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**Council for Trade-Related Aspects
of Intellectual Property Rights**

NON-VIOLATION AND SITUATION COMPLAINTS

Summary Note by the Secretariat

Revision

This document has been prepared under the Secretariat's own responsibility and without prejudice to the positions of Members and to their rights and obligations under the WTO

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I. INTRODUCTION

1. At its meeting on 5 June 2012¹ the Council requested the Secretariat to update the Summary Note of the points raised in the substantive discussion of this agenda item so far (IP/C/W/349), which it had prepared in response to a request from the Council in March 2002 and which had last been updated in 2004 (IP/C/W/349/Rev.1). The present revision of that note responds to this request by including the points that have been raised since the circulation of the updated version in 2004. Being a summary, this note is not exhaustive and is prepared for the assistance of Members in continuing the substantive discussion of this agenda item. Reference should be made to the complete record of the discussion as contained in the papers submitted by delegations and minutes of meetings listed in the Annex for a complete picture.

¹ See the minutes of that meeting, document IP/C/M/70, para. 109-110.

2. Article 64.3 of the TRIPS Agreement required the Council to examine the scope and modalities for complaints of the types provided for under Article XXIII:1(b) and (c) of GATT 1994 made pursuant to the TRIPS Agreement (so-called "non-violation and situation complaints") and make recommendations to the General Council by the end of 1999. There was a suggestion that this item should form part of the Council's work programme at its first meeting in March 1995, but the Council did not have an initial exchange of views on it until its meeting in December 1998. The Council continued to discuss the subject, most recently at its meeting in June 2012, and at the time of drafting this document it remains on the Council's agenda. In this context, various delegations submitted papers and, at the Council's request, the Secretariat prepared a factual background note, which focused primarily on experience with non-violation complaints under the GATT/WTO (IP/C/W/124), as well as the present Summary Note. In 2001, the Chair circulated some headings which could be used to organize further discussions, which were based in part on the subheadings of the Secretariat note (JOB(01)/70). In 2002, the Chair circulated an annotated agenda with questions on which large parts of the following discussions in the Council were based (JOB(02)/66). These papers and notes are listed in the Annex.

3. On 14 November 2001 in Doha, the Ministerial Conference addressed the issue in its Decision on Implementation-Related Issues and Concerns as follows:

"The TRIPS Council is directed to continue its examination of the scope and modalities for complaints of the types provided for under subparagraphs 1(b) and 1(c) of Article XXIII of GATT 1994 and make recommendations to the Fifth Session of the Ministerial Conference. It is agreed that, in the meantime, Members will not initiate such complaints under the TRIPS Agreement."²

4. In the decision on the Doha Work Programme adopted by the General Council on 1 August 2004, the issue was addressed as follows:

"Other elements of the Work Programme: the General Council reaffirms the high priority Ministers at Doha gave to those elements of the Work Programme which do not involve negotiations. Noting that a number of these issues are of particular interest to developing-country Members, the Council emphasizes its commitment to fulfil the mandates given by Ministers in all these areas. To this end, the General Council and other relevant bodies shall report in line with their Doha mandates to the Sixth Session of the Ministerial Conference. The moratoria covered by paragraph 11.1 of the Doha Ministerial Decision on Implementation-related Issues and Concerns and paragraph 34 of the Doha Ministerial Declaration are extended up to the Sixth Ministerial Conference."³

5. Members subsequently extended the moratorium at the 2005 Hong Kong Ministerial Conference,⁴ at the 2009 Geneva Ministerial Conference,⁵ and most recently at the 2011 Geneva Ministerial Conference. This latest decision reads as follows:

"We take note of the work done by the Council for Trade-Related Aspects of Intellectual Property Rights pursuant to our Decision of 2 December 2009 on "TRIPS Non-Violation and Situation Complaints" (WT/L/783), and direct it to continue its examination of the scope and modalities for complaints of the types provided for under subparagraphs 1(b) and 1(c) of Article XXIII of GATT 1994 and make recommendations to our next Session, which we have

² WT/MIN(01)/17, para. 11.1.

³ WT/L/579, para. 1(h).

⁴ WT/MIN(05)/DEC, para. 45.

⁵ Decision of the Ministerial Conference on "TRIPS non-violation and situation complaints" (WT/L/783) of 2 December 2009.

decided to hold in 2013. It is agreed that, in the meantime, Members will not initiate such complaints under the TRIPS Agreement."⁶

6. At its meeting of 5 June 2012, the Council for TRIPS requested the Secretariat to prepare the present update of the earlier Summary Note.⁷

7. This paper begins with a summary of comments on the exceptional character and purpose of the non-violation remedy and on systemic considerations regarding non-violation complaints under the TRIPS Agreement. It then addresses points made under the five headings circulated by the Chairperson in JOB(01)/70: nature of benefits; measures; causality; burden of demonstration of nullification and impairment; and remedy. It then summarizes where Members have expressed a need for guidance and their proposals for action. It concludes with brief sections on situation complaints and complaints alleging impediment to the attainment of an objective of the Agreement.

II. EXCEPTIONAL CHARACTER OF THE NON-VIOLATION REMEDY

8. The view has been expressed that non-violation nullification and impairment (the "non-violation remedy") has an exceptional character.⁸ It has been noted that the Panel in *Japan - Film* considered that "the non-violation remedy should be approached with caution and should remain an exceptional remedy".⁹ The view has been expressed that non-violation complaints could only succeed under the TRIPS Agreement in a very limited number of cases.¹⁰ It has been argued that neither the existence of safeguards nor the limited number of cases is relevant to the question whether non-violation complaints should be admissible in the TRIPS context and, if so, on what conditions and within what limits.¹¹ It has been suggested that the exceptional character of the remedy could have a bearing on the scope of non-violation complaints entertained under the TRIPS Agreement.¹²

III. PURPOSE OF THE NON-VIOLATION REMEDY

9. The issue of the purpose of the non-violation remedy and whether it is necessary or desirable in the TRIPS context has been discussed. In this context, delegations have expressed views on the systemic implications of the application of the non-violation remedy in the TRIPS area.

10. One issue that has been discussed in this connection is **whether the non-violation remedy is necessary for the security and predictability of benefits** that should flow from the TRIPS Agreement, including whether it can be applicable to benefits flowing from rules of general application or is only applicable to benefits deriving from tariff and other market access concessions. In this context, points have been made about the **implications of the application of the non-violation remedy for the balance of rights and obligations under the TRIPS Agreement and whether it would enhance or reduce certainty**.

⁶ Decision of the Ministerial Conference on "TRIPS non-violation and situation complaints" (WT/L/842) of 17 December 2011.

⁷ IP/C/M/70, para. 109.

⁸ IP/C/M/28, para.192. See IP/C/W/249, Sec. II, page 1; *Similar statements can be found at IP/C/M/22, para. 145; IP/C/M/21, para 120; IP/C/M/23, para. 117; IP/C/M/23, para.122; IP/C/M/23, para. 126; IP/C/M/24, para. 105; IP/C/M/24, para. 106; IP/C/M/26, para 104; IP/C/M/27, para. 162; IP/C/M/27, para. 164; IP/C/M/29, para. 223; IP/C/M/29, para. 225; IP/C/M/30, para. 203; IP/C/M/32, para. 153.*

⁹ IP/C/W/212, sec. IV, page 7, citing Panel Report on *Japan - Film*, WT/DS44/R, para. 10.37. See also IP/C/W/127, Issues of Concern , page 2 and IP/C/W/385, para. 2; *Similar statement can be found at IP/C/M/30, para. 204; IP/C/M/22, para. 136; IP/C/M/28, para. 192; IP/C/M/32, para. 156.*

¹⁰ IP/C/W/194, page 4 .

¹¹ IP/C/M/24, para. 105.

¹² IP/C/W/212, page 8.

11. On the one hand, it has been noted that experience with the non-violation remedy under GATT has usually concerned the benefits of negotiated tariff concessions.¹³ It has been noted that the scope of the non-violation remedy has been reduced under Article XXIII:3 of GATS which limits non-violation complaints under that Agreement to benefits accruing from specific commitments undertaken by Members.¹⁴ It has been recalled that the Appellate Body said in its report on *India – Patents* that:

"Under Article XXIII:1(b) of the GATT 1994, a Member can bring a 'non-violation' complaint when the negotiated balance of concessions between Members is upset by the application of a measure, whether or not this measure is inconsistent with the provisions of the covered agreement. The ultimate goal is not the withdrawal of the measure concerned, but rather achieving a mutually satisfactory adjustment, usually by means of compensation."¹⁵

It has been argued that, even with regard to negotiated concessions, the need for non-violation complaints to protect tariff concessions has been largely removed since the establishment of the WTO, by the adoption of disciplines on subsidies and non-tariff measures and by the inclusion in the agreements in Annex I of the Marrakesh Agreement of substantial flexibility to address borderline cases without recourse to non-violation complaints.¹⁶ For the above reasons, the non-violation remedy was simply inapplicable in the context of the TRIPS Agreement¹⁷, which, unlike other WTO agreements, is a *sui generis* agreement which is not designed to protect market access¹⁸ or the balance of tariff concessions, but rather to establish minimum standards of intellectual property protection,¹⁹ which, if abused, may even undermine markets access (see, e.g., Article 8).²⁰ It was difficult to see the analogy between tariff concessions or specific services commitments, on the one hand, and the multilateral recognition of the minimum rights of nationals to be provided for by a WTO Member on the basis of the TRIPS Agreement, on the other hand.²¹ Failure by Members to comply with the obligation to provide these minimum standards could be directly addressed as a violation of the TRIPS Agreement.²² Moreover, the minimum standards have sufficient guarantees at the national level under the TRIPS enforcement provisions²³, because right holders can have recourse to domestic courts in respect of benefits derived from protection.²⁴

¹³ IP/C/W/124, paras. 27-28 and IP/C/W/385, paras. 13-14; IP/C/M/40, para. 152; IP/C/M/67, para. 258.

¹⁴ IP/C/M/32, para. 156; IP/C/W/385, para. 15.

¹⁵ WT/DS50/AB/R, para. 41, cited at IP/C/W/194, page 6.

¹⁶ IP/C/W/385, para. 15.

¹⁷ IP/C/M/23, para. 111; IP/C/M/37/Add.1, para. 278; IP/C/M/40, para. 160; IP/C/M/46, para. 170; IP/C/M/46, para. 175; IP/C/M/46, para. 182; IP/C/M/46, para. 185; IP/C/M/47, para. 244; IP/C/M/49, para. 239; IP/C/M/62, para. 108; IP/C/M/63, para. 113; IP/C/M/63, para. 114; IP/C/M/64, para. 313; IP/C/M/64, para. 315; IP/C/M/64, para. 317; IP/C/M/65, para. 201; IP/C/M/67, para. 259; IP/C/M/67, para. 261; IP/C/M/67, para. 262; IP/C/M/67, para. 264; IP/C/M/67, para. 267; IP/C/M/67, para. 268; IP/C/M/69, para. 97; IP/C/M/69, para. 98; IP/C/M/69, para. 107; IP/C/M/69, para. 109; IP/C/M/70, para. 98; IP/C/M/70, para. 100; IP/C/M/70, para. 103; IP/C/M/70, para. 108.

