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COMMENTARY: Issues at the Interface of International Trade and Intellectual Property

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ISSUES AT THE INTERFACE OF INTERNATIONAL TRADE AND INTELLECTUAL PROPERTY

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I am with the International Trade Commission in Washington, D.C. For those of you who are not familiar with our agency, we are a small, quasi-judicial, independent federal agency. There are about 450 people employed at the International Trade Commission. The International Trade Commission has two major missions. One of those missions is to act as a quasi-judicial tribunal to administer certain United States trade laws. The other mission is to conduct factfinding investigations for Congress and the United States Trade Representative to assist them in formulating United States trade policy. I should mention at this point that I am speaking personally and not officially for the United States government.

The topic of my presentation is "Issues at the Interface of International Trade and Intellectual Property Between the European Community and the United States." One might wonder how there could be any issues at all. After all, both the United States and the member states of the European Community have generally modern intellectual property regimes. Both the United States and the member states are also signatories to the Berne Convention and the Paris Convention, which are the premier international conventions on intellectual property. But there are issues, and they appear every year in reports and lists which are published by both the United States government and the European Community. The United States published its list on March 31, 1992 and the European Community is going to publish its list tomorrow. I would like to discuss what those issues are by first addressing those which have been brought up by the European Community. These issues can be broken down into two parts. One issue relates to enforcement, and several other issues relate to substantive provisions of United States law with which the European Community has problems or objections.

The enforcement issue which has been raised by the Euro-

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pean Community relates to Section 337 of the Tariff Act of 1930. Section 337 is one of the trade laws that is administered by the International Trade Commission. Under Section 337, the holder of a United States intellectual property right, such as a United States patent right, may bring an action before the Commission asserting infringement of his or her right by imported articles. If he or she is successful, and he or she can prove infringement in an APA-type proceeding, the Commission may issue an exclusion order which will exclude the infringing articles from entry into the United States.

The European Community has never been happy with Section 337, and in 1987 it decided to do something about it. It challenged section 337 under Article III(4) of the General Agreement on Tariffs and Trade (GATT), one of the national treatment provisions. The European Community argued that imported articles were treated less favorably in Section 337 proceedings than domestic articles were being treated in patent infringement proceedings before United States District Courts. It was further argued that Section 337 was not necessary to the enforcement of United States patent law and thus, the exception in Article XX(d) of the GATT did not apply.

In 1988, a GATT dispute resolution panel issued a report which generally, but not completely, agreed with the European Community's arguments. In 1989, the GATT Council adopted the report of that panel. Shortly thereafter, the United States issued a notice to the effect that any change or potential change to Section 337 would be undertaken in the context of results from the present and ongoing Uruguay Round of trade negotiations. As most of you know, those negotiations include trade related intellectual property rights. Well, the Uruguay Round is still with us — it has not yet been concluded. Section 337 has not been amended and, in fact, the United States enforces Section 337 as it always has. The European Community remains unhappy and I expect it will say so tomorrow as well. This enforcement issue has been an ongoing issue for four, or five or more years.

The substantive issues that have been raised by the European Community deal with patent law, copyright law, and appellations of origin for wine.

With regard to United States patent law, the European Community has brought up Section 104 of the United States Patent Act. Section 104 basically provides that only acts of in-

vention in the United States can be used to establish a date of invention. There are a few exceptions but essentially that is what is provided in Section 104. There are several reasons why a date of invention can be important. One is that the United States patent system is a first-to-invent and not a first-to-file system. This is significant because if there are two competing patent applications in the United States Patent and Trademark office for the same invention, the patent will be awarded to the first inventor regardless of whether he was actually the first-to-file. The European Community argues that this is an unjustified discrimination against the European Community and its inventors, whose acts of invention would normally take place in the European Community. In any event, those acts would take place outside the United States. This issue has been brought up in the Uruguay Round and it has also been put on the table for the ongoing negotiations for the proposed Patent Harmonization Treaty.

There are two copyright issues that the European Community has raised and they both have to do with the United States' implementation of the Berne Convention. Berne went into force in the United States in 1989. Implementing legislation was enacted in 1988 to permit United States accession to the treaty. The European Community's argument is that when Berne came into force between the United States and the European Community's member states, Article 18 of Berne required the United States to protect European Community origin works which had not fallen into the public domain in the European Community even though they may have fallen into the public domain in the United States, as a result of failing to comply with the formalities of pre-Berne United States copyright law. These formalities no longer exist. The member states of the European Community therefore basically want retroactive protection for works that have gone into the public domain.

