4: Basic Principles

Article 3 National Treatment

1. Each Member shall accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection* of intellectual property, subject to the exceptions already provided in, respectively, the Paris Convention (1967), the Berne Convention (1971), the Rome Convention or the Treaty on Intellectual Property in Respect of Integrated Circuits. In respect of performers, producers of phonograms and broadcasting organizations, this obligation only applies in respect of the rights provided under this Agreement. Any Member availing itself of the possibilities provided in Article 6 of the Berne Convention (1971) or paragraph 1(b) of Article 16 of the Rome Convention shall make a notification as foreseen in those provisions to the Council for TRIPS.

2. Members may avail themselves of the exceptions permitted under paragraph 1 in relation to judicial and administrative procedures, including the designation of an address for service or the appointment of an agent within the jurisdiction of a Member, only where such exceptions are necessary to secure compliance with laws and regulations which are not inconsistent with the provisions of this Agreement and where such practices are not applied in a manner which would constitute a disguised restriction on trade.

[Footnote]*: For the purposes of Articles 3 and 4, "protection" shall include matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in this Agreement.

Article 4 Most-Favoured-Nation Treatment

With regard to the protection of intellectual property, any advantage, favour, privilege or immunity granted by a Member to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other Members. Exempted from this obligation are any advantage, favour, privilege or immunity accorded by a Member:

(a) deriving from international agreements on judicial assistance or law enforcement of a general nature and not particularly confined to the protection of intellectual property;

(b) granted in accordance with the provisions of the Berne Convention (1971) or the Rome Convention authorizing that the treatment accorded be a function not of national treatment but of the treatment accorded in another country;

(c) in respect of the rights of performers, producers of phonograms and broadcasting organizations not provided under this Agreement;

(d) deriving from international agreements related to the protection of intellectual property which entered into force prior to the entry into force of the WTO Agreement, provided that such agreements are notified to the Council for TRIPS and do not constitute an arbitrary or unjustifiable discrimination against nationals of other Members.

Article 5 Multilateral Agreements on Acquisition or Maintenance of Protection

The obligations under Articles 3 and 4 do not apply to procedures provided in multilateral agreements concluded under the auspices of WIPO relating to the acquisition or maintenance of intellectual property rights.

1. Introduction: terminology, definition and scope

The national treatment and most favoured nation (MFN) principles have as their objective the creation of non-discriminatory international legal arrangements. The national treatment and MFN principles are cornerstones of the WTO legal system, including TRIPS. The national treatment principle is also at the core of the Paris and Berne Conventions.

1.1 National treatment

Briefly stated, the national treatment principle requires each WTO Member to treat nationals of other Members at least as well as it treats its own nationals in relation to the protection of intellectual property. National treatment obligations in TRIPS differ from the national treatment obligations established by Article III, GATT 1994. The GATT addresses trade in goods, and in that context national treatment requires non-discriminatory treatment of "like products", or tangible things. Intellectual property rights are held by persons (whether natural or juridical), and TRIPS Agreement national treatment rules require non-discriminatory treatment of persons. In this regard, the national treatment principle of the TRIPS Agreement is analogous to that of the General Agreement on Trade in Services (GATS) (Article XVII) which applies to service suppliers (that is, persons providing

services). Note, however, that the GATS national treatment rules operate in a different manner than those of TRIPS.[133]

Application of the national treatment principle is not so straightforward. Much of GATT 1947 jurisprudence was devoted to refining national treatment rules, including ways to determine what constitutes a "like product". Dispute settlement under GATT 1994 continues to address complex national treatment questions in relation to trade in goods.

GATT-WTO jurisprudence has recognized two types of discrimination: *de jure* and *de facto*. When legal rules distinguish in their express terms between foreign and local nationals, this may constitute discrimination as a matter of law, or *de jure* discrimination (if the distinctions are not justified by non-discriminatory purposes). On the other hand, legal rules that use identical terms to address foreign and local nationals may appear neutral, but in fact produce discriminatory results through operation in practice. When facially neutral legal rules are discriminatory in effect, this is referred to as *de facto* discrimination. The TRIPS Agreement national treatment provisions encompass both *de jure* and *de facto* discrimination.

The national treatment principle is set out in TRIPS using a different legal formula than is used in the WIPO conventions (see Section 3.1.2, below). The national treatment provisions in the WIPO conventions are incorporated by reference in TRIPS. The differences are not great, and their practical significance is uncertain. There are several relatively complex exceptions from national treatment in the various WIPO conventions, and these are largely incorporated in TRIPS.

1.2 Most-favoured-nation treatment

The MFN principle requires each Member to treat nationals of all other Members on an equivalent basis in relation to intellectual property protection. The MFN principle was not traditionally incorporated in the WIPO Conventions. It was assumed that WIPO members would not grant intellectual property rights protection to foreign nationals more extensive than the protection granted to local nationals. In this setting, a national treatment obligation would place all foreigners on the same plane. As bilateral pressures mounted in the late 1980s to increase IPR protection, Uruguay Round negotiators became concerned that some countries were indeed granting IPR privileges to foreign nationals more extensive than the rights granted to their own nationals. This focused attention on incorporating an MFN principle in TRIPS, so that all Members would obtain an equivalent level of protection when more extensive protection was granted to foreigners.

The MFN principle in TRIPS is particularly important because of its relationship to regional integration arrangements. Article 4 was drafted in a manner that was intended to accommodate the interests of certain pre-existing regional arrangements. However, the legal formula used in Article 4 (d) to establish that accommodation is oddly suited to such a purpose (see Section 3.2, below). The regional arrangements affected by it have notified the Council for TRIPS of potentially

[133] Under the GATS a Member's national treatment obligations are defined by its Schedule of Commitments that may include exceptions and limitations on a sector by sector basis.

broad claims of exemption, though the effect of these claims in practice remains to be determined.

Articles 3, 4 and 5 were not subject to the transition arrangements in favour of developing country and least developed country Members, and so became applicable to them on January 1, 1996 (see Articles 65.2 and 66.1, TRIPS Agreement).[134]

2. History of the provision

2.1 Situation pre-TRIPS

The national treatment principle was incorporated in bilateral friendship and commerce agreements during the nineteenth century, prior to negotiation of the Paris and Berne Conventions.[135] The most favoured nation treatment principle appeared in trade agreements during the eighteenth century.[136] In the trade and investment context, these two principles provide the foundation for liberal market access by prohibiting discrimination against imports and investment from countries in whose favour they operate. In the intellectual property context, these principles promote market access in favour of foreigners by providing that their legal interests should be protected at least as well as nationals of the host country, and by attempting to assure an equality of protection among trade and investment partners.

National treatment and "unconditional" MFN treatment do not require the grant of equivalent rights or favours in exchange for non-discriminatory treatment.[137] However, it is possible to grant national treatment subject to exceptions,[138] and it is possible to place conditions on MFN treatment (such that a country may agree to provide equal treatment to all its trading partners, but only if those partners agree to match concessions it provides).

The concepts of national treatment and MFN may be usefully compared with the concept of "reciprocity". When legal relations are based on reciprocity, a state is expected to grant rights or favours only in exchange for rights or favours from other states. A privilege may be denied in the absence of equivalent or reciprocal treatment. There are a few provisions in the WIPO conventions that allow for

[134] For a detailed analysis of the TRIPS transitional periods, see Chapter 33.

[135] See, e.g. Belgian-American Diplomacy Treaty of Commerce and Navigation: November 10, 1845, at art. 1; Swiss-American Diplomacy Convention of Friendship, Commerce and Extradition Between the United States and Switzerland; November 25, 1850, at art. 1. http://www.yale.edu/lawweb/avalon/. National treatment provisions were also incorporated in bilateral copyright treaties pre-dating the Berne Convention. See Samuel Ricketson, The Birth of the Berne Union, THE CENTENARY OF THE BERNE CONVENTION, CONFERENCE (Intellectual Property Law Unit, Queen Mary College, University of London and British Literary and Artistic Copyright Association London, April 17–18, 1986).

[136] See, e.g., Treaty of Amity and Commerce Between The United States and France; February 6, 1778, at arts. 3 & 4. See also Convention to Regulate Commerce between the United States and Great Britain (1815), at Article 2; <http://www.yale.edu/lawweb/avalon/>.

[137] "Conditional MFN" means that a country accepts to provide equivalent treatment to each of its trading partners, provided that those trading partners agree to provide equivalent concessions to it ("reciprocity", see below). By way of contrast, it is one of the core elements of unconditional MFN and national treatment to operate on a non-reciprocity basis.

[138] As is done in the General Agreement on Trade in Services (GATS).

differential treatment of foreigners based on "material reciprocity".[139] It is of some interest that trade negotiating rounds in the GATT 1947 and WTO are conducted on the basis of reciprocity, while the results of those negotiations are embodied in agreements that operate on principles of non-discrimination.

2.2 Negotiating history

2.2.1 Overview of the initial U.S. and EC positions

The initial U.S. proposal for negotiation of a TRIPS Agreement did not explicitly discuss the national and MFN principles, although it did refer to examining the existing international agreements concerning the protection of intellectual property.[140] The first proposal from the EC regarding substantive standards, however, made significant reference to the national treatment and MFN principles.[141]

The EC proposal stated:

> "6.(ii) Two fundamental principles are those of most favoured nation treatment and of national treatment. These GATT principles concern the treatment given to goods whereas an agreement on intellectual property rights would be concerned with the protection of the rights held by persons. Bearing this difference in mind, these principles should constitute essential elements of a GATT Agreement on trade related aspects of intellectual property rights.[142]

[139] For example, Article 7(8), Berne Convention, limits the term of copyright to that of the country of origin of the work, unless the country where protection is claimed authorizes longer protection. Article 14*ter*, Berne Convention, limits the obligation to protect "droit de suite" depending on the extent of protection in the artist's country of origin.

