

# WHY ARE THE TRIPS ENFORCEMENT PROVISIONS INEFFECTIVE?

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## 1. Introduction

Shortly after the adoption of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), commentators widely praised the Agreement for transforming the international intellectual property system. While some considered the extension of the mandatory dispute settlement process of the World Trade Organization (WTO) to intellectual property disputes a crowning achievement of the Uruguay Round of Multilateral Trade Negotiations (Uruguay Round),<sup>1</sup> others extolled the unprecedented benefits of having a set of multilateral enforcement norms built into the international intellectual property system.<sup>2</sup> With twenty-one provisions on obligations that range from border measures to criminal sanctions, the TRIPS Agreement, for the first time, provides comprehensive international minimum standards on the enforcement of intellectual property rights.

Notwithstanding these quick praises, some commentators provided more measured assessments. For example, in a prescient, and still highly relevant, article published shortly after the adoption of the TRIPS Agreement, Jerome Reichman and David Lange described the Agreement's enforcement provisions as its 'Achilles' heel'. As they observed:

The enforcement provisions are crafted as broad legal standards, rather than as narrow rules, and their inherent ambiguity will make it harder for mediators or dispute-settlement panels to pin down clear-cut violations of international law... . We predict that the level of enforcement under the TRIPS Agreement will greatly disappoint rightsholders in the developed countries,

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<sup>1</sup> Cooper Dreyfuss, Rochelle and Andreas F. Lowenfeld, 'Two achievements of the Uruguay Round: Putting TRIPS and dispute settlement together', (1997) *Virginia Journal of International Law*, **37** (2), 275–333, 275; Davey, William J., 'The WTO dispute settlement system: The first ten years', (2005) *Journal of International Economic Law*, **8** (1), 17–50, 32; Okediji, Ruth, 'Toward an international fair use doctrine', (2000) *Columbia Journal of Transnational Law*, **39** (1), 75–175, 149–50.

<sup>2</sup> World Trade Organization (2001), *United States—Section 211 Omnibus Appropriations Act of 1998*, para. 8.97, Panel Report, WT/DS176/R; Gervais, Daniel, *The TRIPS Agreement: Drafting History and Analysis*, 3rd edn, London: Sweet and Maxwell (2008), p. 440; Correa, Carlos M., 'The push for stronger enforcement rules: Implications for developing countries', in *The Global Debate on the Enforcement of Intellectual Property Rights and Developing Countries*, Geneva: ICTSD Programme on IPRs and Sustainable Development (2009), pp. 27–80, 34; Otten, Adrian and Hannu Wager, 'Compliance with TRIPS: The emerging world view', (1996) *Vanderbilt Journal of Transnational Law*, **29** (3), 391–413, 403; UNCTAD–ICTSD, *Resource Book on TRIPS and Development*, Cambridge: Cambridge University Press (2005), p. 629; Yu, Peter K., 'Currents and crosscurrents in the international intellectual property regime', (2004) *Loyola of Los Angeles Law Review*, **38** (1), 323–443, 366.

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and that recourse to coercive measures will not appreciably improve the situation in the short and medium terms.<sup>3</sup>

In an earlier piece, Ruth Okediji also noted that the TRIPS Agreement's marriage of intellectual property to trade could either provide promising prospects for global enforcement of intellectual property rights or become the Achilles' heel of the international trading system.<sup>4</sup>

By now, it is apparent that the TRIPS Agreement, after fifteen years of existence, has failed to strengthen intellectual property enforcement to the satisfaction of the *demandeur* countries in the developed world. Thus, many developed countries and their supportive industries consider these standards primitive, constrained, inadequate and ineffective.<sup>5</sup> These deficiencies were indeed a primary reason for the developed countries' aggressive push for the establishment of new and higher international benchmarks through the Anti-Counterfeiting Trade Agreement (ACTA), the Trans-Pacific Partnership (TPP) Agreement, the Trans-Atlantic Trade and Investment Agreement, and other bilateral, plurilateral or regional trade and investment agreements.

The TRIPS Agreement's lack of success in the enforcement area is, indeed, interesting. After all, developed countries, by most accounts, have imposed their higher intellectual property protection standards on their less developed trading partners. As Jacques Gorlin observed in retrospect, the Intellectual Property Committee – an *ad hoc* coalition of major US corporations he directed in an effort to push for the establishment of the TRIPS Agreement – got ninety-five per cent of what it wanted and was particularly pleased with the enforcement provisions.<sup>6</sup>

To help us better understand why the TRIPS Agreement fails to provide effective global enforcement of intellectual property rights, this chapter identifies five challenges: historical, economic, tactical, disciplinary and technological. It explains why the Agreement's failure to induce stronger global enforcement of intellectual property rights is neither a surprise nor a disappointment. Rather, that outcome is *expected* in view of the many challenges confronting the development of international intellectual property enforcement norms. In fact, it would be highly unrealistic to expect all of these challenges to be successfully tackled by a single multilateral agreement in such a short period of time.

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<sup>3</sup> Reichman, J.H. and David Lange, 'Bargaining around the TRIPS Agreement: The case for ongoing public-private initiatives to facilitate worldwide intellectual property transactions', (1998) *Duke Journal of Comparative and International Law*, 9 (1), 11–68, 35, 38–39.

<sup>4</sup> Gana [Okediji], Ruth L., 'Prospects for developing countries under the TRIPs Agreement', (1996) *Vanderbilt Journal of Transnational Law*, 29 (4), 735–75, 775.

