

2006

Fish or Fowl? The Nature of WTO Dispute Resolution under TRIPS

Anne Hiaring

Follow this and additional works at: <http://digitalcommons.law.ggu.edu/annlsurvey>



Part of the [Intellectual Property Law Commons](#), and the [International Trade Law Commons](#)

Recommended Citation

Hiaring, Anne (2006) "Fish or Fowl? The Nature of WTO Dispute Resolution under TRIPS," *Annual Survey of International & Comparative Law*: Vol. 12: Iss. 1, Article 11.

Available at: <http://digitalcommons.law.ggu.edu/annlsurvey/vol12/iss1/11>

This Article is brought to you for free and open access by the Academic Journals at GGU Law Digital Commons. It has been accepted for inclusion in Annual Survey of International & Comparative Law by an authorized administrator of GGU Law Digital Commons. For more information, please contact jfischer@ggu.edu.

FISH OR FOWL? THE NATURE OF WTO DISPUTE RESOLUTION UNDER TRIPS

ANNE HIARING*

I. INTRODUCTION

This note discusses the procedure of dispute resolution in the World Trade Organization (WTO). The note goes on to discuss WTO disputes involving intellectual property to date and the possible impacts of the WTO dispute resolution procedures on the determination of substantive issues of intellectual property law, using dispute WS 160 involving the Fairness in Music Licensing Act, as an example.

The note concludes that the same concerns about lack of due process and inability of amici to appear in the proceedings that cause concern in the environmental field are also causes of concern with respect to intellectual property rights determinations. Lawyers trained in the negotiation of trade disputes with no background in intellectual property are determining important issues on intellectual property rights protection, with no guarantee of the participation of fair use or other civil society advocates, nor the ability of developing nations with fewer resources to make their voices heard in these proceedings.

* Anne Hiaring has been practicing copyright and trademark law since 1980. She has served as an Adjunct Professor of intellectual property at Golden Gate University in San Francisco since 1990, and in Bangkok, Thailand, since 1998. She is a LLM International Law candidate at Golden Gate University.

II. THE TRIPS PROVISIONS OF THE WORLD TRADE AGREEMENT

By way of background, at the time the WTO was created, effective January 1995, the TRIPS annex (Trade Related Aspects of Intellectual Property) to the WTO also went into effect, creating binding obligations among member nations to comply with TRIPS provisions. TRIPS requires that certain minimum standards of intellectual property protection be provided, as well as that the intellectual property law rights of non-nationals be treated the same as those of nationals. Also part of the WTO is a dispute settlement procedure that enables member nations to resolve disputes about whether or not a member is actually complying with its obligations under the WTO agreements. These dispute resolution procedures therefore also apply to disputes involving compliance with obligations under TRIPS.

It bears focusing upon the purpose of the WTO – to reduce barriers to trade and to promote free trade. The question must also be asked what promoting free trade has to do with the protection of intellectual property, and whether the goal of promoting free trade falls short of furthering all of the public policy interests underlying intellectual property law protection.

The Agreement that established the WTO has a key purpose to reduce “tariffs and other barriers to trade and to ... [eliminate] discriminatory treatment in international trade relations.”¹ The preamble to TRIPS provides:

“Members,

Desiring to reduce 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 . . .

Hereby agree as follows: ”²

1. Preamble to Agreement Establishing the World Trade Organization.
 2. Preamble to Annex 1C Agreement on Trade-Related Aspects of Intellectual Property Rights.

Thus the goal of the WTO Agreement is to reduce tariffs and other barriers to trade, the goal of TRIPS is to “reduce distortions and impediments to international trade” (presumably existing if certain intellectual property norms are not met) and the entire minimum standards in TRIPS are, by definition “trade related intellectual property issues.” Therefore when disputes under TRIPS are determined by the WTO Dispute Settlement Body (DSB), the ultimate determination is whether or not a law or policy of a member state creates a “distortion or impediment to trade.” This is interesting because historically, intellectual property rights protection was not viewed as a matter of promoting trade, but of furthering the public policy and private rights underlying the reason for these laws to begin with. It is against this backdrop that the actual mechanisms of the dispute resolution system must be considered.

III. HOW DISPUTES ARE SETTLED IN THE WTO

The dispute resolution system provided in the WTO creates a government-to-government complaint and review mechanism where trade disputes over compliance with the WTO Agreement can be decided. The WTO sees the role of the Dispute Settlement Understanding (DSU) as follows: “The WTO’s procedures for resolving trade quarrels under the Dispute Settlement Understanding is *vital* for enforcing the rules and therefore for *ensuring that trade flows smoothly*.”³ (Emphasis added). Focusing on the point of “ensuring that trade flows smoothly,” the DSU is characterized by many opportunities for conciliation. Indeed, conciliation and good offices are arguably the guiding force of the DSU. It is only when and if disputes go before a dispute panel that a formal litigation-like process begins. It is at that stage that questions about the rules used by panels to hear not only the parties, but other interested parties, and to open the proceedings up to create some transparency, become an issue.⁴