[140] Suggestion by the United States for Achieving the Negotiating Objective, United States Proposal for Negotiations on Trade-Related Aspects of Intellectual Property Rights, Negotiating Group on Trade-Related Aspects of Intellectual Property Rights, including Trade in Counterfeit Goods, MTN.GNG/NG11/W/14, 20 Oct. 1987, Nov. 3, 1987.

[141] Guidelines and Objectives Proposed by the European Community for the Negotiations on Trade Related Aspects of Substantive Standards of Intellectual Property Rights, Negotiating Group on Trade-Related Aspects of Intellectual Property Rights, including Trade in Counterfeit Goods, MTN.GNG/NG11/W/26, July 1988, at III.D.6.

[142] The EC proposal continued:

> "– under the most favoured nation treatment principle, parties would be obliged to accord nationals and residents of other parties any advantage relating to the protection and enforcement of intellectual property rights granted to the nationals and residents of any other country.
>
> It will however, be necessary to define certain implications and limitations of the MFN principle. In particular, advantages which accrue to a party by virtue of an intellectual property convention and which have not been incorporated in the GATT Agreement should only have to be granted to nationals or residents of signatories of such conventions. . . .
>
> – the national treatment principle would require that nationals or residents of another signatory of the GATT Agreement should be granted protection which would not be less favourable that the one granted under like circumstances to nationals or residents of the importing country. This principle would not have to be granted with regard to aspects of protection exclusively based on an intellectual property rights convention to which the other party concerned had not adhered.
>
> In applying these GATT principles, account must be taken of the fact that the Paris Convention for the Protection of Industrial Property and the Berne Convention for the Protection of Literary and Artistic Works also provide for the national treatment for nationals of signatories of those conventions. The application of these GATT principles should be without prejudice to the full application of this fundamental principle of the Paris and Berne Conventions." *Id*.

2.2.2 National treatment

2.2.2.1 The Anell Draft. The proposition to include a national treatment standard in TRIPS was not in itself contentious. Negotiations rather focused on more detailed aspects of the mechanics of incorporation. It was noted, for example, that the national treatment standard in the Paris Convention (Article 2(1) and Article 3)[143] requires equivalent treatment for foreign nationals, and the Berne Convention appears to do the same (Article 5(1) and (3)).[144] On the other hand, the GATT Article III national treatment is based on a "no less favourable" standard,[145] implying that imported products may be treated preferably to local products. Some negotiators pointed out that adoption of a strict equivalent treatment standard in TRIPS might eliminate the need for an MFN provision since each member would be required to treat nationals of all Members the same.[146] However, it appears that most negotiators supported the formula used in the GATT 1947 that would allow preferential treatment of foreign nationals.[147]

There was discussion of the extent to which the national treatment principle would extend to government regulation of the "use" of intellectual property, in addition to regulation of the grant and enforcement of rights.[148] This discussion was inconclusive. Negotiators appeared to agree that the national treatment standard

[143] The Paris Convention provides in relevant part:

> Article 2
>
> (1) Nationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals; all without prejudice to the rights specially provided for by this Convention. Consequently, *they shall have the same protection as the latter*, and the same legal remedy against any infringement of their rights, provided that the conditions and formalities imposed upon nationals are complied with.
>
> . . .
>
> Article 3
>
> Nationals of countries outside the Union who are domiciled or who have real and effective industrial or commercial establishments in the territory of one of the countries of the Union shall be *treated in the same manner* as nationals of the countries of the Union. [italics added]

[144] Article 5, Berne Convention, provides:

> (1) Authors shall enjoy, in respect of works for which they are protected under this Convention, in countries of the Union other than the country of origin, *the rights which their respective laws do now or may hereafter grant to their nationals*, as well as the rights specially granted by this Convention.
>
> . . .
>
> (2) Protection in the country of origin is governed by domestic law. However, when the author is not a national of the country of origin of the work for which he is protected under this Convention, he shall enjoy in that country *the same rights as national authors*. [italics added]

[145] GATT 1947 Article III provides, for example:

> 4. The products of the territory of any contracting party imported into the territory of any other contracting party shall be accorded treatment *no less favourable* than that accorded to like products of national origin in respect of all laws, regulations and requirements . . . [emphasis added]

[146] Meeting of Negotiating Group of 5–6 January 1990, Note of the Secretariat, MTN.GNG/NG11/18, 27 February 1990, at para. 20.

[147] *Id*., at para. 19.

[148] *Id.*

should apply at least to those intellectual property rights covered by TRIPS, and also that existing exceptions to national treatment found in the WIPO conventions should be recognized.[149] The view was expressed that *de facto* discrimination should be covered as well as *de jure* discrimination.

The draft composite text prepared by TNG Chairman Anell reflected the points made in the discussions. It provided:

> "6. National Treatment
>
> 6.1 Each PARTY shall accord to the nationals of other PARTIES [treatment no less favourable than] [the same treatment as] that accorded to the PARTY's nationals with regard to the protection of intellectual property, [subject to the exceptions already provided in, respectively,] [without prejudice to the rights and obligations specifically provided in] the Paris Convention [(1967)], the Berne Convention [(1971)], [the Rome Convention] and the Treaty on Intellectual Property in Respect of Integrated Circuits (note 2). [Any PARTY not a party to the Rome Convention and availing itself of the possibilities as provided in Article 16(1)(a)(iii) or (iv) or Article 16(1)(b) of that Convention shall make the notification foreseen in that provision to (the committee administering this agreement).]
>
> (note 2) For the first two and the last of these conventions, the exceptions have been listed by WIPO in document NG11/W/66. For the Rome Convention, the relevant provisions would appear to be Articles 15, 16(1)(a)(iii) and (iv) and (b), and 17."[150]

2.2.2.2 The Brussels Draft. The draft text of the TRIPS Agreement transmitted to the Brussels Ministerial Conference on the Chairman Anell's initiative in December 1990 included a draft national treatment provision approximating the Dunkel Draft text (see below), and the finally adopted TRIPS Agreement.[151] The Brussels

[149] *Id.*

[150] Status of Work in the Negotiating Group, Chairman's Report to the GNG, MTN.GNG/NG11/W/76, 23 July 1990.The Anell text continued:

> "6.2A Any exceptions invoked in respect of procedural requirements imposed on beneficiaries of national treatment, including the designation of an address for service or the appointment of an agent within the jurisdiction of a PARTY, shall not have the effect of impairing access to, and equality of opportunity on, the market of such PARTY and shall be limited to what is necessary to secure reasonably efficient administration and security of the law.
>
> 6.3A Where the acquisition of an intellectual property right covered by this agreement is subject to the intellectual property right being granted or registered, PARTIES shall provide granting or registration procedures not constituting any de jure or de facto discrimination in respect of laws, regulations and requirements between nationals of the PARTIES.
>
> 6.4A With respect to the protection of intellectual property, PARTIES shall comply with the provisions of Article III of the General Agreement on Tariffs and Trade, subject to the exceptions provided in that Agreement. [note 3]
>
> [note 3] This provision would not be necessary if, as proposed by some participants, the results of the negotiations were to be an integral part of the General Agreement on Tariffs and Trade."

[151] The Brussels text did not include the final TRIPS text, "In respect of performers, producers of phonograms and broadcasting organizations, this obligation only applies in respect of rights provided under this Agreement" (Article 3.1, second sentence). As noted in the text below, footnote 3 was added at the Dunkel Draft stage. Draft Final Act Embodying the Results of the Uruguay Round

Draft on national treatment adopted the "no less favourable" treatment option, and the "subject to" language regarding existing exceptions.

2.2.2.3 The Dunkel Draft. The Dunkel Draft text added a sentence concerning the rights of performers, producers of phonograms and broadcast organisations.[152] It also added footnote 2 (which then became footnote 3 under the final version of TRIPS) following the word "protection", stating:

> "For the purposes of Articles 3 and 4 of this Agreement, protection shall include matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in this Agreement."

The added footnote is significant in that it extends the scope of the national treatment obligation to the use of intellectual property rights, and in that sense addresses the subject of market access. WTO Members are obligated not only to allow foreign nationals to obtain and maintain IPRs, but must also allow them to exercise those rights at least as favourably as local nationals.

The final TRIPS Agreement text of Article 3 made no material changes to the Dunkel Draft text.

2.2.3 MFN treatment

2.2.3.1 The EC and U.S. proposals. Although a number of developing countries questioned the need for including an MFN obligation in the TRIPS Agreement, particularly as the prospective list of exceptions expanded,[153] its inclusion was not a major source of controversy. The main points of discussion concerned whether and how exceptions to the basic concept would be included.

There was some support for an approach to MFN that would have provided for a "weaker" standard that would have prohibited only arbitrary or unjustifiable discrimination among Members, but without additional exceptions.[154] Most Members, however, appeared to share the view that the basic MFN principle in TRIPS should reflect the approach taken in the GATT 1947, that is, that rights or concessions granted to one Member should immediately and unconditionally be granted to all WTO Members, with limited exceptions.[155]

of Multilateral Trade Negotiations, Revision, Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, MTN.TNC/W/35/Rev. 1, 3 Dec. 1990.

[152] *Id*. The Dunkel Draft referred to "broadcast organizations" rather than "broadcasters".

[153] See, e.g., Meeting of the Negotiating Group of 1 November 1990, Note of the Secretariat, MTN.GNG/NG11/27,14 November 1990, at para. 4, at which a delegate speaking on behalf of a number of developing countries "said that he was still not convinced of the need to include the mfn principle in the text, since it was alien to the intellectual property system, and would in any case be rendered meaningless by the growing list of exceptions written into it."

[154] Meeting of Negotiating Group of 5-6 January 1990, Note of the Secretariat, MTN.GNG/NG11/18, 27 February 1990, at para. 20.

