General Agreement on Tariffs and Trade: The Effect of the Uruguay Round Multilateral Trade Negotiations on U.S. Intellectual Property Rights

Solomon F. Balraj

Follow this and additional works at: http://scholarlycommons.law.case.edu/jil

Part of the International Law Commons

Recommended Citation
Available at: http://scholarlycommons.law.case.edu/jil/vol24/iss1/3
General Agreement on Tariffs and Trade: The Effect of the Uruguay Round Multilateral Trade Negotiations on U.S. Intellectual Property Rights

I. INTRODUCTION

Trade policy is of critical importance to the economic well-being and the national security of the United States. On September 20, 1986, at Punta del Este, Uruguay, the ministers of the CONTRACTING PARTIES of the General Agreement on Tariffs and Trade (GATT) started the multilateral trade negotiations of the Uruguay Round. Over five years later, the Uruguay Round still has not come to a conclusion.

A major hurdle facing the GATT negotiators is how non-tariff barriers (NTB) should be controlled in light of industrialized countries


2 When expressed in capitals, the term “contracting parties” represents the entire entity of GATT with one vote per member under Article XXV(3). In contrast, the same term expressed in lower case represents a single individual party. JOHN H. JACKSON & WILLIAM J. DAVEY, LEGAL PROBLEMS OF INTERNATIONAL ECONOMIC RELATIONS: CASES, MATERIALS AND TEXT 331 (2d ed. 1986). See also GATT, infra note 3, Art. XXV(3).


5 See infra note 115 (discussing the current impasse to the ratification of the GATT).
which demand strong protection for their own industries from developing countries which consistently violate trade provisions through trade-related aspects of intellectual property rights (TRIPs). Thus, the protection of intellectual property became a new area of concern for the United States in GATT negotiations.

Major questions exist on how U.S. intellectual property will be affected by the Uruguay Round. In addition, many potential changes may occur in the area of U.S. domestic procedures on intellectual property rights (IPR). As a result of these changes, problems may arise as to the probable future for U.S. IPR and numerous areas may remain unresolved by the GATT. This Note addresses these problems and those areas left unresolved by the GATT.

II. THE HISTORY OF IPR IN THE GATT

On October 30, 1947, the GATT came into existence as "a legal framework for a mutual reduction in tariffs." In the beginning, the GATT centered around three principles: (1) the elimination of NTB; (2) the participation in periodic negotiations for reducing existing levels of tariffs; and (3) the according of the most-favored-nation status to all GATT members so that each member was treated equally by all other GATT members.

By the 1970s, however, the GATT had become ineffective in assist-
ing countries in maximizing their national economic welfare. In 1979, the GATT departed from its principle of MFN in the Tokyo Round. Developed countries were frustrated with the developing countries free-rider behavior. Further, the developed countries recognized that IPR were not dealt with properly in the GATT. The GATT discussion focused on NTB. In 1982, following several years of protectionism, the United States called for a new round of multilateral trade negotiations (MTN). This declaration was a major development for IPR under the GATT.

Subsequently, the GATT appointed a group of experts to study the problems of commercial counterfeiting. This study led to the TRIPs in the Uruguay Round. The Uruguay Round not only moved away from the traditional tariff negotiations to NTB, the Round moved specifically into IPR. While the current GATT is limited to traditional goods, it increasing importance in trade patterns of high technology products. Ministerial Declaration on the Uruguay Round, supra note 4, at 20.


17 Seymour J. Rubin, Most-Favored-Nation Treatment and the Multilateral Trade Negotiations: A Quiet Revolution, 6 INT'L TRADE L. J. 221, 224 (1980-81).


19 Joseph Greenwald, The Protection of Intellectual Property Rights in the GATT and the Uruguay Round: The U.S. Viewpoint in LAW AND PRACTICE UNDER THE GATT at IV.A.5, 1 (Kenneth R. Simmonds & Brian H.W. Hill eds., 1988) [hereinafter Greenwald]. Intellectual property which in the past was vaguely defined now was specifically included in a section of the GATT entitled Trade Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods. Id. at 6. See also HUDEC, supra note 10 (discussion on intellectual property in the original GATT objectives).

20 Greenwald, supra note 19, at IV.A.5.

21 Claude E. Barfield, Services, Intellectual Property and the Major Issues of the Uruguay Round, 19 GA. J. INT'L & COMP. L. 307, 309 (1989). Mr. Barfield, the coordinator of the Trade Policy Studies, American Enterprise Institute, Washington, D.C., stated: "The . . . distinguishing feature of [the Uruguay] Round is the movement into entirely new policy areas. The movement away from tariff negotiations and into negotiations that concern . . . so-called new issues . . . relating to intellectual property." Id. By January 28, 1987, the original objective of taking intellectual property into account in high technology products became clearly defined in the following negotiation objectives of TRIPs:

(1) reducing the distortions and impediments to international trade;
(2) taking into account the need to promote effective and adequate protection of intellectual property rights;
(3) ensuring that the measures and the procedures to enforce intellectual property rights (IPR) did not themselves become barriers to legitimate trade; and
will need to expand to cover IPR in order to be successful. Developed countries like the United States have lost billions of dollars because their IPR were not afforded sufficient protection in developing foreign markets.22

III. UNITED STATES PROTECTION MECHANISMS FOR IPR

Separate from the slow development of IPR in the GATT, the United States, early on, recognized the importance of IPR to its economy and export markets.23 U.S. policy makers acknowledged the importance of protection of IPR in bilateral, multilateral, and international trade relations.24

A. Section 337 of the Tariff Act of 193025

Section 337 of the Tariff Act of 1930 was the first clear expression by the United States in protecting IPR.26 The Tariff Act27 addressed the problems of unfair methods of competition and importation of goods into the United States. Further, the Tariff Act prevented these unfair meth-

(4) making sure that the negotiations were aimed to clarify GATT provisions and elabo-rate appropriate new rules and disciplines.


22 The International Trade Commission (ITC) has estimated that 736 U.S. companies lost $23.8 billion in 1986 because of inadequate protection of IPR by foreign countries. Those losses included trademark, counterfeiting, and misappropriation and infringement of patents, copyrights, trade secrets, and other types of intellectual property. Also, the developing countries such as Brazil, China, India, Taiwan, and the Republic of Korea were found to be the main culprits for not prosecuting IPR violations. Abbott, supra note 6, at 700-01. See generally infra note 30 (discussing the structure of the ITC).

23 OFFICE OF TECHNOLOGY ASSESSMENT, U.S. CONGRESS, INTELLECTUAL PROPERTY RIGHTS IN AN AGE OF ELECTRONICS AND INFORMATION 225 (1986) [hereinafter OFFICE TECHNOLOGY ASSESSMENT]. See also R.A.A. Hurst, Effective Worldwide Protection of IPR: the Role of GATT, 4 COMPUTER L. & PRAC. 78 (1988) (noting that the protection of IPR in developed countries is almost non-existent, and in all other countries totally absent).


27 The pertinent part of the Tariff Act reads as follows:

Unfair methods of competition and unfair acts in the importation of articles (other than articles provided for in subparagraphs (b), (c) and (d)) into the United States, in the sale of such articles by the owner, importer, or consignee, or the threat of effect of which is - (i) to destroy or substantially injure an industry in the United States; (ii) to prevent the establish-ment of such an industry; or (iii) to restrain or monopolize trade and commerce in the United States.

ods and acts from having the effect or tendency of destroying or injuring any U.S. industry. Moreover, the Act stopped the restraining and the monopolizing of trade and commerce in the United States.

Section 337 authorizes the International Trade Commission (ITC) to issue an exclusion order which excludes an imported good found in violation of the section. In addition, the ITC is commissioned to issue a cease-and-desist order which simply requires an individual or an entity violating Section 337 to cease-and-desist their violations. However, the President can veto either order based on his judgment that the order is contrary to the national interest.