<sup>5</sup> E.g. European Commission, Directorate General for Trade, *Strategy for the Enforcement of Intellectual Property Rights in Third Countries*, Brussels: European Commission (2005), p. 3; Trainer, Timothy P., 'Intellectual property enforcement: A reality gap (insufficient assistance, ineffective implementation)?', (2008) *John Marshall Review of Intellectual Property Law*, 8 (1), 47–79; Trainer, Timothy P. and Vicki E. Allums, *Protecting Intellectual Property Rights Across Borders*, St. Paul: Thomson West (2008), p. 4.

<sup>6</sup> Sell, Susan K., *Private Power, Public Law: The Globalization of Intellectual Property Rights*, Cambridge: Cambridge University Press (2003), p. 115. Formed in March 1986, the Intellectual Property Committee brought together top corporate executives from about a dozen US-based multinational firms. In addition to coordinating industry positions on intellectual property policies with the US government, the Committee was instrumental in 'forging an industry consensus with its Japanese [Keidanren] and European industry counterparts [UNICE (Union of Industrial and Employers' Confederations of Europe)], who agreed to work on [a trade-based approach to protecting intellectual property] and pledged to present these views to their respective governments in time for the launching of the Uruguay Round'. *Ibid.* at 106.

## 2. Historical Challenges: Path Dependency

The TRIPS Agreement's failure to develop strong international intellectual property enforcement norms can largely be seen as a problem of historical legacy. The problem owes its origin, first, to a lack of development of enforcement norms in the international intellectual property system in the past two centuries and, more recently, to the developed countries' constraints and misguided tactics in the TRIPS negotiation process. This section discusses the lack of historical developments while a later section will discuss the negotiation challenges. Taken together, these two sections show that the development of the international intellectual property system is highly path-dependent.<sup>7</sup>

Although commentators widely use international harmonization as the justification for the development of the international intellectual property system, this system focuses more on the development of international minimum standards than on the creation of a uniform universal code.<sup>8</sup> In the enforcement area, the development of such minimum standards was particularly limited, and countries continue to have wide and deep disagreements over how intellectual property rights are to be enforced.<sup>9</sup>

The Paris Convention for the Protection of Industrial Property (Paris Convention) and the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention) – two key international intellectual property conventions – include many substantive provisions. Nevertheless, they contain very few provisions concerning intellectual property enforcement.<sup>10</sup> For example, Article 9 of the Paris Convention provides detailed provisions on the seizure on importation of goods bearing an infringing trademark or trade name. Article 10(1) applies those seizure provisions to the 'direct or indirect use of a false indication of the source of the goods or the identity of the producer, manufacturer, or merchant'. Article 10*bis* requires members to provide 'effective protection against unfair competition'. Article 10*ter* further requires members to provide 'appropriate legal remedies effectively to repress all the acts referred to in Articles 9, 10, and 10*bis*'. Similarly, in the Berne Convention, Article 13(3) allows for the seizure on importation of infringing copies of protected sound recordings. Article 15 stipulates who is entitled to institute infringement proceedings to enforce protected rights under the Convention. Article 16 governs the seizure of infringing copies of a protected work.

In short, intellectual property enforcement provisions in the Paris and Berne Conventions were rare and piecemeal. Not until the adoption of the TRIPS Agreement did the international intellectual property system include comprehensive multilateral norms on the enforcement of intellectual property rights. In light of their recent origin, international intellectual property

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<sup>7</sup> Okediji, Ruth L., 'The regulation of creativity under the WIPO Internet Treaties', (2009) *Fordham Law Review*, 77 (5), 2379–410, 2405.

<sup>8</sup> World Trade Organization (2000), *Canada – Term of Patent Protection*, para. 6.87, Panel Report, WT/DS170/R; Dinwoodie, Graeme B., 'The international intellectual property system: Treaties, norms, national courts, and private ordering', in Daniel J. Gervais (ed.), *Intellectual Property, Trade and Development: Strategies to Optimize Economic Development in a TRIPS Plus Era*, Oxford: Oxford University Press (2007), pp. 61–114, 66–67; Yu, supra note 2, at 339, 349; Yu, Peter K., 'The international enclosure movement', (2007) *Indiana Law Journal*, 82 (4), 827–907, 863–66.

<sup>9</sup> Li Xuan and Carlos M. Correa, 'Towards a development approach on IP enforcement: Conclusions and strategic recommendations', in Li Xuan and Carlos M. Correa (eds), *Intellectual Property Enforcement: International Perspectives*, Cheltenham, UK: Edward Elgar Publishing (2009), pp. 207–12, 207; UNCTAD–ICTSD, supra note 2, at 575.

<sup>10</sup> UNCTAD–ICTSD, supra note 2, at 629–30.

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enforcement norms have been largely underdeveloped, and their effectiveness and clarity do not compare well with the substantive provisions of the Paris and Berne Conventions, many of which have existed for more than a century.

### 3. Economic Challenges: Resource and Capacity Constraints

While the lack of historical development of enforcement norms in the international intellectual property system explains why such norms are underdeveloped, it does not explain why the delegates from the *demandeur* countries did not push harder to strengthen those norms through the TRIPS negotiations. Instead, the delegates' reluctance needs to be attributed to other reasons. For example, high enforcement standards often come with a hefty price tag, difficult tradeoffs and serious intrusions upon a country's sovereignty. The introduction of these standards, therefore, is highly controversial.

In addition, the TRIPS delegates might have more negotiation items on hand than they could handle satisfactorily within the confines of the negotiation process. Some delegates might also have assumed wrongly that countries could translate treaty language easily into effective enforcement after the TRIPS Agreement entered into effect. This section focuses on the hefty price tag and difficult tradeoffs, and the next section will explore the negotiation challenges confronting the *demandeur* countries.