[155] *Id.*

A principal point of debate concerned the extent to which regional arrangements such as customs unions and free trade areas might be exempt from MFN obligations, as well as how existing bilateral agreements (particularly in the field of geographical indications) would be addressed. The European Community had a particular interest in this subject matter as it was progressively attempting to integrate its internal intellectual property framework. However, it was not alone in expressing concern regarding the prospective relationship between regional integration efforts and TRIPS rules.

The EC's March 1990 proposal for a regional integration exception was drafted to provide extensive rights to discriminate.[156] Its proposal on MFN and exceptions stated:

> "Article 3 Most Favoured Nation Treatment/Non-Discrimination
> In addition to the full application of Article I of the General Agreement, contracting parties shall ensure that the protection of intellectual property rights is not carried out in a manner which would constitute an arbitrary or unjustifiable discrimination between nationals of a contracting party and those of any other country or which would constitute a disguised restriction on international trade.
>
> Article 4 Customs Unions and Free Trade Areas
>
> Contracting parties which constitute a customs union or free trade area within the meaning of Article XXIV of the General Agreement may apply to one another measures relating to the protection of intellectual property rights without extending them to other contracting parties, in order to facilitate trade between their territories."

There was little apparent support for an open-ended Article XXIV-based provision such as the EC suggested. At the TNG meeting of 14–16 May 1990, most delegations that expressed a view did not support the EC approach.[157] The United States offered a proposal regarding MFN and the customs union issue that began to approximate the solution eventually framed in Article 4.[158] The U.S. proposal provided:

> "Any advantage, favour, privilege, or immunity affecting the protection or enforcement of intellectual property rights which is given by a contracting party to the right-holders of another contracting party shall be accorded immediately and unconditionally to the right-holders of all other contracting parties except for any advantage, favor, privilege, or immunity which exceeds the requirements of this Agreement and which is provided for in an international agreement to which the contracting party belongs, so long as such agreement is open for accession by any contracting party of this Agreement."

[156] Draft Agreement on Trade-Related Aspects of Intellectual Property Rights (received from the European Communities 27 March 1990) MTN.GNG/NG11/W/68, 29 March 1990.

[157] Meeting of Negotiating Group of 14–16 May 1990, Note by the Secretariat, MTN.GNG/NG11/21, 22 June 1990, at paras. 17 & 38.

[158] Communication from the United States, Draft Agreement on the Trade-Related Aspects of Intellectual Property Rights, MTN.CNG/NG11/W/70, 11 May 1990, referenced *id*., para. 11.

In this regard, reaction to the U.S. proposal is noteworthy:

> "Article 3: Most Favoured Nation Treatment/Non-discrimination. Some participants stated they would have preferred a stricter MFN obligation along the lines of that found in Article I of the General Agreement, which was particularly important for small and medium size countries. It was also said that from this point of view it was an improvement over the formulation proposed by the European Communities. A number of participants sought clarification of the meaning and scope of the exception in the last few lines of the Article; would it cover Article XXIV agreements and existing bilateral agreements; would accession be on the same terms as the original parties and would it be automatic or subject to successful negotiations? Some delegations doubted that a right of accession would necessarily prevent or remedy discrimination resulting from certain bilateral agreements, since this might depend on how those agreements were drafted. The absence of an explicit reference to customs unions was also noted."[159]

2.2.3.2 The Anell Draft. The Anell composite text regarding MFN provided:

> 7. Most-Favoured-Nation Treatment/Non-Discrimination
>
> 7.1aA PARTIES shall ensure that the protection of intellectual property is not carried out in a manner [which would constitute an arbitrary or unjustifiable discrimination between nationals of a PARTY and those of any other country or which would constitute a disguised restriction on international trade] [that has the effect of impairing access to and equality of opportunity on their markets].
>
> 7.1b.1 With regard to the protection of intellectual property, any advantage, favour, privilege or immunity granted by a PARTY to the nationals of any other [country] [PARTY] shall be accorded [immediately and unconditionally] to the nationals of all other PARTIES.
>
> 7.1b.2 Exempted from this obligation are any advantage, favour, privilege or immunity accorded by a PARTY:
>
> – Deriving from international agreements on judicial assistance and law enforcement of a general nature and not particularly confined to the protection of intellectual property rights.
>
> – Concerning procedures provided under international agreements relating to the acquisition and maintenance of protection for intellectual property in several countries, provided that accession to such agreements is open to all PARTIES.
>
> – Granted in accordance with the provisions of the Berne Convention (1971) [and the Rome Convention] authorising that the treatment accorded be a function not of national treatment but of the treatment accorded in another country. (Note 4)
>
> – Deriving from international agreements related to intellectual property law which entered into force prior to the entry into force of this agreement, provided that such agreements do not constitute an arbitrary and unjustifiable discrimination against nationals of other PARTIES and provided that any such exception in

[159] Meeting of the Negotiating Group of 1 November 1990, Note of the Secretariat, MTN.GNG/NG11/27,14 November 1990, at para. 17.

respect of another PARTY does not remain in force for longer than [X] years after the coming into force of this agreement between the two PARTIES in question.

(Note 4) The relevant provisions would appear to be Articles 2(7), 6(1), 7(8), 14ter(1) and (2), 18 and 30(2)(b) of the Berne Convention and Articles 15 and 16(1)(a)(iv) and (b) of the Rome Convention.

– Exceeding the requirements of this agreement and which is provided in an international agreement to which the PARTY belongs, provided that [such agreement is open for accession by all PARTIES to this agreement] [any such PARTY shall be ready to extend such advantage, favour, privilege or immunity, on terms equivalent to those under the agreement, to any other PARTY so requesting and to enter into good faith negotiations to this end.]

7.2A With respect to the protection of intellectual property, PARTIES shall comply with the provisions of Article I of the General Agreement on Tariffs and Trade, subject to the exceptions provided in that Agreement. (Note 5)

(Note 5) This provision would not be necessary if, as proposed by some participants, the results of the negotiations were to be an integral part of the General Agreement on Tariffs and Trade.

2.2.3.3 The Brussels Draft. The Brussels Ministerial Text of December 1990 incorporated an Article 4 draft that is identical to the Dunkel Draft and final TRIPS Agreement text in so far as the basic MFN obligation and the exceptions in subparagraphs (a) and (b) are concerned. The Brussels Ministerial Text also provided for two other exemptions for MFN obligations:

"(c) deriving from international agreements related to the protection of intellectual property which entered into force prior to the entry into force of this agreement, provided that such agreements are notified to the Committee established under Part VII below and do not constitute an arbitrary or unjustifiable discrimination against nationals of other PARTIES;

(d) exceeding the requirements of this Agreement and provided in an international agreement to which the PARTY belongs, provided that such agreement is open for accession by all PARTIES to this Agreement, or provided that such PARTY shall be ready to extend such advantage, favour, privilege or immunity, on terms equivalent to those under the agreement, to the nationals of any other PARTY so requesting and to enter into good faith negotiations to this end."

It is important to note that Article 6 of the Brussels Ministerial Text on the subject of exhaustion of rights, discussed in Chapter 5, included a footnote 3 reference stating: "For purposes of exhaustion, the European Communities shall be considered a single Party." To the extent that the EC was attempting to protect its intra-Community exhaustion rule in the Brussels Draft Article 4 (c) (see above), it was also seeking to protect it elsewhere. Footnote 3 to Article 6 was dropped by the Dunkel Draft stage.

Subparagraph (d) of the Brussels Ministerial Text was dropped in the Dunkel Draft, and subparagraph (c) was modified to form the Dunkel Draft and final TRIPS Agreement subparagraph (d). Note that the Brussels subparagraph (d) would have provided a wider exemption to MFN than subparagraph (d) of

Article 4, TRIPS. The latter makes an exemption dependent on the existence of international agreements specifically "related to the protection of intellectual property", whereas the Brussels subparagraph (d) as quoted above referred to any sort of agreement containing "TRIPS-plus" provisions. Also, the Brussels Draft in the above subparagraph (d) did not require the respective international agreement to have entered into force prior to the TRIPS Agreement, as does Article 4 (d), TRIPS Agreement.

TRIPS subparagraph (c) (Article 4) relating to performers, producers of phonograms and broadcasters (ultimately "broadcast organizations") was added at the Dunkel Draft stage.

The Brussels Ministerial Text of Article 4 reflected a substantial change from the Anell composite text, both in terms of the basic MFN obligation and the exceptions. Regarding the basic MFN obligation, the use of unjustifiable discrimination as the benchmark (as initially proposed by the EC), and direct reference to impairing market access, were dropped. The idea that the exception for pre-existing agreements would be of a limited duration (see above, subparagraph 7.1b.2) was eliminated. Chairman Anell's transmittal Commentary to the Ministers said:

> "Turning to the major outstanding issues on points of substance, there is, in Part I on General Provisions and Basic Principles, a need for further work on Article 4 on Most-Favoured-Nation Treatment, in particular sub-paragraph (d)."[160]

2.2.3.4 The Dunkel Draft. There are no significant differences between the Dunkel Draft text of Article 4 and the final text of Article 4 of TRIPS.

Subparagraph (d) of the Brussels Draft as quoted above was eliminated in the Dunkel Draft and final TRIPS Agreement text.

Note that footnote 2 of the Dunkel Draft (which then became footnote 3 to Article 3 under the TRIPS final text) addressing "use" of IPRs also applies to Article 4, and to that extent the market access issue is covered (see the discussion above with respect to the Dunkel Draft provision on national treatment).

2.2.4 Exception for WIPO Acquisition and Maintenance Agreements

In the course of the TRIPS negotiations, the WTO Secretariat and WIPO prepared a number of reports concerning existing international agreements relating to intellectual property,[161] including those relating to the acquisition and maintenance

[160] See Brussels Ministerial Text as quoted above.