Disputes arise when a member government believes another member government is violating an agreement or a commitment that it has made

3. Statement on the WTO website November 2, 2005, <www.wto.org/english/tratop_e/dispu_e/dispu_e.htm>.

4. Article 3 of Annex 2 “Understanding on Rules and Procedures Governing the Settlement of Disputes” [hereinafter “Understanding”] provides:

The dispute settlement system of the WTO is a central element in providing security and predictability to the multilateral trading system. The Members recognize that it serves to preserve the rights and obligations of Members under the covered agreements, and to clarify the existing provision of those *agreements in accordance with customary rules of interpretation of public international law*. Recommendations and rulings of the DSB cannot add to or diminish the rights and obligations provided in the covered agreements.” (Emphasis added).

in the WTO. The complaint is brought on behalf of a government against another government, using the auspices of the DSB. While the procedures before a dispute panel and the appeal process do resemble court hearings, the emphasis is on the resolution of the dispute between the parties. The first stage requires consultation or mediation between the governments concerned, and, even when a dispute has escalated to "litigation," consultation and mediation may always be invoked. The priority on settling disputes to ensure that "trade flows smoothly" is reflected in the actual disposition of cases. By July 2005, only about 130 of the nearly 332 disputes had reached the full panel process. Most of the rest have either been disposed as settled or remain in a prolonged consultation phase – some since 1995.⁵ Article 7 of the Understanding provides:

... The aim of the dispute settlement mechanism is to secure a positive solution to a dispute. A solution mutually acceptable to the parties to a dispute and consistent with the covered agreements is clearly to be preferred. In the absence of a mutually agreed solution, the first objection of the dispute settlement mechanism is usually to secure the withdrawal of the measures concerned

It is the DSB which has the authority to rule on a dispute. It establishes panels, adopts (or rejects) panel and Appellate Body reports, and reviews compliance with its rulings. The "court" phase of a proceeding resulting in a "ruling" are the panel hearings and panel reports, which may or may not be adopted by the DSB.

Dispute resolution can proceed relatively quickly, within less than a year and a half. The WTO summarizes the time lines as follows:

5. World Trade Organization data as of November 3, 2005, at <www.wto.org/english/thewto_e/whatis_e?displ_e.htm> "Understanding the WTO: Settling Disputes."

60 days Consultations, mediation, etc.

45 days Panel set up and panelists appointed

6 months Final panel report to parties

3 weeks Final panel report to WTO members

60 days Dispute Settlement Body adopts report (if no appeal)

Total = One year (without appeal)

60-90 days Appeals report

30 days Dispute Settlement Body adopts appeals report

Total= 1 year, 3 mos. (with appeal).⁶

A separate standalone arbitration alternative is also provided in Article 25. The provisions relating to the composition of panels; the ability of third party members to intervene; how information comes before the panels and the role of the Secretariat of the WTO are those that most affect the conduct of the “litigation” aspect of the DSU.

Panels are composed of three panelists.⁷ Costs of the panelists are met from the WTO budget, not the parties to a dispute.⁸ Article 8, Section 1 provides that panels “shall be composed of well-qualified governmental and/or non-governmental individuals, including persons who have served on or presented a case to a panel, served as a representative [to a trade agreement], taught or published on *international trade law or policy*, or served as *senior trade policy official* of a Member.”⁹ Panel selection should be “with a view to ensuring the independence of the members, a sufficiently diverse background and a wide spectrum of experience.”¹⁰

6. Article 4 provides for consultations; Article 5 for good offices, conciliation and mediation; Article 6 for establishment of panels; Article 7 for terms of reference of panels; Article 8 for composition of Panels; Article 9 for procedures of multiple complainants; Article 10 procedures for multiple complainants; Article 10 for third parties; Articles 11 through 14 and 18, for panel procedures; Article 15 for review of the draft panel report by the parties; Article 16 for adoption of panel reports by the DSB; Article 17 for appellate review; Article 19 for panel and appellate body recommendations for compliance with the Agreement (if non-compliance found); Article 20 the time frame for DSB decisions; Article 21 for surveillance for compliance with DSB recommendations; and Article 22 for compensation or suspension of trade concessions to cure violations.

7. Art. 8., Sec. 5.

8. Art. 8., Sec. 11.

9. *Emphasis added.*

10. Art. 8, Sec. 2.

Citizens of parties to a dispute may not serve on panels, unless all parties agree. The Secretariat controls the membership of panelists. Panelists are drawn from lists maintained by the Secretariat, consisting of those who have heard disputes under GATT and other trade agreements. Members can suggest new panelists "for inclusion on the ... list, providing *relevant information on their knowledge of international trade and of the sectors or subject matter of the covered agreements*."¹¹ Names are added upon the approval of the DSB.¹² Thus the composition of the list of available panelists consists only of trade officials, scholars or experienced counsel. There is no provision within the DSB for inclusion of those with any other expertise in the list of panelists.