Strong intellectual property enforcement requires a substantial investment of resources, the development of supporting institutional infrastructures and the introduction of complementary policy reforms. Although the challenge of obtaining resources to strengthen intellectual property enforcement exists in both developed and less developed countries, this challenge is particularly acute in less developed countries.<sup>11</sup> Even worse, many of the world's least developed countries continue to struggle just to meet basic needs, such as the provision of clean drinking water, food, shelter, electricity, schools and basic health care. It is therefore understandable why enforcement is a highly sensitive issue in international intellectual property negotiations.

From an economic standpoint, the strengthening of intellectual property enforcement standards incurs a wide variety of costs. Of primary concern to less developed countries are the administrative costs of a strong intellectual property enforcement regime: the costs incurred in building new institutional infrastructures; restructuring existing agencies; developing specialized expertise through training or other means; and staffing courts, police forces, customs offices and prisons.<sup>12</sup> While, in the past, private rights holders funded enforcement costs through civil litigation, the growing demands for criminalization and public enforcement have led to a gradual shift of responsibility from private rights holders to national governments.<sup>13</sup>

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<sup>11</sup> The TRIPS Agreement distinguishes between developing and least developed countries. This chapter uses 'less developed countries' to denote both developing and least developed countries. When referring specifically to the TRIPS Agreement itself, however, this chapter may return to use of the terms 'developing countries' and 'least developed countries'.

<sup>12</sup> Fink, Carsten, 'Enforcing intellectual property rights: An economic perspective', in *The Global Debate on the Enforcement of Intellectual Property Rights and Developing Countries*, Geneva: ICTSD Programme on IPRs and Sustainable Development (2009), pp. xiii–26, 15; Trainer and Allums, *supra* note 5, at 705–06.

<sup>13</sup> Correa, *supra* note 2, at 27, 42; Grosse Ruse-Khan, Henning, 'Re-delineation of the role of stakeholders: IP enforcement beyond exclusive rights', in Li Xuan and Carlos M. Correa (eds), *Intellectual Property Enforcement: International Perspectives*, Cheltenham,

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More problematically, such a shift has brought with it significant risks that may ultimately backfire on a country's goal to use intellectual property protection to attract foreign investment. For instance, strengthening border control requires the development of specialized expertise and sophistication on the part of customs authorities. If these authorities fail to develop the requisite expertise and sophistication, their inconsistent – and at times wrongful – application of new, and usually tougher, border measures may lead to uncertainty and other concerns that eventually frighten away foreign investors.<sup>14</sup> Even worse, irregularities in the application of these measures may become the subject of complaints that firms file with their governments. These complaints, in turn, may lead to greater pressure from foreign governments – for example, through the United States' notorious Section 301 process.<sup>15</sup> In the end, what started as a country's means of attracting foreign investment and promoting economic development ends up being a heavy burden on an already resource-deficient country.

Of bigger concern among human rights groups, civil libertarians, consumer advocates and academic commentators are the high opportunity costs incurred by strengthened intellectual property enforcement. Given the limited resources in many less developed countries, an increase in the commitment of resources in the enforcement area inevitably will lead to the withdrawal of resources from other competing, and at times more important, public needs. These public needs include purification of water; generation of power; improvement of public health; reduction of child mortality; provision of education; promotion of public security; building of basic infrastructure; reduction of violent crimes; relief of poverty; elimination of hunger; promotion of gender equality; protection of the environment; and responses to terrorism, illegal arms sales, human and drug trafficking, illegal immigration and corruption.<sup>16</sup>

The competition between intellectual property enforcement and these public needs is rather ill-timed given the acute shortage of resources created by the recent global economic crisis. Such competition is also disturbing considering the fact that 'global investment in areas of poverty, hunger, health and education is [still] less than half of what is needed to reach the Millennium Development Goals'.<sup>17</sup> The strengthening of intellectual property enforcement, therefore, not only has had an adverse impact on some individual countries, but has also undermined the ability of the global community to achieve development goals.

In addition to administrative and opportunity costs, economists and commentators have identified many other costs, such as adjustment costs due to labour displacement, social costs associated with monopoly pricing, higher imitation and innovation costs, potential costs resulting from the abuse of intellectual property rights, and costs of litigation and litigation error.<sup>18</sup> Although these costs are alarming, how high these and other costs will be will ultimately depend

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UK: Edward Elgar Publishing (2009), pp. 43–61, 51–52; Li, Xuan, 'Ten general misconceptions about the enforcement of intellectual property rights', in Li Xuan and Carlos M. Correa (eds), *Intellectual Property Enforcement: International Perspectives*, Cheltenham, UK: Edward Elgar Publishing (2009), pp. 14–42, 28–31; Sell, Susan K., *The Global IP Upward Ratchet, Anti-Counterfeiting and Piracy Enforcement Efforts: The State of Play*, Geneva: IQsensato (2008), p. 9.

<sup>14</sup> Grosse Ruse-Khan, *supra* note 13, at 52.

<sup>15</sup> Yu, Peter K., 'Six secret (and now open) fears of ACTA', (2011) *SMU Law Review*, **64** (3), 975–1094, 1040–42.

<sup>16</sup> Yu, Peter K., 'TRIPS enforcement and developing countries', (2011) *American University Law Review*, **26** (3), 727–82, 751.

<sup>17</sup> Li, *supra* note 13, at 29.

<sup>18</sup> *Ibid.*, at 29; Maskus, Keith E., Sean M. Dougherty and Andrew Mertha, 'Intellectual property rights and economic development in China', in Carsten Fink and Keith E. Maskus (eds), *Intellectual Property and Development: Lessons from Recent Economic Research*, Washington, D.C.: World Bank (2005), pp. 295–331, 302–06.