¹⁸ IP/C/M/46, para. 173; IP/C/M/46, para. 175; IP/C/M/46, para. 178; IP/C/M/46, para. 185; IP/C/M/47, para. 233; IP/C/M/47, para. 233; IP/C/M/49, para. 224; IP/C/M/49, para. 235; IP/C/M/49, para. 237; IP/C/M/61, para. 142; IP/C/M/61, para. 144; IP/C/M/61, para. 145; IP/C/M/61, para. 146; IP/C/M/61, para. 147; IP/C/M/61, para. 150; IP/C/M/63, para. 111; IP/C/M/64, para. 311; IP/C/M/66, para. 117; IP/C/M/66, para. 119; IP/C/M/67, para. 259; IP/C/M/69, para. 101; IP/C/M/69, para. 101.

¹⁹ IP/C/M/66, para. 111; IP/C/M/66, para. 116; IP/C/M/67, para. 253; IP/C/M/67, para. 260; IP/C/M/69, para. 102.

²⁰ IP/C/W/385; para. 31.

²¹ IP/C/M/22, para. 142.

²² IP/C/M/46, para. 178; IP/C/M/49, para. 235.

²³ IP/C/M/23, para. 126; IP/C/W/385, para. 33-36 ; IP/C/M/37/Add.1, para. 267.

²⁴ IP/C/M/21, para. 120.

12. On the other hand, it has been noted that three GATT panel reports had also considered non-violation claims based on general obligations rather than specific tariff concessions, and found that GATT Article XXIII:1(b) is not limited to tariff benefits.²⁵ It has been argued that applying the non-violation remedy under TRIPS would provide security and predictability and help ensure that the TRIPS Agreement's flexibility is not misused in order to avoid legitimate obligations.²⁶ Failure to allow the possibility of non-violation complaints under the TRIPS Agreement would ultimately invite creative law- and regulation-writing by any Members that might be dissatisfied with particular provisions of the TRIPS Agreement and which wished to avoid obligations without directly violating them.²⁷

13. In response, it has been argued that non-violation and situation complaints are unnecessary to protect any balance of rights and obligations inherent in the TRIPS Agreement, as these are reflected in the Agreement's principal obligations and flexibilities, and the Agreement explicitly states that WTO Members are not obliged to implement more extensive protection (Article 1).²⁸ The application of non-violation complaints under the TRIPS Agreement would undermine regulatory authority and infringe sovereign rights as it might constrain Members' ability to introduce new and perhaps vital social, economic development, health, environmental and cultural measures and affect existing policies in these areas.²⁹ It has been said that, as TRIPS, unlike GATT and GATS, did not protect measures designed to achieve important national policy goals, such as health and the environment, through a general exception, such measures would be placed at a further disadvantage if open to challenge through non-violation complaints.³⁰ The introduction of the non-violation remedy under the TRIPS Agreement, particularly without a proper understanding of the issue, might cause the TRIPS Agreement to undergo significant change³¹ and unsettle its delicate balance of rights and obligations³² as there was a danger that the private rights protected under the TRIPS Agreement would thereby be elevated over the interests of users and public policy concerns.³³ As the obligations under the TRIPS Agreement, unlike tariff bindings, could not be revised between individual parties, the introduction of non-violation complaints would operate as a legal principle creating unknown new benefits and corresponding responsibilities,³⁴ that had not been negotiated.³⁵ The introduction of the non-violation remedy could also undermine the flexibilities inherent in the TRIPS Agreement³⁶ by creating possibilities for unilateral pressure not to employ compulsory licences and other measures sanctioned by the Declaration on the TRIPS Agreement and Public Health.³⁷ The application of non-violation

²⁵ 1985 Panel Report, *European Economic Community - Production Aids Granted on Canned Peaches, Canned Pears, Canned Fruit Cocktail and Dried Grapes*, L/5778, not adopted; 1988 Panel Report on *Japan - Semi-conductors*; and 1990 Panel Report on *United States - 1955 Waiver*, cited in IP/C/W/212 at page 6 and IP/C/W/124, Annex 4.

²⁶ IP/C/M/66, para. 123; IP/C/M/67, para. 252.

²⁷ IP/C/M/23, para 114 ; IP/C/M/47, para. 238; IP/C/M/48, para. 180; IP/C/M/49, para. 230; IP/C/M/64, para. 312; IP/C/M/65, para. 200; IP/C/M/67, para. 276.

²⁸ IP/C/W/385, para. 38; IP/C/M/37/Add.1, para. 276; IP/C/M/39, para. 167; IP/C/M/40, para. 158; IP/C/M/47, para. 236; IP/C/M/61, para. 149; IP/C/M/67, para. 265; IP/C/M/67, para. 266.

²⁹ IP/C/W/385, paras. 24-25 citing IP/C/W/141, para. 4; IP/C/M/37/Add.1, para. 268 and 273; IP/C/M/37/Add.1, para. 278; IP/C/M/37/Add.1, para. 283; IP/C/M/38, para. 277; IP/C/M/39, para. 179; IP/C/M/46, para. 172; IP/C/M/67, para. 259.

³⁰ IP/C/W/385, para. 26.

³¹ IP/C/M/23, para. 111.

³² IP/C/M/24, para. 105; IP/C/M/46, para. 174; IP/C/M/46, para. 175; IP/C/M/46, para. 183; IP/C/M/47, para. 240; IP/C/M/59, para. 74; IP/C/M/59, para. 75; IP/C/M/70, para. 106; IP/C/M/70, para. 107.

³³ IP/C/W/385, para. 21; IP/C/M/37/Add.1, para. 268; IP/C/M/66, para. 112.

³⁴ IP/C/W/385, para.22; IP/C/M/40, para. 156.

³⁵ IP/C/M/66, para. 111.

³⁶ IP/C/M/37/Add.1, para. 268; IP/C/M/65, para. 202; IP/C/M/66, para. 119; IP/C/M/67, para. 259; IP/C/M/69, para. 97; IP/C/M/69, para. 101; IP/C/M/69, para. 105.

³⁷ IP/C/W/385, para 27-28; IP/C/M/66, para. 112; ; IP/C/M/67, para. 260; IP/C/M/69, para. 102.

complaints under the TRIPS Agreement would introduce legal uncertainty³⁸ in the WTO system more generally and would therefore increase public concerns over the impact of the TRIPS Agreement on public policy such as health, biodiversity and technology transfer³⁹ and consequently affect the predictability and security which the multilateral trading system sought to provide for all WTO Members.⁴⁰ It was said that the potential for bringing non-violation complaints had already been cited in a number of bilateral consultations about intellectual property rights.⁴¹

14. Another issue raised has been the **relation of the non-violation remedy to international law**. The question of whether the requirement of good faith application of international obligations in accordance with the normal principles of public international law is sufficient to guarantee benefits under the TRIPS Agreement, or whether a non-violation remedy is also necessary has been discussed.

15. It has been argued that, as the "good faith" performance and interpretation principle of international law already required a bona fide, reasonable application of the TRIPS Agreement, the introduction of the non-violation remedy was therefore unnecessary to protect the balance of rights and obligations in the TRIPS Agreement.⁴² In this context, it has been noted that according to Article 3.2 of the Dispute Settlement Understanding ("DSU") the provisions of the agreements covered by the DSU are to be clarified "in accordance with the customary rules of interpretation of public international law" which also comprise the concept of "good faith" performance and interpretation as mentioned in Articles 26 and 31 of the Vienna Convention. It has been recalled that the Appellate Body said in its report on *United States – Shrimp* that:

"[The principle of good faith], at once a general principle of law and a general principle of international law, controls the exercise of rights by States. One application of this general principle, the application widely known as the doctrine of *abus de droit*, prohibits the abusive exercise of a State's rights and enjoins that whenever the assertion of a right 'impinges on the field covered by [a] treaty obligation, it must be exercised bona fide, that is to say, reasonably'. An abusive exercise by a Member of its own treaty right thus results in a breach of the treaty rights of the other Members and, as well, a violation of the treaty obligation of the Member so acting."⁴³

16. It has been further argued that international law has not evolved in such a way that states or Members can be penalized for acts or omissions for which they are not otherwise responsible. In international law, the rule still is that one is liable for the consequences of breaches of contract or acts which constitute a tort. The concept of non-violation complaints goes further than this. It seeks to render a Member liable for situations in which it has not violated any agreement and even for situations over which it has no control.⁴⁴ The International Law Commission has been working on the

³⁸ IP/C/M/37/Add.1, para. 275; IP/C/M/37/Add.1, para. 276; IP/C/M/37/Add.1, para. 278; IP/C/M/37/Add.1, para. 280; IP/C/M/37/Add.1, para. 281; IP/C/M/37/Add.1, para. 282; IP/C/M/37/Add.1, para. 283; IP/C/M/38, para. 270; IP/C/M/38, para. 271; IP/C/M/38, para. 272; IP/C/M/38, para. 273; IP/C/M/39, para. 175; IP/C/M/39, para. 178; IP/C/M/40, para. 152; IP/C/M/40, para. 154; IP/C/M/40, para. 162; IP/C/M/46, para. 172; IP/C/M/46, para. 175; IP/C/M/46, para. 178; IP/C/M/46, para. 183; IP/C/M/46, para. 185; IP/C/M/47, para. 237; IP/C/M/49, para 235; IP/C/M/49, para. 226; IP/C/M/61, para. 141; IP/C/M/62, para. 61; IP/C/M/69, para. 97.

³⁹; IP/C/M/66, para. 113.

⁴⁰ IP/C/W/385, para. 54; IP/C/M/59, para. 75; IP/C/M/64, para. 316; IP/C/M/66, para. 113; IP/C/M/67, para. 260; IP/C/M/69, para. 103; IP/C/M/70, para. 107.

⁴¹ IP/C/W/385, para. 53.

⁴² IP/C/W/385, para. 32 ; IP/C/M/37/Add.1, para. 267; IP/C/M/38, para. 272; IP/C/M/39, para. 167; IP/C/M/39, para. 179; IP/C/M/46, para. 183; IP/C/M/47, para. 237; IP/C/M/48, para. 175; IP/C/M/65, para. 202; IP/C/M/66, para. 114; IP/C/M/69, para. 100; IP/C/M/69, para. 106; IP/C/M/70, para. 105.

⁴³ WT/DS58/AB/R, para. 158, cited at IP/C/W/385, para. 42.