Once serving on panels, panelists "shall serve in their individual capacities and not as government representatives, nor as representatives of any organization. Members shall therefore not give them instructions nor seek to influence them as individuals with regard to matters before a panel."¹³ If a developing country is a party to a dispute and so requests, at least one panelist shall be from a developing country.

Disputes raised by one member against another can be joined by other members, but not by outside third parties. Only member nations in the WTO may be parties to disputes.¹⁴ Panels review written submissions of the parties, rebuttal submissions and oral argument.¹⁵

Article 13 provides that panels may seek information, but not that third parties may submit information, such as amicus briefs, to the panels. Article 13, Sec. 1 provides: "Each panel shall have the right to seek information and technical advice from any individual or body which it deems appropriate." When a panel seeks information from within the jurisdiction of a member, the member must respond fully and promptly. Confidential information requested and provided remains confidential.

Article 13, Sec. 2 enables panels to "seek information from any relevant source and [to] consult experts to obtain their opinion on certain aspects of the matter. With respect to a factual issue concerning a scientific or other technical matter raised by a party to a dispute, a panel may request an advisory report in writing from an expert review group" Panel

11. *Emphasis added.*

12. Art. 8 Sec. 4.

13. Art. 8 Sec. 9.

14. Arts. 9-10.

15. Arts. 12 & 15.

deliberations are confidential and panel reports are drafted without the parties' input. Opinions are anonymous.¹⁶

Panels create draft reports which the parties may comment upon in writing. A panel may or may not revise its report based on these comments. The panel report is then submitted to the DSB, which considers whether or not to adopt the panel report. Parties may participate fully in the consideration of the panel report by the DSB. If appeal to the panel report is filed, consideration of adoption of the panel report is tabled.¹⁷

There may be no *ex parte* communications with the panel or Appellate Body. Written submissions to both are treated as confidential and made available only to parties to the dispute. Parties may, however, disclose their positions to the public on their own accord. Parties may be required, upon request of any Member to provide non-confidential summaries of written positions that may be disclosed to the public.¹⁸

The Secretariat of the WTO itself can play a key role in the proceedings, and its staff has played a key, behind-the-scenes, role in dispute resolution. Article 27 provides: "The Secretariat shall have the responsibility of assisting panels, especially on the legal, historic and procedural aspects of the matters dealt with, and of providing secretarial and technical support." Members can request assistance from the Secretariat, and developing countries specifically are entitled to "a qualified legal expert from the WTO technical cooperation services, provided that the "expert shall assist the developing country Member in a manner ensuring the continued impartiality of the Secretariat." Finally, the Secretariat shall conduct special training courses for interested Members concerning the dispute settlement procedures and practices to enable Members' experts to be better informed.¹⁹

IV. A BASIC OVERVIEW OF U.S. PROCEDURAL NORMS UNDER THE FEDERAL RULES OF CIVIL PROCEDURE

Little in the dispute resolution procedures resembles U.S. federal court proceedings. There are no provisions for discovery; disclosures are completely voluntary; and the panels and Appellate Bodies have full authority to seek out witnesses and advisors to assist them in consideration of the dispute. The veracity of written submissions may not be tested. Interested third parties may not intervene in disputes, although interested

16. Art. 14.

17. Arts. 15-16.

18. Art. 18.

19. Art. 27.

276 ANNUAL SURVEY OF INT'L & COMP. LAW [Vol. XII]

members of the WTO may. Submissions by friends of the court may be, but are not required to be, considered by the panels, Appellate Bodies or the Dispute Settlement Board itself.

By contrast, the Federal Rules of Civil Procedure provide for the compulsory disclosure of documents (Rule 34); compulsory answering of questions propounded by the other party (Rule 33); compulsory testimony of parties (Rule 26); compulsory testimony of non-party fact witnesses (Rule 27); and compulsory examination of premises (Rule 34).

In addition, Rule 24 enables third parties to intervene in an action as of right when a statute grants such a party the right, or when "the applicant claims an interest relating to the property or transaction which is the subject of the action and the applicant is so situated that the disposition of the action may as a practical matter impair or impede the applicant's ability to protect that interest" Permissive intervention is also provided for under Rule 24(b).

Interested parties may also appear at the appellate level in U.S. federal courts. Rule 37 of the Supreme Court Rules of Practice provides for the ability of friends of the court to submit briefs both when an application for hearing is made (writ of certiorari) and to supplement the briefs before oral argument. Rule 37 empowers the Supreme Court to hear information that brings to the attention of the Court relevant information that is not provided by the parties. Such amici briefs may be submitted with consent of the parties, or without consent, upon motion to the Court. It is the practice in many higher courts all over the world to accept amici briefs, in particular in the intellectual property law field, as has been shown by the ability of the United States Trademark Association to file briefs in six different jurisdictions in recent years, including the European Court of Justice.²⁰

These intervention procedures at the trial level and amici brief provisions at the appellate level provide for the private and public interest in a dispute to be considered in addition to the particular views of the parties. Discovery procedures enable the bringing to light of evidence that may be different from that submitted by the parties in support of their own positions, where such submissions may be admittedly self-serving.