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on whether the intellectual property system is appropriately designed. The more the system is tailored to an individual country's needs, interests, conditions and priorities, the lower the costs will be.

In sum, the high costs incurred by the strengthening of international intellectual property enforcement standards have raised many sensitive issues. There are also additional issues concerning whether these costs would increase needlessly with the adoption of inappropriate global intellectual property standards – for example, those based on the super-size-fits-all template enshrined in the TRIPS Agreement. Unless developed countries are willing to provide considerable and substantive financial and technical assistance – other than the routine support of capacity-building programmes – these constraints are unlikely to disappear.<sup>19</sup> It is, therefore, no surprise that some commentators have suggested that the significant national divergences in enforcement costs, available resources and public policy priorities might warrant special and differential treatment for at least some less developed countries.<sup>20</sup>

### 4. Negotiation Challenges: The TRIPS Negotiations

Added to the difficult and highly sensitive resource and capacity questions were the *demandeur* countries' goals for the TRIPS Agreement. As stated in the Punta del Este Declaration, which set out the negotiating objectives of the TRIPS Agreement in a section subtitled 'Trade-related aspects of intellectual property rights, including trade in counterfeit goods':

In order to reduce the distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade, the negotiations shall aim to clarify GATT [General Agreement on Tariffs and Trade] provisions and elaborate as appropriate new rules and disciplines.

Negotiations shall aim to develop a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods, taking into account work already undertaken in the GATT.<sup>21</sup>

Because the TRIPS negotiating mandate included the dual goals of 'promoting effective and adequate protection of intellectual property rights, and ... ensuring that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade', TRIPS delegates inevitably had to focus on those negotiation items they believed would lead to the most satisfactory outcome. Thus, even though intellectual property enforcement provisions represent slightly more than a quarter of the seventy-three provisions in the TRIPS

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<sup>19</sup> On technical assistance and capacity-building programmes, see Commission on Intellectual Property Rights, *Integrating Intellectual Property Rights and Development Policy*, London: Commission on Intellectual Property Rights (2002), pp. 149–52; Deere, Carolyn, *The Implementation Game: The TRIPS Agreement and the Global Politics of Intellectual Property Reform in Developing Countries*, Oxford: Oxford University Press (2009), pp. 180–86; May, Christopher, *The World Intellectual Property Organization: Resurgence and the Development Agenda*, London: Routledge (2007), pp. 61–66.

<sup>20</sup> Fink, supra note 12, at 16; Frischtak, Claudio R., 'Harmonization versus differentiation in intellectual property rights regime', in Mitchel B. Wallerstein, Mary Ellen Mogege and Roberta A. Schoen (eds), *Global Dimensions of Intellectual Property Rights in Science and Technology*, Washington, D.C.: National Academy Press (1993), pp. 89–106, 98.

<sup>21</sup> General Agreement on Tariffs and Trade, Ministerial Declaration on the Uruguay Round of Multilateral Trade Negotiations, (1986) 25 I.L.M. 1623, 1626.

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Agreement, more than two-thirds of the provisions sought to introduce, in a single undertaking, new substantive minimum standards on which there was no prior international consensus.

For example, Article 10.1 states that ‘computer programs, whether in source or object code, shall be protected as literary works under the Berne Convention’. Article 23 offers special protection to geographical indications for wines and spirits. Article 27.1 stipulates that ‘patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced’. Article 27.3(b) requires members to ‘provide for the protection of plant varieties either by patents or by an effective sui generis system or by any combination thereof’. Article 31 delineates the conditions under which members can issue a compulsory licence. Article 35 offers protection to integrated circuit topographies through a reference to the Washington Treaty on Intellectual Property in Respect of Integrated Circuits, which has never entered into force. Article 39.3 mandates protection against the unfair commercial use of clinical trial data that have been submitted to regulatory agencies for the approval of pharmaceutical or agricultural chemical products that utilize new chemical entities.

Moreover, even though developed countries successfully obtained their preferred terms in the TRIPS enforcement provisions,<sup>22</sup> their success might have been curtailed by the skilful yet subtle attempt by negotiators from less developed countries to inject ambiguities, flexibilities, limitations and exceptions into the TRIPS Agreement.<sup>23</sup> Although commentators have recounted the limited knowledge of intellectual property rights in less developed countries at the time of the TRIPS negotiations, such knowledge was clearly possessed by *some* delegates, especially those from the powerful developing countries, such as Brazil and India.<sup>24</sup> Only a decade or two before, representatives from these countries were actively – though unsuccessfully – negotiating the Stockholm Protocol for Developing Countries and the International Code of Conduct on the Transfer of Technology.<sup>25</sup> The latter actually provided the language for the draft treaty text advanced by less developed countries, the so-called ‘B text’.<sup>26</sup>

As a result of the negotiation tactics deployed by Brazil, India and other developing countries, the TRIPS Agreement now contains many result-oriented terms that are vague, broad and undefined. Examples of these terms are “effective”, “reasonable”, “undue”, “unwarranted”, “fair and equitable”, and “not ... unnecessarily complicated or costly”.<sup>27</sup> For example, Article 61, which sets forth the first-ever multilateral norm on criminal sanctions, does not define the term ‘commercial scale’ at all. The lack of such definition eventually posed a fatal challenge to the United States’ complaint against China over its failure to extend criminal sanctions to ‘wilful

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<sup>22</sup> Sell, *supra* note 6, at 115; UNCTAD–ICTSD, *supra* note 2, at 578.