⁴⁴ IP/C/M/23, para. 120.

issue of international liability of states for acts not contrary to law, in particular those resulting in transboundary damage, but even it has not yet reached any conclusions.⁴⁵ It has been argued that WTO law is not immune from general principles of international law, which distinguish between primary obligations and secondary obligations. The non-violation concept entails a secondary obligation – to remedy the consequences of a violation of a primary obligation – without a primary obligation – no obligation has been violated – which, in itself, is a unique notion in international law. It existed in GATT 1947 with the safeguard of the positive consensus rule, but now the negative consensus rule has changed the situation.⁴⁶

17. In discussing the **impact of the application of the non-violation remedy in the TRIPS area on coherence in the WTO system**, the following arguments have been made.

18. It has been argued that the non-violation remedy is an important element of the WTO dispute settlement system⁴⁷ and that there is a need to maintain coherence among the different WTO agreements.⁴⁸ It has been argued that there is no substantial difference between GATT, GATS and the TRIPS Agreement and that, as the TRIPS Agreement is one of the pillars of the WTO system, the principle of non-violation clearly applies also to it.⁴⁹ The TRIPS Agreement was negotiated as part of the Uruguay Round, the results of which were part of an overall package in which concessions in one area under negotiation were made in exchange for benefits in another, and should provide Members with the same security and predictability that is available in relation to other WTO agreements.⁵⁰ There is also an exchange of rights and obligations within the Agreement itself in the form of certain limitations and exceptions in relation to various forms of intellectual property.⁵¹ It has been argued that delaying further the application of the non-violation remedy to the TRIPS Agreement would upset the equilibrium of concessions reached during the Uruguay Round.⁵²

19. In response, it has been argued that merely because the non-violation remedy might be proper under the GATT does not make it proper under the TRIPS Agreement⁵³ and that the TRIPS environment is different from the GATT and the GATS environment.⁵⁴ It has been argued that introducing non-violation complaints under the TRIPS Agreement might introduce incoherence among WTO agreements⁵⁵ as otherwise WTO-consistent measures such as taxes and advertising

⁴⁵ IP/C/M/23, para. 126. Since that time, the International Law Commission has continued its work on unilateral acts of States and at its 58th session on 11 August 2006 adopted a set of 10 Guiding Principles (together with commentaries) applicable to unilateral declarations of States capable of creating legal obligations (available at http://untreaty.un.org/ilc/texts/instruments/english/draft%20articles/9_9_2006.pdf) of which the UN General Assembly took note in Resolution 61/34 of 4 December 2006 .

⁴⁶ IP/C/M/27, para. 182.

⁴⁷ IP/C/M/21, para. 124; IP/C/M/40, para. 170; IP/C/M/64, para. 312; IP/C/M/65, para. 200.

⁴⁸ IP/C/M/27, para. 165; IP/C/M/37/Add.1, para. 286.

⁴⁹ IP/C/M/27, para. 177; IP/C/M/40, para. 170; IP/C/M/46, para. 176; IP/C/M/47, para. 238; IP/C/M/48, para. 179; IP/C/M/49, para. 234; IP/C/M/61, para. 148; IP/C/M/62, para. 63; IP/C/M/63, para. 112; IP/C/M/64, para. 314; IP/C/M/65, para. 200; IP/C/M/65, para. 204; IP/C/M/66, para. 123; IP/C/M/66, para. 127; IP/C/M/67, para. 270; IP/C/M/67, para. 277; IP/C/M/69, para. 108.

⁵⁰ IP/C/M/23, para. 114; IP/C/M/38, para. 274; IP/C/M/40, para. 170; IP/C/M/46, para. 180; IP/C/M/67, para. 275.

⁵¹ IP/C/W/194, Appendix, under the subheading 'Issues of Concerns to Other Members, Uncertainty as to Scope', page 8.

⁵² IP/C/W/194, Appendix, under the subheading 'Legal Basis for the Position of the US Regarding Expiration of the "Moratorium" on Non-Violation Cases', page 7; IP/C/M/47, para. 238; IP/C/M/49, para. 230; IP/C/M/64, para. 312; IP/C/M/67, para. 252.

⁵³ IP/C/M/22, para. 146; IP/C/W/385, para. 31.

⁵⁴ IP/C/M/22, para. 144; IP/C/M/39, para. 180.

⁵⁵ IP/C/M/37/Add.1, para. 268; IP/C/M/39, para. 175; IP/C/M/40, para. 151; IP/C/M/66, para. 113; IP/C/M/67, para. 260.

requirements could then be challenged under the TRIPS Agreement⁵⁶ which would amount to establishing a new cause of action under the TRIPS Agreement.⁵⁷ Non-violation and situation complaints under TRIPS were unnecessary to protect market access commitments embodied in the GATT or GATS, or any other notion of a balance of concessions struck in the Uruguay Round, as these are adequately protected by those agreements and other Annex 1 agreements.⁵⁸

20. In response thereto, it has been argued that a non-violation complaint lodged under the TRIPS Agreement cannot impair the consistent application of another WTO agreement. Article 3.2 of the DSU expressly provides that "[r]ecommendations and rulings of the DSB cannot add to or diminish the rights and obligations provided in the covered agreements". Article 3.5 of the DSU also provides that "[a]ll solutions to matters formally raised under the consultation and dispute settlement provisions of the covered agreements, including arbitration awards, shall be consistent with those agreements and shall not nullify or impair benefits accruing to any Member under those agreements, nor impede the attainment of any objective of those agreements". Given that the WTO Agreement is the result of a single undertaking, it is highly unlikely that, even absent this express language in the DSU, a panel would determine that something a Member has agreed to under one part of this single undertaking would nullify or impair benefits accruing under another part of it. Moreover, given that an essential element of a successful non-violation complaint is that the action could not have been foreseen at the time the benefit was negotiated, it would be obvious that if any WTO agreement provided for an action, that action was foreseen at the time of negotiations and the non-violation complaint would fail.⁵⁹

21. It has been argued that the introduction of non-violation complaints in TRIPS would further imbalance the proper distribution of responsibilities between WTO Members and panels and the Appellate Body.⁶⁰ Under GATT, the negotiators had regarded the concept of non-violation nullification and impairment as a benchmark guiding bilateral consultations, negotiations and multilateral decision-making and did not envisage the application of the concept in binding third-party adjudication procedure. It was applied in a way in which each contracting party had the possibility to block the adoption of a finding of nullification and impairment. Under the WTO Agreement, however, the decisions determining the relevant benefits for non-violation complaints would be made independently by the Appellate Body, whose decision would have to be unconditionally accepted. There was concern that the uncertainty regarding the application of non-violation complaints could foster "unintended interpretation"⁶¹ and that there could be potentially expansive interpretations of the WTO obligations by panel and Appellate Body decisions which could not easily be reversed by WTO Members.⁶²

IV. NATURE OF BENEFITS ACCRUING UNDER THE TRIPS AGREEMENT

22. Much of the substantive discussion of this item concerned the essential elements of a non-violation claim. Certain issues of procedure and remedy have also been raised. Paragraph 1(b) of Article XXIII of GATT 1994 refers to the nullification or impairment of a benefit accruing to a Member directly or indirectly under an agreement as a result of the application by another Member of any measure, whether or not it conflicts with the provisions of this Agreement. Article 26.1 of the

⁵⁶ IP/C/W/385, para. 18; IP/C/M/37/Add.1, para. 268; IP/C/M/66, para. 113.

⁵⁷ IP/C/W/385, para. 19.

⁵⁸ IP/C/W/385, Executive Summary and para. 15; IP/C/M/46, para. 178; IP/C/M/49, para. 235.

⁵⁹ IP/C/W/194, under the subheading 'The TRIPS Agreement is One Part of a Coherent System of Agreements', page.3. *See also* IP/C/M/30, para. 205.

⁶⁰ IP/C/W/385, para. 51; IP/C/M/37/Add.1, para. 270.

⁶¹ IP/C/W/385, para. 51 citing IP/C/W/191, para. 13.

⁶² IP/C/W/385, para. 51. A similar statement is found at IP/C/M/39, para. 178.

DSU requires the complaining party in such cases to present a detailed justification in support of its complaint and that, to remedy a case of non-violation, there is no obligation to withdraw the measure.

(a) Objectives and principles

23. It has been argued that an assessment of benefits and objectives of the TRIPS Agreement should pay heed to the stated objectives and the Preamble to the Agreement. The relevant factors in relation to benefits under TRIPS could include: adequate standards and principles concerning the availability, scope and use of intellectual property rights; the balance of rights and obligations; the promotion of technological innovation and transfer and dissemination of technology; the mutual advantage of producers and users of technological knowledge; social and economic welfare; and ensuring that intellectual property right enforcement does not impede legitimate trade.⁶³

24. It has been argued that the Council needs to take into account the role played by the objectives and principles of the Agreement in Articles 7 and 8. The TRIPS Agreement is intended to achieve a balance between the protection of intellectual property rights and other social and economic policies and it is important that Members have the necessary flexibility to adjust intellectual property rights to maintain the desired balance.⁶⁴ It has been argued that non-violation complaints are not necessary to protect the balance between right holders and users as these do not concern the balance of obligations between Members.⁶⁵ It has been said that the status of Articles 7 and 8 of the TRIPS Agreement does not seem to be exactly the same as Article XX of GATT 1994 since Article 8 is subject to the other provisions of the Agreement.⁶⁶

25. It has been argued that the TRIPS Agreement's connection with market access lies only in its basic principles as enunciated in Part I, including national treatment, MFN treatment, the objectives of transfer and dissemination of technology and the reasonable expectations of transfer and dissemination through the promotion of technological innovation.⁶⁷ It has been argued that the inherent tension in the TRIPS Agreement, between promoting international trade and technological innovation on the one hand and a pursuit of public interests with the protection of private intellectual property rights on the other, would be heightened by the introduction of non-violation and situation complaints, as both sides might seem to have grounds for complaints.⁶⁸

26. It has been argued that any benefits accruing under the TRIPS Agreement were adequately described in the text of the Agreement and that Members had not agreed to any benefits beyond the boundaries of the text.⁶⁹ As Article 1 explicitly provided that "Members shall give effect to the provisions of this Agreement" and that "Members may, but shall not be obliged to, implement in their law more extensive protection than is required by this Agreement", there were no legitimate expectations of benefits beyond the effective protection of intellectual property rights.⁷⁰ It has been argued that these benefits would be best achieved by a good faith performance of the obligations of the TRIPS Agreement.⁷¹ It has been argued that, in respect of an agreement which contained rules

⁶³ IP/C/W/212, Section B, page 4.

⁶⁴ IP/C/M/28, para. 193.

⁶⁵ IP/C/W/385, para. 32; IP/C/M/37/Add.1, para. 267.

⁶⁶ Job(00)/6166, paras.17-18.

⁶⁷ IP/C/M/28, para. 194.

⁶⁸ IP/C/M/37/Add.1, para. 281.

⁶⁹ IP/C/W/385, paras. 38-39; IP/C/M/37/Add.1, para. 267, 269; IP/C/M/37/Add.1, para. 281; IP/C/M/38, para. 277; IP/C/M/40, para. 159; IP/C/M/40, para. 166.

⁷⁰ IP/C/M/37/Add.1, para. 276; IP/C/M/39, para. 167; IP/C/M/40, para. 158.