By 1987, Congress came to the important conclusion that Section 337 was not effective in deterring imports which infringed on U.S. IPR. Consequently, Section 337 was amended to increase the protection of U.S. IPR by adding procedures to expedite relief. Specifically, the Om-
nibus Trade and Competitiveness Act of 1988 amended section 337 of the 1930 Tariff Act by adding three provisions. First, complainants who allege that imports infringe upon a valid U.S. IPR no longer need to prove the threat of injury or suffering of any kind. Under the amended Act, the only injury requirement is the infringement of a valid patent or process patent, copyright, trademark or semiconductor design. Second, complainants only need to show that they represent a domestic industry in the United States. Lastly, the Omnibus Trade Act accelerated relief proceedings by shortening the time of completion under section 337 of the Tariff Act. Thus, these amendments to section 337 gave substantial benefits to the business community. As a result, the U.S. business community gave IPR high priority.

36 Id. § 1342(a)(1) (codified at 19 U.S.C. § 1337(a) (1988)).
37 Id. § 1342(a)(1) (codified at 19 U.S.C. § 1337(a)(1)(B) & (C) (1988)). Compare with supra note 28 and accompanying text (discussing an example of a Section 337 action under the former requirement that a domestic industry must be operating efficiently and economically).
38 The Omnibus Trade Act has significantly broadened the domestic industry requirement. A petitioner no longer has to show that it was an efficiently and economically operated domestic industry. It must only prove that its industry is in existence or is in the process of being established. Omnibus Trade Act, supra note 35, § 1342(a)(1) (codified at 19 U.S.C. § 1337(a)(3)(A)-(C) (1988)). At a minimum, the petitioner must show: "(1) a significant investment in plant and equipment"; (2) "significant employment of labor or capital"; or (3) "substantial investment in its [intellectual property rights] exploitation, including engineering, research and development, or licensing to qualify as an industry and have a remedy." Id. For example, to be considered as a domestic industry for an original Section 337 action other than one involving IPR, the industry must be physically located in the geographic United States. In addition, the domestic industry definition covers only articles within the IPR relied upon in the industry. Schaper Mfg. v. United States Int'l Trade Comm'n, 717 F.2d 1368, 1371 (Fed. Cir. 1983). In Schaper the intellectual property right was a patent right. Thus Schaper's domestic industry covered only articles relying upon that patent right. In contrast, under the amended Section 337 for an IPR violation, the domestic industry was defined as an industry with substantial investment in the exploitation of the intellectual property to constitute sufficient intellectual property activity. United States Section 337 of the Tariff Act of 1930 - Report by the Panel adopted on 7 November 1989 (L/6439) in BISD 345, 401 (36th Supp. (1990)) [hereinafter Report by the Panel adopted on 7 November 1989]. This latter definition covers a larger number of products within the domestic industry.
40 Id. § 1342(a)(3)(B) (codified at 19 U.S.C. § 1337(e)(2) (1988)).
41 The European Community (EC) has protection procedures similar to Section 337. Commercial Protection Regulation 2641/84 is the EC's equivalent to Section 337. See Modak-Truran, Section 337 and GATT in the Akzo Controversy: A Pre- and Post-Omnibus Trade and Competitiveness Act Analysis, 22 INTELL. PROP. L. REV Ann. 189, 199-200 (1990) (discussing Commercial Protection Regulation 2641/84).
42 7 Int'l Trade Rep. (BNA) No. 23, at 793 (June 6, 1990).
B. Section 301 of the 1988 Omnibus Trade Act

Section 301 is the principal mechanism by which the United States addresses unfair trading practices of other countries. The United States Trade Representative (USTR) conducts Section 301 actions as part of an executive program. The USTR proceeds with a Section 301 action by lodging a complaint before the GATT forum.

Under Section 301, by April 30 of each year, the USTR must identify to Congress the countries which meet the GATT requirements on government procurement or meet three criteria for discrimination in areas not covered by the GATT. These criteria are: (1) a pattern or practice of discrimination against U.S. goods and services; (2) an identifiable harm to U.S. business; and (3) a significant amount of purchases by the United States of products or services from the violating country.

By using the above criteria, Carla A. Hills, the Ambassador of the U.S. Trade Representatives Office, produced a list of "priority" countries and trade barriers under "Special" 301 of the Omnibus Trade

---

43 Omnibus Trade Act, supra note 35, § 1301(a) (codified at 19 U.S.C. § 2411 et seq. (Supp. 1988)).
44 Section 301 refers broadly to the trade remedies provide by the Omnibus Trade Act.
46 Omnibus Trade Act, supra note 35, § 1304 (codified at 19 U.S.C. § 2241(b)(1)-(2) (1988)).
47 Government procurement is "where governments have adopted policies and practices that afford protection to domestic products and exclude foreign suppliers." "Super 301" Trade Liberalization Priorities, FACT SHEET (Office of the United States Trade Representative, Washington, D.C.), May 25, 1989, at 2 [hereinafter FACT SHEET].
50 The identification of priority countries are based upon "the potential to increase U.S. exports if these [unfair] practices are eliminated; . . . the precedent effect of seeking and obtaining their elimination; . . . the likelihood that 302 investigations would advance U.S. efforts to eliminated these practices; and . . . the compatibility with United States objectives in the Uruguay Round." FACT SHEET, supra note 47, at 2-3. These considerations do not represent all of the factors to be taken into consideration by the United States Trade Representative (USTR), as they just represent the USTR's major considerations in identifying a priority country. Id.
51 The USTR addresses five categories of trade barriers. These are (1) quantitative import restrictions; (2) exclusionary government procurement; (3) technical barriers to trade; (4) trade-related investment measures; (5) barriers to trade in services. FACT SHEET, supra note 47, at 2. These categories are the most authoritative categories, as the USTR may look to other factors in determining a country's priority status. Id.
Countries identified as "priority" countries are ones which have failed to provide adequate and effective protection for IPR. However, if a priority country has entered into good faith negotiations or significant bilateral or multilateral negotiations, then the Act does not allow a country to be labeled as a priority country. Subsequently, under the so-called "Super 301" of the Omnibus Trade Act, the USTR initiates investigations against those countries labelled as priority countries.

Private parties may also request the USTR to take Section 301 actions against governments which fail to protect IPR by filing a petition under Section 302 of the Omnibus Trade Act. Under section 302, a private party must be an interested party who has been directly affected by the complained about act, policy, or practice, or by a foreign government failing to grant U.S. trade rights under an agreement. The petition must be submitted to the USTR Section 301 Committee Office.

---

52 Omnibus Trade Act, supra note 35, § 1303(b) (codified at 19 U.S.C. § 2242(a) (1988)). See also Carla A. Hills' Statement, supra note 1, at 48.
54 Omnibus Trade Act, supra note 35, § 1302(a) (codified at 19 U.S.C. § 2420(b) (1988)). See also Carla A. Hills' Statement, supra note 1, at 48. The first step of "Super 301" is to prepare a National Trade Estimate (NTE) Report. The NTE report lists eight categories of foreign trade barriers: import policies; standards, testing, labeling and certification; government procurement; export subsidies; lack of intellectual property protection; service barriers; investment barriers; and barriers that affect more than one category. Ralph Oman's Statement, supra note 53, at 74.
56 An interested party may be a person, firm, or an association which is directly affected by a foreign government's failure to grant rights of the United States under a trade agreement. 55 Fed. Reg. 20,593, 20,595 (1990). For example, on November 15, 1990, three associations filed a petition under § 302(a) against Thailand. The petition alleged that Thailand's government denied fair and equitable opportunities to market U.S. products, did not establish enterprises to distribute U.S. products, and further, that Thailand failed in protecting U.S. IPR. These allegations flowed from Thailand's failure to enforce its copyright laws on piracy. The petitioners showed that the above complained of practices had cost U.S. industries between seventy million and one hundred million dollars per year. Consequently, the USTR "initiated an investigation of Thailand's acts, polices and practices relating to the enforcement of copyrights." 56 Fed. Reg. 292 (1991).
58 A petition must include the following: (1) the identity of petitioner and his injured economic interest; (2) the description of the U.S. rights being violated or denied under the trade agreement; (3) copies of the laws or the regulations which are the subject of the petition; (4) the identity of the foreign country with which the United States has the trade agreement; (5) the identity of the subject matter which was injured; (6) a demonstration of discrimination, burden or restriction of U.S. commerce; (7) a showing of the degree of burden, restriction, volume of trade, and a description of methodology; (8) a statement of any other forms of relief sought by the petitioner. Id. at 20,595 - 96 (1990).
IV. CONFLICTS WITH THE U.S. APPROACH TO IPR AND THE FORMAT OF THE GATT

