN H. JACKSON, *WORLD TRADE AND THE LAW OF GATT: A LEGAL ANALYSIS OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE* 179 (1969).

¹²⁰ *Id.*, at 170, 177-78, 181-82; JACKSON, *supra* note 9, at 94-95. For "reasonable expectation" at the time of negotiation, see 2 GATT INDEX, *supra* note 55, at 658.

the balance of benefits that initially led a country to become Party to the agreement. Because inconsistency is not alleged, the aim is not to get the defendant to withdraw the new measure,¹²¹ but rather to give the successful complainant a compensatory adjustment to restore the balance of interests.¹²² To make good his claim, the complainant must furnish the panel with detailed proof that the defendant's new measure has nullified or impaired benefits which had been reasonably anticipated when the negotiations were concluded.¹²³

A 1950 case between Chile and Australia provides a good example of the non-violation complaint.¹²⁴ In the 1947 agreement, Australia gave Chile a trade concession abolishing customs duties on sodium nitrate which Australian manufacturers commonly used in fertilizer production. In 1947, Australia was subsidizing fertilizers produced with either sodium nitrate or ammonium sulphate. After 1947, Australia terminated its domestic subsidy on fertilizers produced with sodium nitrate, but retained its subsidy for fertilizers produced with ammonium sulphate. This measure radically diminished Australian demand for sodium nitrate and upset the competitive relationship between sodium nitrate and ammonium sulphate. Therefore, Chile brought a successful non-violation complaint under GATT. Australia's unanticipated abolition of the subsidy for fertilizer made from sodium nitrate was held to be a non-violation impairment of the benefit which Chile had reasonably expected to receive from the 1947 sodium nitrate tariff concession.¹²⁵

Intellectual property lawyers ought to be especially interested in the phenomenon of the non-violation complaint because the NAFTA specifically applies this difficult concept to the treaty's IP Chapter.¹²⁶ Subject to some exceptions,¹²⁷ a Party may have recourse to NAFTA's

¹²¹ GATT violation cases focus on getting the defendant to withdraw the inconsistent measure. But, the Contracting Parties have no authority to require withdrawal of a measure which is found to be not inconsistent with GATT. See Petersmann, *supra* note 53, at 215. WTO Understanding on Rules and Procedures Governing the Settlement of Disputes, Article 26(1)(b): "Where a measure has been found to nullify or impair benefits under, or to impede the attainment of objectives, of the relevant covered agreement [*e.g.*, TRIPS] without violation thereof, there is no obligation to withdraw the measure. However, in such cases, the panel or the Appellate Body shall recommend that the Member concerned make a mutually satisfactory adjustment."

¹²² GATT, art. XXIII(2), deals with compensatory suspension of concessions or other obligations. See 2 GATT INDEX, *supra* note 55, at 680-84.

¹²³ *Id.*, vol. 2, at 661, 667.

¹²⁴ 1950 Report of the Working Party on *The Australian Subsidy on Ammonium Sulphate*, GATT/CP.4/39, adopted by the Contracting Parties on Apr. 3, 1950, GATT. BASIC INSTRUMENTS AND SELECTED DOCUMENTS II/188 (1952).

¹²⁵ See 2 GATT INDEX, *supra* note 55, at 657-58.

¹²⁶ NAFTA, Annex 2004(1)(d).

¹²⁷ For any measure subject to an exception under NAFTA, Article 2101: General Exceptions,

State-State dispute settlement procedure, if it considers that any benefit that it could reasonably have expected to get under any provision of the IP Chapter is being nullified or impaired as a result of another Party's application of an unanticipated new measure not inconsistent with NAFTA.¹²⁸

Despite its origins in GATT 1947, the concept of non-violation nullification or impairment has not been accepted for immediate application to TRIPS where non-violation complaints will not be possible before January 1, 2000.¹²⁹ Prior to that date, the TRIPS Council is charged with examining the possible scope and modalities of such non-violation complaints under TRIPS. The TRIPS Council is required to submit relevant recommendations to the WTO Ministerial Conference which may, by consensus, approve recommendations to be effective for all WTO Members without further acceptance procedures. Alternatively, the Ministerial Conference consensus may reject the TRIPS Council's recommendations and extend the moratorium to study further whether non-violation complaints should apply to TRIPS disputes.¹³⁰ If no consensus is reached, non-violation complaints will become available with respect to the Dispute Settlement Body's handling of TRIPS disputes on January 1, 2000.¹³¹

During the TRIPS negotiations, Canada was among those countries opposing the application to IPRs of the possibility of non-violation complaints. This was one of the last TRIPS questions discussed before the December 15, 1993 conclusion of the Uruguay Round. In August 1992, Canada had agreed to apply the possibility of non-violation complaints to NAFTA's IP Chapter. However, that decision was made only

a Party may not bring a non-violation complaint alleging nullification or impairment of any provision of the IP Chapter. See NAFTA, Annex 2004(2)(b), which creates a disjunction between the availability of the traditional GATT, article 20, exceptions and the possibility of a NAFTA non-violation complaint alleging nullification or impairment of an IPR. A NAFTA non-violation complaint is therefore unavailable for a domestic measure with respect to international trade in goods or technical barriers to international trade, which qualifies for an exception under NAFTA, article 2101(1), incorporating GATT, article 20, and the interpretative notes thereto. In an appropriate case, a measure subject to an exception under NAFTA, article 2101(2), would also be removed from the scope of non-violation complaints alleging nullification or impairment of any provision of the IP Chapter. However, article 2101(2) is exceedingly opaque and therefore the interaction with Annex 2004(2)(b) is very much harder to assess.

¹²⁸ NAFTA, art. 2004: Recourse to Dispute Settlement Procedures, and Annex 2004: Nullification and Impairment.

¹²⁹ TRIPS, art. 64(2).

¹³⁰ TRIPS, art. 64(3).

¹³¹ This conclusion flows from TRIPS, article 64(1), applying non-violation complaints to TRIPS disputes, and article 64(2) postponing, for five years following January 1, 1995, the application of non-violation complaints to TRIPS disputes.

after the cultural industries had been carved out from Canada's NAFTA obligations by the exception set out in NAFTA, Annex 2106, discussed in Part 5 below.

A. *What is the Benefit of an Intellectual Property Right?*

For trade in goods, there has not been too much difficulty in understanding the nature of a "benefit," e.g., a benefit conferred by a tariff concession. However, defining the meaning of "benefit" has always been the principal difficulty in thinking about the application of non-violation complaints to IPRs. NAFTA sidesteps the question by refraining from defining "benefit," which is left to be interpreted within the context of the various obligations to which Annex 2004 applies.

Consistently, the Canadian view has been that the IP area cannot tolerate an understanding of "benefit" seen as all the economic consequences that might normally be expected to flow from the use of a given IPR. During the Uruguay Round and the NAFTA negotiations, Canadian negotiators explained that IPRs are normally articulated not as an affirmative right to use but rather as a negative right to prevent unauthorized use. This point was emphasized as the launching pad for the argument that, in the normal course of events, many factors might legitimately intervene to limit or prevent the rightholder's use of his protected subject matter or to influence the results of such use. For example, an inventor may get a patent for his pharmaceutical, but may be refused marketing permission because of considerations of safety and efficacy. Similarly, a country's consumer protection and health-services policy might urgently require the introduction of price controls for pharmaceuticals. Canadian TRIPS negotiators were always uncomfortable with the idea that the patent owner's right to prevent unauthorized third parties from using his invention could be extended into a State\State guarantee of non-interference with the market share or profit which the patent holder might normally expect from the commercialization of his invention. In NAFTA and the Uruguay Round, Canadian negotiators argued that an IPR's "benefit" is nothing more than the enjoyment of the specific right conferred on the IP owner. For example, the benefit of NAFTA's exclusive rental right for sound recordings¹³² would be properly described as the record producer's ability to enjoy the right to authorize or prohibit third parties with respect to commercial rental of

¹³² NAFTA, art. 1706(1)(d).

his sound recording.

The U.S. understanding of “benefit” tends to be much broader. The United States consistently contends that “benefit” covers the aspect of commercial exploitation. During the NAFTA negotiations, the United States argued that on the one side there is the IP Chapter to deal with the acquisition, maintenance, and enforcement of IPRs, and on the other side Annex 2004 to deal with the question of the use of IPRs. Distinguishing between pure IP treaties like the Paris or Berne Convention on the one hand and trade agreements like NAFTA on the other hand, the United States contended that “palpably unfair trade distortions should find their remedy, notwithstanding the lack of an outright inconsistency.” Following are two scenarios to explore the possible operation of such an expansive understanding of “benefit”.

B. Non-Violation and Cigarette Plain Packaging

Consider a NAFTA Party seeking to reduce smoking by an unprecedented new measure requiring the plain packaging of both domestic and imported tobacco products. Just such a plain-packaging proposal was suggested to the Canadian government by private-sector health groups trying to make cigarettes less attractive to adolescents.¹³³ In its most extreme form, the proposed plain-packaging requirement would mean that tobacco companies would be unable to use some or all of their existing trademarks. They would have to use as an indication of source rudimentary trademarks consisting of nothing more than their company or brand names. It has been alleged that a plain-packaging requirement could also destroy the rationale for indirect tobacco advertising (*e.g.*, via sports and arts sponsorship) by breaking the link between many established tobacco trademarks and cigarette packages.¹³⁴

¹³³ Plain or generic packaging's efficacy is examined in an expert panel report prepared for Canada's Health Minister. See *WHEN PACKAGES CAN'T SPEAK: POSSIBLE IMPACTS OF PLAIN AND GENERIC PACKAGING OF TOBACCO PRODUCTS* (1995). The possibility of packaging and labelling requirements is discussed in a consultative paper which the Health Minister released on December 11, 1995. See *Tobacco Control: A Blueprint to Protect the Health of Canadians*, § 5.6, at 33-34.

¹³⁴ Canada, House of Commons Standing Committee on Health, *Towards Zero Consumption: Generic Packaging of Tobacco Products Standing Committee Report* (June 21, 1994), at 4. However, this particular rationale for plain packaging is weakened because, at that time, the Tobacco Products Control Act, Section 8, subject to certain exceptions, already prohibited the use of tobacco trademarks in connection with non-tobacco goods, services, events and activities. On September 21, 1995, the Supreme Court of Canada in *RJR MacDonald Inc. v. Attorney General of Canada* found constitutional grounds to strike down Section 8 along with some other provisions of the Tobacco Products Control Act.

The suggested plain-packaging measure would respect NAFTA's national treatment requirement by applying equally to the trademark rights of both nationals and foreigners. Although the issue is debatable, a requirement of thoroughgoing plain-packaging might not violate the NAFTA IP Chapter's substantive trademark provisions. Arguably, NAFTA's IP Chapter does not require Parties to give owners an *affirmative* right to use their trademarks. Rather, NAFTA may be understood to require the owner to receive nothing more than the *negative* right to prevent unauthorized third parties from using his trademark.¹³⁵ Furthermore, the NAFTA ban on "encumbering" a trademark's use in commerce arguably does not extend to discipline a Party enacting an outright prohibition of use.¹³⁶ Rather, the reference to "encumbering" probably points to an intention to prohibit domestic requirements for the linking or coupling of marks.¹³⁷ Coupling aims at gradually shifting goodwill from a trademark of foreign origin to a trademark of domestic origin by requiring the two to be used together. A non-national is presumed to be the owner of the trademark of foreign origin and his domestic licensee to be a national owning the linked trademark of domestic origin.¹³⁸

To counter a new plain-packaging requirement, a NAFTA Party

¹³⁵ NAFTA, art. 1708(2). The Paris Convention also does not specifically require the owner to be given an affirmative right to use his trademark. See GUNNAR W. G. KARNELL, 8 EUR. INTELL. PROP. REPS. 305 (1990)(inferring such a Paris Convention right of use is rejected by the author). But see Annette Kur, *Restrictions Under Trademark Law as Flanking Maneuvers to Support Advertising Bans: Convention Law Aspects*, 23 INT'L REV. INDUS. PROP. & COPYRIGHT L. 43-44 (1992). See also Ulf Bernitz, *Logo Licensing of Tobacco Products: Can It Be Prohibited?* 4 EUR. INTELL. PROP. REPS. 137-39 (1990).

¹³⁶ In NAFTA's three authentic languages (English, French, and Spanish), the primary meaning of *encumber/entraver/dificultar* clearly connotes something less than an outright prohibition of use. This understanding is consistent with interpreting NAFTA, Article 1708(10), as addressing requirements with respect to the trademark's use. Nothing in Article 1708(10) raises the question of the trademark's non-use which is an aspect separately considered in Article 1708(8). Although a prohibition of use may reduce "the trademark's function as an indication of source", Article 1708(10) does not deal with this contingency. Instead, Article 1708(10) binds the NAFTA Parties with respect to another situation, *i.e.* a rule against the imposition of special requirements with respect to use, "such as a use that reduces the trademark's function as an indication of source".

¹³⁷ NAFTA, art. 1708(10), addresses the mischief described by the U.S. International Trade Commission. *Foreign Protection of Intellectual Property Rights and the Effect on U.S. Industry and Trade: Report to USTR* (Jan. 1988), Investigation No. 332-245, under Section 332(g) of the Tariff Act of 1930: "Inadequate Intellectual Property Protection, p. 1-8; Trademarks: 6. Circumscribed usage or 'Linking'—The value of a trademark is diminished because the trademark must be used in a specified form or manner or used in conjunction with another trademark. Regime Inadequacies, p. 3-7; Trademarks: 5. Circumscribed usage or 'linking'—Reported for 28 countries, led by Mexico (33 firms), Brazil (32), Korea (22), India (18), Venezuela (16), and Taiwan (15)."