⁷¹ IP/C/W/385, paras. 38-39.

and disciplines such as the TRIPS Agreement, there could be no nullification if there was no violation or infringement.⁷²

(b) Intellectual property protection

27. The TRIPS Agreement provides minimum standards with regard to the acquisition or exploitation of intellectual property rights and on their scope, as well as procedures and measures to enforce those rights, notably by enabling effective action against unauthorized use of those rights by third parties. It has been suggested that complaints could be considered as falling within a possible ambit of a non-violation case under the TRIPS Agreement when they are primarily linked to benefits that can reasonably be expected to result from the conferral of intellectual property rights and their exclusivity, i.e. those that are specific to the TRIPS Agreement, rather than to any resulting economic returns which are covered by market access concessions under the GATT or the GATS. Cases where limitations on the availability, maintenance and enforcement of an intellectual property right are the specific object of a complaint might fall within this category. When (a restriction on) market access is the principal object of a complaint, by contrast, this should be filed exclusively under the relevant procedures provided in the GATT and GATS.⁷³ The reasonable expectations under Part II onwards were only of the minimum standards prescribed and not market access.⁷⁴

28. It has been noted that Article 63.1 of the TRIPS Agreement defines the "subject-matter of this Agreement" as "the availability, scope, acquisition, enforcement and prevention of the abuse of intellectual property rights".⁷⁵ It has been argued that, even if the TRIPS Agreement is a market access agreement, it has its own distinctive character and, therefore, additional considerations are more or less needed to analyse the application of non-violation under it.⁷⁶

(c) Exploitation of rights

29. It has been argued that the "benefit" conferred under the TRIPS Agreement is the ability to "acquire, maintain and enforce" intellectual property rights. This "benefit" does not automatically concern the exploitation of the subject-matter of those rights. There are also different forms of non-economic benefits to consider.⁷⁷ The TRIPS Agreement provides patentees only the right to prevent third parties from taking certain actions; it does not guarantee the patentee that it can exploit its rights if other provisions of law, otherwise consistent with the WTO agreements, prohibit that exploitation.⁷⁸

(d) Market access

30. It has been argued that the TRIPS Agreement is a market access agreement because it helps reduce market distortions that existed prior to its negotiation by establishing adequate minimum standards and principles concerning the availability, scope and use of trade-related intellectual property rights⁷⁹ and by ensuring that effective and appropriate means for the enforcement of those

⁷² IP/C/M/37/Add.1, para 280.

⁷³ IP/C/M/27, para. 159; see also IP/C/W/385, para. 35 which argues that applying non-violation complaints to the TRIPS Agreement was therefore unnecessary to address these cases.

⁷⁴ IP/C/M/28, para. 194; IP/C/W/385, para. 33-36 ; IP/C/M/37/Add.1, para. 267; IP/C/M/39, para. 175.

⁷⁵ IP/C/M/27, para. 182.

⁷⁶ IP/C/M/27, para. 168.

⁷⁷ IP/C/W/249, under the subheading 'Benefit Accruing Under the TRIPS Agreement', page 3.

⁷⁸ IP/C/W/194, under the subheading 'The TRIPS Agreement is One Part of a Coherent System of Agreements', page 3.

⁷⁹ IP/C/M/65, para. 204; IP/C/M/67, para. 270.

rights are available without themselves becoming barriers to legitimate trade.⁸⁰ Its preamble begins with the words "Members, desiring to reduce distortions and impediments to international trade ...".

31. In response, it has been argued that the results of WTO market access negotiations were recorded in national schedules of concessions annexed to the Uruguay Round Protocol that formed an integral part of the Final Act. This was not the case with the TRIPS Agreement which set out basic rules for intellectual property protection, was not principally concerned with questions of market access and provided no commitments in this regard.⁸¹ Whilst it facilitates market access of goods and services with intellectual property rights, it is not a market access agreement as such⁸² as it concerned rights, not products.⁸³ Market access commitments are encapsulated in the respective GATT and GATS schedules of WTO Members, and have been negotiated in subsequent GATT/WTO Rounds.⁸⁴

32. It has been argued that most of the agreements in Annex I of the WTO Agreement generally do not include commitments to a certain level of market access.⁸⁵ Like the TRIPS Agreement, they establish conditions under which international trade is to be conducted.⁸⁶ Technical barriers to trade or sanitary or phytosanitary standards can interfere with market access for Members' goods, so too can varying standards of protection and enforcement of intellectual property rights. The market access for which countries negotiate can be devalued, absent some uniform minimum standards on which WTO Members can rely.⁸⁷

33. In response, it has been argued that the TBT and SPS Agreements not only have the specific objective of providing predictable market access but their substantive provisions are also related primarily to predictability of market access through universally accepted standards in respect of legitimate objectives like safety and health. In contrast, reasonable expectations in respect of intellectual property rights would relate to the minimum standards prescribed and not market access.⁸⁸ In this context it was also argued that, while other WTO agreements tended to increase competition, the effect of the provisions in the TRIPS Agreement was to reduce competition to provide incentives for innovation.⁸⁹

34. It is argued that the "benefits" accruing to Members under the TRIPS Agreement are just as clear as those deriving from the GATT and other agreements that are part of the WTO system. For the most part, the benefits under the TRIPS Agreement are straightforward and clear, at least to those familiar with the various forms of intellectual property.⁹⁰ These would include national treatment and MFN treatment accorded to each Members' nationals; the level of protection provided to each Member's nationals to each form of intellectual property covered by the TRIPS Agreement; the extension of the obligations to subject-matter existing on the date of application of the TRIPS Agreement; as well as other benefits.⁹¹ It is argued that it is only because intellectual property rights

⁸⁰ IP/C/W/194, under the subheading 'The TRIPS Agreement is a Market Access Agreement', page 2.

⁸¹ IP/C/M/62, para. 60.

⁸² IP/C/W/249, under the subheading 'II Recognition of the Exceptional Character of "Non-Violation" Complaints and the Specific Nature of the TRIPS Agreement', page 2; IP/C/W/385, para. 31.

⁸³ IP/C/M/37/Add.1, para 280; IP/C/M/62, para. 62.

⁸⁴ IP/C/M/27, para. 159.

⁸⁵ IP/C/W/194, Appendix, under the subheading 'Issues of Concern to Other Members, Uncertainty as to scope', page 7.

⁸⁶ *Ibid*, page 7.

⁸⁷ IP/C/W/194, under the subheading 'The TRIPS Agreement is a Market Access Agreement', page 2.

⁸⁸ IP/C/M/28, para. 194; IP/C/W/385, para. 33-36 ; IP/C/M/37/Add.1, para. 267.

⁸⁹ IP/C/W/385, para. 33.

⁹⁰ IP/C/W/194, Appendix, under the subheading 'Issues of Concern to Other Members, Undetermined regulatory authority', page 8.

⁹¹ IP/C/W/194, under the subheading 'Issues of Concern to Other Members, Uncertainty as to Scope', page 8.

are granted to persons rather than applied directly to goods that there is a perception that the TRIPS Agreement somehow differs from other WTO agreements. The rules the TRIPS Agreement establishes, however, determine the way in which a WTO Member's goods and services are treated in the territories of other Members and that treatment benefits the Member in the same way that it benefits under the rules established by other WTO agreements.⁹²

35. In response, it has been argued that there are very different views as to what is meant by 'benefit' – it is a term that has generated much debate but no common view. Existing decisions on the 'non-violation' remedy in the GATT context provide a useful framework for the overall analysis, but are of limited use in defining "benefit" in the context of the TRIPS Agreement.⁹³ The notion of a benefit in the TRIPS context appears to be quite different from that in the GATT context.⁹⁴ It should be acknowledged that the concept of "benefit" is less clear in TRIPS than in an agreement with specific market access commitments. It is fundamental to the TRIPS Agreement that denial of effective or adequate protection to agreed levels is a distortion or impediment to legitimate international trade.⁹⁵ While intellectual property rights might facilitate trade and investment, the obligations under the TRIPS Agreement cannot be characterized as market access concessions in the same way as obligations can be characterized under the GATT.

(e) Competitive relationships

36. It has been argued that the concept of "competitive relationship" is a concept used consistently in GATT panel reports dealing with non-violation complaints with regard to the requirement that nullification or impairment of a benefit should have occurred as a result of the application of a measure. It should be demonstrated that the competitive position is being upset by the application of a measure not reasonably anticipated.⁹⁶ GATT practice suggests that the "benefit" of an agreement involves the creation of a competitive relationship or competitive opportunities, usually relating to the competitive relationship between imported and domestically produced goods. Such benefits usually accrue from tariff concessions, but not always.⁹⁷

37. It has been argued that, regarding the concept of "competitive relationships", panels dealing with non-violation cases have so far concentrated on whether, as a result of a conforming measure that could not have been reasonably anticipated, the competitive relationship between products or services has changed, nullifying or impairing the benefits accruing under the given agreement to the complaining party. Given the different nature of benefits that could reasonably be expected from the TRIPS Agreement, it has been doubted whether, and if so, to what extent, the concept of competitive relationships is applicable in the TRIPS context. The examination of this question is of special importance because it could shed light on whether there is a genuine need for a non-violation remedy under the TRIPS Agreement.⁹⁸

38. It has been argued that this concept is very complex in the TRIPS context.⁹⁹ Under the TRIPS Agreement, there is not only the competitive relationship between a Member's own nationals and the

⁹² IP/C/W/194, Appendix, under the subheading 'Issues of Concern to Other Members, Uncertainty as to scope', page 8.

⁹³ IP/C/W/249, under the subheading 'Benefit Accruing Under the TRIPS Agreement', page 3.

⁹⁴ IP/C/M/29, para. 223.

⁹⁵ IP/C/W/212, Section C, page 5.

⁹⁶ This concept is set out in section III.A.5 of the Secretariat note (IP/C/W/124) and in greater detail in the panel report on *Japan – Film* (WT/DS44/R).

⁹⁷ IP/C/W/212, Section C, page 6. *See also* IP/C/M/27, para. 164.

⁹⁸ IP/C/M/29, para.223, referring to JOB(00)/6166 paras. 13-14.