20. See <www.inta.org/policy/amicus.html> Nov. 5, 2005. INTA has filed briefs with the ECJ, European Free Trade Association and the Supreme Courts of the U.S., Canada, Indonesia, Korea and China.

The role of the panels in hearing disputes follows more closely the model of the German civil law system in putting the burden on the “judges” – the panelists – to collect the facts, and solicit outside opinions.²¹ Panelists take a more active role than judges in trial and appellate proceedings in the U.S. Furthermore, the process of conciliation, in which the panelists take an active role, is more like the role of a civil law judge than a trial or appellate judge in the common law tradition of the U.S.²² However, the panels have no teeth. They cannot compel the production of documents or take testimony, although members must allow agencies or individuals within their jurisdiction to cooperate with panel requests for information.²³ Yet there are no “contempt of court” penalties for failure to comply with requests for information from panels.

The most notable difference between the WTO dispute resolution system and U.S. civil law procedure is that it is not public. As noted by leading scholars: “Modern procedural codes stress that judicial proceedings must be public and that, in principle, the control of the allegations and proof belongs to the parties.”²⁴ Under the WTO dispute resolution system, all discussions and hearings are confidential, the staff of the Secretariat can provide its own assistance to the panel and one party, with no possibility by the other party, or other parties whatsoever, for review. The panelists and Appellate Bodies may on their own initiative solicit expert opinions that may affect the outcome of the dispute, but all of these procedures are secret. The place and date of hearing is not even made public, and the public may not attend the oral arguments.

This state of affairs has created considerable controversy, particularly given the position of the WTO DSB as a “Supreme Court” of the WTO. Very knotty choice of law issues leave open the binding nature of WTO findings on other courts.²⁵ However, even if a WTO ruling is not “precedent” that must be followed, nor creates domestic law under a monist theory, the built-in enforcement power of DSB findings makes the WTO

21. See the discussion in HORN, KOETZ AND LESER, *GERMAN PRIVATE AND COMMERCIAL LAW: AN INTRODUCTION*, 45-50 (1982) (cited in GLENDON, GORDON AND OSAKWE, *COMPARATIVE LEGAL TRADITIONS* 1, 168-173, (2d. ed. 1994)).

22. See discussion of the role of the German law judge, *ibid.*

23. Article 13 Right to Seek Information, Section 1 provides: “Each panel shall have the right to seek information and technical advice from any individual or body which it deems appropriate. ... A Member should respond promptly and fully to any request by a panel for such information as the panel considers necessary and appropriate.”

24. *COMPARATIVE LEGAL TRADITIONS*, *supra* note 21, at 166.

25. M. Bronckers, *The Effect of the WTO in European Court Litigation*, 40 *TEX. INT’L L.J.* 443 (2005); Review of J. PAUWELYN, *CONFLICT OF NORMS IN PUBLIC INTERNATIONAL LAW: HOW WTO LAW RELATES TO OTHER RULES OF INTERNATIONAL LAW* (2003), reviewed in 98 *A.J.I.L.* 855 (2004).

278 ANNUAL SURVEY OF INT'L & COMP. LAW [Vol. XII]

the pre-eminent police power in the world today. Its decisions can and do have far-reaching effects.

V. WTO DISPUTES INVOLVING INTELLECTUAL PROPERTY

To date 21 disputes involving intellectual property have been filed with the WTO, but only five of the proceedings have gone to panel decisions that have been adopted by the DSB. The remainder have been settled by the parties. This suggests that the "conciliation" model of WTO disputes may be working. However, it could also easily suggest that the filing of disputes has an *in terrorem* effect so that defendant countries succumb when disputes are brought against them. The fact that the single largest economy in the world today, the U.S., is by far the majority complainant may suggest the latter.

The United States has been the most active jurisdiction in lodging complaints in the WTO for failure to comply with TRIPS obligations. The U.S. has been the plaintiff in 14 complaints against the following nations:

1. Denmark: measures affecting the enforcement of Intellectual Property Rights, DS 83;
2. European Community: enforcement of intellectual property rights for motion pictures and television programs, DS 124;
3. Greece: Enforcement of intellectual property rights for motion pictures and television program, DS 125;
4. Sweden: measures affecting the enforcements of intellectual property rights, DS 86;
5. Argentina: certain measures on protection of patents and test data, DS 196;
6. Argentina: patent protection for pharmaceuticals and test data protection for agricultural chemicals, DS 171;
7. Brazil: patent protection, DS 199;
8. Canada: patent term protection, DS 170;
9. Denmark: measures affecting the enforcement of intellectual property rights DS83;

2006]

FISH OR FOWL?

279

10. Turkey: taxation of foreign film revenues, DS 43;
11. Japan: measures concerning sound records, DS 28;
12. European Community: measures affecting the grant of copyright and neighboring rights, DS 115;
13. Ireland: measures affecting the grant of copyright and neighboring rights, DS 82 (companion to DS 115); and
14. European Community: trademarks and geographical indications, DS 174 (joined by Australia).