¹³⁸ See Justo Nava Negrete, *Derecho de las Marcas* (Mexico, 1985), at 537-52 (providing a detailed treatment of the linking of marks, *vinculación de marcas*).

might, therefore, be unable to mount a successful challenge alleging violation of NAFTA's trademark provisions. But, there would always remain the legal possibility of using NAFTA, Annex 2004, to lodge a State-State *non-violation* complaint alleging nullification of the benefit which the complainant had (1992) reasonably expected to accrue to its nationals under the IP Chapter's trademark provisions. In this regard, some would allege that "benefit" means the economic return which the owner would normally expect from his trademark's use in commerce. NAFTA's general exception for health-related measures might not excuse such a plain-packaging requirement because, for IP-related non-violation complaints, the general health exception seems to apply only to cases involving trade in goods originating in another NAFTA Party or technical barriers to trade in goods between NAFTA Parties.¹³⁹

There would be good arguments to defend against a non-violation complaint against plain packaging. A heavy onus would be on the complainant to provide "a detailed justification"¹⁴⁰ proving that its nationals suffered harm linked to denial of a benefit, in 1992 reasonably expected to flow from ownership of a relevant IPR. "As every contract lawyer knows, judgments about the 'reasonableness' of one party's expectations are, at bottom, judgments about the reasonableness of the other party's behaviour."¹⁴¹ During the NAFTA negotiations, cigarette smoking's health hazards were well-known and plain packaging was already being discussed in anti-smoking and trademark circles.¹⁴² In assessing whether a plain-packaging measure could have been reasonably anticipated in 1992, some weight would also have to be given to NAFTA's provisions for health-related measures. Specifically, NAFTA permits the Parties the possibility of protecting human life and health via the adoption of sani-

¹³⁹ See NAFTA, Annex 2004(2)(b) and art. 2101(1). The suggested cigarette plain-packaging measure is also not of a kind subject to an exception under NAFTA, Article 2101(2), which focuses on telecommunications and international trade in services. Therefore, Article 2101(2) could not help to remove a possible plain-packaging measure from the scope of non-violation complaints under Annex 2004.

¹⁴⁰ Relevant to such a non-violation complaint under NAFTA would be the GATT experience in this area. The WTO Understanding on Rules and Procedures Governing the Settlement of Disputes, art. 26(1)(a), requires the complaining party to present "a detailed justification in support of any complaint relating to a measure which does not conflict with the relevant covered agreement." For non-violation complaints, such a "detailed justification" was also required by the GATT Understanding on Notification, Consultation, Dispute Settlement and Surveillance of November 28, 1979 (26S/210), Annex: Agreed Description of the Customary Practice of the GATT in the Field of Dispute Settlement (Article XXIII:2), §5. See 2 GATT INDEX, *supra* note 55, at 635, 661, 667.

¹⁴¹ ROBERT E. HUDEC, THE GATT LEGAL SYSTEM AND WORLD TRADE DIPLOMACY 167 (2d ed. 1990).

¹⁴² See *supra* note 135.

tary measures under Article 712(1)¹⁴³ and standards-related measures under Article 904(1).¹⁴⁴ Because these provisions probably do not override the Intellectual Property Chapter, they might not serve as a defence in a violation case. Nonetheless, they remain directly relevant to the issue of reasonable expectations in a non-violation case.¹⁴⁵

Were a NAFTA Party to enact such a plain-packaging requirement, the United States would be unlikely to institute a State/State non-violation complaint to defend the foreign trademark rights of U.S. tobacco companies. For example, while he was United States Trade Representative (USTR), Commerce Secretary Mickey Kantor explained that the present U.S. administration wants to avoid using trade law to stop countries trying to reduce smoking via bonafide health measures.¹⁴⁶

C. *Local-Content Quotas for Domestic Broadcasting*

As a second hypothetical example illustrating the potential operation of non-violation nullification or impairment, consider a current or future NAFTA Party without the protection of the cultural industries exception. The NAFTA Party requires all the country's television broadcasters to be domestically incorporated with eighty percent ownership by nationals. In 1999, a new licensing requirement stipulates that all television stations must broadcast only audiovisual works first fixed domestically. This scenario can be distinguished from a trade-in-goods situation because an audiovisual work first fixed abroad may nonetheless be manufactured at home. Another NAFTA Party brings a non-violation complaint alleging that the new 100% local-content rule impairs the benefit which was expected to flow to its film producers from NAFTA rights in the copyright of cinematographic works.¹⁴⁷ This copyright line of argument would be all the more likely under NAFTA because GATT precedents suggest that it is very difficult to make much headway characteriz-

¹⁴³ NAFTA, art. 724: Definitions, says *sanitary measure* includes a measure to protect human life or health "from risks arising from the presence of an additive, contaminant, toxin or disease-causing organism in a food, beverage or feedstuff."

¹⁴⁴ NAFTA, art. 915: Definitions, says a standard "may also include or deal exclusively with . . . symbols, packaging, marking or labelling requirements as they apply to a good"

¹⁴⁵ Similarly, a WTO panel hearing a non-violation complaint against plain packaging would have to assess reasonable expectations as of December 15, 1993, in the light of TRIPS, Article 8(1), which specifically allows WTO Members to adopt or maintain TRIPS-consistent measures necessary to protect public health. However, a contrary precedent is the 1990 Oilseeds Panel Report. See 2 GATT INDEX, *supra* note 55, at 659-60.

¹⁴⁶ Stan Stesser, *Opium War Redux*, 69 NEW YORKER Sept. 13, 1993, at 89.

¹⁴⁷ NAFTA, art. 1705(2)(c).

ing television programming as a trade-in-goods issue.¹⁴⁸

The defendant Party would be unable to rely on the Annex 2004 exception from non-violation complaints with respect to IPRs.¹⁴⁹ The exception does not apply because the hypothetical programming requirement does not qualify for an exception under NAFTA, Article 2101(1), which incorporates, for NAFTA disciplines with respect to international trade in goods and technical barriers to international trade, the general exceptions for public morals, health, etc., in GATT, Article XX. Nor would the hypothetical programming requirement be sheltered from the possibility of a non-violation complaint by the combination of NAFTA, Annex 2004(2)(b) and Article 2101(2).¹⁵⁰

The foregoing scenario clearly demonstrates that a non-violation complaint can be applied to IPRs to address what is essentially a market-access problem. The conjunction is significant because the United States consistently raises market access in connection with IPRs.¹⁵¹

¹⁴⁸ Clint N. Smith, *International Trade in Television Programming and GATT: An Analysis of Why the European Community's Local Program Requirement Violates the General Agreement on Tariffs and Trade*, 10 INT'L TAX & BUS. LAW. 97-137 (1993). See also World Trade Organization, 1 GATT, ANALYTICAL INDEX: GUIDE TO GATT LAW AND PRACTICE 210 (6th ed. 1995)[hereinafter 1 GATT INDEX]: "In discussions in the early 1960s, the United States stated that restrictions against showing foreign television programmes were technically a violation of Article III:4 [national treatment], but that some of the principles of Article IV might apply to them. A Working Party was unable to come up with any agreement on the subject In 1991, the United States requested consultations under Article XXII:1 concerning certain measures restricting the showing of non-European films on television. The EEC stated that the question of broadcasting, whether by television or by any other means, belonged essentially to the area of services."

¹⁴⁹ With respect to any measure qualifying for an exception under NAFTA, Article 2101: General Exceptions, a Party may not bring a complaint alleging non-violation nullification or impairment of any provision of NAFTA's IP Chapter. See NAFTA, Annex 2004(2)(b).

¹⁵⁰ Qualifying for an exception under Article 2101(2) is one of the ways of cancelling the possibility of a non-violation complaint under Annex 2004. The domestic local-content rule would need to benefit from an excuse from NAFTA disciplines with respect to the application to services of NAFTA: Part Two (Trade in Goods) or Part Three (Technical Barriers to Trade) or with respect to Chapter Twelve (Cross-Border Trade in Services) or Chapter Thirteen (Telecommunications). International trade in goods and technical barriers to international trade are clearly not pertinent. NAFTA's Chapter on Cross-Border Trade in Services is irrelevant to NAFTA obligations for television stations in a country requiring all broadcasters to be domestically incorporated and principally owned by nationals. Finally, NAFTA, Article 1301(2), says the Telecommunications Chapter does not apply to any measure relating to cable or broadcast distribution of radio or television programming.

¹⁵¹ For example, market access figures prominently in the China-U.S. IPRs Agreement [Feb. 26, 1995] 34 I. L. M. 881. USTR discussed market access in a 1995 paper, *Economic Development in the Americas: The Role of Copyright, Patent, and Trademark Protection in the Free Trade Area of the Americas*, 3 INSIDE NAFTA, no. 1, Jan. 10, 1996, at 18. On December 5, 1995, the United States proposed *inter alia* that the FTAA "Working Group on Intellectual Property will identify measures to eliminate possible restrictions on the market access of intellectual property-related products and services throughout the Hemisphere, including through their elec-

This link is already familiar from "Section 301" of the U.S. Trade Act of 1974, as amended by the 1994 Uruguay Round Agreements Act. The "Section 301" procedures not only target foreign countries failing to protect IPRs, but also deal with "the denial of fair and equitable nondiscriminatory market access opportunities" including "restrictions on market access related to the use, exploitation, or enjoyment of commercial benefits derived from exercising intellectual property rights in protected works or fixations or products embodying protected works."¹⁵²

D. Non-Violation Complaints a Key Concern for the TRIPS Council

The application to IPRs of non-violation nullification or impairment will eventually be clarified by NAFTA panels. Exactly what kind of IP complaints may be brought to NAFTA panels under Annex 2004 cannot be predicted with certainty. Similarly, we know neither how NAFTA panels will understand an IPR's "benefit" nor whether they will follow narrow or broad interpretations of the non-violation nullification or impairment provisions. Nonetheless, enough has been said to identify the issue of non-violation complaints as one of the pressing new questions of the contemporary international IP regime. This is pertinent because before January 1, 2000, there is still enough time for WTO Members to explore the implications thoroughly. In this regard, concerned countries should be diligent to ensure that the question of non-violation complaints figures prominently in the TRIPS Council's workplan. Because nothing short of consensus could block the non-violation complaint's application to IPRs, efforts should perhaps be concentrated on examining the "scope and modalities" as provided for by TRIPS, Article 64(3). For example, a useful approach might be to seek international agreement on an appropriate definition of "benefit" which urgently requires "further clarification especially in cases of non-violation complaints outside the area of tariff benefits and tariff negotiations."¹⁵³

IV. INTELLECTUAL PROPERTY RIGHTS AND INVESTMENT PROTECTION

Now that international IP obligations are subject to effective dispute settlement procedures, increasing attention is directed to the crucial

tronic transmission." See *U.S. Proposal for FTAA IPR Work Group Terms of Reference*, 3 INSIDE NAFTA, no. 1, Jan. 10, 1996, at 7.

¹⁵² See *Actions by United States Trade Representative*, 19 U.S.C. 2411(d)(3)(F)(ii).

¹⁵³ See PETERSMANN, *supra* note 53, at 224-25.

intersection between IP and investment obligations. This arises by design because investment protection treaties commonly include IPRs within the definition of "investment."¹⁵⁴ This feature is certainly true of the BITs in the United States.¹⁵⁵ Canadian treaty practice also includes bilateral FIPAs which specify IPRs within the definition of "investment."¹⁵⁶ As for NAFTA, none of its multiple personalities is more important than its character as a powerful investment protection instrument.¹⁵⁷ Therefore, it is natural that NAFTA's Investment Chapter treats IPRs as "intangible property" explicitly within the definition of "investment."¹⁵⁸ During the negotiations, this definition raised the question of the interaction between the draft IP and Investment Chapters. According to the United States, the Investment Chapter's purpose would be *inter alia* to protect the commercial benefits flowing from IP ownership. The United States was also seeking additional international disciplines for "trade-distorting practices" in the form of domestic restrictions on the commercial exploitation of IPRs, *e.g.*, performance requirements.¹⁵⁹ According to the United States, the IP Chapter would also need the Investment Chapter for the principle of the free transferability of royalty payments.¹⁶⁰ By

¹⁵⁴ F.A. Mann, *British Treaties for the Promotion and Protection of Investments*, in FURTHER STUDIES IN INTERNATIONAL LAW 236, 243, 247 (1990). See, *e.g.*, Article 1(b)(iv), Agreement between Australia and China on the Reciprocal Encouragement and Protection of Investments [Beijing, July 11, 1989] Australia Treaty Series 1988; Article 1(a)(iv), USSR-UK: Treaty on Promotion and Protection of Investments [London, Apr. 6, 1989] 29 I. L. M. 366 (1990); Article 1(1), Germany-USSR: Treaty on Promotion and Protection of Investments [Bonn, June 13, 1989] 29 I. L. M. 351 (1990); Article 1(a)(iv), Australia-Vietnam: Agreement on the Reciprocal Promotion and Protection of Investments [Canberra, Mar. 5, 1991] 30 I.L.M. 1064 (1991).

¹⁵⁵ See, *e.g.*, Article 1(1)(a)(i), Argentina-USA [Washington, Nov. 14, 1991] 31 I. L. M. 124 (1992); Article 1(1)(c), Russia-USA [Washington, June 17, 1992] 31 I. L. M. 794 (1992).