⁹⁹ JOB(00)/6166, para. 14.

nationals of other Members, but also the bargain between the right holder and society as a whole¹⁰⁰, to provide incentives and ensure that society benefits.¹⁰¹

39. It has been argued that, unlike the GATT, the TRIPS Agreement is not about regulating competitive relationships. Indeed, it could be argued that the TRIPS Agreement is, in a sense, anti-competitive in nature where it seeks to reward inventors.¹⁰² The TRIPS Agreement is about minimum standards of treatment, not about equal treatment of competitors. The non-violation remedy is intended to protect reciprocal tariff concessions and is simply inapplicable in the context of the TRIPS Agreement.¹⁰³

(f) Private right holders

40. It has been argued that an ordinary market access agreement involves a government granting, say, tariff concessions for reciprocal tariff concessions. The concessions are made by one government to another and, if there were a non-violation complaint, the adverse effect would be borne by the other government. However, the TRIPS Agreement is *sui generis*; it is about giving private parties certain rights.¹⁰⁴

41. In response, it has been argued that, although the TRIPS Agreement's obligations are couched in terms of rights granted to Members' nationals, rather than treatment to which goods or services originating in Members' territories are subject in the territory of other Members, this difference is not as significant as may be perceived. It is only because intellectual property rights are granted to persons rather than applied directly to goods that there is a perception that the TRIPS Agreement somehow differs from other WTO agreements. The TRIPS Agreement's rules determine the way in which a WTO Member's goods and services are treated in the territories of other Members and that treatment benefits the Member in the same way that it benefits under the rules established by other WTO agreements.¹⁰⁵

42. It has been argued that Article XXIII of the GATT and Article 26 of the DSU tie benefits to contracting parties/Members. The resultant benefits from TRIPS standards should be those that accrue to WTO Members and should not be mixed with the interests of individual private right holders in the exploitation of their intellectual property rights.¹⁰⁶ While the former were traditionally safeguarded by multilateral dispute settlement procedures, the latter were enforced through domestic courts.¹⁰⁷ Applying non-violation complaints could technically mean that private rights could extend beyond what had been negotiated.¹⁰⁸

43. It has been argued that Members never thought that, by entering into the WTO Agreement, they had placed themselves in the position of "insurers" of benefits vis-à-vis the nationals of other Members.¹⁰⁹ There is no legal basis for assuming that the negotiators wanted TRIPS to be an investment agreement. Even if one talked of reasonable expectations, this could relate only to market

¹⁰⁰ IP/C/M/28, para. 193.

¹⁰¹ IP/C/W/249, Section II, page 2.

¹⁰² IP/C/W/385, para. 41.

¹⁰³ IP/C/M/23, para. 111; IP/C/W/385, para. 41.

¹⁰⁴ IP/C/M/27, para. 182; IP/C/W/385, para. 31; IP/C/M/37/Add.1, para. 267.

¹⁰⁵ IP/C/W/194, page 8.

¹⁰⁶ IP/C/M/29, para. 223, referring to IP/C/W/212, Section C, page 5; IP/C/W/385, para. 40; IP/C/M/37/Add.1, para. 269.

¹⁰⁷ IP/C/W/385, para. 40.

¹⁰⁸ IP/C/M/37/Add.1, para. 281.

¹⁰⁹ IP/C/M/23, para. 120.

access of goods which had obtained intellectual property right protection in the country of export, and it could not extend to the expectations of reward for investments, if any.¹¹⁰

V. NATURE OF MEASURES THAT COULD BE AT ISSUE

44. Article XXIII:1(b) of the GATT 1994 provides that a complaint under that provision must concern the application by another Member "of any measure, whether or not it conflicts with the provisions of this Agreement". The views that have been expressed on the question of what type of measures could give rise to a non-violation complaint in the TRIPS area are summarized in this section.

45. The concern has been expressed that uncertainty regarding such measures may unduly constrain governments in the development of policy. It has been noted that measures and policies enacted in pursuit of legitimate **public policy objectives**, such as social, economic development, health, environmental and cultural measures, may have an impact on intellectual property rights, even if fully consistent with the obligations of the TRIPS Agreement. It has been argued that, through the process of binding dispute settlement, Members could discover that the vague concept of non-violation applied to TRIPS obligations may take on a much wider scope than was ever intended.¹¹¹ In the absence of a common understanding among Members about this remedy, there is a potential chilling effect on the regulatory process.¹¹² Member governments' responsibility to regulate important matters should not be undermined by actual or threatened non-violation complaints under the TRIPS Agreement.¹¹³

46. In response, it has been argued that the non-violation remedy should not constrain Members from implementing social, economic development, health, environmental and cultural policies. If a proposed measure to address social, economic development, health, environmental or cultural concerns is likely to have an adverse effect on the intellectual property rights of foreign nationals, the Member should then consider whether the measure being contemplated could have been foreseen when the Uruguay Round negotiations were under way. These considerations might be of assistance in selecting an appropriate measure because there is generally a variety of ways in which a social, economic development, health, environmental and cultural policy might be implemented.¹¹⁴ The TRIPS Agreement was carefully negotiated to be sufficiently flexible to recognize different legal regimes and to accommodate Members' needs to achieve different policy objectives.¹¹⁵ For example, the TRIPS Agreement provides patentees only the right to prevent third parties from taking certain actions; it does not guarantee the patentee that it can exploit its rights if other provisions of law, otherwise consistent with the WTO agreements, prohibit that exploitation.¹¹⁶ It has been questioned whether measures taken in fulfilment of Articles 7 and 8 could be interpreted as causing non-violation nullification of benefits.¹¹⁷

47. It has been argued that if non-violation complaints under the TRIPS Agreement could be based on all measures that were *likely to have an adverse effect* on intellectual property rights of foreign nationals and were *not foreseen* during the Uruguay Round, then *any* government-instituted measure including actions of law-enforcement authorities and courts could be challenged. There was

¹¹⁰ IP/C/M/28, para. 194.

¹¹¹ IP/C/W/249, para. 2. Similar IP/C/M/30, para. 194.

¹¹² IP/C/M/27, para. 163, IP/C/W/385, para. 25.

¹¹³ IP/C/M/27, para. 176.

¹¹⁴ IP/C/W/194, under the subheading 'Issues of Concern to Other Members, Undermining regulatory authority', page 9.

¹¹⁵ IP/C/M/23, para. 114.

¹¹⁶ IP/C/W/194, under the subheading 'The TRIPS Agreement is One Part of a Coherent System of Agreements', page 3.

¹¹⁷ IP/C/W/249, Section II, page 2.

concern that this would lead to the use of the non-violation remedy as a means of appealing national legal decisions and upsetting the balance between State bodies.¹¹⁸

48. It has been questioned whether "measure" in this context has a broader meaning than **government instituted measures**. "Measure" has not yet been explicitly defined but GATT cases, like for example *Japan – Film* (WT/DS44/R) suggest that WTO panels might interpret this term broadly, extending it to all aspects of government action. Laws and regulations appear to be covered and, in some cases, panels have found administrative guidelines to be measures as well, in particular if officials applied them as if they were mandatory.¹¹⁹

49. It has been questioned whether "measure" in this context can refer to **actions of courts or law enforcement authorities**, particularly in light of the enforcement obligations in the TRIPS Agreement.¹²⁰ The potential application of the non-violation remedy in relation to decisions of domestic courts and tribunals could not only lead to use of the non-violation remedy as a means of appealing national judicial decisions, but might also have more complex legal implications in relation to matters such as sovereignty and the division of power and authority, which were issues that went beyond the purview of the Council.¹²¹

50. It has been doubted whether the **acts of private parties** should be taken into account in addition to national laws and regulations and possibly other legally enforceable government actions, in the consideration of the existence of a "measure". Both Article XXIII:1(b) of GATT 1994 and Article 26.1 of the DSU speak about government measures, i.e. the application of measures "by another contracting party" and "by a Member" respectively. In GATT/WTO experience, it seems to be essential that the complaining party show the existence of a measure attributable to the respondent party.¹²² It has been argued that acts of private parties should not be considered when determining whether a "measure" exists,¹²³ as it would be difficult to ask the state to assume an enforcement role regarding actions that were beyond the state's legal or jurisdictional system.¹²⁴

51. It has been questioned whether "measure" could include **non-action**.¹²⁵ It has been argued that in a scenario where domestic laws and regulations were in apparent conformity with the TRIPS Agreement, a systematic refusal to apply these domestic provisions could constitute nullification and impairment of benefits under the TRIPS Agreement.¹²⁶

52. It has been argued that defining "measure", even narrowly, would not address the concerns regarding the scope of application of the non-violation remedy, as these do not merely arise from a lack of clarity about which "measures" could be challenged, but more fundamentally from legal uncertainty inherent in the concept of non-violation and its application through the TRIPS Agreement to any domestic measure.¹²⁷

53. It has been noted that GATT practice indicates that a non-violation complaint has to be based on a measure that the complaining party could not have reasonably or legitimately expected or

¹¹⁸ IP/C/W/385, para. 45.

¹¹⁹ IP/C/W/249, Section II, page 2.

¹²⁰ IP/C/W/249, Section III(a), pages 2-3.

¹²¹ IP/C/M/30, para. 204.

¹²² See paragraph 32 of the Secretariat background note (IP/C/W/124).

¹²³ JOB(01)/43, page 2.

¹²⁴ IP/C/M/67, para. 256

¹²⁵ IP/C/W/249, Section III(a), page 3.

¹²⁶ IP/C/M/40, para. 167.

¹²⁷ IP/C/W/385, para. 46; IP/C/M/37/Add.1, para. 270.

anticipated. **Timing** is key when assessing whether a measure could have been reasonably expected.¹²⁸ It was suggested that the TRIPS Agreement was concluded on 15 April 1994.¹²⁹

54. Although there is no agreement on the value of examining case studies, several **hypothetical examples** have been raised during the discussions.

Example A: A Member may decide to ban the manufacture, processing, importation and distribution of materials or products that contain a prohibited substance. This could affect foreign intellectual property right holders who may be the main providers of such products to that market.¹³⁰

Another Member responded to this example: This example would seem relevant primarily to patents or trade secrets, with the potential involvement of geographical indications. The TRIPS Agreement provides patentees only the right to prevent third parties from taking certain actions; it does not guarantee the patentee that it can exploit its rights if other provisions of law, otherwise consistent with the WTO agreements, prohibit that exploitation. Section 7 of Part II of the TRIPS Agreement requires that those in control of undisclosed information be given the right to prevent disclosure of undisclosed information or its acquisition or use by third parties in a manner contrary to honest commercial use. Furthermore, the protection provided for geographical indications does not ensure that given products bearing such indications can be sold if other WTO-consistent actions prohibit such sale. A non-violation claim based on the hypothetical ban would fail, therefore, because no negotiated benefit exists.¹³¹

Example B: A Member may decide to apply a heavy taxation on certain goods with intellectual property rights whose use is deleterious to the environment.¹³²

Another Member responded to this example: A non-violation claim based on this example would be unsuccessful because no benefits would be found.¹³³

Example C: A Member could ban all advertising of cigarettes, including their trademarks, for health reasons. This ban, although strictly complying with Article 15.4 of the TRIPS Agreement by allowing trademarks for cigarettes to be registered, could nullify or impair benefits accruing to the owners of the trademarks.¹³⁴

Another Member responded to this example: Bans on cigarette advertising could easily have been anticipated at the time of the TRIPS negotiations. Many countries either already had such bans in place or were actively discussing them.¹³⁵

Example D: Member A may grant a very large increase in the term of copyright protection which could effectively nullify or impair benefits that Member B was expecting to enjoy at the time of negotiations and thereafter, because nationals of Member B may have invested in the production of

¹²⁸ IP/C/W/124, Secretariat note, para. 56.

