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THE TRIPS AGREEMENT AND DIRECT EFFECT IN EUROPEAN COMMUNITY LAW: YOU CAN LOOK . . . BUT CAN YOU TOUCH?

In all national intellectual property\(^1\) regimes, there is a tension between competing public interests. On the one hand, national governments want to encourage creativity and innovation in artistic and industrial spheres and, accordingly, have created intellectual property rights (IPRs) to reward the innovator. On the other hand, if such rights are inviolable permanently, or even for excessively long periods of time, a creator could create and hold onto a monopoly over the creation and distribution (through, for example, licensing) of his innovation. This situation, while of great benefit to the creator, does not inure to the benefit of the market and, indeed, society as a whole.

This is the normal tension within a country. In today's world of rapid technological developments and increased global trade, these tensions have assumed international proportions. Conflicts among the nations' intellectual property regimes—each with its own guiding principles, rules, and enforcement procedures—have distorted international trade and, in the course of these conflicts, individuals' private rights in their intellectual property have been trampled.

The European Community (the Community or EC) has made the creation of a Common Market its mission, not just for intellectual property, but for all areas of economic activity. In its efforts to do so, the EC has been vigilant to block and reverse Member States' measures that have the purpose or even the effect of hindering transborder trade. In the area of IPRs, however, the EC has been confronted with an especially complex area of law. There have been some efforts to harmonize the Member States' regimes, notably in the creation of the Community trademark and partial harmonization in the area of copyrights; however, intellectual property remains an area in which the EC has made slow progress in its reinforcement of the Common Market.

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\(^1\) Intellectual property is a generic term that encompasses both industrial and artistic forms of property rights, of which some of the most common are patents, trademarks, copyrights, industrial designs, topographies of integrated circuits, and undisclosed information.
In the late 1980s, the nations of the General Agreement on Tariffs and Trade (GATT) initiated the Uruguay Round of Multilateral Trade Negotiations to craft what is undoubtedly the most ambitious and comprehensive trade agreement in world history, resulting in the establishment of the World Trade Organization (WTO). The field of intellectual property was, for the first time, brought under the purview of the GATT, and a new international intellectual property agreement was signed, the Agreement on Trade Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods (commonly called the TRIPs Agreement). Both the Community and all its Member States became original contracting Members of the WTO Agreement, which entails automatic adoption of, inter alia, the TRIPs Agreement. In this way, the issue of the Community’s external competence was prevented from arising on the international plane. For the Community, TRIPs has become a mixed agreement in which it shares competence with the Member States, as declared in Opinion 1/94 of the European Court of Justice (ECJ).

The central question of this Note is whether the TRIPs Agreement has “direct effect” in EC law. A provision of Community law is said to have “direct effect” when it gives rise to individual rights or obligations which an individual, an institution, or even a State may assert before national (and, of course, Community) courts. To have direct effect, a provision must be (1) clear and unambiguous and (2) unconditional, in the sense that it does not require any substantial exercise of discretion regarding implementation by Member States. Thus, this Note seeks to ascertain whether TRIPs provisions, without the need of further implementation, create private rights in Community law which may be invoked directly by individuals or organizations.

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4 WTO Agreement art. XIV(1).
I. The Situation Prior to the Creation of the WTO

Prior to the creation of the WTO, the EC's forays into the protection of IPRs were slow and sporadic. IPRs were considered fields for the Member States' competence except insofar as the EC had established a Community right (e.g., the Community trademark). The main conventions on IPRs, the Berne Convention on copyrights and the Paris Convention on know-how, were signed by some (but not all) Member States, and the EC was not a signatory. The Member States' constitutional attitudes toward the international treaties they had signed were reflected in the extent to which these treaties had direct effect in that nation's laws. Most of the European signatories, having a monist constitutional approach to international conventions, gave direct effect to the treaties, provided the criteria for direct effect were met. Some, notably the United Kingdom, Sweden, Denmark, and Ireland, would only accept such conventions into the body of national law once they had been formally enacted by their legislatures (the dualist approach). As a result of these different constitutional approaches to the incorporation of international agreements into national law, protection of IPRs throughout Europe has not been uniform.