On June 17, 1987, the European Community (EC) lodged a complaint that U.S. patent enforcement procedures under Section 337 of the Tariff Act was incompatible with Article III of the GATT.\(^6\) Generally, the EC's complaint stated that the U.S. patent holders can choose to bring disputes before the ITC or federal district courts, while no equivalent choice is available to a foreign patent holder.\(^6\) The GATT panel\(^6\) ruled on November 23, 1988, that Section 337 did not provide for national treatment found in Article III:4.\(^6\) Thus, Section 337 was in

\[^{59}\] Id. at 20,595.

\[^{60}\] Article III:4 requires that governments must treat imported products at least as well as like domestic products in terms of taxation and regulation. This requirement is commonly referred to as "national treatment." The GATT violation by the United States consisted of abridging this national treatment requirement. Article III:4 states:

[the products of the territory of any contracting party imported into the territory of any other contracting party shall be accorded treatment no less favorable than that accorded to like products of national origin in respect of all laws, regulations and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution, or use.]

\[^{61}\] Int'l Trade Rep. (BNA) No. 23, at 793 (June 6, 1990). The EC was concerned with the differences between the patent-based Section 337 actions and litigation under U.S. domestic law through the federal courts. See Report by the Panel adopted on 7 November 1989, supra note 38, at 350-53 (listing the differences between Section 337 and the federal court proceedings).

GATT, 62 Stat. 3679, 3681, T.I.A.S. No. 1890, at 4, 62 U.N.T.S. 80, 82 (Sept. 14, 1948) (amending GATT, supra note 3). See also Akzo N.V. v. United States Int'l Trade Comm'n, 808 F.2d 1471 (Fed. Cir. 1986), cert. denied, 482 U.S. 909 (1987) (ITC's exclusion order affirmed). In addition, to clarify its complaint, the EC indicated three issues that it was not contesting:

- the status of Section 337 procedures as they were applied in non-patent based investigations;
- the consistency with the General Agreement of substantive United States patent law; and
- the right of contracting parties to enforce at the border national patent law against infringing imports.

```
Report by the Panel adopted on 7 November 1989, supra note 38, at 355. Currently, the protection of patent rights is an exception to the national treatment obligation. GATT, supra note 3, art. XX(d). However, this exception only applies to the different treatment of imports and domestic products in enforcement mechanisms. Consequently, patent law treatment of both imports and domestic products must be consistent with the GATT. Id.
```

\[^{62}\] By invoking Art. XXIII:2 of the GATT, a contracting party may request a panel to assist the disputing parties. The panel usually consists of three to five members who are not citizens of the disputing parties. The Director-General of the GATT proposes the composition of the panel, while the contracting parties have the power of approving the Director-General's proposal. See Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance in BISD 210 (26th Supp. (1980)), reprinted in Jackson & Davey, supra note 2, at 337-44.

\[^{63}\] Report by the Panel adopted on 7 November 1989, supra note 38, at 345. Specifically, the GATT panel found the United States violated the GATT national treatment obligation in four ways. First, domestic complainants of an imported good were afforded access to both the courts and the
conflict with the United States' obligations under the GATT.\textsuperscript{64}

On November 7, 1989, the United States finally accepted the panel ruling.\textsuperscript{65} Even though the United States withdrew its opposition, it was troubled by the implications of the panel decision because the United States offers a higher level of protection of IPR than those of most other GATT members.\textsuperscript{66} However, if the United States is to ratify any IPR agreement in the Uruguay Round, Section 337 must conform to the GATT.\textsuperscript{67}

Another area of potential conflict with the GATT is Section 301 of the Omnibus Trade Act. According to the USTR, every country potentially falls under the designation of a "priority" country based upon the Uruguay Round proposal.\textsuperscript{68} The Uruguay Round proposal seeks enforcement of adequate and effective protection of IPR while virtually all countries deny this higher level of protection which is more consistent with the United States’ obligations under the GATT.\textsuperscript{64}

Jeffrey S. Neeley & Hideto Ishida, \textit{Section 337 and National Treatment Under GATT: A Proposal for Legislative Reform}, 13 FORDHAM INT’L L. J. 276, 290 (1990) [hereinafter Neeley & Ishida]. Second, foreign producers were accorded less favorable treatment by fixed time limits of twelve or eighteen months for final disposition in the ITC with no comparable time limits applicable to the U.S. producers. The domestic petitioner of an imported good has more time to prepare a case before the ITC, while the foreign respondent is limited in time to respond. In contrast, a foreign petitioner of a domestic good who is limited to the federal court system affords the domestic respondent unlimited time to prepare a defense. \textit{Report by the Panel adopted on 7 November 1989, supra} note 38, at 352. Third, the Panel found a foreign respondent’s inability to bring counterclaims in the ITC also violated the GATT national treatment obligation. As a result, a domestic complainant who had no exposure to an adverse finding in an ITC proceeding would be less likely or willing to settle a case. \textit{Id.} at 389-90. Fourth, the Panel found the principal remedy under Section 337, the automatic \textit{in rem} exclusion orders, gave domestic complaints in the ITC an unfair advantage of reduced enforcement costs. In contrast, in federal courts, the foreign complaints faced higher costs with remedies which operated \textit{in personam}. \textit{Id. See also} Sealed Air Corp. v. United States Int’l Trade Comm’n, 645 F.2d 976, 986 (C.C.P.A. 1981) (holding that personal jurisdiction is not required for Section 337 orders).


\textsuperscript{65} \textit{Report by the Panel adopted on 7 November}, \textit{supra} note 38, at 345.

\textsuperscript{66} \textit{Id.}

\textsuperscript{67} USTR Ambassador Carla A. Hills strongly indicated that the GATT deal must be in “America’s best interest.” If the agreement does not reform trade for all countries, Ambassador Hill will walk away from the negotiating table. \textit{Market Moving}, Reuters, Feb. 7, 1990, \textit{available in LEXIS, NEXIS} Library, Wires File.

\textsuperscript{68} Ralph Oman’s statement, \textit{supra} note 53, at 75 (referring to the Office of the United States Trade Representatives, \textit{Fact Sheet, “Special 301” on Intellectual Property} (Wash., D.C. 1989) at 2).
with the Omnibus Trade Act.\textsuperscript{69}

Foreign criticism focuses on the unilateral nature of Section 301. Foreign countries complain that the United States is unilaterally attacking foreign practices without taking notice of GATT procedures or recognizing the GATT as a multilateral forum.\textsuperscript{70} Foreign countries assert that the United States and its trading partners have agreed on the GATT to govern international trade and to resolve disputes, and therefore any unilateral action by the United States violates or is contrary to its international obligations under the GATT.\textsuperscript{71}

Section 301’s unilateral trade actions are the “antithesis of [Uruguay] Round’s goal of increased trade liberalization.”\textsuperscript{72} However, it appears that with an action-oriented Congress and business community, only a highly successful Uruguay Round will lead to any reform of the Section 301 law.\textsuperscript{73}