¹²⁹ IP/C/W/249, Section III(d), page 5, referring to IP/C/W/124, Secretariat note, para. 56.

¹³⁰ IP/C/W/191, para. 10.

¹³¹ IP/C/W/194, under the subheading 'The TRIPS Agreement is One Part of a Coherent System of Agreements', page 3.

¹³² IP/C/W/191, para. 10.

¹³³ IP/C/W/194, under the subheading 'The TRIPS Agreement is One Part of a Coherent System of Agreements', page 3.

¹³⁴ IP/C/M/30, para. 200.

¹³⁵ IP/C/M/30, para. 205.

separate works, say movies or theatre plays, based on or using a work that was expected to be in the public domain.¹³⁶

Example E: If a Member threatened to withdraw GSP benefits for a developing country Member unless that Member took certain action, the threat itself could nullify and impair the expected benefit for the developing country Member of rule-based settlement of disputes.¹³⁷

55. Other general examples were suggested: laws and regulations which affected the exploitation of an IPR and which might reduce the value of IP; administrative or judicial interpretations of the TRIPS Agreement that might be consistent with the express terms of the Agreement but nonetheless might be argued to undermine the anticipated value of IPRs; enforcement measures which were under protective or overprotective of IPRs and therefore reduced the expected value of IPRs.¹³⁸

56. Other specific examples were mentioned: bans on publication of a book on the grounds of national security; laws on libel, pornography and hate literature as applied to copyright works; a registration scheme for hand guns that leads to a reduction in exports of patented hand guns; import controls on patented products such as pharmaceuticals, electronic goods and machine parts; prohibitions by school authorities on collectible trading cards that lead to reduced sales of trademarked collectible trading cards from another Member; and regulations with a negative influence on market access of trademarked goods or services.¹³⁹

57. Reference was made to advanced information technology, which disseminates information and may also subvert intellectual property, and is beyond the control of Member governments, particularly developing country governments. It has been argued that Members should not be responsible in situations where intellectual property rights are subverted by technology over which they have no control.¹⁴⁰

VI. CAUSALITY

58. It has been noted that Article XXIII:1 of GATT 1994 requires that a non-violation claim show that the nullification or impairment is "the result of" the application of the measure.¹⁴¹ It has been suggested that the demonstration of causality between the relevant measure and its effect on the relevant competitive relationship is another issue to be discussed.¹⁴² Article 26.1(a) of the DSU provides for additional rules, but there may be other implications in the TRIPS context.¹⁴³

VII. BURDEN OF DEMONSTRATION OF NULLIFICATION AND IMPAIRMENT

59. It has been noted that Article 26.1(a) of the DSU, following GATT practice, stipulates that in non-violation cases the burden of proof falls on the complaining party and that the complaining party has to submit a detailed justification substantiating the case.¹⁴⁴ The case histories to date suggest that this justification has to go further than a simple description of the offending measure. A detailed substantiation has to be provided of the expectations of the negotiating parties and a clear causal link demonstrated between the measure at issue and the nullification or impairment. Generally speaking, it appears that panels applied a standard of proof based on a balance of probabilities. It has been

¹³⁶ IP/C/W/249, Section II, page 2.

¹³⁷ IP/C/M/27, para. 182.

¹³⁸ IP/C/M/27, para. 168.

¹³⁹ IP/C/W/249, Section III(b), pages 3-4.

¹⁴⁰ IP/C/M/23, para. 122.

¹⁴¹ JOB(00)/6166, para. 13.

¹⁴² JOB(00)/6166, para. 14.

¹⁴³ JOB(00)/6166, para. 15.

¹⁴⁴ IP/C/M/30, para. 204.

suggested that the exceptional character of the remedy could have implications for the burden of proof.¹⁴⁵ It has been suggested that Members should consider whether a higher standard should be applied in "non-violation" cases in the TRIPS context.¹⁴⁶

VIII. REMEDY

60. It has been noted that Article 26.1(b) of the DSU provides that where there is a finding of non-violation nullification and impairment there is no obligation to withdraw the measure. The Appellate Body said in *India – Patents*:

"The ultimate goal [of a non-violation complaint] is not the withdrawal of the measure concerned, but rather achieving a mutually satisfactory adjustment, usually by means of compensation."¹⁴⁷

61. All that can be recommended to remedy non-violation nullification and impairment is an adjustment in the balance of concessions aimed at re-establishing the equilibrium of concessions.¹⁴⁸ In the context of the GATT, where allegations relate to market access concessions, the quantification of compensation does not usually present a significant problem. In the TRIPS context, however, the quantification of the level of nullification and impairment would be more difficult.¹⁴⁹ There was already very little GATT practice on which to base a judgement of what was or should be "usual" in relation to non-violation claims and this was especially true in the case of the TRIPS Agreement.¹⁵⁰ There is uncertainty as to how this remedy could apply in the area of intellectual property where private rights are given. It is easier to withdraw concessions than to take back a private right.¹⁵¹ The question was asked how one would quantify the level of nullification when a Member raises the burden of proof in domestic intellectual property enforcement procedures so that it is difficult for claimants to succeed.¹⁵² It was pointed out that Article 26 of the DSU stated that "compensation may be part of a mutually satisfactory adjustment" and that ways and means suggested by arbitration were not binding.¹⁵³

IX. NEED FOR GUIDANCE

62. The concern has been expressed that the Council should not allow a mandate to be implemented inadequately without recommendations and decisions. The Council should avoid a situation where the scope and modalities of non-violation complaints would be determined case-by-case in the course of specific dispute settlement processes, with a consequent loss of predictability and clarity.¹⁵⁴ Because of a lack of agreement of the meaning of "benefit" in the context of intellectual

¹⁴⁵ IP/C/W/212, page 8.

¹⁴⁶ IP/C/W/249, Section IV, page 5.

¹⁴⁷ IP/C/W/249, Section III(c), page 4 citing WT/DS50/AB/R, para. 41.

¹⁴⁸ IP/C/W/194, under the subheading 'Non -Violation Nullification and Impairment', page 6.

¹⁴⁹ IP/C/W/249, Section III(c), page 4.

¹⁵⁰ IP/C/W/385, para. 49

¹⁵¹ IP/C/M/24, para. 106.

¹⁵² IP/C/W/249, Section III(c), page 4.

¹⁵³ IP/C/W/385, para. 49

¹⁵⁴ IP/C/W/212, Section I, page 1. Similar statements can be found at IP/C/M/27, para. 159; IP/C/M/27, para. 162; IP/C/M/27, para. 164; IP/C/M/27, para. 167; IP/C/M/27, para. 168; IP/C/M/27, para. 169; IP/C/M/27, para. 170; IP/C/M/27, para. 180; IP/C/M/27, para. 182; IP/C/M/30, para. 209; IP/C/M/32, para. 156; IP/C/M/32, para. 160.

property rights, a panel would have to come up with a definition almost in a void. This goes beyond the desirable mandate of the dispute settlement process.¹⁵⁵

63. In response, it has been noted that panels and the Appellate Body are bound by Article 3.2 of the DSU which states that "[r]ecommendations and rulings of the DSB cannot add to or diminish the rights and obligations provided in the covered agreements".¹⁵⁶ It has been argued that both GATT and WTO practice under the provisions of Article 26 of the DSU seem to provide ample guidance for panels and the Appellate Body.¹⁵⁷ In fact, this is the same guidance that is available under other Uruguay Round agreements so that any uncertainty involving TRIPS non-violation complaints should be no greater than uncertainty regarding those complaints in other areas.¹⁵⁸

64. It has been argued that the application of the remedy within the GATT system to date is an inadequate guide as to how it would apply in the context of the TRIPS Agreement, which is a minimum standards agreement rather than a pure market access agreement¹⁵⁹, which deals with private rights¹⁶⁰ and which could lag behind the expansion of new technological property rights.¹⁶¹ It has been argued that the Appellate Body's report on *India – Patents* (WT/DS50/AB/R) shows that the development of scope and modalities, if any, should be resolved through direct discussions among the entire membership and not through interpretation by panels or the Appellate Body¹⁶², which, in the absence of sufficient guidelines for application, would be facing a normative void which could not appropriately be filled by a judicial fiat.¹⁶³ It has been argued that after the panel report on *Japan – Film* (WT/DS44/R) there is some uncertainty regarding the interpretation of the non-violation remedy which adds to the uncertainty surrounding it and potentially makes it an extremely broad one.¹⁶⁴ It has been argued that the views of the panel in *Korea – Government procurement* (WT/DS163/R), that non-violation complaints may extend beyond the traditional approach represented by *pacta sunt servanda* in the context of Article 26 of the DSU, and which it suggested reflected general GATT/WTO jurisprudence, enhanced concerns over permitting non-violation claims in the context of the TRIPS Agreement.¹⁶⁵

65. It has been argued that the possible application of non-violation complaints to the TRIPS Agreement involves a clear distinction between violation and non-violation complaints.¹⁶⁶ In response, it has been argued that the distinction between violation and non-violation complaints has been sufficiently defined by panels under the GATT and that the same principles would be applied with respect to complaints under the TRIPS Agreement. The guidelines given by previous non-violation cases and by Article 26 of the DSU would be applied by future panels with the same thoroughness and thoughtfulness as ever.¹⁶⁷

¹⁵⁵ IP/C/W/127, Issues of Concern, page 2. *Similar statements can be found at* JOB(00)/6166, para. 9, referring to IP/C/W/127; IP/C/W/249, Section III (b), page 3; JOB(01)/43, page 2; IP/C/M/23, para. 118; IP/C/M/24, para. 105; IP/C/M/27, para. 164.

¹⁵⁶ IP/C/W/194, under the subheading 'The TRIPS Agreement is One Part of a Coherent System of Agreements', page 3.

¹⁵⁷ IP/C/M/32, para. 159; IP/C/M/39, para. 183; IP/C/M/46, para. 177; IP/C/M/47, para. 238; IP/C/M/48, para. 180; IP/C/M/61, para. 148; IP/C/M/66, para. 127; IP/C/M/69, para. 108.

¹⁵⁸ IP/C/M/32, para. 159.

¹⁵⁹ IP/C/M/27, para. 163; IP/C/W/385, para. 33-36 ; IP/C/M/37/Add.1, para. 267.

¹⁶⁰ IP/C/M/23, para. 112.

¹⁶¹ IP/C/M/23, para. 120.

¹⁶² WT/DS50/AB/R, para. 42.

¹⁶³ IP/C/W/385, para. 48.

¹⁶⁴ IP/C/W/127, under the subheading 'Issues of Concern', page 2.

¹⁶⁵ IP/C/M/27, para. 165.

¹⁶⁶ IP/C/M/27, para. 166.

¹⁶⁷ IP/C/M/29, para. 229.