A. The ECJ's Approach to International Conventions in General

Article 228(7) of the EC Treaty provides that international agreements concluded by the Community are Community law and, as such, are binding on Community institutions and Member States. Furthermore, the ECJ has decided that international treaties can have direct effect in EC law. In Conceria Daniele Bresciani v. Amministrazione delle Finanze, the court held that Article 2(1) of the Yaoundi Convention was directly effective, while in Hauptzollamt Mainz v. C.A. Kupferberg & Cie KG, the court came to the same conclusion regarding Article 21 of the EC-Portugal Trade Agreement. Provided that the relevant provision confers clear rights on individuals, the convention—or, for that
matter, legislation issued under the agreement—may have direct effect.\textsuperscript{11}

In *Office National de l'emploi (Onem) v. Bahia Kziber*, the ECJ reviewed its case law on the question of whether an international treaty concluded by the Community could have direct effect. The ECJ referred to its decision in *Meryem Demirel v. Stadt Schwabisch Gmund*, where it made the following conclusion:

A provision in an agreement concluded by the Community with non-member countries must be regarded as being directly applicable when, regard being had to its wording and the purpose and nature of the agreement itself, the provision contains a *clear and precise obligation* which is not subject, in its *implementation* or *effects*, to the adoption of any subsequent measure.\textsuperscript{12}

As applied in *Kziber*, this becomes a two-tiered test. First, the international agreement as a whole is examined to ascertain whether its purpose and nature might exclude direct effect. This amounts to a presumption in favor of direct effect to which an exception in the case of a particular agreement might be made, "regard being had to its purpose and nature." Then, when it has been established that direct effect has not been "prevented" by the nature of the agreement, the question of direct effect becomes provision-specific.

One item of interest in the ECJ's examination of the purpose of an international agreement is the looseness of this test. In both the Advocate General's and the court's opinions, the question of direct effect is described as related to "governing the legal situation of individuals." Furthermore, Advocate General Van Gervern made the following statement:

When it looks to the nature and purpose of an international agreement, the Court considers whether that agreement does more than merely impose reciprocal obligations on the signatory States; in other words, whether the agreement is of such a nature as or is intended to govern the legal situation of individuals.\textsuperscript{13}

The international agreement in *Kziber* was the Cooperation Agreement between the European Economic Community and the Kingdom of Morocco. The preamble of the agreement lists its purposes: to promote cooperation between the Community and Mo-


\textsuperscript{13} Kziber, 1991 E.C.R. at I-211.
rocco, to contribute to the economic and social development of Morocco, and to strengthen relations between the parties. The Advocate General and the court held that these purposes did not preclude the possible direct effect of any or all of its provisions. As far as the nature of the agreement was concerned, the Advocate General noted that it was to govern three areas: economic, technical, and financial cooperation; trade cooperation; and labor cooperation. While it is possible to construe the agreement as bearing directly on the "legal situation of individuals," one is tempted to ask what point there is in bothering to refer to the nature and purposes of the agreement when purposes as state-oriented as those prefacing the international agreement in Kziber can be construed as pertaining to individual legal rights and duties.

Like the TRIPs Agreement, the Cooperation Agreement in Kziber was a mixed agreement. Though the matter was not specifically dealt with by the ECJ, the question of the division of competencies of the Member State and the Community in the conclusion of this agreement hovers over the case. The ECJ interpreted Articles 41 and 42 of the Cooperation Agreement to decide if they had direct effect. Surprisingly, these articles concerned social security—a matter within the exclusive competence of the Member States. This has prompted one commentator to conclude:

The least which can be said . . . is that a mixed agreement, being an act of the Community institutions, creates an assumption that a matter is within the power of the Community . . . . [T]he jurisprudence in this case is maybe another step forward in the comprehension of mixed agreements, namely, that in certain circumstances, they can provide a basis for the Court of Justice to interpret provisions of such agreements in relation to matters which remain in the exclusive power of the Member State.\(^\text{14}\)

In summary, international conventions are capable of having direct effect in Community law. To ascertain whether provisions of an international treaty have direct effect, the ECJ will employ a two-tiered test. First, it will examine the purpose and nature of the agreement to see if these exclude direct effect, keeping in mind that there is a presumption in favor of direct effect. Second, if the agreement is regarded as having the potential to be directly effective, the question of direct effect becomes provision-specific. Kziber betrays quite an expansive approach by the ECJ whereby it will proceed on the assumption that all matters within a mixed agreement—even those within the ex-

clusive competence of the Member States—are within the power of the Community and capable of being imbued by the court with direct effect in Community law.