\section*{V. PROPOSALS FOR THE URUGUAY ROUND}

The importance of protecting IPR in the United States is evidenced by the strong responses given by both the governmental and private sectors regarding TRIPs.\textsuperscript{74} Carla Hills, while summing up the importance of TRIPs, stated: “Americans who engage in international trade are very concerned about the harm to [U.S.] trading interests that results from the

\begin{footnotesize}
\begin{enumerate}
\item The Omnibus Trade Act affects the GATT in four major ways. First, a domestic industry no longer has to prove an injury for granting relief as under the old Section 337. Second, the industry no longer needed to demonstrate that it was efficiently and economically operated. Third, a U.S. patent holder can proceed before the ITC under amended Section 337 or seek the appropriate relief under federal district court. Fourth, the amended Section 337 definition of an industry has been significantly broadened to allow more firms to bring a Section 337 action. Under the Omnibus Trade Act, an industry must show a substantial investment in IPR to qualify as a domestic industry. BISD 400-401, (36th Supp. (1989)). See generally Andrew S. Newman, The Amendments to Section 337: Increased Protection for Intellectual Property Rights, 20 L. & POL’Y INT’L BUS. 571 (1989) (for further discussion on the amendments to Section 337).
\item Id. at 398. However, Warren Maruyama, the Deputy Associate Director for International Economic Policy, noted that the foreign criticism avoids the issue that there are no GATT procedures specifically addressing the IPR issue. Id.
\item 7 Int’l Trade Rep. (BNA) No. 22, at 766 (May 30, 1990). On May 23, 1990, Arthur Dunkel, GATT Director General, voiced his concerns that if the Uruguay Round is unsuccessful, then many countries will pattern themselves after the U.S. Section 301 practice. Id.
\item See also EC Sees Return to Multilateral Solutions, 7 Int’l Trade Rep. (BNA) No. 18, at 616 (May 2, 1990) (reporting that Tran Van Thinh, the EC’s chief negotiator, believes that Section 301’s unfair trade practices can be only eliminated by creating international disciplines for IPR).
\item President Bush clearly stated the “Uruguay Round of the GATT continues to be the centerpiece of our trade strategy. While the lack of effective multilateral rules and enforcement mechanisms has forced us to resort to Section 301, we look forward to the day when such actions will be unnecessary.” Statement by the President, Statement on United States Action Against Foreign Trade Barriers, 25 WEEKLY COMP. PRS. DOC. 777 (May 26, 1989).
\end{enumerate}
\end{footnotesize}
lack of adequate and effective protection of [IPR] in many foreign markets." 75 U.S. negotiating objectives for the Uruguay Round are to bring the GATT's multilateral objectives in IPR closer to U.S. objectives in the Omnibus Trade Act. 76 Specifically, these objectives are: "[1] adequate substantive standards, [2] effective enforcement of those standards, both internally and at the border, [3] an effective dispute settlement procedure, and [4] the application of basic principles such as national treatment and transparency." 77

These objectives demonstrate the USTR's contention that international economic growth and competitiveness will be strengthened if all countries maintain strong domestic intellectual property protection. 78 Further, the USTR believes that international enforcement will lead to a reduction of distortions in international productions and trade results. 79 Finally, the USTR asserts that the United States will continue to have a "very substantial stake" in strong protection of IPR. 80 Therefore, the United States cannot afford to agree to anything less than what it actually possesses nationally in IPR protection. 81

Protection of IPR is also a matter of the highest priority for the Department of Commerce. 82 The Commerce Department firmly believes

---

75 Carla A. Hills' Statement, supra note 1, at 30.
76 Id. at 35.
77 Id. at 35-36. There are five topics being negotiated for the substantive standards mentioned in objective one: copyrights, patents, trademarks, trade secrets, and semiconductor chip layout designs. Id. at 36 (for an overview of each of these five topics see id. at 37-43). The term transparency, used in objective four, refers to the United States' will to have open and equitable resolutions where both parties do not hold back any information that could hurt an expressed resolution which may be reached by the parties. See generally Omnibus Trade Act, § 1342, 19 U.S.C. § 2901(b)(3) (amended 1988).
78 Carla A. Hills' statement, supra note 1, at 32.
79 Id. at 32-33.
80 Id. at 33.
81 The U.S. proposal on IPR concentrated on internally protecting domestic industry through the concept of due process. Under due process, the U.S. industries have the appropriate system to take action and enforce their rights. Id. at 44. In addition, the United States seeks to allow foreign governments the ability to initiate their own action when required. Id. at 45-46. Further, the United States seeks to enforce IPR at the borders, so that IPR owners can initiate their action on alleged import violations before the imports enter the country. Id. at 44-46.
82 The Commerce Department primarily deals with federal technology management issues. Under the Commerce Department, the Patent and Trademark Office (PTO) issues patents and registers trademarks. Also under the Commerce Department, the International Trade Administration (ITA) has responsibilities relating to foreign protection of U.S. IPR. Intellectual Property, Domestic Productivity and Trade: Hearing Before the Subcomm. on Courts, Intellectual Property, and the Administration of Justice of the House Comm. on the Judiciary, 101st Cong., 1st Sess. 6 (1989) (statement of Wendell L. Willkie, II, General Counsel, Department of Commerce) [hereinafter Wendell L. Willkie, II's statement]. Both the ITA and PTO participate in bilateral consultations within the special Section 301 procedures of the 1988 Omnibus Trade Act. Id. at 6-7. In addition, the PTO routinely provides foreign countries with technical training on intellectual property laws. Id. at 7.
that strong protection and enforcement of IPR will encourage investment in new products and services that are essential to U.S. industries.\textsuperscript{83} Also, the Commerce Department states that rigorous IPR laws will lead to reasonable returns for U.S. companies and will create incentives for research and development.\textsuperscript{84}

In addition to the U.S. Government's position on IPR, lobbyist groups like the Intellectual Property Alliance (IPA)\textsuperscript{85} and the Intellectual Property Committee (IPC)\textsuperscript{86} have been working hard to push Congress to adopt a GATT agreement which strongly protects IPR.\textsuperscript{87} The IPA advanced that if the GATT limited current U.S. ability to pursue bilateral and regional TRIPs objectives, the United States should not enter into the GATT.\textsuperscript{88} The IPA proposed that the United States fully participate in the GATT by pressuring the other contracting parties to provide provisions which sufficiently protect IPR and establish mechanisms to enforce those provisions.\textsuperscript{89} Also, the IPA recommended that the United States continue in its bilateral initiatives, as the improvements in intellectual property protection have resulted in a reduction of trading losses from $1.3 billion in 1984 to $645 million in 1988 in copyright piracy alone.\textsuperscript{90} However, the IPA maintains the position that "the job is not finished." The IPA continues to work for even greater IPR protection.

Reflecting a similar position to the IPA, the IPC also recommended there be no reduction of the current levels of IPR protection afforded by U.S. law.\textsuperscript{92} The IPC suggested that any GATT agreement signed by the

\textsuperscript{83} Id. at 6.
\textsuperscript{84} Id.
\textsuperscript{85} The Intellectual Property Alliance (IPA) is a U.S. domestic alliance of seven trade associations which represent a copyright community. Over 1600 companies are members of the IPA. \textit{Oversight of the Trade Act of 1988, supra} note 7, at 31 (statement of Jason Berman, President of the Recording Industry Association of America) [hereinafter Jason Berman's Statement]. The IPA was founded in 1984. It supports traditional and new forms of intellectual property, encourages sanctions against lesser developed countries that have inadequate IPR protection, and harsh penalties for such violations. \textit{1 ENCYCLOPEDIA OF ASSOCIATIONS: NATIONAL ORGANIZATIONS OF THE UNITED STATES} 5199 (Deborah M. Burek ed., 25th ed. 1990).
\textsuperscript{86} The Intellectual Property Committee (IPC) was formed in 1986 to organize domestic and international support for improving the protection of IPR. Its membership includes corporations like General Electric, DuPont, IBM, Bristol-Myers and others. \textit{Oversight of the Trade Act of 1988, supra} note 7, at 34 (statement of C.L. Clemente, Vice President and General Counsel of Pfizer Inc.) [hereinafter C.L. Clemente's Statement].
\textsuperscript{87} \textit{See generally, Oversight of the Trade Act of 1988, supra} note 7 (where both the IPA and IPC made proposals to the Senate Committee on Finance).
\textsuperscript{88} Jason Berman's Statement, supra note 85, at 34.
\textsuperscript{89} Id. at 33.
\textsuperscript{90} Id. at 32.
\textsuperscript{91} Id.
\textsuperscript{92} C.L. Clemente's Statement, supra note 86, at 36.
United States must contain effective deterrents to infringements of IPR and must adopt rules for the protection of IPR.\(^93\) IPC suggests that incentives like preferential treatment, transition rules, and technical assistance should be included in the GATT agreement when coupled with consultations, market access, and assistance outside the GATT format.\(^94\) IPC also claims that the elimination of trade distortion can be achieved by requiring contracting parties to create IPR laws which can be used by private right holders.\(^95\) Finally, IPC maintains that when contracting parties fail to make adequate IPR laws the use of multilateral consultation and dispute settlement procedures will lead to a reduction of trade distortion.\(^96\)