<sup>23</sup> Arup, Christopher, *The World Trade Organization Knowledge Agreements*, Cambridge: Cambridge University Press (2<sup>nd</sup> ed, 2008), p. 95; Matthews, Duncan, *Globalising Intellectual Property Rights: The TRIPS Agreement*, London: Routledge (2002), p. 66; Watal, Jayashree, *Intellectual Property Rights in the WTO and Developing Countries*, The Hague: Kluwer Law International (2001), p. 7; Yu, Peter K., ‘The objectives and principles of the TRIPS Agreement’, (2009) *Houston Law Review*, **46** (4), 979–1046, 1022–23.

<sup>24</sup> Deere, *supra* note 19, at 8; Drahos, Peter, ‘Introduction’, in Peter Drahos and Ruth Mayne (eds), *Global Intellectual Property Rights: Knowledge, Access and Development*, London: Palgrave Macmillan (2002), pp. 1–9, 7–8; Yu, Peter K., ‘TRIPS and its discontents’, (2006) *Marquette Intellectual Property Law Review*, **10** (2), 369–410, 375.

<sup>25</sup> Yu, Peter K., ‘A tale of two development agendas’, (2009) *Ohio Northern University Law Review*, **35** (2), 465–573, 471–84, 493–505.

<sup>26</sup> Yusuf, Abdulqawi A., ‘TRIPS: Background, principles and general provisions’, in Carlos M. Correa and Abdulqawi A. Yusuf (eds), *Intellectual Property and International Trade: The TRIPS Agreement*, Alphen aan den Rijn: Kluwer Law International (2<sup>nd</sup> ed, 2008), pp. 3–21, 10 fn.18.

<sup>27</sup> UNCTAD–ICTSD, *supra* note 2, at 576.

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trademark counterfeiting or copyright piracy on a commercial scale'. The undefined term also opened the door for the WTO panel to interpret the TRIPS language by focusing on local market conditions, noting that commercial activities may 'vary by product and market'.<sup>28</sup>

Equally important is the inclusion in Part III of the TRIPS Agreement of provisions that contain only empowerment norms, as compared with norms that mandate specific actions. For instance, Article 59 – the provision at issue in the US–China dispute – states that 'competent authorities shall have the authority to order the destruction or disposal of infringing goods' seized at the border. Because this provision requires only the provision of authority, as compared with the exercise of such authority in a specified way, the United States could not argue that the Chinese customs authorities had failed to destroy infringing goods seized at the border – the action preferred by the United States administration and its supportive rights holders.<sup>29</sup> Instead, the United States had to advance a much weaker, and rather academic, claim that China introduced a 'compulsory scheme' that took away the authorities' 'scope of authority to order the destruction or disposal of infringing goods'.<sup>30</sup>

If the weakening of TRIPS language was not enough, less developed countries successfully demanded the inclusion of limitations and exceptions in the TRIPS Agreement. The most notable exception in the enforcement area is Article 41.5 of the TRIPS Agreement, which states explicitly that a WTO member is not required to devote more resources to intellectual property enforcement than to other areas of law enforcement.<sup>31</sup> Led by India, less developed countries specifically demanded this provision to alleviate concerns about the lack of resources needed to set up specialized intellectual property courts or to strengthen intellectual property enforcement.<sup>32</sup> Even today, less developed countries continue to insist that Article 41.5, along with Article 1.1, represents the key concessions they won through the TRIPS negotiation process.<sup>33</sup>

In addition, the TRIPS negotiators from the *demandeur* countries seemed to have made a conscious choice to delay the negotiation of some of the highly challenging enforcement issues. Such delay could be attributed to concerns over the controversial nature of enforcement standards, which, as discussed, come with a hefty price tag, difficult tradeoffs and serious intrusion on a country's sovereignty. The delay could also be due to the delegates' negotiation priorities and tactics. At the time of the negotiations, countries remained in disagreement over the scope and extent of many substantive standards. This disagreement continues today, with many countries complaining about the standards' unfair and biased nature.<sup>34</sup>

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<sup>28</sup> World Trade Organization (2009), *China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights*, para. 7.604, Panel Report, WT/DS362/R; Yu, Peter K., 'TRIPS enforcement and developing countries', (2011) *American University Law Review*, 26 (3), 727–82, 757–60.

<sup>29</sup> World Trade Organization, supra note 28, para. 7.238.

<sup>30</sup> *Ibid.*, para. 7.197.

<sup>31</sup> Article 41.5 provides: 'Nothing in [Part III of the Agreement] creates any obligation with respect to the distribution of resources as between enforcement of intellectual property rights and the enforcement of law in general.'

<sup>32</sup> Correa, Carlos M., *Trade Related Aspects of Intellectual Property Rights: A Commentary on the TRIPS Agreement*, Oxford: Oxford University Press (2007), p. 417; UNCTAD–ICTSD, supra note 2, at 585.

<sup>33</sup> For example, China made this claim in the recent TRIPS enforcement dispute. World Trade Organization, supra note 28, annex B-4, para. 33.

<sup>34</sup> E.g. Government of Pakistan (2009), 'Creating an enabling environment to build respect for IP: A concept paper by Pakistan', para. 3(iv), WIPO/ACE/5/11; Yu, supra note 23, at 1024.