[161] See, e.g., International Conventions Regarding Intellectual Property and Their Membership, Note by the Secretariat, MTN.GNG/NG11/W/13, 2 Sept. 1987, and Provisions of Existing International Conventions Providing Protection for Intellectual Property, Communication from the WIPO Secretariat, MTN.GNG/NG11/W/21, 12 February 1988. The latter report notes that because it describes substantive provisions, it does not include description of the agreements relating to acquisition of rights, "the Madrid Agreement Concerning the International Registration of Marks, the Hague Agreement Concerning the International Deposit of Industrial Designs, the Patent Cooperation Treaty, the Trademark Registration Treaty and the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure. For the same reason, the present document does not cover those provisions of the Lisbon Agreement for the

of IPRs.[162] Negotiators recognized that Members that are party to multilateral agreements for the acquisition and maintenance of IPRs would enjoy certain rights or privileges as compared with those Members that were not party to those agreements.[163] Although the negotiating record of the TRIPS Agreement does not reflect extensive discussion on this matter, it is apparent that preserving the differential rights of Members under agreements such as the Patent Cooperation Treaty would require an exception from the national treatment and MFN principles of TRIPS. Without such an exception, Members that were not party to the agreements on acquisition and maintenance of rights would be assumed to enjoy the benefits of those agreements without joining them (and assuming obligations).

One important question was whether the exclusion from national and MFN treatment would apply to all international agreements governing the acquisition and maintenance of rights, or only to specified agreements. The composite text prepared by TNG Chairman Anell included an express exception for acquisition-related agreements as part of its MFN proposal. This would have provided an MFN exemption:

> "Concerning procedures provided under international agreements relating to the acquisition and maintenance of protection for intellectual property in several countries, provided that accession to such agreements is open to all PARTIES." (*see above*, at 7.1b.2)

This broadly formulated exemption would presumably have encompassed the European Patent Convention, to give one example.

The Brussels Ministerial Text and the Dunkel Draft text included Article 5, which was adopted without material change as Article 5, TRIPS Agreement. Article 5 provides an exemption from the requirements of Articles 3 (national treatment) and 4 (MFN), but is limited to acquisition and maintenance agreements concluded under WIPO auspices.

3. Possible interpretations

3.1 National treatment

3.1.1 General observations

The basic obligation of each Member under Article 3 is to treat nationals of other Members at least as favourably as it treats its own nationals in respect to the protection of intellectual property. Under traditional GATT 1947 jurisprudence, the national treatment principle was understood to permit express or formal legal distinctions between the treatment of imported and locally produced goods, provided

Protection of Appellations of Origin and their International Registration which deal with the international registration of appellations of origin", at para. 4.

[162] See particularly, Existence, Scope and Form of Generally Internationally Accepted and Applied Standards/Norms for the Protection of Intellectual Property, Note Prepared by the International Bureau of WIPO, MTN.GNG/NG11/W/24/Rev.1, l5 Sept. l988.

[163] See, e.g., Compilation of Written Submissions and Oral Statements, Prepared by the Secretariat, MTN.GNG/NG11/W/12/Rev.1, 5 February 1988, at 66.

that there was no discriminatory effect in their treatment. For example, sanitary inspections of imported cattle might be conducted in a different way than sanitary inspections of locally raised cattle. Imported cattle might be inspected on entering the country, while local cattle might be inspected through periodic visits to ranches. In each case, the objective of assuring food safety would be the same. Formally different treatment would be justified by the circumstances. There is nothing in the negotiating history or text of Article 3 to suggest that Members intended to modify this approach. Thus, TRIPS permits express or formal distinctions among local and foreign nationals, provided the effects are non-discriminatory.

Generally speaking, the Paris and Berne Convention national treatment provisions also appear to permit formal differences in rules, provided that the level of protection provided to local and foreign nationals is equivalent (See Articles 2(1) and 3, Paris Convention, and Article 5(1) and (3), Berne Convention).

3.1.2 No less favourable and equivalent treatment

The Paris and Berne Conventions each require that state parties provide equivalent treatment to local and foreign nationals. The Paris Convention formula (in Article 2(1)) is specific on the subject of infringement, stating that foreign nationals "shall have the same legal remedy against any infringement of their rights, provided that the conditions and formalities imposed upon nationals are complied with."[164]

A Member might act inconsistently with the Paris or Berne Convention requirement of equivalence while providing more favourable treatment in accord with Article 3. Yet, as noted in Chapter 3, a WTO Member may not derogate from its obligations under the Paris and Berne Conventions, including their national treatment obligations (Article 2.2, TRIPS). Thus, while Article 3 may grant the flexibility to treat foreign nationals more favourably than local nationals, the incorporated provisions of the Paris and Berne Conventions might be interpreted to take this flexibility away. The apparent conflict might be resolved from the standpoint of TRIPS by interpreting the Paris and Berne requirements of equivalence not to establish an "obligation" in regard to foreign nationals, since application of Paris and Berne rules of equivalence may in fact diminish the potential rights of foreign nationals.

The possibility that a WTO Member would treat foreign nationals more favourably than its own nationals (and, problematically, selectively discriminating among nationals of different countries) led to incorporation of the MFN principle in TRIPS. Given the lack of apparent incentive for doing so, it may be the exceptional case in which a Member will choose to grant preferential treatment to foreigners (this assumption having underlain the WIPO Convention system). Thus, the potential inconsistency between TRIPS and the Paris and Berne Convention national treatment provisions may become an issue only in an exceptional context.

[164] Yet, under Article 2(3), Paris Convention, "provisions . . . relating to judicial and administrative procedure and to jurisdiction . . . which may be required by the laws on industrial property are expressly reserved." The distinction between a "remedy" that must be the "same", and a "procedure" that is "reserved" or exempt may be difficult to draw, and in this sense the Paris Convention is not a model of clarity.

3.1.3 *De jure* discrimination

National treatment controversies may arise from formal differences in legal rules that Members claim to provide "no less favourable" (or equivalent) treatment to foreign nationals (*de jure* differentiation).

GATT 1947 and WTO jurisprudence is substantially devoted to interpretation of the national treatment obligation in respect to trade in goods. As a general proposition, formally different rules are said to contravene the national treatment obligation when they unfavourably affect "conditions of competition" between imported and locally produced goods, making it *potentially* more difficult for imported goods to compete. Whether and how conditions of competition are affected significantly depends on the factual setting, and this makes generalization difficult. What is clear, however, in the trade in goods context is that adverse effects-in-fact on imports need *not* be demonstrated. It need only be demonstrated that the *economic environment* for imports has been unfavourably altered by the rules that are challenged.[165]

If a WTO Member drafts its IPR rules in a way that differentiates between local and foreign nationals, there is of course a possibility that such rules may discriminate against foreign nationals. The issue under Article 3 is whether the rules are in fact discriminatory in the sense of making it more difficult for foreign nationals to obtain or enforce IPR protection.

Article 3.2 provides some guidance regarding the adoption of formally different rules. It provides that exceptions from national treatment allowed under the WIPO Conventions specified in Article 3.1 may be used regarding:

> judicial and administrative procedures, including the designation of an address for service or the appointment of an agent within the jurisdiction of a Member, only where such exceptions *are necessary to secure compliance with laws and regulations which are not inconsistent with the provisions of this Agreement and where such practices are not applied in a manner which would constitute a disguised restriction on trade.* [emphasis added]

Article 2(3), Paris Convention reserves (or exempts) from its national treatment obligation laws on judicial and administrative procedure. Article 3.2, TRIPS Agreement, significantly cuts down on the scope of that Paris Convention exception from the national treatment obligation. Exceptions must be "necessary", and must not be "applied in a manner which would constitute a disguised restriction on trade".

If Article 3.2 establishes rigorous standards in respect to differential treatment of foreign nationals as to judicial and administrative procedures, this suggests that formally (or expressly) different substantive rules may also be examined rigorously, both in regard to form and practice. The decision of the WTO Appellate Body in the *U.S. – Havana Club* case, discussed below, appears to confirm a rigorous approach to application of the TRIPS Agreement national treatment standard.

Allocation of the burden of proof may play a substantial role in dispute settlement concerning formally different rules. Does the fact that a Member has elected to draft different IPR rules for local and foreign nationals place the burden of

[165] See also Chapter 32, Section 3.

proof on that Member to justify the formal difference in treatment? Article 3 does not expressly address this issue. On the one hand, Members have the discretion to draft laws in the manner they determine to be appropriate (see Chapter 2 on Article 1.1).[166] It could be argued that taking advantage of this right should not have any negative effects such as the reversal of the burden of proof. On the other hand, formal differences in the treatment of foreign nationals would certainly aid in establishing a *prima facie* case of inconsistency with the national treatment standard, and increase the likelihood that the burden would be shifted to the Member adopting the differential treatment to justify the differences.[167]

3.1.4 *De facto* discrimination

Discriminatory treatment in the national treatment context may occur not only on the basis of expressly or formally different legal rules, but also when rules that are the same on their face in fact operate in a discriminatory manner (*de facto* discrimination). This principle was long recognized as a matter of GATT 1947 jurisprudence, and reflects also long-standing jurisprudence of the European Court of Justice.

The paradigm case of *de facto* discrimination in GATT 1947 law happened to involve the protection of U.S. intellectual property rights holders under Section 337 of the U.S. Tariff Act of 1930.[168] Section 337 made it easier for a patent holder in the United States to block imports alleged to infringe a patent than to proceed against comparable infringing goods already within the United States.[169] The former could be accomplished through an expeditious administrative proceeding that eliminated rights to counterclaim, while the latter required a more complex and time-consuming court trial. Section 337 treated all imported products on an equivalent basis in a formal sense. On its face, the legislation was non-discriminatory as between foreign and U.S. nationals. However, the panel observed that the preponderance of imports into the United States was produced by foreign nationals, so the legislation would in fact affect foreign nationals routinely, while affecting U.S. nationals perhaps rarely. The panel concluded that Section 337 violated U.S. national treatment obligations under Article III, GATT 1947, in an operational or *de facto* sense.