When Congress was in the process of enacting implementing legislation for Berne, this aspect of Berne arose as a potential issue. At the time, Congress decided that it would defer consideration of this question pending further study. Currently, that is where this particular issue still lies.

The European Community has raised another issue relating to the Berne Convention and in particular to Article 6 bis. Article 6 bis requires the grant of certain moral rights to authors. Moral rights are rights aside from the usual economic rights as-

sociated with copyright. For example, they can include rights such as that of paternity — which would be the right of the author to claim authorship in his work.

Moral rights are an important feature of many continental European legal systems. The European Community has argued that the United States has not implemented, or has not adequately implemented, Article 6 bis of Berne. This particular issue also came up during consideration of the Berne implementing legislation and was addressed by Congress. Congress decided that Berne did not require that Article 6 bis be implemented in any particular way. Congress then considered and concluded that then current United States law and particularly certain federal laws such as Section 43(a) of the Lanham Act and certain state law provisions met the requirements of Article 6 bis. Of course, Congress subsequently did enact a very limited explicit moral rights provision in the Visual Artists Rights Act of 1990. However, the European Community does not appear to be satisfied with this effort as of yet.

Turning to the issue that the European Community has raised on appellations of origin for wine, this is addressed to certain regulations of the Bureau of Alcohol, Tobacco and Firearms (BATF). The BATF is a branch of the Treasury Department and part of its responsibility is to prescribe regulations for the labeling of wines and spirits.

The BATF has a list of names which can be used in various ways on labels for wines. One of these lists is a list of non-generic names such as Margaux, Chateau Lafite, and St. Emilion. If, under those regulations, wine is labeled with one of the listed non-generic names, it must come from the particular geographical area which appears on the label. There is also another list of semi-generic names. This list includes such names as Champagne, Burgundy, and Chablis. These names can be used on labels for wine even if the wine does not come from that particular geographic area. This is allowed if there is another appellation on the label which indicates where the wine actually originated and if the particular wine also meets standards of identity which have been established by Bureau regulations. The European Community, and in particular France, is not very happy about this policy. This issue has been raised by the European Community in the Uruguay Round.

These are the issues that the European Community has raised. I will now discuss the issues and concerns of the United States.

The United States has been monitoring intellectual property developments in the European Community, especially those developments which are taking place in the context of the Community's 1992 Program. The United States believes that the proposed Community patent and Community trademark will be beneficial to its companies. The United States has closely followed the recently adopted computer software directive and has indicated that it is satisfied that the directive provides an adequate level of protection. However, it will monitor implementation of this directive very closely because it is the implementation which will determine just how effective this particular directive will be.

The adopted computer software directive, if implemented as anticipated, could solve two issues. First, it will certainly solve the issue regarding the absence of explicit copyright protection for computer programs in certain member states of the European Community. Second, it may also overcome a certain situation that has arisen in Germany. Germany has a copyright law which does expressly protect computer programs. However, jurisprudence has been developed under that copyright law under the rubric of originality which would require a higher level of creativity than would ordinarily be expected in order for computer programs to get copyright protection. It is very possible that the computer software directive will eliminate this problem because it defines originality simply in terms of a work that is the intellectual creation of the author, and it specifically provides that no other criterion of originality shall be applied by the member states. If this provision is applied as it is written, then it could very well eliminate the restrictive situation which has arisen in German jurisprudence.

The United States has also been following the proposed biotechnology patent directive that has not yet been adopted. I believe it is still before the Parliament. This directive would partially harmonize European Community patent law. It is basically intended to ensure that inventions will not be denied patent protection in the member states simply because they relate to or consist of living organisms. The United States generally supports this proposed directive. However, some United States biotechnology firms have raised concerns. These concerns relate to

what they view as important exclusions from the proposed directive's coverage, particularly certain exclusions of plant and animal varieties. Other concerns relate to certain compulsory licensing provisions in Article 14 of the proposed directive. For example, one provision would establish a compulsory license in favor of an owner of a plant breeder's right if he cannot practice his right without infringing a patent which covers a biotechnology invention. Due to concern over these provisions, they are still being monitored.

Finally, the United States has raised issues on a state-by-state basis with regard to the member states' enforcement against piracy. These concerns essentially relate to wholesale copyright infringement, usually involving copyright in software, videotapes, and audio-visual cassettes.

Those are the issues at the interface of international trade and intellectual property between the European Community and the United States. It is apparent that the Community and the United States agree upon far more than they disagree. They have cooperated in the negotiation of these matters as they have cooperated on many other matters in the past. Therefore, I think we can look forward to a similar harmony in the future that will be beneficial to all concerned.