Another advocate of strong IPR is the private industry sector. Private companies\(^97\) are unwilling to disclose technology to developing countries because of the lack of protection for U.S. IPR.\(^98\) In addition, these companies find there is no effective sanction in developing countries for a breach of confidence, especially where a company is dealing with government-controlled or quasi-governmental institutions.\(^99\)

In developing countries, private companies maintain the position that it is very difficult for them to obtain a return on secret patent know-how.\(^100\) These developing countries place compulsory licensing conditions\(^101\) on patents or impose restraints on repatriating royalty pay-

\(^{93}\) Id.
\(^{94}\) Id.
\(^{95}\) Id.
\(^{96}\) Id. See also; infra note 142 (discussing how Section 301's bilateral approach opens trade on a multilateral level).
\(^{97}\) The author takes the position that, for purposes here, British Petroleum's position on IPR sufficiently represents the standard position of the entire private industry sector and will be used accordingly. British Petroleum would like to improve international investment by encouraging technology transfers. Letter from R.F. Fawcett, Manager, Patents & Agreements Division, to L.W. Evans, P & L, BPA (May 4, 1990) (on file with the Case Western Reserve Journal of International Law) (the letter references an unpublished, attached paper setting out BP's priorities in the final stage of the GATT Uruguay Round) [hereinafter letter from Fawcett].
\(^{99}\) Id.
\(^{100}\) Id.
\(^{101}\) Compulsory licensing provisions provide that patent owners who do not work their patent for a certain period of time in a country may be compelled to grant a license to interested third parties. 7 Int'l Trade Rep. (BNA) No. 31, at 1202 (Aug. 1, 1990). For example, in Brazil, a patent will be forfeited officially or at the request of a third party when the invention has not begun to work within four years or if the invention has stopped working for two or more consecutive years. Id. British Petroleum takes the position that the GATT should not include compulsory licensing of technology to developing countries by reducing the returns to the developed countries' companies. Compulsory licensing would discourage technology transfer to developing countries. See letter from Fawcett, supra note 97.
ments. These types of practices severely constrain the ability of companies to receive a reasonable return.

Private companies encounter great difficulty in securing the enforcement of existing laws or rules that protect IPR in developing countries. For example, in most cases, the authorities in developing countries do not pursue cases of counterfeiting. If a counterfeiting case does reach the developing country's court system, the courts demonstrate ambivalence towards the foreign offenders. Furthermore, when developing countries are deficient or void of a system for protection of IPR, foreign companies are reluctant to transact business within those countries' borders. Thus, U.S. companies demand clear rules and clear guidelines, along with a strong indication that those rules will be enforced in developing countries.

Lastly, private companies are not only concerned with losses from business, they are also concerned with the emergence of strict product liability laws. They argue that counterfeit products do not meet the high standards of the original products and as a result, claimants will mistakenly file liability claims against the original manufacturer. Thus, the original manufacturer incurs unnecessary and costly legal expenses defending wrongful claims.

VI. LIVING WITH THE 1991 GATT

"To be, or not to be: that is the question."

103 Id.
104 Id.
105 Id.
106 Id.
107 For example, China's domestic law is entirely lacking in copyright protection. Thus, the only copyright protection available to a private party is the terms of its contract within China. However, enforcement of those contract terms is difficult and generally the terms do not cover copyright violators who are not a party to the contract. Consequently, the lack of copyright law prevents effective protection for proprietary technology in technical manuals, limits the distribution of artistic works, and greatly hampers transfer of technologies involving pharmaceuticals and chemicals. Pitman B. Potter, Prospects for Improved Protection of Intellectual Property Rights, CHINA BUS. REV. 27 (1989).
108 BP Position Paper, supra note 98.
109 See Letter from Fawcett, supra note 97. (discussing the GATT Uruguay Round).
110 Id.
111 WILLIAM SHAKESPEARE, Hamlet Act III, Sc. 1, in WILLIAM SHAKESPEARE THE COMPLETE WORKS 1047 (Peter Alexander ed., 1964). A successful GATT would have resulted in greater U.S. growth in trade. U.S. GNP would have risen by $130 billion or 2.5% by the end of 1990 as a result of efficient U.S. exporters who would have had better access to foreign markets. Further, the United States would have gained jobs and in turn the new jobs would have driven the economy. Since the GATT failed in 1990, the costs to the United States were a slower growth in U.S. productivity and losses totaling an estimated $100 billion in the GNP. Uruguay Round Results
Because of a stalemate in agriculture negotiations, the mid-December 1990 deadline for completion of the Uruguay Round brought a suspension of the negotiations rather than the long-hoped-for agreement. 112 Initially, the GATT negotiations were on Congress' "fast-track" 113 deadline of June 1, 1991. 114 Congress, however, extended the fast-track for an additional two years. 115

During the GATT negotiations, the United States and other developed countries held the position that the GATT must include substantive standards for "IPR protection, enforcement mechanisms, and GATT dispute resolution procedures." 116 On the other hand, developing countries, led by Brazil, contended that they should not have to maintain the monopoly positions of the developed countries' companies by enforcing the developed countries' IPR. 117 These countries also argued that the World Intellectual Property Organization (WIPO), 118 as well as other


112 The impasse to the Uruguay Round was due to negotiations on agricultural trade with the EC. Specifically, the EC's proposal on market access and reducing exports was inadequate for major agriculture countries like the United States, Canada, and Australia. The EC proposed a thirty percent reduction in domestic price supports over ten years, and no specific reductions in import barriers and export subsidies. The major agriculture countries were proposing a seventy-five percent cut in domestic price supports and a ninety percent cut in export subsidies. 7 Int'l Trade Rep. (BNA) No. 45 at 1722 (Nov. 14, 1990). See id. at 1747-61 (a reprint of the text of the EC agricultural proposal at the Uruguay Round). The author notes that the GATT negotiations formally resumed on February 26, 1991. William Dullforce, Optimism at Relaunch of Trade Talks, FIN. TIMES LIMITED (London), Feb. 27, 1991, § I, at 7.

113 Under a fast-track procedure, Congress must either fully accept or reject, without alteration, any GATT agreement entered into by the President. See generally JACKSON & DAVEY, supra note 2, at 151-155 (1986).

114 This meant the administration could negotiate until June 1, 1991. 7 Int'l Trade Rep. (BNA) No. 46, at 1774 (Nov. 21, 1990). Many individuals pressured the administration to require that the President's renewal deadline, March 1, 1991, [the deadline for President Bush to exercise his option to ask Congress to extend the June 1 deadline] be the final deadline for the GATT talks. Joseph E. Connor, the president of the International Chamber of Commerce, stated the "substantive agreements [of the GATT] in principle in the most crucial negotiating areas must be in hand by March 1, 1991." President of International Chamber of Commerce Says Stalled GATT Talks Threaten the Future of Global Trade, PR Newswire Ass'n, Jan. 30, 1991 available LEXIS, NEXIS Library, PRNews File. Senator Max Baucus of Montana stated that March 1, 1991 should be treated as a final deadline for the Uruguay Round. 7 Int'l Trade Rep. (BNA) No. 46, at 1774 (Nov. 21, 1990).