¹⁵⁶ See Article 1 of the following FIPAs: Canada-Poland [Warsaw, Apr. 6, 1990] Canada Treaty Series 1990/43; Canada-USSR [Moscow, Nov. 20, 1989] Canada Treaty Series 1991/31; Canada-Czech and Slovak Republic [Prague, Nov. 15, 1990] Canada Treaty Series 1992/10; Canada-Argentina [Toronto, Nov. 5, 1991] Canada Treaty Series 1993/11; Canada-Hungary [Ottawa, Oct. 3, 1991] Canada Treaty Series 1993/14.

¹⁵⁷ JON R. JOHNSON, THE NORTH AMERICAN FREE TRADE AGREEMENT: A COMPREHENSIVE GUIDE 278 (1994): "The U.S. negotiators used the Model BIT as the basis for negotiating the FTA and achieved partial success in having its provisions incorporated. In negotiating NAFTA, with the addition of a developing country to the Canada-U.S. free trade area, the process of incorporating the provisions of the Model BIT was completed." NAFTA's Investment Chapter is the culmination of approximately seventy years' insistence by capital-exporting States on effective international protection for investments. To locate NAFTA on the capital-exporting side of this century's vigorous debate about investment protection, see ANTONIO CASSESE, INTERNATIONAL LAW IN A DIVIDED WORLD 319-23, 345-49 (1986). For a snapshot of customary international law at the high point for capital-importing States, see D. W. GREIG, *supra* note 34, at 575-79.

¹⁵⁸ NAFTA, art. 1139: Definitions.

¹⁵⁹ NAFTA, art. 1106: Performance Requirements.

¹⁶⁰ NAFTA, art. 1109(1)(a).

way of further example, the United States added that the IP Chapter would establish the disciplines for the availability of compulsory licensing, but the Investment Chapter would allow the patent holder arbitration with respect to the level of compensation arising from any "taking" under the IP Chapter.

A. *Inconsistency Test is Strict*

During the NAFTA negotiations, serious consideration was given to the interaction between the draft Investment Chapter and other chapters. Accordingly, in the event of any inconsistency between another NAFTA chapter and the Investment Chapter, the other NAFTA chapter is to prevail to the extent of the inconsistency.¹⁶¹ Despite first appearances, this provision does not go very far to establish an override favouring NAFTA's other chapters. This assessment rests on the consideration that an inconsistency test is normally applied very narrowly, *i.e.*, inconsistency exists only where two texts are genuinely contradictory.¹⁶² Customary international law has treaty interpretation rules which include a general presumption against finding conflict between two provisions intended to apply between the same Parties with respect to the same subject matter. Therefore, the preferred interpretation is the one compatible with the requirements of both provisions.¹⁶³ This means that there would be no inconsistency between the first chapter's "shall not" (*i.e.*, "no") and the second chapter's "may" (*i.e.* embracing the possibility of either "yes" or "no"). By conforming with the first chapter's "no," a Party's conduct would be entirely consistent with both chapters. Accordingly, mandatory terms in one treaty chapter can operate to override

¹⁶¹ NAFTA, art. 1112(1).

¹⁶² 743rd meeting (June 11, 1964) 1 Y.B. INT'L L. COMM., § 8, at 127 (1964): Paul Reuter said the rules of interpretation governing inconsistent provisions in successive treaties are "of the same nature as those for the settlement of alleged conflicts between different provisions of the same treaty." Accordingly, the meaning of inconsistency within one treaty can be illuminated with reference to authoritative views relating to inconsistency between two or more treaties. Re applying "conflicting" or "incompatible" provisions of successive treaties relating to the same subject matter, Sir Humphrey Waldock, Special Rapporteur, talked of a "comparison between two treaties which revealed that their clauses, or some of them, could not be reconciled with one another". See 742nd meeting (June 10, 1964) 1 Y.B. INT'L L. COMM., § 68, at 125 (1964). Subsequent discussion referred to situations "when the provisions of two treaties could not be applied in their entirety at the same time." See 857th meeting (May 24, 1966) 1 Y.B. INT'L L. COMM., pt. 2, § 54-55, at 99 (1966).

¹⁶³ J. G. STARKE, INTRODUCTION TO INTERNATIONAL LAW 470 (10th ed. 1989): "Where the point turns on the construction of ambiguous treaty provisions, there is a presumption of non-conflict. Much may depend on whether there is or is not real incompatibility . . ." See also C. Wilfred Jenks, *The Conflict of Law-Making Treaties*, 30 BRIT. Y. B. INT'L L. 427-29 (1953).

permissive provisions in another treaty chapter.¹⁶⁴ This is illustrated by the following discussion of how the NAFTA intellectual property and investment negotiations interacted with respect to MFN and national treatment.

B. MFN and National Treatment Requirements

During the NAFTA negotiations, concerns subsisted that the draft Investment Chapter might interfere with the legitimate scope of IPRs in the draft IP Chapter. For example, the draft Investment Chapter demanded MFN and national treatment for investments including “intangible property” and hence for IPRs. However, the draft IP Chapter gave each Party the possibility of derogating from the national treatment requirement. For example, the draft IP Chapter offered the option of relying on exceptions for performers in respect of secondary uses of sound recordings¹⁶⁵ and for judicial and administrative procedures in respect of the protection and enforcement of IPRs.¹⁶⁶ In addition, Parties were specifically accorded the opportunity of requiring foreign rightholders to designate a local address for service of process and to appoint an agent within the jurisdiction.¹⁶⁷ There was also the possibility of deviating from the IP Chapter’s national treatment obligation for certain domestic procedures (provided for in various WIPO treaties) relating to the acquisition or maintenance of IPRs.¹⁶⁸ Accordingly, the mandatory MFN and national treatment obligations applying with respect to IPRs as “intangible property” under the draft Investment Chapter had to be specifically

¹⁶⁴ Customary international law rules are generally the same for interpreting provisions of the same treaty and of two different treaties. The distinction between conflict and divergence of treaties is therefore directly relevant to understanding conflict and divergence between different NAFTA chapters. *Id.*, at 425-26. According to Jenks: “A conflict in the strict sense of direct incompatibility arises only where a Party to the two treaties cannot simultaneously comply with its obligations under both treaties.” However, Jenks recognizes the possibility that “a divergence which does not constitute a conflict may nevertheless defeat the object of one or both of the divergent instruments. Such a divergence may, for instance, prevent a Party to both of the divergent instruments from taking advantage of certain provisions of one of them recourse to which would involve a violation of . . . certain requirements of the other. A divergence of this kind may in some cases . . . render inapplicable provisions designed to give one of the divergent instruments a measure of flexibility . . . necessary to its practicability. Thus, while a conflict in the strict sense of direct incompatibility is not necessarily involved when one instrument eliminates exceptions provided for in another instrument . . . , the practical effect of the coexistence of the two instruments may be that one of them loses much or most of its practical importance.”

¹⁶⁵ NAFTA, art. 1703(1).

¹⁶⁶ NAFTA, art. 1703(3).

¹⁶⁷ *Id.*

¹⁶⁸ NAFTA, art. 1703(4).

limited to preserve the freedom of action provided by the exceptions in the draft IP Chapter. For this reason, the Investment Chapter was equipped with an exception which stipulates that the Investment Chapter's MFN and national treatment requirements do not apply to any measure that qualifies for an exception to national treatment under the IP Chapter.¹⁶⁹

C. NAFTA Expropriation and Intellectual Property Rights

Even more serious was the IP problem perceived in relation to the draft Investment Chapter's requirement of compensation for expropriation.¹⁷⁰ Like many investment protection agreements, NAFTA casts the net widely to include not only expropriation but also a measure tantamount to expropriation.¹⁷¹ Where there is expropriation, NAFTA appears to require compensation even though the domestic measure satisfies *all* the other NAFTA requirements of being: (i) for a public purpose; (ii) non-discriminatory; (iii) in accordance with due process of law; and (iv) in accordance with international law, including fair and equitable treatment and full protection and security.¹⁷² This demanding formulation suggests that what constitutes a compensable expropriation may in some circumstances be broader under NAFTA than under customary international law where there may be no duty to compensate an alien for losses arising from a "reasonable exercise of the state's power to regulate matters related to public order, safety or health, its currency, foreign exchange resources, balance of payments, or emergency situations."¹⁷³ The precise scope of the promise to compensate under

¹⁶⁹ NAFTA, art. 1108(5).

¹⁷⁰ NAFTA, art. 1110: Expropriation and Compensation. "Expropriation" is neither defined by NAFTA nor does the word have a precise agreed meaning under international law. *See* BROWNLEE, *supra* note 42, at 531-32: "The terminology of the subject is by no means settled, and in any case form should not take precedence over substance. The essence of the matter is the deprivation by state organs of a right of property either as such, or by permanent transfer of the power of management and control. The deprivation may be followed by transfer to the territorial state or to third parties, as in systems of land distribution as a means of agrarian reform. The process is commonly described as expropriation. If compensation is not provided, or the taking is regarded as unlawful, then the taking is sometimes described as confiscation."

¹⁷¹ NAFTA, art. 1110(1).

¹⁷² NAFTA, art. 1105(1) and 1110(1).

¹⁷³ LOUIS HENKIN, ET AL., *INTERNATIONAL LAW: CASES AND MATERIALS* 734-35 (3d ed. 1993). Subject to certain qualifications, the 1961 Harvard Draft Convention on the International Responsibility of States for Injuries to Aliens, Article 10(5), allows for the possibility of "an uncompensated taking of property" resulting from "the execution of the tax laws; from a general change in the value of currency; from the action of the competent authorities of the State in the maintenance of public order, health, or morality; or from the valid exercise of belligerent rights;

NAFTA's Investment Chapter is crucial because expropriation contrary to treaty is *per se* unlawful under international law and gives rise to state responsibility, including the obligation to make restitution.¹⁷⁴

D. Domestic Requirement to Compensate May Be Narrower

Consistent with TRIPS and WIPO obligations, domestic IP legislation in most countries has features (*e.g.*, compulsory licensing, revocations, limitations) which arguably would have been inconsistent with an unqualified NAFTA obligation to compensate a foreign investor for expropriation. For example, a patent holder has no domestic right to compensation when a patent is revoked for abuse of rights under Canada's Patent Act¹⁷⁵ or Competition Act.¹⁷⁶ Compensation is re-

or is otherwise incidental to the normal operation of the laws of the State" See Louis B. Sohn & R. R. Baxter, *Responsibility of States for Injuries to the Economic Interests of Aliens*, 55 AM. J. INT'L L. 554, 561 (1961). For regulatory measures as a defence to liability, see ALLAHYAR MOURI, *THE INTERNATIONAL LAW OF EXPROPRIATION AS REFLECTED IN THE WORK OF THE IRAN-U.S. CLAIMS TRIBUNAL 248-57* (1994); AMERICAN LAW INSTITUTE, *RESTATEMENT OF THE LAW (SECOND): FOREIGN RELATIONS LAW OF THE UNITED STATES*, ch. 4: *Justification*, § 197, at 592-93 (1965). A correspondingly broad statement on "justification" is absent from 2 *RESTATEMENT OF THE LAW (THIRD): FOREIGN RELATIONS LAW OF THE UNITED STATES*, §§ 711-12, at 184-216 (1987). See *id.*, § 712, at 201: "A state is not responsible for loss of property or other economic disadvantage resulting from bona fide general taxation, regulation, forfeiture for crime, or other action of the kind that is commonly accepted as within the police power of states, if it is not discriminatory . . . and is not designed to cause the alien to abandon the property to the state or sell it at a distress price. As under United States constitutional law, the line between 'taking' and regulation is sometimes uncertain."

¹⁷⁴ F.A. MANN, *supra* note 154, at 176, 241; BROWNLIE, *supra* note 42, at 543. The stringent NAFTA requirement to provide compensation for expropriation must be weighed against the uncertainties of customary international law. See, *e.g.*, GRAY, *supra* note 41, at 40 (discussing arbitral precedents); J.G. STARKE, *supra* note 163, at 300: "It is believed also that an expropriation of foreign property is contrary to international law if it does not provide for the prompt payment by the expropriating State of just, adequate and effective compensation. On the other hand, some writers maintain and some courts have held that the absence of any such proper provision for compensation does not render the expropriation illegal under international law, but that at most there is a duty to pay such compensation, the expropriation remaining lawful for all purposes, including transfer of title. There is even a difference of opinion concerning the measure of the compensation payable; some writers are of the opinion that it need only be reasonable in the circumstances, having regard to the state of the economy of the expropriating State. It is said, however, that compensation which is of a nominal value only, or which is indefinitely postponed, or which is the subject of a vague or non-committal promise, or which is below the rate of compensation awarded to nationals of the expropriating State, is contrary to international law."

¹⁷⁵ To remedy abuse of rights, Patent Act, Section 66(1)(d), gives the Commissioner of Patents the power to revoke a patent in circumstances where the grant of a compulsory licence would not suffice. However, the revocation order cannot be "at variance" with any treaty to which Canada is Party.