The negotiating record of the TRIPS Agreement indicates that Members were well aware of the doctrine of *de facto* discrimination in the national treatment context. There is no indication that Members intended to alter this doctrine in adopting Article 3.

[166] See discussion of the importance of Member sovereignty in implementation of WTO obligations in *EC Measures Concerning Meat and Meat Products (Hormones)*, Report of the Appellate Body, WT/DS26/AB/R; WT/DS48/AB/R of 16 January 1998 [hereinafter "EC – Beef Hormones"].

[167] See discussion of U.S. – Havana Club case, below, in which the WTO AB indicates that the EC, having shown that the U.S. legislation distinguished on its face between U.S. and foreign nationals, had established a *prima facie* case of discrimination, at para. 281. This put the U.S. in the position of rebutting the *prima facie* case, and in essence constituted a shift in the burden of proof.

[168] See *United States – Section 337 of the Tariff Act of 1930*, Report of the Panel, adopted 7 November 1989, BISD 36S/345 [hereinafter "U.S. – Section 337"].

[169] See discussion below (Section 4) in respect to *U.S. – Havana Club* decision.

3.1.5 Exceptions from national treatment under the WIPO Conventions

The exceptions referred to by Article 3 under the Paris, Berne and IPIC Conventions were compiled by WIPO during the TRIPS negotiations and cross-referenced in the Anell draft of a national treatment provision. For ease of reference, that listing by WIPO is appended to this Chapter as Annex 1. The Rome Convention is not exclusively administered by WIPO, and was not addressed in its report. However, the Anell text noted that:

> "For the Rome Convention, the relevant provisions would appear to be Articles 15, 16(1)(a)(iii) and (iv) and (b), and 17."[170]

Another limitation of the national treatment obligation exists with respect to the rights of performers, producers of phonograms and broadcasting organizations: the second sentence of Article 3.1 states that:

> "In respect of performers, producers of phonograms and broadcasting organizations, this obligation [i.e. national treatment] only applies in respect of the rights provided under this Agreement."

This means that any additional rights provided under other international agreements[171] do not have to be extended to nationals of WTO Members that are not parties to this other agreement.[172]

3.2 MFN treatment

Application of an MFN standard in the context of IPR protection is an innovation in the multilateral context, and precedent is therefore limited. Article 4

[170] Article 15, Rome Convention, allows for certain fair use exceptions to protection; Article 16(1)(a)(iii) and (iv), allows for limitations on the obligation to pay equitable remuneration for secondary uses of phonograms based, *inter alia*, on reciprocity. Article 16(1)(b) allows contracting states to exempt protection of television broadcasts in public places, permitting affected states to withdraw such protection. Article 17 allows contracting states which granted protection of producers of phonograms solely on the basis of fixation on October 26, 1961, to maintain that criterion for certain purposes. As noted below in regard to notification practice, some WTO Members have notified the TRIPS Council of exceptions from application of Article 5, para. 1(b) or (c), Rome Convention, regarding the criterion of fixation or publication in another contracting state for granting national treatment to producers of phonograms. "Fixation" is not defined in the Rome Convention, but it is defined in the later WIPO Performances and Phonograms Treaty (WPPT) as "the embodiment of sounds, or of the representations thereof, from which they can be perceived, reproduced or communicated through a device." (WPPT, Article 2(c)). In a more colloquial sense, "fixation" refers to recording music (or other expression) on to a CD or other tangible medium.

[171] An international agreement providing additional rights in this respect is the WIPO Performances and Phonograms Treaty (WPPT), adopted in Geneva on 20 December 1996. Available at <http://www.wipo.int/clea/docs/en/wo/wo034en.htm>. Due to its **post-**TRIPS adoption, however, obligations particular to this treaty would in any case not have to be extended to WTO Members that are not parties to the WPPT. A **pre-**TRIPS international agreement in this respect is the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations. This Convention is equally not mandatory for those WTO Members that are not parties to it (see Chapter 3).

[172] The purpose of this limitation is to avoid "free riding" of those latter Members. For instance, those Members not parties to the WPPT or the Rome Convention cannot claim that their nationals be accorded the rights that are not guaranteed in their own territory. The national treatment obligation is limited to the minimum rights provided under Article 14, TRIPS Agreement (for details on Article 14, TRIPS Agreement, see Chapter 13).

provides for the immediate and unconditional extension to nationals of all Members "any advantage, favour, privilege or immunity" granted with respect to the protection of intellectual property to nationals of any country (including a non-Member of the WTO). This article is modelled on Article I of the GATT 1947 and 1994.

What constitutes an advantage or concession in the protection of intellectual property is not necessarily clear. Granting to nationals of another Member more extensive protection of rights would likely be considered an advantage that must be extended to nationals of all Members. But if a country decides to provide more extensive exceptions, for example, in the area of fair use of copyrighted materials, and decides to extend those exceptions to foreign nationals of only certain WTO Members, might other "unaffected" Members consider this an "advantage" regarding protection that should automatically apply to them? Some "unaffected" foreign nationals might wish to take advantage of the exceptions, and find they are unable to do so. This could well have negative commercial implications for those foreign nationals.[173] The question what constitutes an advantage as a matter of intellectual property protection and the extension of MFN treatment becomes rather important when the Article 4(d) exemption and its application to regional markets is considered.

Article 4 refers to advantages in respect to "intellectual property". Recall here the discussion in Chapter 3 regarding the definition and scope of the term "intellectual property", and that the MFN obligation applies only to such subject matter.

The exceptions to MFN treatment in Article 4 are complex. Article 4(d) in particular leaves considerable room for interpretation. Pursuant to Article 4, MFN treatment need not be provided regarding advantages, favours, privileges and immunities:

> "(a) deriving from international agreements on judicial assistance or law enforcement of a general nature and not particularly confined to the protection of intellectual property;
>
> (b) granted in accordance with the provisions of the Berne Convention (1971) or the Rome Convention authorizing that the treatment accorded be a function not of national treatment but of the treatment accorded in another country;
>
> (c) in respect of the rights of performers, producers of phonograms and broadcasting organizations not provided under this Agreement;
>
> (d) deriving from international agreements related to the protection of intellectual property which entered into force prior to the entry into force of the WTO Agreement, provided that such agreements are notified to the Council for TRIPS and do not constitute an arbitrary or unjustifiable discrimination against nationals of other Members."

Regarding Article 4(a), there are numerous international agreements – bilateral, regional and multilateral – that deal with judicial assistance and law enforcement.

[173] Consider, for example, television broadcasters, and the situation in which some foreign broadcasters are permitted to rebroadcast newsworthy events, while others are not. For those that are not, their audience might decline, depriving them of an economic benefit. Thus, an "exception" may confer a benefit.

This would include agreements regarding obtaining evidence, extradition, investigation of anticompetitive activity, and enforcement of judgments. Most of these agreements may have some application in the field of intellectual property. Many of the commitments that countries make to each other in these agreements are based explicitly or implicitly on reciprocity. That is, a country agrees to furnish aid in obtaining evidence to another country in exchange for a commitment by that other country to do likewise. It was beyond the scope of the TRIPS negotiations to attempt to rationalize all of these arrangements so that each Member treated all other Members on the same basis under these various agreements, and a general exemption is provided.

As noted in previous sections regarding national treatment, there are certain provisions of the Berne and Rome Conventions that allow for differential treatment of foreign nationals based on reciprocity. For example, the Berne Convention allows a party to limit the term of protection for a work of foreign origin to the term of protection granted in the country of origin. Article 4(b) allows for these differences in the treatment of foreign nationals in the MFN context.

The rights of performers, producers of phonograms and broadcast organizations are governed by a patchwork of multilateral, regional and bilateral agreements. The WIPO Performances and Phonograms Treaty (WPPT) concluded in 1996 attempts to rationalize this arrangement, but it is not part of the TRIPS framework. TRIPS establishes minimum rights in favour of performers, producers of phonograms and broadcast organizations (see Article 14), but a deliberate choice was made not to require each Member to extend its complete basket of protective rights to all other Members. Article 4(c) acknowledges this decision, thus constituting a parallel to the second sentence of Article 3 on national treatment for performers, producers of phonograms and broadcast organizations (see above, Section 3.1).

Article 4(d) addresses one of the most difficult sets of issues reflected in TRIPS, and does so in a way that does not provide clarity or certainty. Two elements, however, reduce the uncertainty: first, the exception is limited to agreements that entered into force before the TRIPS Agreement, and second, Members are required to notify the Council for TRIPS of such agreements.

The express text of Article 4(d) refers to advantages "deriving from international agreements related to the protection of intellectual property". In light of the negotiating history of this provision, it is noteworthy that no express reference is made to customs unions or free trade areas (under Article XXIV, GATT 1994) or regional services arrangements (under Article V, GATS). Presumably this was done so that preferences under "pure" intellectual property arrangements such as the European Patent Convention, the once-contemplated Community Patent Convention, ARIPO, OAPI, and similar arrangements might fall within its scope. At the same time, it is doubtful that many persons familiar with the charter documents of the European Community, Andean Pact, Mercosur/l[174] or NAFTA would ordinarily understand these agreements as "related to the protection of intellectual

[174] The acronym for this organization in Spanish is "Mercosur" and in Portuguese is "Mercosul". Most commonly it is referred to in English as "Mercosur". In this text, the form "Mercosur/l" is used to reflect both languages.

property". While indeed each of these regional arrangements has intellectual property protection within its subject matter scope, it is only a part of each arrangement; and it is as if to say that the Constitution of Brazil or the United States is a charter document related to the protection of intellectual property because it refers to that subject matter in a few places.