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Finally, the delegates might have had a misguided optimism about a country's ability to translate treaty language into effective enforcement. As Jacques Gorlin recounted candidly: 'We had assumed that most countries would accept the TRIPS obligations, and dispute settlement would fix a few ... problems. What has happened, however, is that we are starting to see dispute settlement cases that cover the wholesale failure to implement TRIPS.'<sup>35</sup> In fact, according to Sylvia Ostry, the evolution of the WTO and its many agreements surprised the developed countries' negotiators just as much as their counterparts from less developed countries:

The notion that only the southern countries did not understand what was going on was quite false. Those of us that had been involved throughout could not anticipate how complex the new system would be and what effects on North–South relations would result from the Bum Deal [created by the Uruguay Round].<sup>36</sup>

Regardless of the reasons, the delegates' delay in negotiating these difficult enforcement issues has greatly curtailed the development of international intellectual property enforcement norms. To be sure, the delegates' focus on the comparatively easier task of negotiating substantive standards is defensible. Such negotiation, after all, was instrumental in breaking the deadlock between developed and less developed countries, thereby resulting in the successful conclusion of the TRIPS Agreement.<sup>37</sup> If the TRIPS delegates were given the same negotiation choices again, they still might have come to the same conclusion that having a new multilateral agreement without robust enforcement standards is more important than having no agreement at all.

Nevertheless, by leaving the more difficult enforcement issues for later discussions, these delegates merely postponed the inevitable challenges. As Professor Okediji aptly observed, in game theory terms, the negotiation and enforcement of the TRIPS Agreement can be seen as a two-stage game.<sup>38</sup> Although policymakers in less developed countries, economists and commentators continue to question the fairness and expediency of the TRIPS Agreement, there is no doubt that developed countries won the first-stage negotiation game decisively. The strategies used to complete this first-stage game,<sup>39</sup> however, left developed countries with a much harder enforcement game to play – both among themselves and vis-à-vis less developed countries. As Professor Okediji reasoned:

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<sup>35</sup> Yu, Peter K., Jacques J. Gorlin, GERALYN Ritter, Shira Perlmutter, Eric H. Smith and Robert Stoll, 'U.S. industries, trade associations, and intellectual property lawmaking', (2002) *Cardozo Journal of International and Comparative Law*, 10 (1), 5–35, 10 (remarks of Jacques J. Gorlin, Director, Intellectual Property Committee).

<sup>36</sup> Ostry, Sylvia, 'Asymmetry in the Uruguay Round and in the Doha Round', in Chantal Thomas and Joel P. Trachtman (eds), *Developing Countries in the WTO Legal System*, Oxford: Oxford University Press (2009), pp. 105–09, 105.

<sup>37</sup> Sell, Susan K., *Power and Ideas: North–South Politics of Intellectual Property and Antitrust*, Albany: State University of New York Press (1998), pp. 123–30.

<sup>38</sup> Okediji, Ruth L., 'Public welfare and the role of the WTO: Reconsidering the TRIPS Agreement', (2003) *Emory International Law Review*, 17 (2), 819–918, 823. Unlike Professor Okediji, I consider the game played by the WTO member states as a three-stage game, with stages in negotiation, implementation and enforcement. Duncan Matthews also considered implementation and enforcement as two different levels. Matthews, *supra* note 23, at 117. Nevertheless, the difference over the number of stages will not affect the implications of Professor Okediji's important insight into the multi-stage game the WTO members have to play when they move from negotiation to enforcement. On the 'game' played by WTO member states involving the TRIPS Agreement, see Yu, Peter K., 'Are developing countries playing a better TRIPS game?', (2011) *UCLA Journal of International Law and Foreign Affairs*, 16 (2), 311–42.

<sup>39</sup> There are many explanations why less developed countries agreed to join the TRIPS Agreement. Yu, *supra* note 2, at 325–26; Yu, *supra* note 24, at 371–79.

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Having accomplished the primary goal of binding developing countries to high standards of intellectual property protection, developed countries must now deal with the costs of ‘winning’ the first stage game. These include constraints on sovereign discretion in the area of policy development, and battles over extant policy differences between the member states.<sup>40</sup>

Even worse for the *demandeur* countries, less developed countries have acquired more sophisticated knowledge about innovation and intellectual property since the completion of the TRIPS Agreement. They also have received more support from intergovernmental and nongovernmental players in both the North and the South.<sup>41</sup> In addition, some leading developing countries, like China and India, have become significantly more economically developed and technologically proficient than they were two decades ago. If developed countries had a difficult time obtaining their preferred enforcement terms during the TRIPS negotiations, they are likely to have even greater difficulty today.

In sum, even though developed countries dominated the TRIPS negotiation process, their tactical constraints and misguided beliefs might have significantly curtailed their ability to use the TRIPS Agreement to shape international intellectual property enforcement norms. As Professors Reichman and Lange rightly observed, the Agreement’s enforcement provisions ‘on closer inspection appear to constitute a set of truly minimum standards of due process on which future legislation will have to build’.<sup>42</sup> While the adoption of Articles 41 to 61 of the TRIPS Agreement undeniably has helped the *demandeur* countries to begin the norm-setting process, greater norm development, unfortunately, will have to await future negotiations.

### 5. Disciplinary Challenges: Non-Intellectual Property, Non-Trade Factors

By design, the international intellectual property system has a rather narrow focus. Even when the TRIPS Agreement expanded this focus to cover international trade, the focus covers only some of the issues implicated by the enforcement of intellectual property rights.<sup>43</sup> In fact, with the growing spillover of issues from intellectual property and international trade to other policy areas, such as agriculture, health, the environment, education, culture, competition, free speech, privacy, democracy and the rule of law,<sup>44</sup> a TRIPS-based enforcement regime that focuses primarily on the trade bottom line is unsurprisingly inadequate.

As I have pointed out elsewhere, a well-functioning intellectual property regime depends on the existence of an ‘enabling environment’ for the effective protection and enforcement of

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<sup>40</sup> Okediji, *supra* note 38, at 823.