The Kziber approach becomes one option for the ECJ to approach the question of direct effect of any provision of TRIPs. In a mixed agreement in which the Community and the Member States share competence, however, it seems inappropriate to ask whether a provision has direct effect in Community law if it is one which the Community has no competence to conclude. This is, however, precisely what the court did in Kziber, and it is submitted that such an approach is unsatisfactory.

B. The ECJ’s Approach to GATT in Particular

In International Fruit NV v. Produktshap voor Groenten en Fruit (3), the ECJ held that GATT did not have direct effect for three reasons: (1) GATT had no legal personality; (2) it was governed by mere reciprocity among members; and (3) the dispute settlement mechanism was not judicial, but political. It is notable also that the EC’s only involvement was to administer the agreement among the Member States, in contrast to the new WTO, in which the Community is a contracting party.

A softening of the rigid approach taken in International Fruit could be detected in two subsequent cases. In Fediol v. Commission, the organization FEDIOL (the EEC Seed Crushers’ and Oil Processors’ Federation) brought an action seeking the annulment of a Commission decision which rejected FEDIOL’s request that the Commission initiate a procedure to examine certain commercial practices of Argentina regarding the export of soya cake to the Community. FEDIOL had asked the Commission to act pursuant to Regulation No. 2641/84, which referred to GATT in its handling of “illicit commercial practices.” The ECJ held that while it was established in cases such as International Fruit that GATT provisions were not capable of conferring on Community citizens private rights, “nevertheless it cannot be inferred from those judgments that citizens may not . . . rely on the provisions of GATT . . . [where such] provisions form part of the rules in international law to which Article 2(1) of that regulation refers.” Clearly, then, the basis of the decision was not the direct effect of GATT in Community law, but the ability to refer to

GATT for *interpretative purposes* to understand a piece of secondary legislation enacted under that treaty.

In *Nakajima All Precision Co. v. Council,* a Japanese manufacturer of typewriters and printers challenged a Community regulation that imposed a twelve per cent antidumping duty on certain kinds of dot-matrix printers originating in Japan. Nakajima alleged that this breached the Anti-Dumping Code of GATT. The preamble of the challenged regulation stated that it was adopted in accordance with international obligations, in particular those arising from the Anti-Dumping Code of GATT. The court noted that Nakajima was not relying on any notion of direct effect of GATT, but rather on its place in the hierarchy of laws of the Community. As already stated, by virtue of Article 228(7) of the EC Treaty, international treaties concluded by the Community are superior to secondary Community legislation. Accordingly, the court accepted the argument that the challenged antidumping regulation, which had been enacted to implement the Anti-Dumping Code of GATT, could be judged against the standard of the GATT Code. In effect, the ECJ recognized the right of a private party to invoke GATT *incidentally* to challenge the validity of secondary legislation which was designed to implement GATT provisions.

By 1994, on the eve of the creation of the WTO, however, the court's position seemed to harden again when Germany tried to use GATT to challenge the EC market in bananas, which restricts the volume of bananas from the "dollar zone." In the *Banana case,* the ECJ rejected Germany's invocation of GATT, even though Germany maintained that this was not a question of direct effect but rather of the "hierarchy of laws" of the EC, in that secondary legislation could be tested against the superior EC law of an international treaty—the very argument the court accepted in *Nakajima.* There was, however, a fundamental difference between the secondary legislation in *Nakajima* and that in the *Banana* case. In *Nakajima,* the challenged secondary legislation was tied to GATT—it had been enacted to implement GATT provisions; in the *Banana* case, there was no such connection. Germany sought direct, rather than an incidental, effect of GATT, a

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19 *See supra* text accompanying note 8.
20 The restriction is an effort to help the Caribbean colonies of some Member States, such as the United Kingdom and France, who cannot compete with the larger growers of Central and South America.
property that the ECJ has steadfastly maintained that GATT does not possess. Accordingly, the court denied Germany's claim.