117 Id.

118 Established in 1967, the World Intellectual Property Organization (WIPO) is a United Nations Agency which administers intellectual property conventions. The WIPO's responsibilities range from promotion of creative intellectual activity to facilitation of transferring of technology to
non-GATT groups, are the appropriate forums for IPR discussions.\(^{119}\)

Another major barrier to a final agreement is found in the intellectual property area of negotiations. The United States is very disillusioned and upset with Japan’s alignment with less-developed countries.\(^{120}\) Japan proposed a “first-to-file” patent system which is in direct conflict with the United States’ “first-to-invent” approach.\(^{121}\) Thus, regardless of the agriculture impasse, a final GATT agreement appears highly unlikely to receive Congressional approval without a substantial resolution in the intellectual property area.\(^{122}\)

Even with the present turmoil in GATT negotiations, U.S. industries continue to file Section 301 unfair trade practices against foreign countries. As of late, Thailand has been a prime target of these complaints. On November 15, 1990, a coalition including the IPA, filed such an action against Thailand for failing to enforce U.S. domestic copyright laws against pirates of audio and videocassettes.\(^{123}\) On January 30, 1991, the Pharmaceutical Manufacturers Association (PMA) filed a Section 301 action against Thailand for its failure to protect pharmaceutical patents.\(^{124}\) It clearly appears the U.S. industry is quite willing to work with

---

119 Cunningham, supra note 116, at 326. The critical interest of these developing countries is a transfer of technology which will help their domestic industries. *Id.* For example, India argues intellectual property laws will drive up domestic prices. This rise in prices will deprive developing and poor countries access to patented, trademarked and copyrighted products. 7 Int’l Trade Rep. (BNA) No. 34, at 1306 (Aug. 22, 1990).


121 *Id.* at 81. *See also* 7 Int’l Trade Rep. (BNA) No. 45, at 708-15 (May 16, 1990) (for a duplication of the U.S. draft agreement presentation on trade-related aspects of intellectual property rights (TRIPs) at the GATT negotiations). The established practice in the United States is that an applicant who first invented the claimed subject matter, even if a later inventor was the first to file for the patent, is awarded the patent. Gregory Wrenn, *What Should Be Our Priority - Protection For the First to File or the First to Invent?*, 72 J. PAT. & TRADEMARK OFF. SOC’Y 872, 872 (1990). In the rest of the world, with exception of the Philippines, the applicant who first filed for the patent would be awarded the patent. *Id.*


123 7 Int’l Trade Rep. (BNA) No. 46, at 1768 (Nov. 21, 1990). *See also supra* note 56 (explaining the details of the coalition’s petition against Thailand).

124 *Pharmaceutical Industry Files Petition Against Thailand Over Patent Protection*, 8’ Int’l Trade Rep. (BNA) No. 6, at 200 (Feb. 6, 1991). Almost, concurrently, the International Intellectual Property Alliance (IIPA) identified twenty-two countries for some level of Section 301 investigations. The IIPA asked that Thailand, India, The People’s Republic of China, Brazil, Indonesia, Greece, Mexico, Philippines, Poland, Turkey, and the United Arab Emirates be labelled as priority watch countries. Also, the IIPA recommended to the USTR that Cyprus, Egypt, El Salvador, Germany, Italy, Korea, Pakistan, Saudi Arabia, Taiwan, the U.S.S.R., and Yugoslavia be placed on a lower-priority watch list. 8 Int’l Trade Rep. (BNA) No. 8, at 274 (Feb. 20, 1991).
the existing U.S. law which operates in a bilateral manner and totally disregards the GATT.

VII. SOLUTIONS

Clearly, the United States will not alter its position on a need for expeditious relief for its industries as seen by the recent bilateral proceedings before the ITC. Consequently, any reform at the GATT level must mirror the ITC proceedings or, in the alternative, the United States must stop discriminating against foreign intellectual property holders who do not have domestic industries. Excluding the IPR issue from the GATT and negotiating the IPR issue in a totally separate forum would be a viable solution. However, if the GATT is to include IPR, the United States needs to address the problem that trade secrets have been excluded from the current GATT negotiations.

Having the GATT proceedings mirror the ITC proceedings would be unrealistic. The ITC proceedings are set up to protect industrialized countries like the United States, so developing countries are not likely to

---

125 USTR does not view Section 301 as a move towards unilateralism. The only unilateral action in its opinion is the identification of U.S. negotiating priorities. This identification in turn leads to bilateral or multilateral consultations and even in some cases to a formal dispute settlement. All of which leads to trade liberalization. FACT SHEET, supra note 47.

126 The president of the Pharmaceutical Manufacturing Association (PMA), Gerald Mos-singhoff, stated “the current stalemate of the overall GATT, and specifically, intellectual property negotiation has made it imperative that the U.S. pharmaceutical industry work with the existing bilateral laws to ensure patent protection.” Int’l Trade Rep. (BNA) No. 6, at 200 (Feb. 6, 1991). The executive vice president and chief financial officer of Honeywell, Christopher J. Steffen, stated “the task before us now is to assure that U.S. trade laws maintain the existing remedies for dealing with intellectual property incorporated into imported products. Congress will be considering further amendment to our trade laws, including Section 337 that permits [the ITC] to ban the import of infringing products.” Honeywell Disappointed in GATT Outcome, PR Newswire Ass’n, Dec. 10, 1990, available in LEXIS, NEXIS Library, PR Newswire File.

127 See supra note 72, at 766 (Carla Hills “pledged to enforce [Section] 301 strongly” if the Uruguay Round talks failed and a scaling back of Section 301 would only occur with an overwhelming successful Round). See also supra note 67 (Hills indicating that any GATT agreement must be in “America’s best interest”).

128 See supra note 38 (for definition of a domestic industry).

129 A federal circuit court applying Illinois state law stated a trade secret is “a secret plan or process, tool, mechanism or compound known only to its owner and those employees to whom it is necessary to confide it.” Syntex Ophthalmics, Inc. v. Novicky, 745 F.2d 1423, 1433 (Fed. Cir. 1984), vacated, 470 U.S. 1047 (1985), reinstated on remand, 767 F.2d 901 (Fed. Cir. 1985) (quoting citations omitted). See also infra note 176 (referring to the Uniform Trade Secret Act’s definition of a trade secret).

130 The basic problem is that trade secrets are not covered by any international treaty. The United States wants to establish the “norms [of international trade secrets] almost from scratch.” An Idea-merchant’s Lexicon, ECONOMIST, Nov. 12, 1988, at 74. On the other hand, the United States clearly includes trade secrets in the area of intellectual property. Oversight of Trade Act of 1988, supra note 7, at 42-43.
agree to such a narrow type of proceeding.\textsuperscript{131} Further, if the United States imposes economic sanctions, developing countries would become less willing to adopt a cooperative approach toward improving protection of IPR within their own borders.\textsuperscript{132} On the other hand, if the GATT proceedings are too broad, the same industrialized countries and their constituents will balk at any agreement.\textsuperscript{133} Thus, U.S. domestic law should be used as a model for any GATT forum IPR proceedings.\textsuperscript{134}

Still, there are significant limitations to building an effective global trade policy similar to Section 301.\textsuperscript{135} First, a global copy of Section 301 will not lead to broad-based multilateral changes because Section 301 usually relies on only two countries dealing with a single unfair trade practice.\textsuperscript{136} Second, if one country has no leverage with another country, a Section 301-based system will be ineffective.\textsuperscript{137} Third, a global-based system will lead to trade wars where all involved will be worse off.\textsuperscript{138} Finally, such a system may cause friction between countries which could lead to retaliation in countries on other international objectives.\textsuperscript{139}

U.S. initiatives of Section 301, however, have demonstrated the value of bilateral negotiations on particular practices to complement multilateral negotiations.\textsuperscript{140} For example, a foreign country must have leverage for effective Section 301 negotiations. Additionally, in Section 301 negotiations, retaliation will be a significant factor.\textsuperscript{141} With these

\textsuperscript{131} Countries like India and Brazil do not want any GATT provisions on IPR. John Richards, \textit{Trade Related Intellectual Property Issues}, 72 J. PAT. & TRADEMARK OFF. SOC'Y 906, 922 (1990). See Maruyama, supra note 70 and accompanying text (discussing developing countries' criticism of Section 301). See also Cunningham supra note 116 and accompanying text (explaining developing countries position in the GATT); infra note 186 (discussing developing countries dependance on their pirate industries).

\textsuperscript{132} Potter, supra note 107, at 27.


\textsuperscript{134} For example, a potential GATT provision can incorporate ITC procedures such as not allowing counterclaims, while providing for a more difficult threshold standard for standing than the ITC.

\textsuperscript{135} The USTR recognizes that Section 301 is not a substitute for the GATT, but an important market-opening tool. The GATT is the preferred long-term solution for enforcement procedures of IPR. The GATT will facilitate a better approach to resolving a number of interrelated issues. \textit{FACT SHEET}, supra note 47, at 8.