The second most active plaintiff in the WTO involving violations of TRIPS is the European Economic Community (EC). It has filed 4 disputes against the following jurisdictions:

1. United States: alleging non-compliance of the Fairness in Music Licensing Act with TRIPS, DS 160;
2. Japan: measures concerning sound recordings DS 42 (companion to U.S. action DS 28);
3. Canada: pharmaceutical patents, DS 114; and
4. India: patents, DS79.

The remaining IP-based disputes have been brought by the following nations:

1. Canada against the EC based on patent protection for pharmaceutical and agricultural chemical products, DS 153;
2. Brazil against the U.S. based on the United States patent code, DS 224; and
3. Australia against the EC based on trademarks and geographical indications, DS 290 (companion to DS 174 brought by the U.S.).

The five which have actually been litigated were against the following nations and raised the following issues:

1. India: Existence of Patent Protection for Pharmaceutical and Agricultural Chemical Products, WT/DS50/AB/R. Appellate

280 ANNUAL SURVEY OF INT'L & COMP. LAW [Vol. XII]

Body Report adopted by the DSB on January 16, 1998, where the issue was the adequacy of the administrative process in India to preserve the rights of patent applications until the subject matter became patentable under the phase-in of rights in 2005;

2. Canada: Length of Term of Patent Protection, WT/DS170/AB/R, Appellate Body Report adopted by the DSB on October 12, 2000, where the issue was the conflict regarding length of patent term under Canadian law pre-TRIPS and TRIPS patent term length;

3. Canada: "Regulatory Review Exemption" for Patents, WT/DS114/R Panel Report adopted by the DSB on April 7, 2000, where the issue was whether the Canadian "Regulatory Review Exception" was consistent with the "limited exceptions" to the substantive requirement of TRIPS;

4. United States: Exemption from Liability for Certain Performances of Musical Works WT/DS160/R, Panel Report adopted by the DSB on July 27, 2000, where the issue was whether the Fairness in Music Licensing Act exempting from liability small business owners who broadcast music and audiovisual works was consistent with the "limited exceptions" to the substantive requirement of TRIPS, and

5. E.U.: Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, WT/DS174/R, Panel Report adopted by the DSB on March 15, 2005, where the issue was whether national treatment standards were violated by a geographical indicator registration scheme open only to members of the E.U.

The United States itself was the defendant in a celebrated dispute brought by the European Community testing the compliance with TRIPS of the Fairness in Music Licensing Act, 17. U.S.C. Section 110(5), discussed briefly below.

The United States has filed over half of the 21 disputes involving intellectual property rights issues that have been brought before the WTO. One of the most notorious cases to actually reach decision is one in which the U.S. was the defendant and lost. The notoriety stemmed from the fact that copyright owners opposed the Act, it was criticized as being non-compliant with TRIPS, and was still enacted, in a sleight of hand legislative maneuver, which linked the Act to a more popular piece of

legislation. The day that the Fairness in Music Licensing Act became law in January 1999, the EC initiated DS 160, alleging that the Fairness in Music Licensing Act, an amendment to the U.S. Copyright Act, violated Article 13 of TRIPS.

Article 13 provides: "Limitations and Exceptions. Members shall confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder." 17 U.S.C. Section 110(5) expanded the "home style" exemption. The home-style exemption originally exempted from infringement performances involving "home style" type sound systems used to play music or broadcast audiovisual works. The paradigm was a radio played at a hot dog stand, or a television played behind a bar. The playing of such music or audiovisual programming was not considered a "public performance" which would infringe the rights to perform the music or audiovisual works. As revised by the Fairness in Music Licensing Act, Section 110(5) exempted a broad category of performances so that performances in all premises of 2,000 feet or less with up to six loudspeakers and four televisions (or similar devices) up to 55 inches were exempt, and performances in bars and restaurants were exempt in truly huge spaces – up to 3,750 square feet, with the same number and type of speakers or televisions.

The dispute panel found that the provisions of Section 110(5) too broadly exempted a large class of performances of musical compositions from infringement and thus "prejudiced the legitimate interests of the right holder." The DSB adopted the decision of the panel in July 2000. After adoption of the panel report, the U.S. did not appeal and thus became obligated to repeal the Act "within a reasonable period of time."²⁶ The parties could not agree on a reasonable period of time be, so this issue was submitted to arbitration. The second decision in the case was issued by the arbitrators in January 2001, giving the United States until July 2001 to repeal the legislation. Just as the deadline approached, the EC agreed to an extension until December 31, 2001.