¹⁷⁶ Competition Act, Section 32(g), permits the Federal Court of Canada to order revocation

quired by Canada's Expropriation Act, but the statute applies only to the taking of land.¹⁷⁷ The potentially narrow scope of the domestic meaning of expropriation can be further explored via the example of the U.K. system of land-use regulation which Sir William Wade has described as a "comprehensive and drastic licensing system."¹⁷⁸ He says: "The planning legislation as a whole is in effect an extensive system of expropriation without compensation, since no compensation is payable in the great majority of cases where permission to develop land is refused, even though the land is then greatly reduced in value."¹⁷⁹ Such losses have been judged by U.K. courts to result from the exercise of regulatory power and not from the taking of property.¹⁸⁰

As in the U.K., Canada's domestic understanding of expropriation is bound to be relatively narrow because the constitution fails to provide fundamental guarantees to protect rights with respect to private property. "The rule requiring compensation for a taking of property is in Canada (as in the United Kingdom) only a rule of statutory interpretation. If a statute expressly provides that no compensation is payable, then there is no room for interpretation and the express words of the statute must be applied Neither the federal government nor a provincial government is under any constitutional (as opposed to statutory) obligation to pay fair compensation, or any compensation, for property expropriated."¹⁸¹

By contrast, the U.S. domestic understanding of expropriation is broader. U.S. courts interpret the fifth amendment to the U.S. constitution to require payment of just compensation for expropriation, including "regulatory takings."¹⁸² For example, the U.S. Supreme Court in 1992

if compulsory licensing and other remedies are deemed to be insufficient to remedy restraint of trade caused by the use of the exclusive rights and privileges under the patent. However, the revocation order must not be "at variance" with any treaty to which Canada is Party.

¹⁷⁷ Expropriation Act, Section 4(1): "Any interest in land, including any of the interests mentioned in section 7, that, in the opinion of the Minister, is required by the Crown for a public work or other public purpose may be expropriated by the Crown in accordance with the provisions of this Part." Under Ontario's Expropriations Act, Section 1(1)(c), "*expropriate* means the taking of land without the consent of the owner by an expropriating authority in the exercise of statutory powers"

¹⁷⁸ SIR WILLIAM WADE, *ADMINISTRATIVE LAW* 178 (6th ed. 1988): "The legislative scheme contains a large measure of expropriation without compensation, a sacrifice which is imposed upon landowners for the general good, but which naturally provokes litigation."

¹⁷⁹ *Id.*, at 797.

¹⁸⁰ *Id.*, at 797, n. 99: "But this is regulation rather than the 'taking' of property: *Belfast Corporation v. O.D. Cars Ltd.* [1960] AC 490 (a decision that planning restrictions did not conflict with section 5 of the Government of Ireland Act, 1920, prohibiting legislation for the taking of property without compensation)."

¹⁸¹ PETER W. HOGG, *CONSTITUTIONAL LAW OF CANADA* 577 (2d ed. 1985).

¹⁸² DENNIS J. COYLE, *PROPERTY RIGHTS AND THE CONSTITUTION: SHAPING SOCIETY*

held that the owner of two unimproved beachfront lots was entitled to compensation because he was prevented from building by the enactment of new construction setback lines to prevent coastal erosion.¹⁸³ Compensation was required because an unanticipated regulation deprived the property owner of "all economically viable use."¹⁸⁴

During the NAFTA negotiations, Canadian negotiators were mindful of the possibility of a discrepancy between the understanding of "expropriation" under NAFTA and domestic law. To Canada's IP negotiators, the draft Investment Chapter appeared to interact with IPRs in a way requiring an unrealistically high level of obligation with respect to expropriation. This broad requirement to compensate provoked examination of some hypothetical scenarios. For example, it was imagined that under the draft Investment Chapter expropriation could be alleged with respect to: (i) the revocation of a patent for abuse of rights; (ii) limiting the copyright owner's exclusive reproduction and translation rights via the enactment of a new exception allowing unauthorized decompilation of a computer program for research to develop interoperability with another program; and (iii) software rental outlets being effectively put out of business by the exercise of a new exclusive rental right by owners of copyright in computer programs. Thinking of these and similar situations, Canadian negotiators believed that it was necessary to preserve a Party's discretion to control IPRs consistent with the disciplines established in the IP Chapter. Accordingly, included in the Investment Chapter was the following exception: "This article [on expropriation and compensation] does not apply to the issuance of compulsory licenses granted in relation to IPRs, or to the revocation, limitation or creation of IPRs, to the extent that such issuance, revocation, limitation or creation is consistent with Chapter Seventeen (Intellectual Property)."¹⁸⁵

THROUGH LAND USE REGULATION 249-51 (1993); James W. Sanderson & Anne Mesmer, *A Review of Regulatory Takings After Lucas*, 70 DENV. U. L. REV., 498 (1993).

¹⁸³ Lucas v. South Carolina Coastal Council 112 S. Ct. 2886 (1992).

¹⁸⁴ Lucas v. South Carolina Coastal Council, at 2895, 2899-2900. The U.S. House of Representatives has passed a "takings bill" that would require the U.S. government to compensate landowners whose holdings lose value due to environmental regulation. The bill has also cleared the Senate Judiciary Committee. See Timothy Noah, *GOP's Rollback of the Green Agenda Is Stalled By a Public Seeing Red Over Proposed Changes*, WALL ST. J., Dec. 26, 1995, at A8.

¹⁸⁵ NAFTA, art. 1110(7).

E. Cigarette Plain Packaging and Expropriation

The intersection between IP and investment obligations can be explored via the hypothetical plain-packaging proposal already introduced in the earlier discussion of non-violation complaints. A thoroughgoing plain-packaging requirement would effectively prevent tobacco companies from using most of their very valuable trademarks on cigarette packages. Canada's Trade-marks Act protects not only ordinary trademarks, *e.g.*, symbols, but also distinctive packaging as a trade dress or "distinguishing guise."¹⁸⁶ The NAFTA Investment Chapter could pose problems for the hypothetical plain-packaging measure because domestic trademark rights would fall within the scope of "intangible property" referenced in the definition of investment.¹⁸⁷ Furthermore, the Investment Chapter has no link with the NAFTA general exception for health-related measures with respect to international trade in goods.¹⁸⁸ Instead, the Investment Chapter has its own provision in the form of Article 1101(4) which permits a Party to adopt and maintain health measures not inconsistent with the Investment Chapter. However, Article 1101(4), may be read as conceivably not excluding liability to compensate the investor for a health measure tantamount to expropriation.¹⁸⁹

On May 10, 1994, representatives of some U.S. tobacco companies came to Ottawa to tell the House of Commons Standing Committee on Health that they would respond with an investor-State complaint should Canada enact a plain-packaging requirement preventing them from using their existing Canadian trademarks on cigarette packs. In other words, the U.S. companies were warning that, under NAFTA's Investment

¹⁸⁶ Trade-marks Act, Section 2, defines "trade-mark" as including a "distinguishing guise" which in turn is defined as including "a mode of wrapping or packaging . . . the appearance of which is used by a person for the purpose of distinguishing or so as to distinguish wares . . . manufactured, sold, . . . by him from those manufactured, sold . . . by others."

¹⁸⁷ NAFTA, art. 1139(g), stipulates that "*investment* means real estate or other property, tangible or intangible, acquired in the expectation or used for the purpose of economic benefit or other business purposes."

¹⁸⁸ NAFTA, art. 2101: General Exceptions.

¹⁸⁹ NAFTA, art. 1101(4): "Nothing in this Chapter shall be construed to prevent a Party from providing a service or performing a function such as . . . health . . . in a manner that is not inconsistent with this Chapter." Similarly, the mandatory requirement to compensate investors of another NAFTA Party on expropriation may be understood as fully consistent with a Party's discretion to take under Article 712(1) any sanitary measure necessary for, or under Article 904(1) any standards-related measure relating to, the protection of human life or health. According to this interpretation, there would be no question of having to withdraw any bonafide health measure under Article 712(1) or Article 904(1), but investors of another NAFTA Party would nonetheless have to be given prompt, adequate and effective compensation for expropriation or a measure tantamount thereto.

Chapter, any plain-packaging requirement would be a measure tantamount to a compensable expropriation of their Canadian trademark rights.¹⁹⁰ However, a number of significant counter-arguments would be available¹⁹¹ if adoption of a plain-packaging measure sparked compensation claims leading to investor-State arbitration under the Investment Chapter and/or a State-State panel procedure under Chapter 20.¹⁹² A plain-packaging requirement for cigarettes has not been adopted by any government. Nonetheless, the lively public discussion of the relevant policy and legal considerations has taught many useful lessons about how carefully investment obligations must be structured so as to leave sufficient space for domestic policy with regard to health, IPRs, and other areas.

F. Intellectual Property Rights in Foreign Investment Protection Agreements (FIPAs)

Possible conflict between the legitimate operation of IP regimes and investment obligations is a general problem which must be considered in other fora as well, *e.g.*, the recently concluded negotiations for the Energy Charter Treaty¹⁹³ and the current OECD work towards a Multilater-

¹⁹⁰ The expropriation argument is fully set out in a 24-page (May 3, 1994) legal opinion which former USTR Carla A. Hills prepared for the R.J. Reynolds Tobacco Company. The opinion was delivered to the House of Commons Standing Committee on Health by Hills & Company President Jules Katz who had been Chief U.S. negotiator for NAFTA. See *Minutes of Proceedings and Evidence of the Standing Committee on Health*, Iss. No. 9, May 10, 1994, at 48.

¹⁹¹ First, it might be argued that there is no affirmative right to use under Canada's Trademarks Act and consequently no investment with respect to a right to use under the Investment Chapter. Second, the plain-packaging measure might be characterized as a bonafide regulatory measure and therefore not falling within the ambit of "expropriation" under the Investment Chapter. Third is the possibility of invoking the specific IPRs exception from the Investment Chapter's provisions on compensable expropriation. See NAFTA, Article 1110(7), discussed above. To rely on the Article 1110(7) exception, the State would have to show that the plain-packaging measure is a limitation consistent with the IP Chapter. In this regard, the argument might include the following: (i) there is no affirmative right to use under the IP Chapter; (ii) the IP Chapter's ban on encumbering the trademark's use in commerce does not prevent a Party from prohibiting the trademark's use; (iii) in the alternative, the plain-packaging measure is justified under Article 1708(12) as a "limited exception to the rights conferred by a trademark."

¹⁹² NAFTA, art. 1115, stipulates that the NAFTA Investment Chapter's procedures for investor-State dispute settlement are without prejudice to the rights and obligations of Mexico, Canada, and the United States under Chapter 20: Institutional Arrangements and Dispute Settlement Procedures.

¹⁹³ Energy Charter Treaty [Lisbon, Dec. 17, 1994] 34 I. L. M. 360 (1995). The treaty aims to liberalize sectoral trade and investment. It establishes a legal framework for long-term cooperation in the energy field. As an investment protection instrument, the Energy Charter Treaty offers the possibility of both State-State and investor-State dispute settlement. Article 1(6), specifically includes both "intangible property" and "intellectual property" within the definition of "invest-

al Agreement on Investment (MAI).¹⁹⁴ The need for skilful handling of IPRs in investment protection agreements is reinforced by two relevant considerations. First, IPRs are private rights¹⁹⁵ frequently held by corporations accustomed to aggressive litigation. Second, NAFTA, the Energy Charter Treaty, and other investment protection agreements commonly provide for the possibility of the international arbitration of investor-State disputes in addition to the usual possibility of dispute settlement between States. This means that, under appropriate circumstances, a foreign owner of domestic IPRs may use investment obligations to press a claim against a host State. The proliferation of arbitral awards arising from such investor-State dispute settlement could generate significant new precedents partly because of procedures which typically allow the investor to appoint one of the arbitrators.¹⁹⁶

Because IPRs are almost invariably included within the definition of "investment," countries which are net exporters of technology and copyright product welcome the chance to use FIPAs to expand international protection for their foreign IPRs. However, countries which are net importers of technology and copyright product¹⁹⁷ must be vigilant lest

ment". For IPRs, Article 10(10) says MFN and national-treatment obligations shall be "as specified in the corresponding provisions of the applicable international agreements for the protection of IPRs to which the respective Contracting Parties are parties". However, Article 13: Expropriation, lacks a carve out from the scope of expropriation for TRIPS-consistent issuance of compulsory licences granted in relation to IPRs and the revocation, limitation or creation of IPRs. During the negotiations, unsuccessful was the attempt to include in the Energy Charter Treaty such an exception to the expropriation obligation. The failed proposal was modelled on NAFTA, Article 1110(7), which is discussed *supra*.

¹⁹⁴ Eduardo Lachica, *OECD At Work on Treaty to Protect Foreign Investment: Developing Countries Asked to Join in Crafting Global Accord*, GLOBE & MAIL, (Toronto), Nov. 9, 1995, at B12.

¹⁹⁵ The TRIPS Preamble explicitly recognizes that "intellectual property rights are private rights."

¹⁹⁶ For example, NAFTA, Article 1123, provides for three-member tribunals. The investor and the State each appoint one arbitrator. A presiding arbitrator is then appointed by agreement of the investor and the State. If they cannot agree, the Secretary-General of the International Centre for the Settlement of Investment Disputes (ICSID) appoints the presiding arbitrator from a NAFTA roster of 45 presiding arbitrators. See NAFTA, art. 1124.