The use of the phrase "deriving from" is also significant, because it suggests that the advantages, favours, etc. that are exempted from MFN treatment are not static, but rather may develop over time based on the underlying pre-existing agreement. This is particularly important because it would seem to leave a very large space for regional arrangements such as the EC to increase the scope of MFN derogations based on the earlier-adopted EC Treaty.

While the negotiating history of Article 4(d) does indicate an awareness of the EC's concerns to establish a space in which its intellectual property regime would enjoy certain privileges, there was also concern expressed by a number of negotiating Members that the MFN exemption be narrowly constructed. In this context, there is reason to ask whether Article 4(d) was truly intended as an open-ended exclusion from the MFN obligation that would encompass any future actions contemplated by the EC or similar regional arrangements.

Having made this point, the fact that Article 3 mandates national treatment significantly reduces the possibilities for abuse of the MFN exemption. That is, preferential treatment among members of a regional arrangement should not adversely affect third country nationals to the extent they are provided national treatment within each Member of the regional group, except in the unlikely event that one of those Members grants "better than national treatment" to other Members of the group.

What then, does Article 4(d) accomplish? The EC had an interest in protection of its "intra-Community exhaustion" doctrine. When goods are placed on the market with the consent of the IP right holder in one member state they enjoy free circulation in other member states of the Community.[175] In the EC's view, this treatment of goods placed on the market within the Community does not necessarily extend to goods placed on the market outside the Community. However, since each EC member state is depriving its local IP right holder of protection with respect to goods placed on the market within the Community, it is difficult to see how this is an "advantage, favour, privilege or immunity" granted to Community nationals that the EC should be exempted from extending to non-EC nationals, though this appears to be the position taken by the EC.[176]

With this background, let us consider some of the notifications so far made under Article 4(d). The EC notification states:

> "We hereby notify on behalf of the European Community and its Member States to the Council for Trade-Related Aspects of Intellectual Property Rights, pursuant to Article 4, paragraph (d) of the Agreement on Trade-Related Aspects of

[175] The same (or an economically linked) IP right holder may not prevent importation into a second member state.

[176] In this sense, IP right holders outside EC territory are treated "better than" IP right holders within EC territory because the external IP right holders are not subject to exhaustion of their rights based on placing their goods on an external market.

Intellectual Property Rights, both the Treaty establishing the European Community and the Agreement establishing the European Economic Area. Notification of these agreements covers not only those provisions directly contained therein, as interpreted by the relevant jurisprudence, but also existing or future acts adopted by the Community as such and/or by the Member States which conform with these agreements following the process of regional integration."[177]

The Andean Pact notification states:

"In accordance with Article 4(d) of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), the Governments of the Republics of Bolivia, Colombia, Ecuador, Peru and Venezuela, Members of the Andean Community, hereby notify the Council for TRIPS of the Cartagena Agreement.

This notification of the Cartagena Agreement relates not only to the provisions directly included therein, as interpreted and applied in the relevant law, but also to the regulations which have been or may in the future be adopted by the Andean Community or its Member Countries, in accordance with the Agreement in the course of the process of regional integration."[178]

The Mercosul/r notification states:

"The Common Market Group requested the Pro Tempore Chairman to notify to the Council for the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), the Treaty of Asunción and the Ouro Preto Protocol, with reference not only to the provisions contained therein but also all agreements, protocols, decisions, resolutions and guidelines adopted or to be adopted in the future by MERCOSUR or its States Parties in the course of the regional integration process that are of relevance to TRIPS, pursuant to the Agreement.

By virtue of the above and in keeping with the terms of Article 4(d) of the TRIPS Agreement, I hereby notify the texts of the Treaty of Asunción of 26 March 1991 establishing MERCOSUR and the Ouro Preto Protocol signed on 17 December 1994."[179]

The U.S. NAFTA notification states:

"Pursuant to Article 4(d) of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), the United States hereby notifies Article 1709, paragraph (7), of the North American Free Trade Agreement (NAFTA) as being exempt from the most-favoured-nation treatment obligations of the TRIPS Agreement."[180]

[177] Notification under Article 4(d) of the Agreement, European Communities and their Member States, IP/N/4/EEC/1, 29 January 1996.

[178] Notification under Article 4(d) of the Agreement, Bolivia, Colombia, Ecuador, Peru, Venezuela, IP/N/4/BOL/1, IP/N/4/COL/1, IP/N/4/ECU/1, IP/N/4/PER/1, IP/N/4/VEN/2, 19 August 1997.

[179] Notification under Article 4(d) of the Agreement, Argentina, Brazil, Paraguay, Uruguay, IP/N/4/ARG/1, IP/N/4/BRA/1, IP/N/4/PRY/1, IP/N/4/URY/1, 14 July 1998.

[180] Notification under Article 4(d) of the Agreement, United States, IP/N/4/USA/1, 29 February 1996. Article 1709(7), NAFTA, provides: "Subject to paragraphs 2 and 3 [reproducing the TRIPS Article 27(a)(2) and (3) rights of exclusion from patentability], patents shall be available and patent rights enjoyable without discrimination as to the field of technology, the territory of the Party where the invention was made and whether the products are imported or locally produced."

The notifications, and particularly for the EC, Andean Pact and Mercosul/r, are drafted in a way that suggests a wide scope of exemption authority. The EC, for example, includes "relevant jurisprudence" and "future acts" . . . "following the process of regional integration". Were the same regional groups and their member countries not bound by national treatment obligations, the exemptions would appear to permit almost any grant of preferences to countries within the group that would not be extended to foreign nationals. Yet because the EC as a regional arrangement (and the member states of the EC) and each of the other arrangements must provide national treatment to nationals of third countries, the scope for exemption by virtue of derogation from MFN treatment may in fact be rather limited.

3.3 WIPO Acquisition and Maintenance Treaties

Article 5 provides an exemption from TRIPS national and MFN treatment obligations for IPRs acquisition and maintenance agreements established under WIPO auspices. The referenced agreements, for example, may require authorities in each state party to accept certain forms of registration, certification and other data from applicants in other state parties. Such requirements generally are not extended to applications that do not originate from non-party states (though rights may accrue to persons who have a sufficient connection to a party state, but are not nationals of that state). In the absence of an exemption from national treatment and MFN, rights under the WIPO acquisition and maintenance treaties would automatically be extended to all WTO Members (and their nationals) without corresponding obligations.

The WIPO acquisition and maintenance agreements would be understood to encompass the Madrid Agreement (and Protocol) Concerning the International Registration of Marks, the Hague Agreement Concerning the International Deposit of Industrial Designs, the Patent Cooperation Treaty, the Patent Law Treaty, the Trademark Law Treaty and the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure, and certain provisions of the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration. The list of such agreements is not fixed, and new multilateral acquisition and maintenance agreements adopted under WIPO auspices would also qualify for national and MFN treatment exemption under Article 5.

Since the Paris and Berne Conventions and the IPIC Treaty are multilateral agreements concluded under WIPO auspices, and contain provisions addressing acquisition and maintenance of patents, trademarks, industrial designs, copyright and integrated circuit lay-out designs, an argument might be made that these agreements, at least in so far as provisions relevant to acquisition and maintenance are concerned, also fall within the scope of the Article 5 exemption. However, since these agreements are otherwise specifically incorporated by reference in TRIPS,[181] such an interpretation would appear inconsistent with the apparent intention of the TRIPS Agreement drafters.

[181] See TRIPS Article 2.1 for the Paris Convention; Article 9.1 for the Berne Convention; and Article 35 for the IPIC Treaty. For more details, see Chapter 3.

4. WTO jurisprudence

4.1 U.S. – Havana Club

In the *U.S. – Havana Club* case,[182] the WTO Appellate Body (AB) applied the national treatment rules of TRIPS and the Paris Convention. The AB observed that the national treatment obligation of the Paris Convention extended back to the 1880s, and that the parties to the case before it would be subject to the Paris Convention national treatment rule even were they not parties to TRIPS. While the AB referenced both the TRIPS and Paris Convention rules, it did not refer to the different legal formulas used, instead highlighting that the decision to include a national treatment provision in the TRIPS Agreement indicated the "fundamental significance of the obligation of national treatment to [the framers'] purposes in the *TRIPS Agreement*".[183] The AB also addressed the relevance of jurisprudence regarding the GATT national treatment provision, saying:

> "As we see it, the national treatment obligation is a fundamental principle underlying the *TRIPS Agreement*, just as it has been in what is now the GATT 1994. The Panel was correct in concluding that, as the language of Article 3.1 of the *TRIPS Agreement*, in particular, is similar to that of Article III:4 of the GATT 1994, the jurisprudence on Article III:4 of the GATT 1994 may be useful in interpreting the national treatment obligation in the *TRIPS Agreement*." (*Id*., at para. 242)

The panel in the *U.S. – Havana Club* case decided that U.S. legislation regulating trademarks that had been confiscated by the Cuban government was not inconsistent with Article 3. While there were in fact formal legal differences between the way U.S. nationals and foreign nationals were addressed by the relevant legislation, the panel found that as a practical matter the possibility was extremely remote that a U.S. national would receive preferential treatment. Certain favourable treatment of U.S. nationals would require affirmative administrative action by U.S. regulatory authorities (contrary to the longstanding practice of the authorities to refuse such action), and the U.S. indicated that its regulatory authorities would not in fact act in a way that such preferential treatment would be provided.