While the deadline to bring its law into compliance with TRIPS was pending, the parties began another arbitration to determine the value of the harm from the failure of the U.S. to comply with TRIPS obligations from inception. The parties disputed how the valuation of the loss should be calculated. The EC contended that its music publishers and

26. Art. 21, Sec. 3.

songwriters were losing almost \$25.5 million a years in royalties, while the U.S. contended that only \$773,000 a year or less was lost. In the third decision in the case, the arbitrators on November 9, 2001 issued their ruling that the compensation should be \$1.1 million a year. The arbitrators allegedly could not obtain all of the exact data necessary for making their calculations, and the parties themselves had quite different methods of calculations. Estimates had to be and were made, although the U.S. and the EC could not agree on the proper figures for the estimates.²⁷

When the deadline to repeal the Act to comply with TRIPS came and went on December 2001, the arbitrator's decision did not become a "judgment." Instead the EC was entitled under Article 22.2 to seek compensation, and if this could not be agreed upon, to seek authorization from the DSB to "suspend concessions" or other obligations. The EC did not appeal the arbitrators' decision, and apparently the U.S. paid the \$1.1 million per year for the years up to 2001, and has paid ever since, out of the general fund. Had compensation not been made, under Article 22.3(a), the EC could have retaliated against the U.S. by suspending concessions or other obligations with respect to the same sector as that in which the panel has found a violation or other impairment. For example, the EC could have stopped the payment of royalties for the performance of U.S. copyright owners' works in the EC. If this is not "practicable or effective," under Article 22.3(b) the complaining party can suspend concessions or other obligations in other sectors. In this case, U.S. songwriters and music publishers lobbied against the Act and had no interest in its passage. Their interests were aligned with those of the E.C. songwriters and music publishers. Thus failure to pay royalties could well not be "effective." Instead, payments on copyright royalties, or even trademark royalties in other sectors could have been suspended.²⁸

In fact, U.S. compliance with TRIPS was doomed from the beginning. Representative Sensenbrenner, who drafted the legislation that eventually became enacted as the "Fairness in Music Licensing Act" at the behest of small business owners, and who had been advised that it would not be TRIPS compliant, pushed the bill through anyway. Then, when the inevitable happened – the EC won – a Sensenbrenner spokeswoman told the Hollywood reporter that the Fairness in Music Licensing Act "is U.S. Law, and allowing an international body to say, 'You will change the

27. ENTERTAINMENT LAW REPORTER (Nov. 2001).

28. ENTERTAINMENT LAW REPORTER (Nov. 2001), statements of ASCAP, BMI and the RIAA.

law,' is not a good precedent to set."²⁹ Moreover, in 2001, Representative Sensenbrenner was Chairman of the House Judiciary Committee, the very committee with jurisdiction to oversee a change to the law. Representative Sensenbrenner also allegedly wrote to the U.S. Trade Representative, taking the position that the DSB ruling notwithstanding, the Act was TRIPS compliant.³⁰

The outcome of the case, where the U.S. simply paid its way out after extensive litigation suggests, at a minimum, that U.S. politics and international treaty obligations can conflict, but also that a double standard exists where the "have" nations, such as the U.S. and EC can spend large sums in WTO litigation and, even after a ruling, ignore it, and instead buy their way out.

The ramifications of DS 160 will be discussed more fully below, after a brief discussion of the criticisms that have been brought against the DSB in general, outside the context of intellectual property disputes.

VI. WHAT IS AT STAKE

Numerous scholars have commented upon the shortcomings of WTO dispute resolution proceedings and their inability, as presently constituted, to accommodate minority views, or the views of civil society, particularly with respect to environmental disputes. These criticisms have the same validity with respect to disputes that may arise involving use of patented pharmaceuticals, or, involving first world concerns, disputes over access to and fair use of, DMCA/WIPO Copyright Treaty – protected content, which could become part of the TRIPS regime. Some of these criticisms are exemplified in DS 160, concerning the Fairness in Music Licensing Act.

The critics of the WTO dispute resolution system note the following perceived shortcomings:

A. THE INABILITY OF PRIVATE PARTIES – NGOS, OR OTHER "NON-STATE ACTORS" TO PARTICIPATE IN THE DISPUTE RESOLUTION PROCESS.

Only WTO members can invoke dispute settlements under the DSU.³¹ This fact has kept important policy considerations from being heard,

29. HOLLYWOOD REPORTER, Nov. 10-12, 2001 at 8, *cited in* ENTERTAINMENT LAW REPORTER (Nov. 2001).

30. *Id.*

31. Arts. 3, 9 & 10.

particularly in the environmental law field, and has raised serious concerns in the public about the legitimacy, fairness and authority of the WTO.³² As we have seen from review of the DSU, private parties such as individuals, corporations or NGOs may not intervene. "Who has a meaningful voice in the dispute systems ... is in part a question about the role of developing states at the WTO. But it is also a question about whether civil society can participate in WTO dispute resolution."³³

As there is no process for intervention, there is also no formal provision for consideration of amicus briefs, although the Appellate Body of the WTO ruled that WTO panels may, but are not required to, consider amicus briefs. In *United States – Import Prohibition of Certain Shrimp and Shrimp Products* (WT/DS58/AB/R, dated Oct. 12, 1998), the Appellate Body determined that amicus briefs by environmental NGOs could be examined with "substantial discretion."³⁴ Professor Dunoff notes that the Appellate Body permitted the practice of parties appending amicus briefs to their own and thus "adopting" the NGO amicus view as their own. However, absent express "adoption," which has only occurred in the *Shrimp Turtle* case by the United States and the adoption of amicus briefs by the EC in the *Asbestos* case, amicus briefs have not been considered by panels.³⁵