¹⁹⁷ Canada is clearly a net importer of technology and copyright product. Canadians made only seven percent of the patent registrations in Canada in 1988-1989, when 51% were taken out by the United States and 12% by Japan nationals. See CONSUMER AND CORPORATE AFFAIRS CANADA, INTELLECTUAL PROPERTY AND CANADA'S COMMERCIAL INTERESTS: A SUMMARY REPORT FOR THE INTELLECTUAL PROPERTY ADVISORY COMMITTEE 5-6 (1990). In 1993 patent applications were 11.7% by Canadian residents, and the remainder by nationals of Japan (10.8%), European Union (24.9%), United States (45.9%), and others (6.7%). See CANADIAN INTELLECTUAL PROPERTY OFFICE, PERSPECTIVES ON CANADIAN INTELLECTUAL PROPERTY ACTIVITY 5 (1995). *Id.*, at 4: "Historically, patent applications filed annually by residents accounted for less than 10% of filings in Canada. The relative number of resident filings is gradually increasing from

over-protection occur via a bilateral FIPA. Experience in NAFTA showed the way to a more finely articulated treatment of IPRs as an investment. On this basis, Canada prepared a Model FIPA which, with respect to IPRs, tries to strike an appropriate balance between the private investor's needs and the host country's legitimate interests. Without impairing FIPA protection for IPRs, the IP-related exceptions in Canada's Model FIPA seek to prevent over-protection and to ensure that FIPA obligations with respect to IPRs are coordinate with TRIPS obligations. Accordingly, Canada's Model FIPA includes IP-related exceptions from obligations touching MFN, national treatment, and expropriation. The Model FIPA also has an exception carving out the cultural industries from the agreement's investment disciplines.

Ensuring that a FIPA does not inadvertently expand IPRs protection is important because a bilateral FIPA may indirectly have a wider impact by triggering MFN obligations under other agreements. For example, with respect to the NAFTA Investment Chapter's MFN obligation,¹⁹⁸ Canada took a specific exception for treatment under all bilateral and multilateral treaties antedating January 1, 1994.¹⁹⁹ Understandably, there is no corresponding general carve out for treatment under subsequent treaties. Subject to certain exceptions, Canada could, therefore, end up owing to U.S. and Mexican investors and investments (including IPRs) treatment no less favourable than Canada accords, in like circumstances, under any subsequent FIPA with a third country.

With respect to MFN and national treatment, TRIPS offers WTO Members the possibility of using the various exceptions which were carefully negotiated during the years of the Uruguay Round. For IPRs, the Model FIPA incorporates those exceptions to MFN and national treatment that are consistent with TRIPS.²⁰⁰ In other words, to avoid expanding the scope of IPRs protection, IPRs must be subject to the same MFN and national treatment exceptions in both FIPAs and IP treaties. Otherwise, a FIPA might interfere with a Party's ability to use the MFN and national treatment exceptions multilaterally agreed in IP treaties, *e.g.*, Paris, Berne, and TRIPS.²⁰¹

The FIPA reference to TRIPS ensures that there is no investment violation to the extent that domestic measures derogating from MFN and

8.3% in the 1980s to 10.8% in the 1990s." For copyright, see the striking statistics on cultural-product imports at the beginning of Part 5 *infra*.

¹⁹⁸ NAFTA, art. 1103: Most-Favoured Nation Treatment.

¹⁹⁹ NAFTA, Annex IV: Schedule of Canada.

²⁰⁰ Modelled on NAFTA, art. 1108(5), discussed *supra*.

²⁰¹ Mandatory provisions in one treaty can eliminate a Party's discretion to use exceptions in another treaty. See C. WILFRED JENKS, *supra* note 163, at 426-27.

national treatment conform with the exceptions in TRIPS. However, without the FIPA reference to TRIPS, the balance could be upset by unqualified MFN and national treatment requirements in a subsequent FIPA. Customary international law and the Vienna Convention on the Law of Treaties²⁰² both rely on the *lex posterior* principle. In practical terms, this means that as between countries Party to both the later FIPA and the earlier TRIPS, the provisions of TRIPS might only apply to the extent of their compatibility with the subsequent FIPA.²⁰³ This could be seen as a question of the application of successive treaties relating to the same subject matter²⁰⁴ because the FIPA *specifically* includes IPRs within the definition of "investment." For this reason, any inconsistency between TRIPS and a later FIPA might not be solvable via the principle of interpretation which stipulates that the general does not derogate from the specific (*generalia specialibus non derogant*).²⁰⁵

Excluded from the Canadian Model FIPA's understanding of a compensable expropriation is a claim arising from the issuance of compulsory licences for IPRs or from the revocation, limitation, or creation of IPRs consistent with TRIPS.²⁰⁶ This qualification is meant to allow some room for features that constitute normal operations within most domestic IP systems. Without such an exception, a FIPA obligation to compensate on expropriation might arise when a new Copyright Act exception is enacted, a domestic court orders compulsory licensing to remedy an anti-competitive practice or a patent is revoked. The FIPA's specific reference to the standard of TRIPS consistency is the foreign investor's guarantee that the exception from the duty to compensate for "expropriation" would be measured with an agreed yardstick. Such caution on the part of the host State is fully justified in the contemporary context where FIPAs offer foreign IP owners the possibility of investor-State dispute settlement. Because investment treaties can lead to over-protection of IPRs, panelists and arbitrators should, wherever possible, get clear rules to distinguish bonafide regulatory measures from compen-

²⁰² Vienna Convention on the Law of Treaties, art. 30(3)-(4).

²⁰³ For application of successive treaties relating to the same subject matter, see SINCLAIR, *supra* note 68, at 93-98.

²⁰⁴ *Id.*, at 98: "Finally, it would seem that the expression 'relating to the same subject matter' must be construed strictly. It will not cover cases where a general treaty impinges indirectly on the content of a particular provision of an earlier treaty."

²⁰⁵ How the ICJ applies this interpretative principle is described by Sir Gerald Fitzmaurice, *The Law and Procedure of the International Court of Justice 1951-4: Treaty Interpretation and Other Points*, 33 BRIT. Y.B. INT'L L. 236-38 (1957). For a discussion of the *lex specialis* principle, see C. Wilfred Jenks, *supra* note 163, at 436, 446-47.

²⁰⁶ Modelled on NAFTA, art. 1110(7), discussed *supra*.

sable expropriations. The need for this particular exception is demonstrated by the circumstance that an unqualified FIPA requirement to compensate the IP owner as an investor would be logically consistent with a TRIPS exception allowing the possibility of a derogation from an IP discipline. "Technically speaking, there is a conflict between treaties when two (or more) treaty instruments contain obligations which cannot be complied with simultaneously."²⁰⁷ However, the TRIPS exception could suffice to excuse the non-conforming domestic IP measure but would not remove any separate FIPA obligation to compensate the foreign rightholder as an investor.

V. CULTURAL INDUSTRIES EXCEPTION

As a more than seventy-six percent English-speaking country of about thirty million people²⁰⁸ adjacent to the nine times larger population of the United States, Canada has for many years considered itself in danger of having its indigenous cultural expression drowned in a flood of U.S. films, television programs, sound recordings, books, and magazines. For example, the United States produces close to ninety-four percent of the films shown in Canadian theatres and seventy-five percent of the television shows viewed in Canada,²⁰⁹ where U.S. programs generally attract larger audiences.²¹⁰ Even in the almost eighty-two percent French-speaking Province of Quebec, U.S. films (1995) constituted 81.8% of theatre showings, attracting 84.5% of the film-going audience. Only 4.1% of the province's film-goers went to see Quebec films.²¹¹ In 1992, the United States was the source of eighty-seven percent of the feature films and eighty percent of other comedy/drama programming seen by television viewers in Canada.²¹² Canadian films account for no more than three to five percent of domestic audiovisual cassette rentals.²¹³ Although normally pressed in Canada, sound recordings first

²⁰⁷ Wolfram Karl, *Treaties, Conflicts Between*, in 7 ENCYCLOPEDIA OF PUBLIC INTERNATIONAL LAW 468 (1984).

²⁰⁸ Alanna Mitchell, *Population to Hit 30 Million in '96*, GLOBE & MAIL, (Toronto), Jan. 10, 1996, at A1, A6.

²⁰⁹ Ontario, Ministry of Culture, Tourism, and Recreation, *The Business of Culture: Report of the Advisory Committee on a Cultural Industries Sectoral Strategy* 90 (Aug. 1994). However, Statistics Canada informs the author that Canadians spent only 63.6% of their Fall 1994 television viewing time, watching foreign programs, whether broadcast by domestic or foreign stations.

²¹⁰ Nordicity Group Ltd., *Economic Impact of Home Taping on Audio-Visual Works, Report for Departments of Industry and Canadian Heritage* 91 (Sept. 1994).

²¹¹ Ray Conlogue, *Quebec's Movies Are Stars*, GLOBE & MAIL, (Toronto), Jan. 11, 1996, at A14.

²¹² Nordicity Group Ltd., *supra* note 210, at 92.

²¹³ Étude Économique Conseil, *Évaluation des impacts économiques et non-économiques d'une*

fixed abroad are approximately eighty-five percent of total domestic annual sales of about CDN\$ 1.3 billion.²¹⁴ Averaged over 1991-1993, U.S. citizens were fifty-two percent of the artists on the "Top 100" Chart for English-language recordings in Canada.²¹⁵ Even in Quebec, the francophone music industry generates only about thirty-three percent of the recordings sold in the province.²¹⁶ Although the Canadian Radio-Television and Telecommunications Commission (CRTC) requires that thirty percent of radio music programming be Canadian in content,²¹⁷ the United States is said to be the place of first fixation of approximately fifty percent of the recordings broadcast by Canadian radio stations which prefer to play U.S. recordings during prime time.²¹⁸ In 1993, foreign copyright owners received fifty-five percent of the performing-rights royalties distributed by the Society of Authors, Composers, and Music Publishers of Canada (SOCAN).²¹⁹ Similarly, Canada is the largest export market for U.S. books which are seventy-nine percent of all book imports, supplying sixty percent of the Ontario market.²²⁰ Total book sales in Canada are fifty-seven percent by foreign-controlled companies constituting twelve percent of the country's English-language publishers.²²¹ U.S. magazines are eighty percent of English-language

législation concernant l'introduction d'un droit de location dans le cadre de la révision de la Loi sur le droit d'auteur. Report for Department of Canadian Heritage (Aug. 1994), at iv, xiii, 34-35.

²¹⁴ Written submission of Canadian Independent Record Production Association (CIRPA) to Department of Foreign Affairs and International Trade Cultural Advocacy Seminar, Ottawa, Feb. 19-20, 1996. According to Ontario's Ministry of Culture, 84% of sound recording sales in Canada are made by six multinational corporations, with only 16% by Canadian-owned independent record labels. See Ontario, Ministry of Culture, Tourism and Recreation, *The Business of Culture: Report of the Advisory Committee on a Cultural Industries Sectoral Strategy* 87-88 (Aug. 1994).

²¹⁵ Arthur Donner & Fred Lazar, *Neighbouring Rights: A Financial and Economic Analysis Report for Department of Canadian Heritage* (Oct. 1994), at Table 60.

²¹⁶ Andrew McIntosh, *Minister Proposes Mexico-Quebec Cultural Alliance Against U.S.*, GAZETTE, (Montreal), Mar. 8, 1996, at D3.

²¹⁷ Some say content rules have been essential in creating a "space" for Canadian music in domestic broadcast schedules and for the last 25 years' growth of a Canadian-controlled sector of the domestic sound recording industry. The Canadian-controlled production companies are said to be responsible for first fixation of approximately 70% of the sound recordings with Canadian content. However, with more than a hundred Canadian groups signed to multinational labels, foreign-controlled firms are said also to play an important role in developing an indigenous music industry. Claiming that Canadian radio stations are not playing enough Canadian music during key time periods, Canadian record producers are now calling for stricter "Cancon" requirements. See H.J. Kirchoff, *Review Cancon Rules, Group Says*, GLOBE & MAIL, (Toronto), Mar. 6, 1996, at A12-13.

²¹⁸ Donner & Lazar, *supra* note 215, at 45, 63, 66.

²¹⁹ *Id.*, at 20.

²²⁰ Ontario, Ministry of Culture, Tourism and Recreation, *The Business of Culture: Report of the Advisory Committee on a Cultural Industries Sectoral Strategy* (Aug. 1994), at 83.

²²¹ *Id.*, at 82.

newsstand sales.²²² Almost fifty percent of Quebec book sales are made by foreign-based publishers.²²³

A. Canadian Government Policy

During the October 1993 federal election, the about-to-be victorious Liberal Party released a manifesto which articulated the need to take special measures to protect Canadian culture: "A Liberal government will help Canadian books, films, and sound recordings to increase their share of the domestic market through the establishment of policies and legislation with respect to marketing, distribution, and exhibition."²²⁴ This same theme was expressed in the Liberal government's 1995 foreign-policy statement entitled *Canada in the World* which identifies the "protection of Canadian values and culture" as one of the pillars of Canadian foreign policy.²²⁵ According to *Canada in the World*: "The celebration of Canadian culture and the promotion of Canadian cultural and educational industries, so that they can continue to compete at home and abroad, are central tenets of Canadian policy The Government is convinced that we can and should manage our international economic relationships so that Canadian cultural industries are effectively supported. We will remain vigilant in protecting and promoting the capacity of our important cultural industries to flourish in the global environment."²²⁶

B. Protection or Discrimination

What is seen by one country as legitimate protection for a domestic cultural industry may be viewed by another country as a measure discriminating against foreign IP owners, exporters, or investors. Consider the example of neighbouring rights to compensate record producers and performers for the secondary use (*i.e.* broadcasting and performance in public) of their sound recordings. Although absent from TRIPS, these neighbouring rights exist in the Rome Convention, to which neither Canada nor the United States is Party.²²⁷ NAFTA does not require

²²² *Id.*, at 85. Canadian periodicals even up the score in subscription sales.

²²³ McIntosh, *supra* note 216, at D3.

²²⁴ Liberal Party of Canada, CREATING OPPORTUNITY: THE LIBERAL PLAN FOR CANADA 88-89 (1993).

²²⁵ CANADA IN THE WORLD: GOVERNMENT STATEMENT, i-iii, 10-11, 22, 34-39 (1995).

²²⁶ *Id.*, at 39.