In conclusion, GATT, as an international treaty concluded by the Community, is a part of Community law by virtue of Article 228(7) of the EC Treaty. Its provisions, however, do not have direct effect in EC law (the ruling in International Fruit). Private parties and Member States may nonetheless invoke GATT incidentally to test the validity of secondary legislation when that legislation refers to GATT provisions (the ruling in Fediol) or has been expressly enacted to implement GATT provisions (the ruling in Nakajima).

II. THE SITUATION AFTER THE CREATION OF THE WTO

A. Opinion 1/94: The Question of Competence to Conclude TRIPs

On April 6, 1994, one week before the signing of the WTO Agreements, the Commission, under Article 228(6) of the EC Treaty, asked the ECJ the following question:

Does the European Community have the competence to conclude all parts of the Agreement establishing the WTO concerning trade in Services (GATS) and the trade-related aspects of intellectual property rights, including trade in counterfeit goods (TRIPs) on the basis of the E.C. Treaty, more particularly on the basis of Article 113 E.C. alone or, in combination with Articles 100a E.C. and/or 235 E.C.?22

The Commission advanced several arguments to sustain its position that it had exclusive competence to conclude TRIPs.

1. Express Powers

The Commission argued that the whole of the Agreement fell within its express powers on the basis of the Common Commercial Policy (CCP) of Article 113 of the EC Treaty.23 The Commission argued that since the CCP encompasses all measures designed to influence the volume or structure of trade in goods and services and, since the exercise or suppression of IPRs affects trade, the Community has exclusive competence to conclude an international agreement on IPRs.24 As additional support, it pointed to several international treaties on IPRs that the Community had concluded. The court was not convinced, however, and it concluded that with the exception of a

24 See id. at I-5313-16, [1995] 1 C.M.L.R. at 239-42.
narrow band of provisions, the trade effects of IPRs were not sufficient to bring them under the CCP of Article 113 of the EC Treaty.

2. Implied Powers

As an alternative approach, the Commission argued that external competence flowed from its implied powers. Linking EC Treaty Article 113 with Article 100a and/or Article 235, the Commission argued that where Treaty provisions entrust to Community institutions the attainment of a specific objective and the participation of the Community is necessary to achieve that objective, the Community has implied competence to act on the external plane, even where the competence has not yet been exercised internally. As support, the Commission referred to the ERTA case, in which the court held:

[Each time the Community, with a view to implementing a common policy envisaged by the Treaty, lays down common rules, whatever form these may take, the member States no longer have the right . . . to contract obligations towards non-member States affecting these rules . . . . One cannot therefore, in implementing the provisions of the Treaty, separate the category of measures internal to the Community from that of external relations.

In other words, external competence flows from internal competence, and internal competence itself is demonstrated by the implementation of secondary legislation.

In its judgment, the court clarified its doctrine of implied powers. Articles 100a and 235 of the EC Treaty do not create implicit exclusive competence in the Community. The court also noted that when the Community has included in its internal legislation provisions either (a) relating to the treatment of nationals or nonmember countries or (b) expressly conferring on its institutions powers to negotiate with nonmember countries, its external competence is exclusive in areas covered by those acts. Where internal competence is unexploited (i.e., where the Community has not yet legislated), the Community

27 See id. at I-5318, [1995] 1 C.M.L.R. at 243-44.
29 Id. at 274, [1971] C.M.L.R. at 355.
does not possess exclusive external competence. More specifically, in the field of intellectual property and the TRIPs Agreement, the court concluded that the Community and the Member States were jointly competent to conclude the Agreement as a whole.

The court also raised the issue addressed in the ERTA case—that when Community legislation would be affected if the Member States participated in international agreements, the Community’s external competence becomes exclusive. However, it avoided dealing with it head-on because, as it observed, little or no harmonization had been accomplished by the Community in the specific fields of IPRs.