B. THE WTO MANDATE TO PROMOTE TRADE DISTORTS FINDINGS THAT AFFECT OTHER AREAS.

The mandate of the WTO is to promote free trade over all other considerations. This mandate is not necessarily suited to determine development, environmental, labor, health, intellectual property or other issues that are directly affected by reports issued by WTO panels and adopted and implemented by the DSB.³⁶ As one scholar notes,

32. J. Ragosta, *Unmasking the WTO- Access to the DSB System: Can the WTO DSB Live Up to the Moniker 'World Trade Court'?*, 31 LAW & POLICY INTERNATIONAL BUSINESS 739 (2000), review by Lori Wallach in 31 LAW & POL'Y INTEL'L BUS. 773 (2000); D.C. Esty, *Non-Governmental Organizations at the World Trade Organization: Co-operation, Competition or Exclusion*, 1 J. INT'L ECON. L. 123, (1998); J.L. Dunoff, *The Misguided Debate Over NGO Participation at the WTO*, 1 J. INT'L ECON. L. 433 (1998).

33. J.L. Dunoff, *The WTO's Legitimacy Crisis: Reflections on the Law and Politics of WTO Dispute Resolution*, 13 AM REV. INT'L ARB. 197, 198 (2002).

34. A. Dukgeun, review of Ernst-Ulrich Petersmann, *International Trade Law and the GATT/WTO Dispute Settlement System*, (1997) 20 MICH. J. INT'L L. 413 n.13 (1999).

35. Dunoff, *supra* note 33. See discussion of adoption of amicus briefs by the U.S. in *Shrimp Turtle*, and by the EC in the *Asbestos* dispute, WT/DS58 (Oct. 12, 1998) and European Communities – Measures Affecting Asbestos and Asbestos-Containing Products, WT/DS135 (Sept. 18, 2000).

36. Kim Van Der Borgh, review of David Palmeter and Petros C. Mavroidis, *Dispute Settlement in the World Trade Organization* (1999), 94 A.J.I.L. 427 (2000).

[I]ndeed, though the DSU is efficient and effective in its own terms, it was designed primarily as a means of promoting WTO goals, not as a means of addressing the multitude of conflicting values and goals that are at stake in, and affected by, WTO actions under the DSU. Moreover, neither governmental nor non-governmental organizations can invoke the authority or seek the assistance of any other equivalent third party dispute settlement system to protect their interests, values, or programs against the trade-based incursions of the WTO dispute settlement system.³⁷

At bottom, the conflict is between economic and non-economic values.³⁸ The sole prerogative of the WTO is to address “free trade,” economic issues, which is arguably too narrow a focus.

C. THE “DIPLOMATIC” CONCILIATORY APPROACH FAILS IN A “LITIGATION” CONTEXT

As seen above, the DSU is characterized by many opportunities for conciliation, mediation, arbitration and good offices. It has been noted that this approach stems from the diplomatic culture out of which the DSU springs, and the diplomats who populate the Secretariat, the panels, the appellate body and the DSB itself. What was perceived as an advantage in the context of reaching a settlement of disputes in a behind-the-scenes, private diplomatic set of meetings, takes on the flavor of secrecy, lack of access, lack of due process, paternalism and arbitrary decision-making when interested third parties with legitimate interests in the outcome of a dispute that has reached the panel hearing level cannot participate.³⁹

Many commentators have noted that a shift in the self-image of the DSB and Secretariat itself is needed so that the diplomatic ethos does not continue to obscure and perpetuate the appearance of illegitimacy of the WTO process.⁴⁰ In other words, it must be realized that the panel disputes are global adversarial battles with consequences reaching far beyond the particular dispute between the actors. This is litigation on a world stage, whose outcome probably has more effect than the outcome

37. *Id.*

38. Dunoff, *supra* note 33, at 199.

39. J.L. Dunoff, *The WTO's Legitimacy Crisis: Reflections on the Law and Politics of WTO Dispute Resolution*, 13 AM. REV. INT'L ARB. 197 (2002), a review of J.H.H. WEILER, *THE RULE OF LAWYERS AND THE ETHOS OF DIPLOMATS: REFLECTIONS ON THE INTERNAL AND EXTERNAL LEGITIMACY OF WTO DISPUTE RESOLUTION* (2002).

40. *Id.* See also the criticism from the environmental protection and sustainable development standpoint, e.g. Steve Charnovitz, *Opening the WTO to Nongovernmental Interests*, 24 FORDHAM INT'L L.J. 173 (2000); Daniel D. Esty, *Non-Governmental Organizations at the World Trade Organization: Cooperation, Competition or Exclusion*, 1 J. ENT'L ECON. L. 123 (1998).