²²⁷ Rome Convention, art. 12. With respect to secondary use, Rome, Article 16(1)(a), permits a Party the possibility of: (i) not providing the rights; (ii) only providing the rights with respect

neighbouring rights which, nonetheless, feature as "related rights" in the NAFTA definition of "intellectual property rights."²²⁸ Absent the cultural industries exception, a Party opting to provide neighbouring rights owes record producers of another NAFTA Party at least national treatment and performers of another NAFTA Party what appears to be at least formal reciprocity.²²⁹

To support the domestic sound recording industry including local performing artists, Canada has for many years considered the possibility of introducing neighbouring rights. However, policy makers invariably concluded that it was not feasible to offer these neighbouring rights on a national treatment basis to U.S. record producers and performers. This assessment was partly based on the then absence of a corresponding right in U.S. law²³⁰ and the calculation of the potential outflow of royalties to U.S. producers and performers who are responsible for first fixation of approximately half the sound recordings broadcast in Canada.²³¹

During the NAFTA talks, Canadian negotiators evaluated the U.S. demand for the application of a national treatment requirement to all the IPRs a Party might adopt or maintain *inter alia* in the light of the possibility that Canada might some day want to introduce neighbouring rights without offering national treatment to U.S. record producers and performers. Having a cultural industries exception to make room for such a derogation from national treatment was, therefore, one of the principal goals of Canada's IP negotiators. The U.S. negotiators clearly understood Canada's interest in possibly introducing neighbouring rights beyond the scope of NAFTA obligations. They conceded that the cultural industries exception would excuse Canada from the obligation to provide U.S. record producers with national treatment *inside* NAFTA. However, with respect to neighbouring rights, they said the United States would always be free to press Canada for national treatment *outside* NAFTA. In December 1994, there was an official announcement

to certain uses [e.g., for broadcasting but not for performance in public]; (iii) not applying the rights to sound recordings made by a producer who is a national of a country not Party to Rome; (iv) using material reciprocity in applying the rights to sound recordings made by a producer who is a national of a country Party to Rome.

²²⁸ NAFTA, art. 1721: Definitions.

²²⁹ NAFTA, art. 1703(1).

²³⁰ On November 1, 1995, President Clinton signed the Digital Performance Rights in Sound Recordings Act which, with respect to all sound recordings distributed in the United States, gives record performers and producers rights covering the transmission of their sound recordings via digital audio specialty subscription services.

²³¹ Donner & Lazar, *supra* note 215, at 45, 63, 66.

that Canada would soon introduce neighbouring rights as part of the upcoming copyright reform. This news prompted USTR to signal strongly that "the U.S. Government and U.S. industry would be extremely concerned if U.S. performers and producers were denied national treatment under the proposed legislation."²³²

On April 25, 1996, the Minister of Canadian Heritage introduced Bill C-32. This Act to Amend the Copyright Act proposes giving Canadian record producers and performers a right to equitable remuneration for the broadcasting and performance in public of their sound recordings.²³³ The same right would extend to producers and performers of countries Party to the Rome Convention to which Canada would adhere.²³⁴ Canadian broadcasters, restaurateurs, etc., would not have to pay royalties for the secondary use of the sound recordings of non-Rome countries whose producers and performers remain outside the projected Canadian neighbouring rights regime.²³⁵ Significantly, the United States is not among the fifty Parties to the Rome Convention. However, Bill C-32 contains a provision that would permit giving reciprocal rights (full benefits) or material reciprocity (partial benefits) to record producers and performers of foreign countries not Party to the Rome Convention.²³⁶ In USTR's annual press release evaluating IP protection and enforcement by foreign countries round the world, notice was taken of Bill C-32 which USTR said "could discriminate against U.S. right holders." Canada was again placed on the USTR "watch list" in part because the U.S. "Administration wants to ensure that these amendments are not at the expense of U.S. copyright interests."²³⁷

C. *Where Are Cultural Industries Exceptions Found?*

Already a half-century old is the debate between the proponents of protecting domestic culture and the champions of national treatment for the world trading system. For example, GATT 1947 had special provisions permitting a derogation from national treatment for the cinema

²³² United States Trade Representative, 1995 National Trade Estimate Report on Foreign Trade Barriers (Washington, 1995), at 36. The same language is repeated in USTR's 1996 National Trade Estimate Report on Foreign Trade Barriers (Washington, 1996), at 35-36.

²³³ Sec. 19.

²³⁴ Secs. 20 and 91(b).

²³⁵ Sec. 68(2)(a)(i).

²³⁶ The possibility of reciprocal rights is set out in Section 22(1) and of material reciprocity in Section 22(2).

²³⁷ United States Trade Representative. USTR Announces Two Decisions: Title VII and Special 301, (Washington, D.C.) Apr. 30, 1996, at 12.

screening of motion pictures.²³⁸ In 1950, the U.S. State Department said the screening of motion pictures is distinguishable from other trade-in-goods issues because the "value is not in the film itself, but in its earning power" at the box office.²³⁹ GATT 1947, Article IV, permits a Contracting Party to require the exhibition of films of national origin during a specified minimum proportion of the total screen time utilized annually in the commercial exhibition of all films of whatever origin.²⁴⁰

More recently, Canadian trade policy has worked consistently to create the sophisticated device of the cultural industries exception as a general exception operating horizontally across a whole trade agreement. In this regard, NAFTA negotiators had the precedent of the cultural industries exemption which applied to almost every aspect of the 1989 FTA.²⁴¹ The FTA, the NAFTA, and Canada's FIPAs are so far probably unique in employing this feature as a general exception. The phenomenon is most complex in the NAFTA where, outside Annex 2106: Cultural Industries, Canada has no substantive rights or obligations with respect to the "cultural industries" defined in NAFTA, Article 2107. This means that, under the NAFTA, the cultural industries exception is better understood as a special regime or "carve out" rather than as a discretionary exception which a Party may elect to invoke.²⁴² Under

²³⁸ See 1 GATT INDEX, *supra* note 148, at 209-11.

²³⁹ See JACKSON, *supra* note 119, at § 12.6, 293, n. 1.

²⁴⁰ The same provision has been carried forward into GATT 1994 which incorporates GATT 1947. See Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, Annex 1A: Multilateral Agreements on Trade in Goods, General Agreement on Tariffs and Trade 1994, paragraph 1(a).

²⁴¹ FTA, art. 2005: Cultural Industries, Ivan Bernier, *La dimension culturelle dans le commerce international: quelques réflexions en marge de l'accord de libre-échange Canada/États-Unis du 2 janvier 1988*, 25 CAN. Y. B. INT'L L. 243-62 (1987). See also MICHAEL HART, DECISION AT MIDNIGHT: INSIDE THE CANADA-U.S. FREE TRADE NEGOTIATIONS 384 (1994). Hart is incorrect in saying that the FTA cultural industries exemption provides for "offsetting action under the dispute settlement provisions." FTA, Article 2011(2), clearly indicates that the dispute settlement procedures in FTA, Chapter 18: Institutional Provisions, do not apply to the cultural industries as covered in FTA, Article 2005.

²⁴² The distinction between a "carve out" like NAFTA, Annex 2106, and a discretionary exception which a Party may elect to invoke can be illustrated by comparing Annex 2106 with, e.g., Rome Convention, Article 15(1)(a), which stipulates: "Any Contracting State may, in its domestic laws and regulations, provide for exceptions to the protection guaranteed by this Convention as regards private use." For the relevant Parties, NAFTA rights and obligations with respect to the cultural industries are limited to Annex 2106. However, under the Rome Convention, the exception permitted by Article 15(1)(a) appears not to apply until a Party chooses the option, in its domestic laws and regulations, of providing for exceptions to the protection otherwise required by the treaty. The distinction between a carve out and a discretionary exception could be relevant in assessing whether a requirement of Rome national treatment (Article 5)

Annex 2106, Canada is simply free to adopt or maintain measures with respect to the cultural industries without regard to any other NAFTA obligations, including the requirements of the IP Chapter. However, as a practical matter, Canada is bound by most of the IP Chapter's subject matter via TRIPS and the Paris and Berne Conventions where a cultural industries exception is absent. Although the implications of the NAFTA cultural industries exception have yet to be elucidated by dispute settlement panels, the attempt will be made to explain how this author expects the exception to operate.

D. NAFTA Cultural Industries Exception

The NAFTA cultural industries exception is an intricate and very compact text where every word must be read with great care. It is set out in NAFTA, Annex 2106: "Notwithstanding any other provision of this Agreement, as between Canada and the United States, any measure adopted or maintained with respect to the cultural industries, except as specifically provided in Article 302 (Tariff Elimination), and any measure of equivalent commercial effect taken in response, shall be governed under this Agreement exclusively in accordance with the provisions of the Canada-United States Free Trade Agreement. The rights and obligations between Canada and any other Party with respect to such measures shall be identical to those applying between Canada and the United States."

The practical effect of these words is that between Canada and the United States, measures with respect to the cultural industries, as defined by NAFTA, Article 2107, attract NAFTA rights and obligations which are identical to those prescribed for the cultural industries in the earlier FTA, which was suspended when NAFTA came into force on January 1, 1994.²⁴³ From an IP perspective, crucial is the FTA's failure to include either an IP Chapter²⁴⁴ or an "investment" definition broad

applies to a Rome Party volunteering to enact a right of equitable remuneration to compensate record producers for the private copying of their sound recordings. In this connection, some would argue that Rome, Article 15(1)(a), permits a Party to withhold protection as regards the private use of sound recordings, but would nonetheless require Rome national treatment if a Party volunteers protection with respect to private use, *e.g.*, home taping (private copying) of sound recordings.

²⁴³ Canada and the United States exchanged two sets of letters (Jan. 19 and Dec. 30, 1993) explicitly constituting a bilateral understanding that the FTA be suspended for such time as the two countries are NAFTA Parties. This means that the FTA would resume if either country leaves NAFTA. See JOHNSON, *supra* note 157, at 16.

²⁴⁴ For the FTA's omission of an IP Chapter, see HART, *supra* note 241, at 382-83: "The United States had sought a major chapter that would significantly improve the protection of U.S.

enough to capture a pure or isolated IPR as opposed to an IPR figuring as an asset of a business enterprise.²⁴⁵ Apart from a requirement to protect the appellations "Bourbon Whiskey" and "Canadian Whiskey" as distinctive products of the United States and Canada respectively²⁴⁶ and a "best efforts" clause referring to Canada\U.S. cooperation in the Uruguay Round and other international fora,²⁴⁷ the only IP provision in the FTA is the obligation to provide copyright holders with a right to equitable remuneration for the retransmission to the public of distant broadcast signals carrying their works.²⁴⁸

The NAFTA cultural industries exception applies between Canada and Mexico and would also apply between Canada and other countries acceding to NAFTA.²⁴⁹ For measures with respect to cultural industries, NAFTA rights and obligations between Canada and Mexico are identical to those applying between Canada and the United States. However, the NAFTA cultural industries exception does not apply between Mexico and the United States. Nor would the cultural industries exception apply between the United States and a fourth country (*e.g.*, Chile) acceding to NAFTA.

NAFTA says the cultural industries exception applies "under this agreement", *i.e.* under NAFTA. This means that the NAFTA cultural industries exception does not apply outside NAFTA. International rights and obligations existing outside NAFTA are, therefore, unaffected by the NAFTA cultural industries exception. For example, the NAFTA cultural industries exception does not apply at the WTO. Consider a hypothetical Canadian cultural industries measure²⁵⁰ denying national treatment to

IP in Canada and establish a general body of rules that could act as a starting point in developing a multilateral code of conduct for the protection of IPRs. No such chapter was agreed upon. In the end, the United States was not prepared to compromise on its demand that Canada dismantle compulsory licensing of pharmaceuticals. Canada was similarly not prepared to give in to the United States on this issue and insisted that the price of any chapter was United States willingness to give up its section 337 proceedings for Canadian products. This the United States was not prepared to do. As a result, the whole chapter disappeared. Canada was not unhappy to see the end of the IP chapter. Stronger protection of IP was not a high priority, although the government would have been prepared to live with it in return for greater and more secure access to advanced technology, another concession the United States found difficult."

²⁴⁵ Compare the definition of "investment" in FTA, art. 1611: Definitions, with the corresponding definition in NAFTA, art. 1139: Definitions.

²⁴⁶ FTA, art. 806: Distinctive Products.

²⁴⁷ FTA, art. 2004: Intellectual Property.

²⁴⁸ FTA, art. 2006.

²⁴⁹ NAFTA, Annex 2106: Cultural Industries: "[t]he rights and obligations between Canada and any other Party with respect to such measures shall be identical to those applying between Canada and the United States."

²⁵⁰ Here, a "cultural industries measure" or a "NAFTA cultural industries measure" should be

U.S. and Mexican nationals with respect to the copyright owner's reproduction right in a literary work, *e.g.*, a book. Under NAFTA, the United States and Mexico would not be entitled to respond with a countermeasure of equivalent commercial effect because the Canadian cultural industries measure would not be inconsistent with the FTA which lacks any provision with respect to reproduction rights. However, as WTO Members, the United States, and Mexico would be entitled to bring a complaint to the WTO Dispute Settlement Body because national treatment for the copyright owner's reproduction right also features in TRIPS.²⁵¹

E. Cultural Industries Measures

The focus of the NAFTA cultural industries exception is a "measure" under NAFTA. According to NAFTA, a "measure" includes any law, regulation, procedure, requirement or practice.²⁵² The NAFTA cultural industries exception addresses a measure "with respect to cultural industries" which are defined as "persons" engaged in certain specified activities.²⁵³ Under NAFTA, a "person" means a natural person or an enterprise, and an "enterprise" is any entity constituted or organized under applicable law, whether or not for profit, and whether privately owned or governmentally owned, including any corporation, trust, partnership, sole proprietorship, joint venture, or other association.²⁵⁴ Under NAFTA, falling within the scope of the "cultural industries" are: (a) publication, distribution or sale in print or machine-readable form of music, books, magazines, periodicals, and newspapers; (b) production, distribution, sale, or exhibition of films and other video recordings and audio and audio-video music recordings; (c) satellite programming; broadcast network services; radio, television, and cable broadcasting undertakings (*e.g.*, activities, enterprises); and radiocommunications intended for direct reception by the general public.²⁵⁵ However, the NAFTA cultural industries exception does not apply to the printing and

understood to mean "any measure adopted or maintained with respect to cultural industries" under NAFTA, Annex 2106: Cultural Industries.