66. It has been noted that there are legal concepts in the TRIPS Agreement that are not normally found in the GATT, such as legitimate interests of the right holder and third parties and normal exploitation of rights. These might provide insights in considering what were "reasonable expectations". Articles 13, 17, 24, 26, 30, 31 and 40 presume that benefits are expected from the TRIPS Agreement. The panel reports on *Canada – Pharmaceutical patents* (WT/DS114/R) and *US – Section 110(5)* (WT/DS160/R) considered some of these articles and they might therefore shed light on this matter.¹⁶⁸

X. PROPOSALS FOR ACTION

67. With regard to action to be taken by the Council in this matter the following **general remarks** have been made:

- there should be no weakening of the rights or obligations of Members by non-violation complaints under the TRIPS Agreement¹⁶⁹;
- the development perspective needed to be taken into consideration¹⁷⁰;
- the principal aim of the inclusion or introduction of this sort of provision was not to sanction WTO Members but to give predictability in order to prevent Members from nullifying or impairing the interests of other Members¹⁷¹;
- the scope of the non-violation remedy should be carefully and narrowly defined¹⁷²; and
- the application of non-violation complaints should not undermine sovereign rights to legislate or regulate for various valid legal, economic and development reasons; should not change the balance of the TRIPS Agreement,¹⁷³ nor should it result in new responsibilities that had not been negotiated¹⁷⁴, and should not result in impediments towards the use of legitimate measures under the TRIPS Agreement.¹⁷⁵

68. The concern has been expressed that application of the non-violation remedy under the TRIPS Agreement would be unpredictable without a **common view on the essential elements of the remedy** in relation to intellectual property.¹⁷⁶ The view has been expressed that the concept was not germane to intellectual property and that, until such time as the TRIPS Council has developed the required clarifications, non-violation and situation complaints should not be admitted in the TRIPS area.¹⁷⁷

¹⁶⁸ JOB(00)/6166, para. 11.

¹⁶⁹ IP/C/M/27, para. 176.

¹⁷⁰ IP/C/M/23, para. 119.

¹⁷¹ IP/C/M/22, para. 140.

¹⁷² IP/C/M/29, para. 223.

¹⁷³ IP/C/M/30, para. 194.

¹⁷⁴ IP/C/M/23, para. 119. *See* IP/C/M/23, para. 122.

¹⁷⁵ IP/C/M/30, para. 201.

¹⁷⁶ IP/C/M/27, para. 163. *Similar statements can be found at:* IP/C/M/21, para. 123; IP/C/M/22, para. 136; IP/C/M/23, para. 109; IP/C/M/23, para. 110; IP/C/M/23, para. 122; IP/C/M/24, para. 105; IP/C/M/24, para. 106; IP/C/M/24, para. 108; IP/C/W/249, section III(c); IP/C/M/28, para. 192; IP/C/M/32, para. 155, referring to IP/C/W/249, section III(c); IP/C/M/32, para. 160; IP/C/M/30, paras. 196 and 203; IP/C/W/141, para. 3; IP/C/M/37/Add.1, para. 270; IP/C/M/38, para. 277; IP/C/M/39, para. 186; IP/C/M/40, para. 168.

¹⁷⁷ IP/C/M/33, para. 134.

69. In response, it has been argued that the provisions of Article 26 of the DSU and past panel decisions under the GATT as well as discussions in the WTO already provided sufficient guidance for panels and the Appellate Body in dealing with any such cases as might arise.¹⁷⁸

70. It has been suggested that a Council recommendation could observe, as a starting-point, that to succeed on a claim of non-violation nullification and impairment under the TRIPS Agreement, a Member should establish that:

- a benefit accrues to it as a result of the terms of TRIPS; and
- for a complaint under GATT Article XXIII:1(b), the other Member has implemented a measure that could not have been foreseen during the TRIPS negotiations, and this measure has nullified or impaired that benefit; and
- for a complaint under GATT Article XXIII:1(c), an analogous situation has arisen.¹⁷⁹

71. It has also been suggested that a Council recommendation could observe that the benefit involved concerns the interests of a Member, and not of an individual right holder, and accordingly entails some form of systemic interest or systematic nullification and impairment of a benefit rather than the specific application of a measure to an individual intellectual property right. It could also observe that claims as to expected benefits under the TRIPS Agreement should be assessed with reference to the Preamble, objectives (Article 7) and principles (Article 8) of the TRIPS Agreement, as well as specific provisions as to substantive intellectual property law and performance standards as to enforcement (including the obligation not to impede legitimate trade) and administration of intellectual property rights (Parts III and IV).¹⁸⁰

72. It has been suggested that a Council recommendation could list indicative factors to be weighed in assessing the extent of nullification and impairment of benefits, such as the number of intellectual property rights affected by the measure or situation under dispute, and the scale of the trade in goods or services related to those rights.¹⁸¹

73. It has been argued that it is important to ensure that a complaint lodged under a particular WTO agreement should lead to a dispute settlement result that did **not undermine coherence among WTO agreements.**¹⁸² It has been suggested that the interpretation of the legal protection conferred on right holders under the TRIPS Agreement should not be incompatible with the treatment conferred to products under the GATT, or in respect of services and service suppliers under the GATS.¹⁸³

74. It has been suggested that a Council recommendation could observe that a non-violation complaint addressed to a measure that was demonstrated legitimately to serve the objectives of other covered agreements could not be sustained, especially if the complaint would impair the consistent application of the covered agreements.¹⁸⁴

75. More specific suggestions have been made which would place measures falling within certain exceptions beyond the scope of the non-violation remedy under the TRIPS Agreement. It has been questioned whether Members would be in favour of leaving open the option for countries to file a

¹⁷⁸ IP/C/M/30, para. 205.

¹⁷⁹ IP/C/W/212, page 8, drawing points from IP/C/W/194, page 9.

¹⁸⁰ IP/C/W/212. This paper suggested other elements for a recommendation which are reproduced in other parts of this summary note. IP/C/M/37/Add.1, para. 285.

¹⁸¹ IP/C/W/212, page 9.

¹⁸² IP/C/M/27, para. 159.

¹⁸³ JOB(00)/6166, para. 18.

¹⁸⁴ IP/C/W/212, page 9, referring to IP/C/W/194, page 3.

non-violation complaint under the TRIPS Agreement, if the measure were found to be in full compliance with multilateral provisions under the GATT and its annexed agreements or the GATS.¹⁸⁵ It has been suggested that, as a minimum, in order to maintain consistency among the WTO agreements, measures that fall within the general exceptions found within the GATT or GATS should not be subject to dispute settlement under the TRIPS Agreement.¹⁸⁶

76. It has been suggested that a Council recommendation could observe that non-violation TRIPS complaints should not be sustainable inasmuch as they relate to limitations or exceptions to intellectual property rights that are determined to be consistent with provisions such as Articles 13, 17, 24, 26.2, 30 and 40 and corresponding provisions in the Berne Convention, or against measures against anti-competitive abuse of IPRs consistent with Article 40.2.¹⁸⁷ Other provisions were also suggested, such as Articles 21, 27.2, 27.3 and 31.¹⁸⁸

77. It has been noted that Article 26.2 of the DSU effectively provides that reports on "situation" complaints can still only be adopted by **positive consensus**.¹⁸⁹ However, with respect to "non-violation" complaints, in the absence of specific wording to the contrary in Article 26.1 of the DSU, it would appear that "non-violation" decisions would be adopted by "negative" consensus. However, it has been questioned whether, in the context of the TRIPS Agreement, "non-violation" complaints and "situation" complaints should not share the same process for adoption of decisions, namely "positive" consensus (i.e. all Members would need to agree to a report before it was adopted).¹⁹⁰ In response, it has been argued that this suggestion might be going too far as it raises a systemic issue and seems to call for an amendment of the DSU.¹⁹¹

78. In an informal meeting of the TRIPS Council, held on 23 May 2003¹⁹², the Chair noted that with regard to **concrete proposals** for action by the Council, with specific reference to the Cancún Ministerial Conference, four main options would be logically possible from a purely conceptual point of view, namely that:

- the non-violation remedy be determined inapplicable to the TRIPS Agreement;¹⁹³

¹⁸⁵ ; IP/C/M/66, para. 113.

¹⁸⁶ IP/C/W/191, para. 11.

¹⁸⁷ IP/C/W/212, Section IV(A) Scope, page 9.

¹⁸⁸ IP/C/M/29, para. 225.

¹⁸⁹ Through its reference to the GATT decision of 12 April 1989 on "Improvements to the GATT dispute settlement rules and procedures" (L/6489).

¹⁹⁰ IP/C/W/249, under the subheading Adoption of TRIPS Non-Violation Decision through "Positive" rather than "Negative" Consensus, page 5. See IP/C/M/30, para. 197.

¹⁹¹ IP/C/M/30, para. 200.

¹⁹² This was reported to the formal meeting of the TRIPS Council on 4-5 June 2003; See IP/C/M/40, paras. 143-144.

¹⁹³ IP/C/M/23, para. 111; IP/C/W/385, para. 56; IP/C/M/37/Add.1, para. 270; IP/C/M/37/Add.1, para. 274; IP/C/M/37/Add.1, para. 278; IP/C/M/37/Add.1, para. 280; IP/C/M/37/Add.1, para. 281; IP/C/M/37/Add.1, para. 284; IP/C/M/38, para. 270; IP/C/M/38, para. 271; IP/C/M/38, para. 272; IP/C/M/38, para. 273; IP/C/M/38, para. 275; IP/C/M/38, para. 276; IP/C/M/38, para. 277; IP/C/M/38, para. 278; IP/C/M/38, para. 279; IP/C/M/39, para. 167; IP/C/M/39, para. 176; IP/C/M/39, para. 177; IP/C/M/39, para. 184; IP/C/M/39, para. 185; IP/C/M/39, para. 187; IP/C/M/40, para. 145; IP/C/M/40, para. 150; IP/C/M/40, para. 152; IP/C/M/40, para. 153; IP/C/M/40, para. 156; IP/C/M/40, para. 158; IP/C/M/40, para. 159; IP/C/M/40, para. 160; IP/C/M/40, para. 161; IP/C/M/40, para. 163; IP/C/M/40, para. 165; IP/C/M/40, para. 174; IP/C/M/46, para. 173; IP/C/M/46, para. 178; IP/C/M/46, para. 183; IP/C/M/46, para. 185; IP/C/M/47, para. 235; IP/C/M/48, para. 183; IP/C/M/49, para. 226; IP/C/M/49, para. 227; IP/C/M/49, para. 228; IP/C/M/49, para. 236; IP/C/M/49, para. 227; IP/C/M/59, para. 57; IP/C/M/63, para. 108; IP/C/M/64, para. 311; IP/C/M/64, para. 316; IP/C/M/64, para. 318; IP/C/M/64, para. 319; IP/C/M/64, para. 320; IP/C/M/65, para. 203; IP/C/M/66, para. 115; IP/C/M/66, para. 116;

- the non-violation remedy should apply without any conditions;¹⁹⁴
- non-violation and situation complaints be made available under the TRIPS Agreement subject to some specific additional guidance on their scope and modalities;
- the moratorium be extended so as to allow the Council more time to consider the scope and modalities of non-violation and situation complaints in the area of TRIPS.¹⁹⁵

79. Since then, these options have been discussed in informal consultations and in the TRIPS Council at occasions when Members have considered recommendations on this matter to the Ministerial Conferences, most recently at the Council's meeting on 28-29 February 2012.¹⁹⁶ The footnotes to these options in the previous paragraph indicate the support given to each of them at that Council meeting as well as on earlier occasions.