\textsuperscript{136} Maruyama, supra note 70, at 401.

\textsuperscript{137} Id.

\textsuperscript{138} Id.

\textsuperscript{139} Id. These objectives would include issues revolving around finance, military defense, and the environment. Id.

\textsuperscript{140} See infra note 145. See also supra note 128 and accompanying text.

\textsuperscript{141} Maruyama, supra note 70, at 400. This is also evidenced by the recent actions against countries like Thailand. See supra note 56. Cf. supra note 124 and accompanying text (discussing the investigation of designated priority watch countries for possible patent violations).
bilateral negotiation practices, Section 301 has significantly opened trade for the United States.\textsuperscript{142}

The problem, however, is that the United States is in violation of the national treatment article of GATT.\textsuperscript{143} An easy, but unrealistic solution for the United States would be to comply with the GATT panel's findings.\textsuperscript{144} Such a course would mean the United States would no longer be violating Article III by protecting its own industries. However, such a solution seems untenable because of the hostility against any weakening of IPR in the United States.\textsuperscript{145}

In order to comply with national treatment of Article III, a foreign respondent to a Section 337 action must be allowed to counterclaim against a U.S. petitioner.\textsuperscript{146} Once again, the present hostility against weakening the Section 337 proceeding would make this unrealistic. In an ITC proceeding, the effect of counterclaims would give the foreign respondent more remedies than the U.S. petitioner who is limited to cease-and-desist and exclusion orders.\textsuperscript{147} This practice would simply negate the effectiveness of Section 337, as the U.S. petitioner would be under the threat of money damages by the foreign respondent. Therefore, U.S. petitioners would be less likely to file Section 337 claims.\textsuperscript{148}

In addition to counterclaims, the United States would have to lengthen the Section 337 time period for the eventual disposition of a case.\textsuperscript{149} The ITC proceeding should be lengthened to two-and-one-half years to three years. This length of time would be roughly equivalent to the average length of time for a disposition of a patent case in federal

\begin{footnotes}
\item[142] Interestingly, advocates of the U.S. Section 301 system argue that the U.S. bilateral system has led to free and open trade which benefits both the United States and developing countries. Alan F. Homer & Judith Hippler Bello, \textit{U.S. Trade Law and Policy Series No. 14: The 1988 Trade Bill: Saviour or Scourge of the International Trading System?}, 23 Int'l. L.J. 523, 527-28 (1989). These advocates point to examples of U.S. Section 301 action that opened the market for third parties. 
\begin{itemize}
\item A settlement the United States reached with Japan on beef and citrus imports benefited the United States as well as Australia and New Zealand.
\item The Section 301 investigation of Korean intellectual property practices benefited patent and copyright holders worldwide.
\item The United States action against Japan on semiconductors opened the Japanese 'chip' market for all foreign semiconductor producers.
\end{itemize}
\item[143] See supra note 63.
\item[144] Id.
\item[145] See supra note 72. See also supra note 135.
\item[146] See supra note 63.
\item[147] Neeley & Ishida, supra note 63, at 295.
\item[148] Id.
\item[149] The ITC has to make its final determination in twelve or eighteen months depending on the complicity of the case. 19 U.S.C. § 1337(b)(1) (1988). See also supra note 63.
\end{footnotes}
Thus, both the foreign and domestic respondents would be afforded similar time periods for forming a defense.151

Lastly, resort to in rem remedy proceedings in Section 337 cases must be made temporary. This change would lessen the monetary advantage the U.S. petitioners in ITC proceedings have over foreign petitioners who are limited to federal court proceedings.152 Also, domestic petitioner's access to both federal court and ITC must be restricted. In the alternative, the United States should allow all intellectual property right holders to bring a claim under Section 337. Both of these propositions should modify Section 337 to overcome any arguments that the United States is not in compliance with the GATT's national treatment obligation.153

Another possible solution is to remove the IPR issue from the GATT and place the issue exclusively in the WIPO's Patent Harmonization.154 However, in order to place IPR in the Patent Harmonization, the United States will have to change its first-to-invent system to a first-to-file system.155 Also, the United States must give “prior art”156 effect to an application subsequently published as an application or granted as a patent as of its earliest filing or priority date.157 Even with these sub-

---

150 From July 1, 1986, to June 30, 1987, the average time for a disposition of a patent case in federal district court was thirty-one months. Report by the Panel adopted on 7 November 1989, supra note 37, at 365.

151 See supra note 63.

152 Id.


154 A meeting of a committee of experts on November 13, 1989, started the process towards patent law harmonization. In June 1991, a diplomatic conference was to be held on a draft form of patent law harmonization from which a formal treaty will likely result. William T. Fryer III, Patent Law Harmonization Treaty Decision Is Not Far Off - What Course Should the U.S. Take? A Review of the Current Situation and Alternatives Available, 30 IDEA: J. L. & TECH 309, 310 (1990). See also id. at 311-13 (explaining the WIPO treaty process). Emery Simon, Director of Intellectual Property at the USTR, stated some IPR have been achieved through the WIPO as a result of the positive TRIPs negotiations in the GATT. 8 Intl Trade Rep. (BNA) No. 9, at 330-31 (Feb. 27, 1991).

155 Williams S. Thompson, President's Page, in AM. INTELL. PROP. L. ASS'N BULL. 538, 539 (Sept. 1990) (on file with the Case Western Reserve Journal of International Law) [hereinafter AIPLA BULL.] (discussing harmonization of patent laws). These modifications in U.S. law will address the conflict with Japan and its allies in the GATT. See supra note 123 and accompanying text (discussing Japan's position of first-to-file).

156 "[T]he meaning of 'prior art' in legal theory . . . is knowledge that is available, including what would be obvious from it, at a given time, to a person of ordinary skill in an art." Kimberly-Clark Corp. v. Johnson & Johnson, 745 F.2d 1437, 1453 (Fed. Cir. 1984). See generally Kirk M. Hartung, "Prior Art": The Undefined Key to Section 103 of the 1952 Patent Act, 32 DRAKE L. REV. 703 (1983).

157 AIPLA BULL., supra note 155, at 539. However, if the United States is to make such
stantial concessions, the U.S. patent bar is urging U.S. negotiators to seek patent harmonization in the WIPO.\textsuperscript{158}

Placing the IPR issue in the WIPO forum would be looked upon favorably by developing countries like India and Brazil. These developing countries have actively sought to place intellectual property in the WIPO forum.\textsuperscript{159} However, these countries seek to include topics like compulsory licensing which would diminish the level of IPR protection sought by the developed countries.\textsuperscript{160} Also, the current WIPO conventions lack effective enforcement mechanisms.\textsuperscript{161} These issues will be opposed by the developed countries, but this opposition is not an insurmountable problem considering the concessions which would have to be made by the United States.\textsuperscript{162}

Primarily, the developing countries seek to include compulsory licensing in the WIPO to avoid research and development expenses or to radical changes in its patent law, the following provisions which benefit U.S. applicants must be accepted by the foreign countries:

1. an effective grace period of one year applicable to public disclosures by the inventor, third parties who obtained information directly or indirectly from the inventor, or successors in title to the inventor, which grace period is not subject to dilution by prior user rights;
2. applications may be filed in any language subject to submission of a translation within two months, which translation may be corrected at any time during pendency or subsequently as a granted patent provided that error may be demonstrated with reference to the original nonofficial language filing or a priority filing in another country;
3. a country should have the option of giving prior art effect to an application which is subsequently published to negate the inventive step as well as novelty, but it should be mandatory for all countries to exclude such applications as prior art against later filed applications of the same inventor or applicant;
4. countries providing search and examination of patent applications should be required to do so with reasonable dispatch to obtain clarification of rights in a reasonable time period with every effort made to produce a search at the time of first publication, to begin examination no later than three years after filing and exert its best efforts to complete examination no later than five years from filing date;
5. opposition or revocation procedures should not be available before patent grant so as not to delay the granting of a patent; and
6. an effective scope of protection will be provided by extending protection to reasonable equivalents as determined at the time of infringement and not limiting claims by detailed features of the described embodiments not contained in the claims.