²⁵¹ TRIPS protects the author's reproduction right by requiring WTO Members to comply with the substantive provisions of the 1971 Paris Act of the Berne Convention. *See* TRIPS, art. 9(1).

²⁵² NAFTA, art. 201: Definitions of General Application.

²⁵³ NAFTA, art. 2107: Definitions.

²⁵⁴ NAFTA, art. 201: Definitions of General Application.

²⁵⁵ NAFTA, art. 2107: Definitions.

typesetting of books, magazines, periodicals, and newspapers.²⁵⁶ Nor does the NAFTA cultural industries exception apply to tariff elimination. The NAFTA cultural industries exception, therefore, does not affect the tariff elimination obligations set out in NAFTA, Article 302.²⁵⁷

Notwithstanding any other NAFTA provision, a measure with respect to cultural industries is governed under NAFTA *exclusively* by FTA provisions.²⁵⁸ This is a significant feature because, with specific exceptions, cultural industries are exempt from FTA provisions.²⁵⁹ The specific exceptions to the FTA cultural industries exemption are tariff elimination;²⁶⁰ Canada's obligation to offer fair open-market value when requiring divestiture following a U.S. investor's indirect acquisition in a Canadian cultural industry;²⁶¹ each Party's obligation to provide copyright holders with a right to equitable remuneration for the retransmission to the public of distant broadcast signals carrying their works;²⁶² and the obligation to repeal the print-in-Canada requirement.²⁶³

F. Counter-measures

The other side of the coin is how NAFTA treats a counter-measure of equivalent commercial effect taken in response to a measure under the NAFTA cultural industries exception. Notwithstanding any other NAFTA provision, the counter-measure is governed under NAFTA *exclusively* by FTA provisions.²⁶⁴ With respect to a counter-measure of equivalent commercial effect taken in response to a cultural industries measure, the FTA says that notwithstanding any other FTA provision, a Party may take measures of equivalent commercial effect in response to actions that would have been inconsistent with the FTA, but for the cultural industries exemption.²⁶⁵ Here "inconsistent" must be construed narrowly according to the customary international law rules for inter-

²⁵⁶ *Id.*

²⁵⁷ NAFTA, Annex 2106: Cultural Industries.

²⁵⁸ *Id.*

²⁵⁹ FTA, art. 2005: Cultural Industries.

²⁶⁰ FTA, art. 401: Tariff Elimination.

²⁶¹ FTA, art. 1607(4): "In the event that Canada requires the divestiture of a business enterprise located in Canada in a cultural industry pursuant to its review of an indirect acquisition of such business enterprise by an investor of the USA, Canada shall offer to purchase the business enterprise from the investor of the USA at fair open market value, as determined by an independent, impartial assessment."

²⁶² FTA, art. 2006: Retransmission Rights.

²⁶³ FTA, art. 2007: Print-in-Canada Requirement.

²⁶⁴ NAFTA, Annex 2106: Cultural Industries.

²⁶⁵ FTA, art. 2005(2).

preting treaties.²⁶⁶ To be inconsistent with each other the cultural industries measure and the FTA provision must be mutually repugnant or contradictory, so that the one cannot stand alongside the other.²⁶⁷

For a proper understanding of the cultural industries exception's operation it must be understood that inconsistency with an FTA provision is the trigger for a counter-measure suspending NAFTA benefits. The day the Canadian, Mexican, and U.S. negotiators finished their work, they issued an agreed Description of the NAFTA. This August 12, 1992 trilateral Statement says: "Each country reserves the right to take measures of equivalent commercial effect in response to any action regarding cultural industries that would have been a violation of the Canada-U.S. Free Trade Agreement but for the cultural industries provisions." This view has been reiterated by the United States. In the 1993 NAFTA Statement of Administrative Action submitted to Congress, the U.S. government said: "The United States agreed to include the exemption only in return for an explicit agreement that any action by Canada that would have been inconsistent with the Canada/U.S. Free Trade Agreement in the absence of the exemption would be subject to immediate suspension of trade benefits by the United States."

A counter-measure suspending NAFTA benefits cannot be justified by a claim that a NAFTA cultural industries measure has caused non-violation nullification or impairment of an FTA benefit carried forward under NAFTA Annex 2106.²⁶⁸ In other words, a counter-measure under Annex 2106 cannot be characterized as a response to a cultural industries measure which is not inconsistent with FTA provisions. To be entitled to take a counter-measure under Annex 2106, the original cultural industries measure must be inconsistent with FTA provisions.

Under NAFTA, a cultural industries measure that is FTA inconsis-

²⁶⁶ See Jenks, *supra* note 163, at 428: "The presumption against an interpretation which involves a conflict between law-making treaties is simply a detailed application of such fundamental principles of treaty interpretation as the principle of reasonableness, the principle of good faith, and the presumption of consistency with international law."

²⁶⁷ In terms of interpretative technique, the problem of inconsistency between a domestic measure and a treaty is analogous to the problem of inconsistency between two treaties. See Karl, *supra* note 207: "[i]ncompatibility of contents is an essential condition of conflict" According to BLACK'S LAW DICTIONARY, 689 (5th ed. 1979): *inconsistent* means "mutually repugnant or contradictory; contrary the one to the other, so that both cannot stand, but the acceptance or establishment of the one implies the abrogation or abandonment of the other"

²⁶⁸ Certain is the exclusion of a complaint alleging *non-violation* nullification or impairment of benefits from the scope of a counter-measure justifiable under NAFTA, Annex 2106: Cultural Industries, because of the reference to "inconsistent" in FTA, Article 2005(2), and FTA, Article 2011: Nullification and Impairment, where paragraph 2 specifically says that FTA, Article 2011(1), shall *not* apply to FTA, Article 2005: Cultural Industries. (emphasis added)

tent permits a counter-measure of "equivalent commercial effect."²⁶⁹ This means that, in business terms, the value of the benefits suspended by the counter-measure must be proportional to the value of the benefits denied by reason of the original measure's inconsistency with FTA provisions. The policy aim is to re-establish between the Parties the balance of concessions under NAFTA, Annex 2106, which, with respect to cultural industries, carries forward FTA rights and obligations. If a NAFTA cultural industries measure is inconsistent with an FTA provision, there is no requirement to withdraw the inconsistent measure. However, the other Party is permitted to suspend NAFTA trade concessions or other NAFTA benefits because the cultural industries exception specifically says that, under NAFTA, a measure of equivalent commercial effect is justified notwithstanding any other NAFTA provision. It would seem that, under Annex 2106, a counter-measure may be applied in the same sector or in other sectors because FTA, Article 2005(2), does not preclude the possibility of cross-retaliation which, within the NAFTA context, is consistent with both customary international law and Article 60 of the Vienna Convention on the Law of Treaties.²⁷⁰ Under Annex 2106, a counter-measure may, therefore, respond in the same sector as the original cultural industries measure or against any other NAFTA benefits, *e.g.*, equivalent benefits with respect to trade in goods and services.

G. Retorsion

If a NAFTA cultural industries measure is not inconsistent with an FTA provision, another Party is not entitled to suspend trade or other benefits *under* NAFTA. However, *outside* NAFTA, there are likely to be some purely discretionary trade or other benefits which might be suspended as the counter-measure of a NAFTA Party responding to a NAFTA cultural industries measure that is not inconsistent with an FTA provision. In this regard, the rationale is that customary international law does not require "a State . . . to allow trade with any country, let alone an unfriendly State."²⁷¹ Therefore, a State judging itself aggrieved by

²⁶⁹ For the requirement of proportionality, including measures of equivalent commercial effect, see Laurence Boisson de Chazournes, *Les contre-mesures dans les relations internationales économiques* 39, 45, 52, 187-200 (1992).

²⁷⁰ Vienna Convention on the Law of Treaties, Article 60, deals with "termination or suspension of the operation of a treaty as a consequence of its breach". Article 60(1) and (2) refer to "suspending the operation of the treaty in whole or in part" without any specification as to which particular part of the treaty would be subject to suspension.

²⁷¹ Oscar Schachter, *International Law in Theory and Practice: General Course in Public In-*

an unfriendly act is, after bilateral consultations and absent any contrary customary law or treaty requirement, generally free to deny equivalent trade or other benefits as a counter-measure characterized as retorsion. The aggrieved State may take this counter-measure even though the "offending" State has committed no wrongful act, *i.e.* no breach of treaty or other violation of international law.²⁷²

H. Effect on Rights and Obligations Under Treaties Other Than NAFTA

A NAFTA cultural industries measure may be not inconsistent with an FTA provision, but nonetheless violate another treaty between two or more NAFTA Parties. Subject to any contrary provision in that other treaty, the Party in breach attracts international responsibility to restore things to their previous condition or to make reparation in an adequate form.²⁷³ In this case, the Party which has been wronged by breach of the treaty other than NAFTA should, in the first instance, follow any dispute settlement procedure set out in that other treaty.²⁷⁴ For example, the WTO Dispute Settlement Body should be used for breaches of the WTO agreements covered by the WTO Understanding on Rules and Procedures for the Settlement of Disputes. If the other treaty lacks a dispute settlement procedure, the Party claiming to be wronged by the breach should first seek a remedy through consultations with the Party alleged to be in breach. If the matter is not settled through consultations, the Party claiming to be wronged by the breach may affirm its rights via a counter-measure having some degree of equivalence with the alleged breach.²⁷⁵ The aim of the counter-measure is to restore equality between the Parties and to encourage the negotiation of an acceptable

ternational Law, 178 RECUEIL DES COURS, pt. V, 185 (1985).

²⁷² See also *id.* at 167-87. See Boisson de Chazournes, *supra* note 269, at 24, 54-55.; HENKIN ET AL., *supra* note 173, at 579-83.

²⁷³ MANUEL DÍEZ DE VELASCO, 1 INSTITUCIONES DE DERECHO INTERNACIONAL PÚBLICO, 652-53 (9th ed. 1991).

²⁷⁴ For the legitimacy of counter-measures to bring the offending State to arbitration or to provide the complainant State necessary interim protection not otherwise available. See Boisson de Chazournes, *supra* note 269, at 46-47; ROSENNE, *supra* note 46, at 168; Schachter, *supra* note 271, at 172-75.

²⁷⁵ See ROSENNE, *supra* note 48, at 184: "In the modern law of treaties, a breach, even when fully established, . . . does not possess the character of an implied reservation nor does it operate in itself to terminate the treaty. The new legal relationship between the parties to the treaty brought about by the breach entitles the injured party to invoke various remedies, including the right to terminate the treaty through appropriate procedures in order to redress the injury caused by the breach as an internationally wrongful act."

solution.²⁷⁶

I. Effect on WTO Rights and Obligations

Many trade concessions are covered by both NAFTA and a WTO agreement. Therefore, specific benefits, suspended as a counter-measure of equivalent commercial effect taken in response to a NAFTA cultural industries measure inconsistent with FTA provisions, may have the effect of suspending WTO concessions. If so, the NAFTA Party suffering the suspension of trade concessions would be entitled, as a WTO Member, to bring a complaint to the WTO Dispute Settlement Body. The complaint could be brought to the WTO because the NAFTA cultural industries exception operates only under NAFTA where the suspension is unilateral, *i.e.*, not authorized by a NAFTA panel or other international tribunal. Consequently, the NAFTA Party suspending trade concessions as a NAFTA counter-measure could not use *res judicata*,²⁷⁷ or a GATT-style argument tantamount thereto, to convince a WTO panel not to proceed with the dispute. Furthermore, because the Uruguay Round Final Act was adopted²⁷⁸ in 1994 and NAFTA in 1992, NAFTA ranks as *lex prior* and thus cannot be said to constitute a subsequent *inter se* waiver of WTO rights.²⁷⁹

J. Recourse to NAFTA Panels

With some exceptions,²⁸⁰ dispute settlement under NAFTA Chapter

²⁷⁶ See Schachter, *supra* note 271, at 170.

²⁷⁷ See Fitzmaurice, *supra* note 205, at 158-60. "*Res judicata* is a general principle of international law." See LAUTERPACHT, *supra* note 92, at 325-26; Rosenne, *supra* note 90, at 84. In Effect of Awards of Compensation Made by the United Nations Administrative Tribunal (1954) I.C.J. REP., at p.53: The Court said that it is a "well-established and generally recognized principle of law" that "a judgment rendered by a judicial body is *res judicata* and has binding force between the parties to the dispute."

²⁷⁸ SINCLAIR, *supra* note 68, at 98: "[I]t seems clear that, in determining which treaty is the 'earlier' and which the 'later,' the relevant date is that of the adoption of the text and not that of its entry into force. Adoption of the second treaty manifests the new legislative intent."