<sup>41</sup> Yu, Peter K., ‘Access to medicines, BRICS alliances, and collective action’, (2008) *American Journal of Law and Medicine*, **34** (2), 345–94, 376–78.

<sup>42</sup> Reichman and Lange, *supra* note 3, at 34.

<sup>43</sup> As Bernt Hugenholtz and Ruth Okediji observed: ‘The WTO is primarily a trade regime. It does not have the primary responsibility for the development of IP norms qua IP norms; instead, IP protection is viewed through its impact on free trade, which provides a distinct gloss on the interpretation of TRIPS obligations that often disregards cultural and other relevant criteria central to both national and international copyright systems.’ Hugenholtz, P. Bernt and Ruth L. Okediji, *Conceiving an International Instrument on Limitations and Exceptions to Copyright: Final Report*, New York: Open Society Institute (2008), p. 39.

<sup>44</sup> Austin, Graeme W., ‘Valuing “domestic self-determination” in international intellectual property jurisprudence’, (2002) *Chicago-Kent Law Review*, **77** (3), 1155–211, 1193; Correa, *supra* note 32, at 12; Yu, Peter K., ‘International enclosure, the regime complex, and intellectual property schizophrenia’, (2007) *Michigan State Law Review*, **2007** (1), 1–33, 2.

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intellectual property rights.<sup>45</sup> The key preconditions for successful intellectual property reforms include a consciousness of legal rights, respect for the rule of law, an effective and independent judiciary, a well-functioning innovation and competition system, sufficiently developed basic infrastructure, a critical mass of local stakeholders, and established business practices. As Robert Sherwood reminded us in an aptly titled article, ‘Some Things Cannot Be Legislated’, ‘until judicial systems in developing and transition countries are upgraded, it will matter little what intellectual property laws and treaties provide’.<sup>46</sup> Likewise, Keith Maskus, Sean Dougherty and Andrew Mertha noted:

Upgrading protection for IPRs [intellectual property rights] alone is a necessary but not sufficient condition for this purpose [of maximizing the competitive gains from additional innovation and technology acquisition over time, with particular emphasis on raising innovative activity by domestic entrepreneurs and enterprises]. Rather, the system needs to be strengthened within a comprehensive and coherent set of policy initiatives that optimize the effectiveness of IPRs. Among such initiatives are further structural reform of enterprises, trade and investment liberalization, promotion of financial and innovation systems to commercialize new technologies, expansion of educational opportunities to build human capital for absorbing and developing technology, and specification of rules for maintaining effective competition in [local] markets.<sup>47</sup>

To some extent, *enforcement facilitation* – that is, to provide for measures that help facilitate enforcement – is just as important as *enforcement*. Unfortunately, many of the preconditions needed for such facilitation lie outside the areas of both intellectual property and trade. Without the needed support, the TRIPS Agreement understandably cannot fully address the challenging intellectual property enforcement problems confronting the WTO members in both the developed and less developed worlds. Even worse, while the WTO members have explored the need for greater trade facilitation to support trade,<sup>48</sup> they have yet to fully understand the importance of enforcement facilitation. Many of these countries – whether developed or less developed – simply do not have the needed political will to push for measures to make such facilitation possible.<sup>49</sup>

In fact, the idea of developing an enabling environment for effective intellectual property protection was not explored until recently, and such exploration took place outside the WTO. In the fifth session of the Advisory Committee on Enforcement of the World Intellectual Property Organization (WIPO), WIPO members worked together to ‘identify[] elements for creating an enabling environment for promoting respect for intellectual property in a sustainable manner and

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<sup>45</sup> Yu, Peter K., ‘Intellectual property, economic development, and the China puzzle’, in Daniel J. Gervais (ed.), *Intellectual Property, Trade and Development: Strategies to Optimize Economic Development in a TRIPS Plus Era*, Oxford: Oxford University Press (2007), pp. 173–220, 213–16.

<sup>46</sup> Sherwood, Robert M., ‘Some things cannot be legislated’, (2002) *Cardozo Journal of International and Comparative Law*, **10** (1), 37–46, 42.

<sup>47</sup> Maskus, Dougherty and Mertha, *supra* note 18, at 297.

<sup>48</sup> Some commentators have also noted the need for development facilitation. E.g. Lee, Yong-Shik, ‘Economic development and the World Trade Organization: Proposal for the agreement on development facilitation and the Council for Trade and Development in the WTO’, in Chantal Thomas and Joel P. Trachtman (eds), *Developing Countries in the WTO Legal System*, Oxford: Oxford University Press (2009), pp. 291–319.

<sup>49</sup> Naím, Moisés, *Illicit: How Smugglers, Traffickers, and Copycats Are Hijacking the Global Economy*, New York: Doubleday (2005), pp. 257–58; Yu, Peter K., ‘Three questions that will make you rethink the U.S.–China intellectual property debate’, (2008) *John Marshall Review of Intellectual Property Law*, **7** (3), 412–32, 413.

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future work'.<sup>50</sup> As Pakistan noted in a submission entitled 'Creating an Enabling Environment to Build Respect for IP':

a very limited approach to combating infringement of IP rights, in which, in essence, stricter laws and capacity building of enforcement agencies is seen as the primary means to ensure enforcement ... can temporarily reduce IPR infringements levels, but cannot address the challenge in a sustainable manner. A broader strategy is urgently needed to allow the establishment of conditions in which all countries would have shared understanding of the socio-economic implications of enforcement measures, and direct economic interest in taking such measures. In such an environment, countries' choice to enforce IPRs will be derived from their internal rather than external factors.<sup>51</sup>

In another paper, which heavily criticized the one-size-fits-all model of intellectual property enforcement, Brazil declared: 'Violations of intellectual property rights do not take place in the void. They are not disconnected from concrete political and social variables.'<sup>52</sup> That paper called for a change in the focus of the WIPO Advisory Committee: from enforcement to respect for intellectual property. It remains to be seen whether the TRIPS Agreement and the larger WTO reforms will benefit from a more holistic perspective of intellectual property enforcement advanced in these papers.