The AB rejected the legal analysis of the panel, referring to the *U.S. – Section 337* decision regarding Article III:4, GATT 1947.[184] In that earlier decision, the panel said that even though the possibility for a certain type of discrimination to take place under a legislative arrangement was small, the fact that the possibility was present constituted sufficient discrimination to present a national treatment inconsistency. In *U.S. – Havana Club*, the AB said:

> "The United States may be right that the likelihood of having to overcome the hurdles of both Section 515.201 of Title 31 CFR and Section 211(a)(2) may, echoing the panel in *US – Section* 337, be *small*. But, again echoing that panel, even the *possibility* that non-United States successors-in-interest face two hurdles is

[182] *United States – Section 211 Omnibus Appropriations Act of 1998*, WT/DS176/AB/R, Report of the Appellate Body, 2 January 2002 [hereinafter "U.S. – Havana Club"].

[183] *Id*., at para. 240.

[184] See above, Section 3 on *de facto* discrimination.

inherently less favourable than the undisputed fact that United States successors-in-interest face only one." (AB Report, Havana Club, at para. 265)

The AB's approach may strike those familiar with the *U.S. – Section 337* decision as strained. In that case, the United States had adopted a comprehensive administrative mechanism for patent (and other IP right) holders to seek remedies against infringing imports. That Section 337 mechanism contained a number of features making it easier to obtain remedies against imports than to obtain remedies (in domestic infringement proceedings) against goods circulating in the United States. One element of the Section 337 arrangement (though not the most important one from a discrimination standpoint) was that an importer might in theory be subject to simultaneous proceedings at the U.S. International Trade Commission (ITC) and in federal court regarding the same allegedly infringing conduct. (From a practical standpoint, the major discriminatory feature of the ITC procedure was its failure to allow for alleged infringers to assert patent counterclaims. Also, the ITC procedure was substantially more time-compressed than court proceedings.) From the standpoint of importers, the prospects for discriminatory application of U.S. patent law were real and ever-present. It was not surprising in this context that the Section 337 panel rejected U.S. suggestions that the discriminatory features of the legislation were of no practical consequence.

The situation in *U.S. – Havana Club* was significantly different. In *Havana Club* the AB was faced with a consistent U.S. practice of refusing to grant licenses of the type with which the EC expressed concern and a stated commitment by the U.S. not to grant such licenses in the future. Moreover, factual scenarios posited by the EC in which discrimination issues might arise were extremely unlikely. In this sense, the AB effectively decided that any formal differences in legal procedures would not withstand national treatment scrutiny, even if the practical consequences were extremely remote, and if the government adopting the procedures accepted not to use them.

The AB also applied Article 4 in *U.S. – Havana Club*. It said:

> "Like the national treatment obligation, the obligation to provide most-favoured-nation treatment has long been one of the cornerstones of the world trading system. For more than fifty years, the obligation to provide most-favoured-nation treatment in Article I of the GATT 1994 has been both central and essential to assuring the success of a global rules-based system for trade in goods. Unlike the national treatment principle, there is no provision in the Paris Convention (1967) that establishes a most-favoured-nation obligation with respect to rights in trademarks or other industrial property. However, the framers of the *TRIPS Agreement* decided to extend the most-favoured-nation obligation to the protection of intellectual property rights covered by that Agreement. As a cornerstone of the world trading system, the most-favoured-nation obligation must be accorded the same significance with respect to intellectual property rights under the *TRIPS Agreement* that it has long been accorded with respect to trade in goods under the GATT. It is, in a word, fundamental." (*Id*., at para. 297)

The U.S. legislation at issue provided formally different treatment on its face as respects nationals of Cuba and other foreign countries ("non-Cuban foreign nationals"). The AB noted again that this established a *prima facie* inconsistency. The

U.S. had attempted to rebut this inconsistency by demonstrating that as a practical matter there would be no discrimination among nationals of different foreign countries. The panel had accepted the U.S. position. The AB rejected the panel's holding in reliance on a remote set of hypothetical circumstances suggested by the EC regarding differential treatment of non-U.S. national trademark holders. The AB established an extremely rigorous standard for application of the MFN principle which few formal differences in treatment of nationals from different foreign Members are likely to survive.

4.2 EC – Protection of Trademarks and GIs

Following separate requests by Australia[185] and the USA,[186] the WTO Dispute Settlement Body (DSB) at its meeting on 2 October 2003 established a single panel to examine complaints with respect to EC Council Regulation (EEC) No. 2081/92 of 14 July 1992 (published in the EU's Official Journal L 208 of 24 July 1992, pages 1-8) on the protection of geographical indications and designations of origin for agricultural products and foodstuffs.[187] The complaints are based, *inter alia*, on alleged violations of the TRIPS national treatment and most-favoured-nation treatment obligations (Articles 3.1 and 4) through the above EC Regulation.[188] The contested provision in this respect is Article 12 of the Regulation on the protection of geographical indications for foreign products.[189] Article 12 provides:

> "Article 12
>
> 1. Without prejudice to international agreements, this Regulation may apply to an agricultural product or foodstuff from a third country provided that:
>
> – the third country is able to give guarantees identical or equivalent to those referred to in Article 4,
>
> – the third country concerned has inspection arrangements equivalent to those laid down in Article 10,
>
> – the third country concerned is prepared to provide protection equivalent to that available in the Community to corresponding agricultural products for foodstuffs coming from the Community.
>
> 2. If a protected name of a third country is identical to a Community protected name, registration shall be granted with due regard for local and traditional usage and the practical risks of confusion.
>
> Use of such names shall be authorized only if the country of origin of the product is clearly and visibly indicated on the label."

[185] WT/DS290/18 of 19 August 2003.

[186] WT/DS174/20 of 19 August 2003.

[187] *European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs* [hereinafter "EC – Protection of Trademarks and GIs"], WT/DS174/21 and WT/DS290/19 of 24 February 2004, Constitution of the Panel Established at the Requests of the United States and Australia.

[188] See the above requests by Australia and the USA for the establishment of a panel. Note that the same complaint is also based on other TRIPS provisions, in particular relating to the protection of trademarks and geographical indications. See Chapters 14 and 15.

[189] For an analysis of this EC legislation on GIs see also Chapter 15, Section 2.1.

5. Relationship with other international instruments

5.1 WTO Agreements

As the AB observed in the *U.S. – Havana Club* decision, interpretation of the national treatment and MFN principles of TRIPS will be informed by interpretation of comparable provisions in the other WTO agreements. The extent to which the comparable provisions inform TRIPS will depend on the specific context of their application in these other settings. The GATT 1994 and GATS each contain express national treatment and MFN obligations, and the TBT and TRIMS Agreements incorporate national treatment provisions. Caution will necessarily be required in drawing analogies among the various agreements as the treatment, for example, of imported goods might imply different results than the treatment of foreign rights holders. In any case, it is difficult to suggest general principles as to the relationship among the various agreements and their application of non-discrimination rules beyond that suggested by the AB, that is, that they may inform each other.

One question that is squarely presented by the notifications of the EC, Andean Pact and Mercosur/l under Article 4(d)[190] is the extent to which the formation of a customs union or free trade area (under Article XXIV, GATT 1994) or regional services arrangement (under Article V, GATS) provides leeway for discrimination in favour of persons or enterprises within those arrangements. There is a very long history in GATT jurisprudence and practice, and in the academic literature, on the place of regional arrangements within the multilateral trading system, and this history suggests that such regional arrangements tend to stake claims to broad exclusions from multilateral rules. These claims have encompassed derogation from national treatment as well as MFN obligations, even though Article XXIV, GATT 1994, appears to contemplate only exception from the requirement of MFN treatment.[191] Such assertions may arise as well in the TRIPS context, despite the lack of express reference to such possibilities.

5.2 Other international instruments

The relationship of the TRIPS national and MFN treatment provisions to the WIPO conventions has already been discussed (see above, Section 3).

The national and MFN treatment provisions of TRIPS may play a role in determining its relationship to the Convention on Biological Diversity (CBD). If a WTO Member adopts rules to implement its obligations under the CBD, those rules may be related to IP protection, for example, to patent protection. The rules that are adopted would apply to nationals of other Members based on application of the national treatment principle.

6. New developments

6.1 National laws

Articles 3, 4 and 5 became applicable to all WTO Members on January 1, 1996. Since most Members were party to the Paris and Berne Conventions that already

[190] The U.S. NAFTA notification is more limited than these others.

[191] The claims to exemption from national treatment are described and analyzed in Frederick M. Abbott, *GATT and the European Community: A Formula for Peaceful Coexistence*, 12 Mich. J. Int'l. L. 1 (1990).

mandated national treatment in respect to patents, trademarks and copyright, the national treatment requirement of TRIPS should not have imposed any special implementation burdens on these Members. Nonetheless, many WTO Members modified their intellectual property legislation to take into account TRIPS Agreement requirements, and those that maintained inconsistencies from national treatment should have altered their legislation.

6.2 International instruments

6.3 Regional and bilateral contexts

6.3.1 Regional

The notifications from regional groups have been discussed above (see Section 3).

The European Court of Justice (ECJ) has perhaps more than any other judicial body had occasion to analyze the national treatment principle in the context of the integration of markets. While GATT 1947 panel reports relating to national treatment dealt almost exclusively with the treatment of imported goods, the case law of the ECJ has frequently dealt with the treatment of persons. From the standpoint of TRIPS national treatment analysis, it may be useful to analyze and compare decisions of the ECJ for insight into how the WTO AB might evaluate differential treatment of persons to determine whether discrimination exists.[192]

Specifically on the subject of national treatment, the adoption by the EC of the Database Directive in 1995[193] raised interesting issues concerning the EC's understanding of the national treatment and MFN principles in TRIPS. In the Database Directive the EC established a *sui generis* data protection right (in Article 7) that is more extensive than that required by TRIPS.[194] In addressing the beneficiaries of that new right, the Directive states at Article 11:

> "1. The right provided for in Article 7 shall apply to databases whose makers or successors in title are nationals of a Member State or who have their habitual residence in the territory of the Community.
>
> 2. Paragraph 1 shall also apply to companies and firms formed in accordance with the law of a Member State [. . .].
>
> 3. Agreements extending the right provided for in Article 7 to databases manufactured in third countries and falling outside the provisions of paragraphs 1 and 2 shall be concluded by the Council acting on a proposal from the Commission. [. . .]."