²⁷⁹ NAFTA, art. 103: Relation to Other Agreements, affirms existing rights and obligations under GATT and other agreements. The reference to GATT does not embrace the subsequent Uruguay Round Final Act, but rather refers to GATT 1947 as it was when NAFTA was adopted. This interpretation is supported by comparing Article 103 with NAFTA, Article 2005: GATT Dispute Settlement. Article 2005 specifically refers to the "*General Agreement on Tariffs and Trade*, any agreement negotiated thereunder, or any successor agreement (GATT)" Similarly, NAFTA, Article 2101(1), refers to "GATT Article XX and its interpretative notes, or any equivalent provision of a successor agreement"

²⁸⁰ For example, excluded from the scope of dispute settlement under Chapter 20 are review

20 applies with respect to the avoidance or settlement of all inter-Party disputes regarding NAFTA's interpretation or application.²⁸¹ If NAFTA trade concessions or other benefits are wrongfully suspended in response to a NAFTA cultural industries measure which is not inconsistent with FTA provisions, the NAFTA Party suffering the suspension could probably have recourse to the NAFTA dispute settlement procedures.²⁸² The NAFTA panel would have to determine whether or not the alleged counter-measure is indeed a measure of equivalent commercial effect taken in response to a NAFTA cultural industries measure inconsistent with FTA provisions. The initial burden of proof would be on the complainant.²⁸³ In other words, the Party suffering the wrongful suspension of NAFTA benefits would be expected to provide some evidence to convince the panel that the alleged counter-measure is not a measure of equivalent commercial effect taken in response to a NAFTA cultural industries measure inconsistent with FTA provisions. Thereafter, the burden of proof would probably shift to the NAFTA Party claiming to have taken the responding measure of equivalent commercial effect under Annex 2106. The burden might shift to the defendant because a Party invoking an exception must show that it meets all of the conditions of the exception which is to be construed narrowly.²⁸⁴ For exam-

and dispute settlement in anti-dumping and countervailing duty matters which are handled under the procedures in Chapter 19.

²⁸¹ NAFTA, art. 2004: Recourse to Dispute Settlement Procedures.

²⁸² Annex 2106 measures and counter-measures remain "under this Agreement" (*i.e.* under NAFTA) where they operate (notwithstanding any other NAFTA provision) exclusively in accordance with FTA provisions. For dispute settlement jurisdiction over measures under NAFTA, Annex 2106, relevant are the arguments for jurisdiction over disputes arising from the unilateral denunciation of a treaty with a compromissory clause. *See* D. W. GREIG, *supra* note 34, at 511: "If the denunciation is legally valid, then the Court has no jurisdiction, because the clause forming part of the treaty is also invalid. On the other hand, if the Court is to rely upon the clause as a basis for its jurisdiction, is it not pre-judging the dispute in favour of the treaty's validity? The dilemma is more apparent than real. A dispute arising out of an act of termination, withdrawal, etc., is as much a dispute relating to the interpretation or application of the treaty as would arise from any other alleged breach of its provisions. It would be most unsatisfactory to countenance the possibility that, by contending that a treaty was terminated, a party could destroy the jurisdiction bestowed by the treaty for resolving disputes arising thereunder. The Court must have what might be called a provisional jurisdiction to decide whether the purported termination is effective." Similarly, a NAFTA panel must have a provisional jurisdiction to decide the status of the alleged Annex 2106 counter-measure. This conclusion in favour of recourse to a NAFTA panel is supported by the impossibility of constituting a panel under the FTA which was suspended on January 1, 1994.

²⁸³ According to the July 13, 1995 Model Rules of Procedure for Chapter 20 of the North American Free Trade Agreement, Rule 33, "A Party asserting that a measure of another Party is inconsistent with the provisions of the Agreement shall have the burden of establishing such inconsistency."

²⁸⁴ *Id.*, Rule 34, "A Party asserting that a measure is subject to an exception under the

ple, there could be a requirement to establish that the counter-measure conforms with the proportionality (equivalent commercial effect) demanded both by Annex 2106 and customary international law.²⁸⁵ The panel would have no jurisdiction to proceed with the complaint if the counter-measure is found to be a measure of equivalent commercial effect taken in response to a NAFTA cultural industries measure inconsistent with FTA provisions. However, the panel could continue to deal with the complaint if the counter-measure is found not to be a measure of equivalent commercial effect taken in response to a NAFTA cultural industries measure inconsistent with FTA provisions.

K. No Cultural Exception at the WTO

The October 1993 Francophonie summit in Mauritius adopted a resolution calling for the insertion into the Uruguay Round Final Act of a NAFTA-style cultural industries exception.²⁸⁶ During the final months of the Uruguay Round, NAFTA, Annex 2106, was being looked at very carefully as a possible model for the treatment of the audiovisual sector in the draft WTO General Agreement on Trade in Services (GATS).²⁸⁷ With the support of Canada, Brazil, and some European countries outside the European Communities, the European Commission proposed (December 10, 1993) that GATS be equipped with a provision that would allow a WTO Member to rely on cultural reasons as an excuse for maintaining restrictions.²⁸⁸ However, when negotiations ended on December 15, 1993, a cultural industries exception featured neither generally in the Uruguay Round Final Act nor particularly in GATS or TRIPS. Under GATS, a cultural industries exception was ultimately

Agreement shall have the burden of establishing that the exception applies." A Party invoking a provision providing for an exception must demonstrate the conformity of its actions with the provision. See 2 GATT INDEX, *supra* note 55, at 750-51.

²⁸⁵ For the requirement of proportionality, including measures of equivalent commercial effect, see Boisson de Chazournes, *supra* note 269, at 39, 45, 52, 187-200.

²⁸⁶ LE MONDE, (Paris), Oct. 19, 1993, at 9.

²⁸⁷ GATT/Audio Visual: Mitterrand Calls for Cultural Exemption Clause, EUR. REP., 1888, at V; EXTERNAL RELATIONS, (Brussels), Sept. 25, 1993, at 10-11; EC Movie Protection Sought, WALL ST. J., (New York), Oct. 5, 1993, at A13; Jamie Portman, *Europeans Battle American Cultural Juggernaut in Trade Talks*, GAZETTE, (Montreal), Oct. 6, 1993, at B3; Jack Ralite, *Le vol du public*, LE MONDE, (Paris), Oct. 15, 1993; Bill Clinton rejette l'idée d'un traitement spécifique pour l'audiovisuel, LE MONDE, (Paris), Oct. 16, 1993; *Le nouveau défi américain* and M. Sutherland s'emploie à rassurer les professionnels européens du cinéma et de l'audiovisuel, LE MONDE, (Paris), Oct. 17-18, 1993, at 1; Mario Vargas Llosa, *De l'exception culturelle française* LIBÉRATION, (Paris), Oct. 19, 1993, at 6; *From 'Fast Track' to French Films, Making Sense of the World Trade Talks*, WALL ST. J., (New York), Dec. 13, 1993, at A6.

²⁸⁸ See CROOME, *supra* note 13, at 372.

deemed to be unnecessary because Canada made no market-access or national-treatment commitments with respect to cultural services. Similarly, European negotiators understood that the Uruguay Round Final Act's "bottom up" architecture did not require a cultural industries exception to limit the impact of GATS on their audiovisual sector. Under GATS, the European Communities made no commitment on audiovisual services²⁸⁹ and along with Canada and some other countries took MFN exemptions for certain cultural services, e.g., to accommodate bilateral film co-production agreements.²⁹⁰

TRIPS is expected to manage very well without a cultural industries exception because TRIPS does not include the "top down" NAFTA national treatment obligation which generally applies to all the IPRs a Party adopts or maintains.²⁹¹ Furthermore, with respect to substantive obligations, TRIPS carefully omits certain key rights. For example, absent from TRIPS are almost all performers' rights, and record producers' neighbouring rights with respect to broadcasting and performance in public. Moreover, TRIPS incorporates from the Rome Convention and elsewhere a series of specific exceptions which together are expected to do much of the IP work of the NAFTA cultural industries exception.²⁹² For example, consider the record producer's reproduction right which features in both NAFTA and TRIPS.²⁹³ The hypothesis is a levy on blank tapes as a royalty to compensate only domestic²⁹⁴ record produc-

²⁸⁹ *Id.*, at 376.

²⁹⁰ Canada, Dept. Foreign Aff. & Int'l Trade, *Agreement Establishing the World Trade Organization: Canadian Statement on Implementation*, CANADA GAZETTE pt. I, Dec. 31, 1994, at 4933. *Id.*, at 4924: "Under the GATS, market access and national treatment are not automatic. They flow from the result of specific commitments entered into by a member on particular sectors or sub-sectors, in light of negotiations, and which are recorded in each member's national schedule, appended to and fully part of the GATS."

²⁹¹ Compare TRIPS, Article 3: National Treatment, with NAFTA, Article 1703: National Treatment.

²⁹² For example, TRIPS, Article 3(1), refers to the exceptions already provided in the Paris, Berne, and Rome Conventions and to the Washington Treaty on Intellectual Property in Respect of Integrated Circuits. Some Berne and Rome Convention exceptions are also applied with regard to TRIPS, Article 4: Most-Favoured-Nation Treatment. See paragraph (b).

²⁹³ NAFTA, art. 1706(1)(a), and TRIPS, art. 14(2).

²⁹⁴ Here, the hypothesis sidesteps the entirely separate question of MFN. Some say the TRIPS, Article 4, MFN requirement does not apply to domestic regimes to compensate record producers for the private copying of their sound recordings. As one of the justifications for denying MFN to all WTO record producers, there is a not entirely plausible argument that the producer's domestic remuneration right with respect to private reproduction is something entirely distinct from the TRIPS right to authorize or prohibit the direct or indirect reproduction of the sound recording. More convincing is the contrary argument that, both economically and legally, the larger TRIPS right to "authorize or prohibit" in logic already contains the lesser right to receive equitable remuneration. In this connection and in other respects, there is a probability that

ers for the private copying of their sound recordings. A NAFTA Party which is also a WTO Member would need NAFTA, Annex 2106, to deny national treatment to record producers of another NAFTA Party²⁹⁵ and the problematic TRIPS "private use" exception drawn from the Rome Convention²⁹⁶ to withhold national treatment from record producers of WTO Member countries.

VI. CONCLUSION

A. *The Trident of Intellectual Property Protection*

Countries which are net exporters of technology and copyright product have come to see optimal protection of IPRs in the shape of a trident. The substantive IP provisions in treaties like TRIPS, NAFTA, and the Paris and Berne Conventions make up the centre prong. On the left is the prong of investment disciplines in NAFTA, the Energy Charter Treaty, a possible MAI, and the growing network of BITs and FIPAs, all of which sweep up IPRs as an "investment." The prong on the right is the non-violation complaint as part of dispute settlement, whether under NAFTA or at the WTO.

There are interpretations of NAFTA which are consistent with this trident approach. Some would argue that "use" is the idea that links the substantive IPRs in the NAFTA IP Chapter with the disciplines in the Investment Chapter and NAFTA, Annex 2004: Nullification and Impairment. For the United States as a net-exporter of technology and copyright product, the trident's purpose is to ensure that possible governmental barriers to the use of IPRs in the territory of another NAFTA Party can be challenged by investor\State arbitration on the one side²⁹⁷ and by State\State non-violation complaints on the other side. In the middle, the trident would offer the possibility of State\State complaints for violations of the IP Chapter's requirements with respect to acquisition, maintenance, protection, and enforcement.

WTO panels will soon have to answer a number of significant questions touching private-copying regimes.

²⁹⁵ NAFTA, art. and Annex 2106: Cultural Industries.

²⁹⁶ TRIPS, arts. 3(1) and 14(6), are thought to apply the "private use" exception in Rome Convention, art. 15(1)(a), to the record producer's exclusive reproduction right in TRIPS, Article 14(2).

²⁹⁷ Without prejudice to the possibility of a NAFTA Party using State\State dispute settlement under Chapter 20 to enforce rights under the Investment Chapter. See NAFTA, art. 1115.

The ways of commercially exploiting IPRs are rapidly changing with the introduction of innovative technologies. Countries which are net exporters of technology and copyright product are therefore eager for the international adoption of new mechanisms to ensure that economic rewards flow back to IP owners. The net exporter countries see new opportunities in integrated trade agreements with interlocking provisions on investment, IPRs, and dispute settlement. This is an environment in which wide-ranging investment obligations and the possibility of both violation and non-violation complaints can marry the minimum international standards which are the staples of the traditional IP convention.

The evolution of such highly sophisticated IP protection strategies means that policy makers in other countries have to respond with serious thinking about the dangers of over-protecting IPRs.²⁹⁸ In addition to worrying about defending the rights of IP owners, governments have responsibilities to guard other interests, *e.g.*, the legitimate needs of social policy, health protection, and consumers. If shaping and sharpening the trident is the goal of some countries, negotiators for other countries must be vigilant and inventive. Challenging a negotiation's overall architecture is not always possible or desirable. Therefore, substantial energy and creativity must be directed to developing, and winning international acceptance for, appropriate limitations and exceptions for insertion into investment instruments and integrated trade agreements. In preparing positions, negotiators must make very careful assessments of national interests to identify where domestic discretion must be preserved. For some, this might mean exceptions, limitations, or reservations for cultural industries and necessary health-related measures. However, other negotiators may come to the table with different ideas reflecting the special needs of their countries.

²⁹⁸ Over-protection may also be a significant danger in the domestic context. For a relevant warning, see Paula Samuelson, *The Copyright Grab*, WIRE, Jan. 1996, at 135-38, 188-91.