\textit{Id.} (These proposals are made by the American Intellectual Property Law Association).


\textsuperscript{160} \textit{Id.} at 292. \textit{See also} 7 Int'l Trade Rep. (BNA) No. 31, at 1202 (Aug. 1, 1990) (discussing the effect of compulsory licensing).

\textsuperscript{161} Kastenmeier & Beier, \textit{supra} note 159, at 295.

\textsuperscript{162} \textit{See supra} notes 158 & 160.
avoid supplementing their research capabilities. These countries avoid these costs by acquiring their technology through licenses. Further, these developing countries continually seek to copy patented or trade-marked products which have good reputations in order to create employment in their own markets. Typically, developing countries see licensing as an effective channel for technology transfer which contributes to growth in their industrial capacity.

In WIPO negotiations, developed countries must continue to argue that intellectual property laws will increase the availability of new products. When a country passes patent laws, "the mentality shifts from copying to innovating." Developing countries' must realize that without patent laws, their domestic industries lack incentive to research and develop new products. If the developed countries' firms find themselves unable to gain reasonable returns on their investments because of ineffective intellectual property laws, developing countries will have nothing to copy and their consumers will be deprived of new goods and services.

Regardless of the forum in which the IPR issue is finally resolved, the variations of trade secret protection are very extreme on the international level and not addressed by the current GATT proposals. In protecting trade secrets, a firm generally does not need to show objective novelty, obviousness, or required formalities except those necessary

---


164 Id.

165 Id. at 214. This growth will be especially evident in countries which "(1) the technology supplied is basic process know-how not otherwise generally available; (2) the licensing agreement permits assimilation of the know-how by the user; and (3) the recipient enterprise takes steps to bring about assimilation by its own personnel and institutions." Id.


167 Id.


169 See supra text accompanying note 130.

170 By comparison, in an application for a patent, a prospective patent owner has to make assurances that the protected subject matter is objectively novel. Field, Pharmaceuticals & Intellectual Property, supra note 168, at 6. See also 35 U.S.C. § 102 (1984).

171 By comparison, in a patent claim, a claim can not cover subject matter "obvious" to individuals who are equally skilled as the petitioner. Field, Pharmaceuticals & Intellectual Property, supra note 168, at 6. See also 35 U.S.C. § 103 (1984); United States v. Adams, 383 U.S. 39, 51-52
to preserve secrecy.\textsuperscript{172} For protection of trade secrets, firms must primarily rely upon state law. At the international level, firms can rely on the tenuous protections of confidential relationships\textsuperscript{173} and industrial espionage practices.\textsuperscript{174} However, this level of protection is grossly inadequate on an international level.\textsuperscript{175}

Generally, the United States must seek a broad definition for trade secrets.\textsuperscript{176} The United States must avoid agreeing to an international definition of trade secret similar to the Japanese definition which states a trade secret cannot be publicly known.\textsuperscript{177} Under such a definition, a corporation must assume any disclosure to any number of individuals could make the trade secret publicly known.\textsuperscript{178} This type of disclosure is too low a standard for effective trade secret protection.

On the other hand, a broader U.S. definition would give greater trade secret protection because of its requirement that the maintenance of trade secrecy must be "reasonable under the circumstances."\textsuperscript{179} This requirement would allow a judge to determine if the owner's efforts to maintain the trade secrets were reasonable under the circumstances and thereby maintain the owner's trade secrecy protection.\textsuperscript{180}

The U.S. definition would be more equitable than the Japanese definition since a trade secret owner would not have to make his corporation

\begin{footnotesize}
\begin{enumerate}
\item See supra note 107 (discussing remedy under contract law in China as an example of underdeveloped countries).
\item Field, \textit{Pharmaceuticals \& Intellectual Property}, supra note 168, at 9. To show a trade secret infringement a petitioner must show improper access and copying. \textit{Id.} at 11.
\item For example, these types of protection do not limit firms from duplicating a product or process by inspecting goods obtained from the marketplace which is commonly referred to as "reverse engineering." \textit{Id.} at 8. Also, an individual may independently develop information of a competitor's trade secret. Independent development is not a misappropriation of a trade secret. William E. Hilton, \textit{What Sort of Improper Conduct Constitutes Misappropriation of a Trade Secret}, 30 IDEA: J. L. \& TECH. 287, 293 (1990).
\item For example, the Uniform Trade Secret Act defines a trade secret as:
\begin{quote}
[I]nformation, including a formula, pattern, compilation, program, device, method, technique, or process, that (1) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means, by other persons who can obtain economic value from its disclosure or use, and (2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.
\end{quote}
\textsc{Cal. CIV. Code} § 3426.1 (West Supp. 1990) [hereinafter Uniform Trade Secret Act].
\item \textit{Id.} at 14.
\item Uniform Trade Secret Act, supra note 176.
\item Hill \& Edmondson, supra note 177, at 16.
\end{enumerate}
\end{footnotesize}
an impenetrable security fortress. Thus the United States must insist that trade secrets be included in the definition of intellectual property and that a reasonableness requirement be included in the definition of trade secret.

Finally, the political reality of the GATT negotiations indicates that the United States should rely on its own domestic IPR laws. The developing countries are quite vulnerable to Section 301 pressures as evidenced by the recent actions against Thailand. The vulnerability of smaller developing countries comes from their dependence on the United States for trade. An example of this vulnerability involves the situation surrounding pharmaceutical products. Where developed countries consider the pharmaceutical issue as an issue of financial policy due to lost sales resulting from the lack of patent protection on human drugs, the developing countries are more concerned with health policies than patent protection when it comes to pharmaceutical products. Consequently, any GATT provisions similar to the U.S. bilateral process will be adversely viewed by these developing countries.

A possible solution to this political problem can be a grandfather clause in the GATT provision on IPR. With such a clause, a developing country would be completely protected from any unilateral action against it by a GATT member. In return, at some specified future date, the developing country would agree to future transparent negotiations on amendments to the GATT IPR provisions and to improve their domestic IPR enforcement to meet these future amended GATT provisions. After this specified date, the developing countries would be open to unilateral action by GATT members for any violation of the GATT IPR provisions. Consequently, under this grandfather clause system, developing

181 Id. at 17.
182 Braga, supra note 16, at 261-64 (discussing the political economy of IPR protection).
183 See supra note 56. Cf. supra note 124, at 274 (request that Thailand be placed on U.S. Watch List).
184 For example, Section 301 is ineffective against larger developing countries which are less dependent on trade with the United States and because of political or military concerns. Kastenmeier & Beier, supra note 159, at 302-03.
185 Id. at 295.
186 In addition, many of these developing countries depend on their pirate industries for income. Therefore, a loss of this income would be an economic incentive not to ratify any IPR provisions in the GATT. See generally 32 PAT. TRADEMARK & COPYRIGHT J. (BNA) No. 794, at 472-74 (Aug. 28, 1986) (discussing the economic effect of pirate industries in developing countries and its adverse effects on U.S. industry).
187 The GATT's Protocol invalidates a member's legislation which is inconsistent with Part II of the GATT only if that legislation was in place prior to October 30, 1947, and has not been amended in a manner that has increased its inconsistency with the GATT. Protocol of Provisional Application of the General Agreement on Tariffs and Trade, Oct. 30, 1947, 61 Stat. pt. 5,6 at A2051 (1948), T.I.A.S. No. 1700, 55 U.N.T.S. 308, reprinted in IV BISD 77 (1969). See also Jackson & Davey, supra note 2, at 299-300 (interpreting the language of the protocol).
countries would more likely be willing to ratify a GATT agreement similar to the U.S. bilateral process.

VIII. CONCLUSION

The inclusion of intellectual property in the GATT is a bold and necessary move by the United States. An internationally agreed upon framework of minimum standards for TRIPs is necessary to keep trade in the multilateral arena. If the United States hopes for any type of agreement, it must balance each of its proposals to the GATT. However, this appears unlikely in light of the protective attitude by both Congress, the Administration, and U.S. intellectual property community. Thus, the future for IPR appears to be a protective process where each country will try to protect its own industries. The result of this protectionism will seriously curtail the benefits received by all countries when they engage in world trade.

Solomon F. Balraj*