286 ANNUAL SURVEY OF INT'L & COMP. LAW [Vol. XII]

of any other litigation in any other forum. As one commentator notes: "There is no excuse for conducting judicial proceedings, which panel hearings are supposed to be, *in camera*."⁴¹

D. COMPETENCY AND BIAS ISSUES

Those who actively assist in the presentation of government disputes before the WTO are concerned about the ability of the WTO Secretariat itself, the Appellate Body and the hearing panels to do their job. The issues involved in any dispute are necessarily complex to resolve within whatever industry is affected – steel production, refining processes, hormones in food, to name a few. Senior trade officials or jurists who have made it on the "list" or who have secured WTO sinecures are not necessarily qualified. Furthermore, issues of bias arise when citizens of member states that face identical measures as those raised by the dispute are impaneled.

E. NON-REVIEWABLE INTERPRETATIONS OF THE MEANING OF THE WTO AGREEMENTS

Finally, the Secretariat has apparently taken on the task of filling *in lacunae* in interpretation of various Agreements that make up the WTO. Such interpretations and findings are without review and without any accountability to the Members who drafted the Agreements to begin with. The notion is therefore for a process to refer ambiguities back to the Members themselves for determination.⁴²

VII. THE PROBLEMS WITH THE WTO DISPUTE RESOLUTION PROCESS IN GENERAL AFFECT INTELLECTUAL PROPERTY LAW DETERMINATIONS IN PARTICULAR

Particularly in cases where governments are not likely to present minority views, or where governments are forced to take a minority view because of political considerations, the DSU as currently constituted could wreak havoc with intellectual property policy.

A. THE NO OUTSIDE PARTICIPATION ISSUE

DS 160 is a good example. In that case, legislation that was unpopular with copyright owner songwriters and music publishers was nevertheless enacted in the U.S. No NGO, even powerful interests such as the Re-

41. Alan. W. Wolff, *Problems with WTO Dispute Resolution*, 2 CHI. J. INT'L L. 417, 422 (2001).

42. *Id.*

copyrighting Industry of America or the large collection societies, ASCAP and BMI, could present its views to the panels and arbitrators hearing the important issues raised in DS 160. The U.S. government view, as represented by the U.S. Trade Representative, was in many sectors, including among copyright scholars, an unpopular view. But these entities had no representation in the dispute.

B. THE ONLY POLICY CONSIDERATION IS “FREE TRADE”

In DS 160, the decision-makers had to decide whether a right granted under TRIPS was impaired by domestic legislation of a member state. The panel decided that the right impaired was based on an economic analysis. However, in other instances, the right could be one of fair use, fair access to copyrighted works, or fair access to other protected subject matter, such as patented pharmaceuticals, and may not rest on a purely economic basis. Instead, other policies, such as the policy underlying the dissemination of ideas, and human rights to life, may be implicated which are not part of a “free trade” focus.

C. “CONCILIATION” IN A “LITIGATION” WORLD

Virtually no commentator supports the continuation of the DSU system as presently constituted which has no formal processes for discovery of some sort, no requirement to comply with party or panel requests for information, or any other aspect of U.S. civil procedure which has come to be so important as to be synonymous with due process. For example, in DS 160 the very conciliation and arbitration process in which neither party could agree to a reasonable time table for U.S. compliance, or to an actual level of damages, leads to a lack of faith in the ability of the system to reach a fair result. The damages phase of DS 160 is particularly instructive. The arbitrators could not get the information that they wished, and neither party had any opportunity to question the experts or their assumptions underlying the claim of damages.

D. COMPETENCY AND BIAS ISSUES

No facts in DS 160 suggest any bias on the part of any decision-makers in this proceeding, nor any problems with competency. This does not mean that these issues could not come up, as the process of selecting panelists and arbitrators does not suggest any particular expertise in intellectual property issues.

288 ANNUAL SURVEY OF INT'L & COMP. LAW [Vol. XII]

E. FINDINGS OF THE SECRETARIAT THAT ARE NOT REVIEWABLE

No issues about the DSU process itself or the methods applied were raised in DS 160 and decided unilaterally by the Secretariat. Again, however, this does not mean that this could not happen in the future, particularly in areas such as the application of Article 22 having to do with the suspension of concessions or other obligations with respect to the same sector as that in which a panel or arbitration board has found a violation or impairment. The Secretariat could be left, for example, to decide what compensation would not be paid in retaliation for failure to comply with TRIPS. In DS 160, a suspension of royalties to U.S. songwriters and music publishers would be the closest "sector." But nothing in the wording of Article 22. 3 defines this, and payments for software royalties could also arguably fall within the same "sector" since they also involve copyright royalties.

VIII. CONCLUSION.

The ability to resolve trade disputes using the DSU undoubtedly has its benefits. The ability to enforce intellectual property law rights by using the DSU also arguably has its benefits. However, the particular procedures of the DSU should be modified to prevent unintended results that could affect intellectual property law policy, and to serve the interests of all stakeholders, not just those represented by the member nations who are parties to disputes. Unpopular laws can be enacted by minorities and take on a world significance. The checks and balances of certain of the civil procedure methods used in U.S. procedure could greatly aid the finders of fact in DSU proceedings and create greater trust in the methods of the DSU itself.