### 6. Technological Challenges: New Internet-Related Issues

The level of enforcement in the TRIPS Agreement depends on the scope and extent of its substantive provisions. Although the Agreement was established in the mid-1990s, shortly before the internet and electronic commerce entered the mainstream, its substantive standards were set at what Daniel Gervais described as 'the highest common denominator among major industrialized countries as of 1991'.<sup>53</sup> As a result, the Agreement failed to address challenges created by new technologies that emerged after the completion of its primary draft.

One of the most significant challenges in the enforcement area to date concerns the protection of intellectual property rights in the digital environment. Today, the internet, new communications technologies, and file-sharing networks have caused serious and widespread problems of unauthorized copying throughout the world. Since 2003, the US recording industry alone has filed lawsuits against more than 35,000 individuals for illegal distribution of copyrighted works via peer-to-peer networks.<sup>54</sup> Courts in the developed world, such as Australia, Canada and the United States, have also been inundated with cases addressing secondary copyright liability.<sup>55</sup>

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<sup>50</sup> Advisory Committee on Enforcement, World Intellectual Property Organization (2009), 'Draft agenda', WIPO/ACE/5/1 Prov. Rev.

<sup>51</sup> Government of Pakistan, *supra* note 34, para. 2.

<sup>52</sup> Government of Brazil (2009), 'Future work proposal by Brazil', in Advisory Committee on Enforcement, World Intellectual Property Organization, 'Conclusions by the Chair', annex 2, WIPO/ACE/5/11.

<sup>53</sup> Gervais, Daniel J., 'The TRIPS Agreement and the Doha Round: History and impact on economic development', in Peter K. Yu (ed.), *Intellectual Property and Information Wealth: Issues and Practices in the Digital Age*, Westport: Praeger Publishers (2007), Vol. 4, pp. 23–72, 43.

<sup>54</sup> von Lohmann, Fred (2008), 'RIAA v. *The People* turns from lawsuits to 3 Strikes', <http://www.eff.org/deeplinks/2008/12/riaa-v-people-turns-lawsuits-3-strikes>.

<sup>55</sup> E.g., *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005); *BMG Canada Inc. v. John Doe*, [2004] F.C. 488 (Canada); *Universal Music Austl. Pty Ltd v. Sharman License Holdings Ltd.* (2005) 65 I.P.R. 289 (Australia).

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In retrospect, the existence of these internet-related enforcement problems is no surprise. After all, the TRIPS negotiators from the *demandeur* countries did not anticipate the technological change brought about by the information revolution. Even if they had anticipated such a change, they likely would not have succeeded in introducing new norms in this area. Article 27, for example, provides very limited coverage of biotechnology-related issues, even though the biotechnology revolution had already raised many difficult policy and ethical questions at the time of the TRIPS negotiations.<sup>56</sup>

To some extent, the advent of the internet and new communications technologies had rendered the TRIPS Agreement obsolete even before it entered into effect. As Marci Hamilton aptly observed:

Despite its broad sweep and its unstated aspirations, TRIPS arrives on the scene already outdated. TRIPS reached fruition at the same time that the on-line era became irrevocable. Yet it makes no concession, not even a nod, to the fact that a significant portion of the international intellectual property market will soon be conducted on-line.<sup>57</sup>

Given the novelty of the internet-related challenges and the limited coverage of TRIPS substantive standards, it is easy to explain why the Agreement failed to provide effective enforcement of intellectual property rights in the digital environment – an issue that countries recently tackled in the ACTA and TPP negotiations.

### 7. Conclusion

While commentators are correct that the TRIPS Agreement has transformed the international intellectual property system by providing comprehensive international minimum standards on the enforcement of intellectual property rights for the first time, the Agreement's major strength, paradoxically, is also its major weakness. Because the Agreement fails to achieve a global consensus on international intellectual property enforcement, WTO members continue to face widespread enforcement problems throughout the world. They also remain in deep disagreement with each other over the appropriate standards for intellectual property enforcement. It is therefore appropriate for developed countries to continue to view the enforcement provisions as the 'Achilles' heel of the TRIPS Agreement', as many commentators have done.

From the standpoint of less developed countries, however, the picture is a little more complicated. In middle-income countries, some economic sectors are likely to find the TRIPS enforcement provisions weak – a view shared by those in the developed world.<sup>58</sup> Other sectors in these middle-income countries, however, may take a different view. Instead, these sectors may join low-income countries in rejoicing in the TRIPS Agreement's failure to incorporate strong international intellectual property enforcement norms. To them, the weak enforcement provisions do not constitute the Achilles' heel of the TRIPS Agreement. Rather, they are a blessing in disguise!

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<sup>56</sup> Yu, Peter K., 'Teaching international intellectual property law', (2008) *St. Louis University Law Journal*, 52 (3), 923–50, 933.

<sup>57</sup> Hamilton, Marci A., 'The TRIPS Agreement: Imperialistic, outdated, and overprotective', (1996) 29 *Vanderbilt Journal of Transnational Law*, 29 (3), 613–34, 614–15.

<sup>58</sup> Yu, *supra* note 44, at 23–27.