80. Different views have also been expressed with respect to the **requirement of a recommendation by the TRIPS Council** to the Ministerial Conference. It has been argued that a recommendation would be required only if the Council made any recommendations that contained some specific suggestions on the scope and modalities for such complaints, and that no recommendation was required if the Council wished that the moratorium should expire, after which non-violation complaints would become applicable to the TRIPS Agreement.¹⁹⁷ In response, it has been argued that an application of non-violation complaints would require the consensus of the entire membership, as stipulated in Article 64.3 of the TRIPS Agreement.¹⁹⁸

XI. SITUATION COMPLAINTS

81. Article XXIII:1(c) of GATT 1994 refers to complaints based on "the existence of any other situation", so-called "situation" complaints.

82. It has been noted that, under Article 26.2 of the DSU, the usual practice of adopting panel reports by negative consensus does not apply to situation complaints. Rather, through reference to the 1989 GATT decision on "improvements to the GATT dispute settlement rules and procedures" (L/6489), the adoption of panel reports on situation complaints requires "positive" consensus (i.e. all Members need to agree to a report before it is adopted).¹⁹⁹

IP/C/M/66, para. 117; IP/C/M/66, para. 120; IP/C/M/66, para. 126; IP/C/M/69, para. 98; IP/C/M/69, para. 99; IP/C/M/69, para. 106.

¹⁹⁴ IP/C/W/194, Appendix, under subheading 'Legal Basis for the Position of the US Regarding Expiration of the Moratorium' on Non-Violation Cases, page 7; IP/C/M/37/Add.1, para. 286; IP/C/M/38; para. 274; IP/C/M/39, para. 183; IP/C/M/40, paras 167-168; IP/C/M/40, paras. 170-173; IP/C/M/46, para. 176; IP/C/M/46, para. 180; IP/C/M/47, para. 238; IP/C/M/48, para. 197; IP/C/M/49, para. 230; IP/C/M/61, para. 143; IP/C/M/61, para. 148; IP/C/M/63, para. 110; IP/C/M/63, para. 112; IP/C/M/64, para. 312; IP/C/M/64, para. 314; IP/C/M/65, para. 200; IP/C/M/65, para. 204; IP/C/M/66, para. 124; IP/C/M/66, para. 127; IP/C/M/67, para. 270.

¹⁹⁵ IP/C/M/40, para. 155; IP/C/M/40, para. 157; IP/C/M/40, para. 162; IP/C/M/40, para. 163; IP/C/M/40, para. 164; IP/C/M/40, para. 168; IP/C/M/40, para. 169; IP/C/M/47, para. 234; IP/C/M/48, para. 184; IP/C/M/49, para. 229; IP/C/M/61, para. 140.

¹⁹⁶ IP/C/M/69, para. 98.

¹⁹⁷ IP/C/W/194, page 1, arguing that any decision to extend the period of non-application could be made "only by consensus"; IP/C/M/60, para. 57, reporting on informal consultations held; IP/C/M/61, para. 148.

¹⁹⁸ IP/C/M/66, para. 126; IP/C/M/69, para. 96; IP/C/M/70, para. 98.

¹⁹⁹ IP/C/M/30, para. 197.

83. It has been noted that the rationale for "situation" complaints was to leave open the possibility for Members "to seek a modification of the undertakings it has given if, by the action of others, conditions are created in which it can no longer carry out those undertakings" (E/CONF.2/C.6/W.19, page 1). It has been argued that, from a policy perspective, "non-violation" complaints manifest many of the same issues as do "situation" complaints. Members' abilities to introduce new and perhaps vital social, economic development, health, environmental and cultural measures should not be construed as denying ambiguously defined benefits under the TRIPS Agreement.²⁰⁰

84. It has been noted that the GATS does not allow situation complaints under that Agreement.²⁰¹

85. It has been argued that, as there had never been a dispute based on a situation complaint and as allowing claims based on "any situation" would introduce profound uncertainty into the TRIPS Agreement, there was no justification for introducing this remedy into the TRIPS Agreement.²⁰²

XII. IMPEDIMENT TO ATTAINMENT OF AN OBJECTIVE

86. The chapeau of Article XXIII:1 of GATT 1994 refers not only to the possibility of complaints alleging that "any benefit ... is being nullified or impaired" but also to the possibility of complaints alleging "impediment to attainment of an objective" as the result of the matters set out in paragraphs (a) ("violation") or (b) ("non-violation") or (c) ("situation"), respectively.

87. It has been suggested that the Council should look at how the impediment of the objectives of the TRIPS Agreement can be assessed and how its extent can be determined.²⁰³

88. It has been noted that the GATS does not allow complaints based on impediment to attainment of an objective of that agreement.²⁰⁴

²⁰⁰ IP/C/W/249, Section V, page 5.

²⁰¹ Article XXIII of GATS, referred to in JOB(01)/43, page 3.

²⁰² IP/C/W/385, para. 55.

²⁰³ JOB(01)/43, page 3.

²⁰⁴ Article XXIII GATS, referred to in JOB(01)/43, page 3.

ANNEX**TRIPS COUNCIL DOCUMENTATION ON NON-VIOLATION
AND SITUATION COMPLAINTS**

Submitted by	Document reference	Title	Date
Secretariat	IP/C/W/124	Non-Violation Complaints and the TRIPS Agreement	28 January 1999
Canada	IP/C/W/127	Non-Violation Nullification or Impairment under the Agreement on Trade-Related Aspects of IPRs (TRIPS) - (also annexed to IP/C/W/249)	10 February 1999
Cuba, the Dominican Republic, Egypt, Indonesia, Malaysia and Pakistan	IP/C/W/141	Non-Violation Nullification or Impairment under the TRIPS Agreement – Proposal	29 April 1999
United States	JOB(99)/4439	Non-Violation Nullification or Impairment under the TRIPS Agreement – Non-Paper from the US - Non-paper from the United States (also appended to IP/C/W/194)	26 July 1999
Canada, the Czech Republic., EC, Hungary and Turkey	IP/C/W/191	Non-Violation Complaints under the TRIPS Agreement – Suggested Issues for Examination of Scope and Modalities under Art. 64.3 of TRIPS (also annexed to IP/C/W/249)	22 June 2000
United States	IP/C/W/194	Scope and Modalities of Non-Violation Complaints Under the TRIPS Agreement	17 July 2000
Australia	IP/C/W/212	Non-Violation Complaints	27 Sept. 2000
Korea	JOB(00)/6166	Non-Paper. Non-violation complaints under the TRIPS Agreement	9 Oct. 2000
Hungary	JOB(01)/43	Non-paper by Hungary reproducing its statement at meeting of 27 November 2000 - Non-violation and situation complaints under the TRIPS Agreement	28 March 2001
Canada	IP/C/W/249	Further Consideration of Non-Violation Nullification or Impairment under the TRIPS Agreement	29 March 2001
Chairperson	JOB(01)/70	Non-violation and situation complaints. Communication from the Chair - headings which might be used in organizing further discussions	11 May 2001
Chairperson	JOB(02)/66	Non-violation and situation complaints: Annotated Agenda	21 June 2002

Argentina, Bolivia, Brazil, Colombia, Cuba, Ecuador, Egypt, India, Kenya, Malaysia, Pakistan, Peru, Sri Lanka and Venezuela	IP/C/W/385	Non-violation and situation nullification or impairment under the TRIPS Agreement	30 October 2002
Secretariat	IP/C/W/349	Non-Violation and Situation Complaints Summary Note by the Secretariat	19 June 2002
Secretariat	IP/C/W/349/Rev.1	Non-Violation and Situation Complaints Summary Note by the Secretariat	24 November 2004

**MINUTES OF MEETINGS OF THE COUNCIL FOR TRIPS AT WHICH THE
ISSUE OF NON-VIOLATION AND SITUATION COMPLAINTS
HAS BEEN DISCUSSED**

IP/C/M/21	Meeting held on 1-2 December 1998
IP/C/M/22	Meeting held on 17 February 1999
IP/C/M/23	Meeting held on 21-22 April 1999
IP/C/M/24	Meeting held on 7-8 July 1999
IP/C/M/25	Meeting held on 20-21 October 1999
IP/C/M/26	Meeting held on 21 March 2000
IP/C/M/27	Meeting held on 26-29 June 2000
IP/C/M/28	Meeting held on 21-22 September 2000
IP/C/M/29	Meeting held on 27-30 November and 6 December 2000
IP/C/M/30	Meeting held on 2-5 April 2001
IP/C/M/32	Meeting held on 18-22 June 2001
IP/C/M/33	Meeting held on 19-20 September 2001
IP/C/M/34	Meeting held on 27-28 November 2001
IP/C/M/35	Meeting held on 5-7 March 2002
IP/C/M/36/Add.1	Meeting held on 25-27 June 2002
IP/C/M/37/Add.1	Meeting held on 17-19 September 2002
IP/C/M/38	Meeting held on 25-27 and 29 November, and 20 December 2002
IP/C/M/39	Meeting held on 18-19 February 2003
IP/C/M/40	Meeting held on 4-5 June 2003
IP/C/M/45	Meeting held on 21 September 2004
IP/C/M/46	Meeting held on 1-2 December 2004
IP/C/M/47	Meeting held on 8-9 and 31 March 2005
IP/C/M/48	Meeting held on 14-15 June 2005
IP/C/M/49	Meeting held on 25-26 and 28 October, 29 November and 6 December 2005
IP/C/M/50	Meeting held on 14-15 March 2006
IP/C/M/51	Meeting held on 14-15 June 2006
IP/C/M/52	Meeting held on 25-26 October 2006
IP/C/M/53	Meeting held on 13 February 2007
IP/C/M/54	Meeting held on 5 June 2007
IP/C/M/55	Meeting held on 23-24 October 2007
IP/C/M/56	Meeting held on 13 March 2008
IP/C/M/57	Meeting held on 17 June 2008
IP/C/M/58	Meeting held on 28 October 2008
IP/C/M/59	Meeting held on 3 March 2009
IP/C/M/60	Meeting held 8-9 June 2009
IP/C/M/61	Meeting held 27-28 Oct and 6 November 2009
IP/C/M/62	Meeting held 2-3 March 2010
IP/C/M/63	Meeting held 8-9 June 2010
IP/C/M/64	Meeting held on 26-27 October 2010
IP/C/M/65	Meeting held on 1 March 2011
IP/C/M/66	Meeting held on 7 June 2011
IP/C/M/67	Meeting held on 26-27 October and 17 November 2011
IP/C/M/69	Meeting held on 28-29 February 2012
IP/C/M/70	Meeting held on 5 June 2012