The Database Directive clearly denies national treatment to persons in non-EC member states. That is, in order to benefit from database protection, a person must be a national of a member state (or habitually reside there). Article 11(3) foresees the denial of MFN treatment to countries outside the EC, as it authorizes

[192] Current ECJ case law and doctrine on national treatment may be found in Paul Craig and Grainne de Burca, *EU Law*, 2nd edition, Oxford, 1998.

[193] Common Position (EC) No 20/95 adopted by the Council on 10 July 1995 with a view to adopting Directive 95/EC of the European Parliament and of the Council . . . on the legal protection of databases (OJ C 288, 30 October 1995, p. 14).

[194] For a detailed analysis of the EC Database Directive, see Chapter 9, Section 6.3.

the Communities to extend the benefits of database protection on a country-by-country basis.

The only plausible justification for the expressly discriminatory features of the Database Directive is that the EC does not consider database protection to constitute "intellectual property" within the meaning of Article 1.2.[195] Assuming that the EC is correct in this view, the Database Directive shows that, at least in the opinion of the EC, advantages regarding the protection of information not strictly within the definition of intellectual property may be treated without regard to the fundamental principles of national and MFN treatment.

6.3.2 Bilateral

Developing WTO Members are often encouraged by developed Members to adopt so-called "TRIPS-plus" standards of intellectual property rights protection.[196] National and MFN treatment are relevant to the establishment of TRIPS-plus standards.[197] The consequences of importing increasingly high standards of IPR protection in regional and bilateral trade agreements has yet to be adequately studied from the standpoint of the MFN principle. Are members of regional and bilateral agreements that adopt TRIPS-plus standards obligated to provide those higher standards of protection to WTO Members not part of the arrangement? Since there is no exception for differential IPR treatment within arrangements negotiated after TRIPS (see Article 4(d)), this may appear to be the case. But if these higher standards make it more difficult for imports to penetrate the market (because of internal barriers), is this a "concession" as to which Members are benefiting as a consequence of MFN, or does this represent a withdrawal of concessions and a fundamental alteration of the conditions of competition as to third countries? The answer to this question may have broad systemic ramifications for the WTO.

6.4 Proposals for review

There are no formal proposals for review of the national treatment and MFN principles before the TRIPS Council. However, as part of the agenda of the working party on regional integration the place of the TRIPS Agreement is being evaluated along with other aspects of regional integration. Moreover, implicit in the Doha agenda discussions on improving the treatment of developing Members within the WTO framework is consideration of the extent to which national and MFN treatment may need to be adjusted in the interests of promoting development. For example, one of the main issues being addressed by the Working Group on Trade and Competition is the extent to which national competition policy in

[195] For an analysis of whether databases constitute "intellectual property" in the sense of Article 1.2, see Chapter 3, Section 3.1.

[196] This aspect of the TRIPS dynamic is addressed in Chapter 2, Section 3.2.

[197] On the implications of TRIPS-plus agreements in the context of the MFN treatment obligation, see also D. Vivas-Eugui, *Regional and bilateral agreements and a TRIPS-plus world: the Free Trade Area of the Americas (FTAA)*, TRIPS Issues Papers 1, Quaker United Nations Office (QUNO), Geneva; Quaker International Affairs Programme (QIAP), Ottawa; International Centre for Trade and Sustainable Development (ICTSD), Geneva, 2003 (available at <http://www.geneva.quno.info/pdf/FTAA%20(A4).pdf >).

developing Members may accommodate preferences for local enterprises (e.g., small and medium enterprises (SMEs)), and whether a national treatment provision in a WTO competition agreement might adversely affect such preferences.[198] IPRs are the subject of general competition policy and decisions regarding national treatment in the competition context would have an impact on the competition provisions of TRIPS.

7. Comments, including economic and social implications

The Appellate Body has characterized the national treatment and MFN principles as fundamental to the WTO legal system, including TRIPS. The centrality of these principles to the GATT 1947 and the WTO multilateral trading system is unarguable. The MFN principle was adopted not only as a trade liberalization device, but perhaps even more importantly as a political instrument to reduce the tendency of governments to form alliances based on economic considerations. In the first half of the twentieth century, these political alliances had formed the backdrop of war. There was (and remains) a compelling justification for seeking to minimize potentially dangerous fragmentation of the global economy.

National treatment and MFN are not, however, an unalloyed benefit from the standpoint of developing Members of the WTO. Principles that require foreign economic actors to be treated on the same basis as local economic actors may place individuals and enterprises within developing countries at a distinct disadvantage in respect to more globally competitive foreign operators. Developing Members may "gain" from improved access to developed country markets to the extent their products are competitive. They may "lose" if local enterprises are unable to compete at home against more highly capitalized and efficient foreign operators. In some cases, the gains from access to foreign markets will not offset the losses to local enterprises in terms of lost profits and employment.[199] Care should therefore be taken not to oversell the benefits of national treatment and MFN from the standpoint of developing WTO Members.

This potential skewing of benefits is particularly significant in the TRIPS context. Developed Members of the WTO maintain tremendous advantages over developing Members in regard to existing stocks of technological assets, and the capacity for future research and development. By agreeing to treat foreign patent holders on the same basis as local patent holders, developing Members establish a level playing field on which the teams are of rather unequal strength.

The response of developed Members is that transfer of technology and capacity building will improve the developing country technology "teams". This concept, while elegant in theory, has seen only minimal implementation in practice.[200] If developing Members are sceptical, so far it is with good reason.

[198] See, e.g., Report of the Working Group on the Interaction Between, Trade and Competition Policy to the General Council, WT/WGTCP/6, 9 Dec. 2002, at para. 44.

[199] See Joseph Stiglitz, *Globalization and Its Discontents* (2002).

[200] For a deeper analysis of the interplay between IPR protection and technology transfer, see UNCTAD-ICTSD, *Intellectual Property Rights: Implications for Development*. Policy Discussion Paper, Geneva, 2003, Chapter 5 (Technology Transfer). For an analysis of Article 66.2, TRIPS Agreement (concerning the promotion of technology transfer to LDC Members), see Chapter 34.

Annex Beneficiaries of and Exceptions to National Treatment under Treaties Administered By WIPO, Communication from the World Intellectual Property Organization, MTN.GNG/NG11/W/66, 28 February 1990

II. LIST OF EXCEPTIONS TO NATIONAL TREATMENT

(a) under the Paris Convention

6. The following exceptions to national treatment are contained in the Paris Convention:

i) the provisions of the laws of each of the countries party to the Paris Convention relating to judicial or administrative procedure and to jurisdiction, which may be required by the laws on industrial property, are expressly reserved (Paris Convention, Article 2(3));

ii) the provisions of the laws of each of the countries party to the Paris Convention relating to the designation of an address for service or the appointment of an agent, which may be required by the laws on industrial property, are expressly reserved (Paris Convention, Article 2(3)).

(b) under the Berne Convention

7. The following exceptions to national treatment are contained in the Berne Convention:

i) where a work is protected in the country or origin solely as an industrial design – and not (also) as a work of applied art, i.e., by copyright law – that work is entitled in another country party to the Berne Convention only to such special protection as is granted in that country to industrial designs – even though copyright protection is available in that country (Berne Convention, Article 2(7), second sentence, first part);

ii) where a country not party to the Berne Convention fails to protect in an adequate manner the works of authors who are nationals of one of the countries party to the Berne Convention, the latter country may restrict the protection given – on the basis of their first publication in that country – to the works of authors who are, at the date of the first publication thereof, nationals of the other country and are not habitually resident in one of the countries party to the Berne Convention; if the country of first publication avails itself of this right, the other countries party to the Berne Convention are not required to grant to works thus subjected to special treatment a wider protection than that granted to them in the country of first publication (Berne Convention, Article 6(1));

iii) in the country where protection is claimed, the term of protection shall not, unless the legislation of that country otherwise provides, exceed the term fixed in the country of origin of the work (Berne Convention, Article 7(8));

iv) the right ("droit de suite"), enjoyed by the author, or, after his death, by the persons or institutions authorized by national legislation, to an interest in any sale of the work – which is either an original work of art or an original manuscript of a writer or composer – subsequent to the first transfer by the author of the work may be claimed in a country party to the Berne Convention only if legislation in

the country to which the author belongs so permits, and to the extent permitted by the country where this right is claimed (Berne Convention, Article 14ter(1) and (2));

v) in relation to the right of translation of works whose country of origin is a country – other than certain developing countries – which, having used the limited possibility of reservations available in that respect*, has declared its intention to apply the provisions on the right of translation contained in the Berne Convention of 1886 as completed by the Additional Act of Paris of 1896 (concerning the restriction, under certain conditions, of the term of protection of the right of translation to ten years from the first publication of the work), any country has the right to apply a protection which is equivalent to the protection granted by the country of origin (Berne Convention, Article 30(2)(b), second sentence).

(c) under the IPIC Treaty

8. The following exceptions to national treatment are contained in the IPIC Treaty:

i) any Contracting Party is free not to apply national treatment as far as any obligations to appoint an agent or to designate an address for service are concerned (IPIC Treaty, Article 5(2));

ii) any Contracting Party is free not to apply national treatment as far as the special rules applicable to foreigners in court proceedings are concerned (IPIC Treaty, Article 5(2)).

* Only four States have maintained such a reservation.