The court made no mention of the Community trademark which, as an autonomous Community regime, creates independent Community intellectual property rights. The Community’s competence in this area cannot really be described as anything but exclusive, since its competence in its own regime must be supreme. This competence must, nevertheless, co-exist with equally full competences of the Member States in trademarks. Dr. Joseph Drexl has conveniently labeled this competence “parallel.”

B. Limitations of the ECJ Reasoning in Opinion 1/94

The ECJ’s conclusion on competence addressed the question of conclusion and ratification of the TRIPs Agreement as a whole. Consequently, competence in this opinion is tied to the question of treaty making power in international law. As already mentioned, the court avoided addressing specifically the scope of competence in specific fields of intellectual property within the internal regime of the Community. While the court did distinguish competence among different parts of the WTO Agreement, it did not go so far as to make the question of competence provision-specific. But in explaining why the Community did not have exclusive competence, it reviewed the nature of Community legislation in different fields of intellectual property. From that reasoning, conclusions may now be drawn that take the question of competence outside the limited scope of the Opinion—that is, to conclude the TRIPs Agreement as a whole—and allow us to apply it on the level of individual provisions.

It is submitted that, though Opinion 1/94 was not crafted to deal with the scope of competence as linked to the question of direct effect, the court provided in its reasoning a better foundation to analyze

33 See id. at 1-5419, [1995] 1 C.M.L.R. at 328.
34 See id.
35 See infra notes 36–37 and accompanying text.
the issue than its approach in *Kziber*, in which it skirted the issue of competence.

C. Competence Must Precede Direct Effect

In an illuminating article on the status of the TRIPs Agreement, Dr. Drexl examines Opinion 1/94 and, using the court’s reasoning as a springboard, presents a spectrum of competence. In this scheme, direct effect in Community law of individual provisions hinges on the Community’s external competence, which in turn depends on Community legislative activity in the various fields of intellectual property. Drexl finds four degrees of Community external competence, depending on the degree of Community legislation: exclusive, parallel, partial, and none.

Where there is complete internal harmonization, the Community has “exclusive” external competence. Where there is no internal harmonization, the Community has no external competence.

“Partial” means that both the Community and the Member States share competence. It denotes a field of intellectual property in which the Community has begun to harmonize. The dividing lines within the field between the Community’s and Member States’ competences are determined by the nature of the Community’s harmonizing legislation. “Hence, in this sector an identification of the nature of harmonizing Community legislation is required in order to define the character of TRIPs obligations as Community or national law.”

“Parallel” competence is full competence of both the Community and the Member States. The Community’s competence is exclusive; the Member States’ competence is full but not exclusive. This situation is created where the Community has introduced a full and independent regime of IPRs and left unharmonized the corresponding IPRs of the Member States.

Clearly, then, an examination of the particular fields of IPRs is needed to ascertain the degree of Community harmonization or legislation in that field and, from that, to determine the level of the Community’s external competence in that field.

However, one thing is clear: the Community is moving slowly but progressively toward exclusive competence in intellectual property as it undertakes and completes harmonization in the various fields of

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37 *Id.* at 36.
intellectual property, and its external competence in intellectual property rights will continue to expand. Drexl calls this the principle of dynamic competence; a provision which, for lack of Community competence, has no direct effect in Community law today, but may acquire direct effect tomorrow with the Community's absorption, through harmonization, of Member States' ever-shrinking competence. This understanding is indispensable because Article 1 of the ratifying act, Council Decision 94/8000, states that the WTO Agreements, including TRIPs, are approved "on behalf of the Community with regard to that portion of them which falls within the competence of the European Community." This limited ratification of an agreement which, in its entirety, is part of the Community legal order, becomes an organic mechanism that grows with the spread of Community competence through harmonization.

III. THE CURRENT STATUS OF COMMUNITY INTELLECTUAL PROPERTY LAW

We must then undertake an overview of the current status of Community legislation and harmonization in the broad areas of intellectual property rights. Drexl's characterization of the degrees of Community competence—exclusive, partial, parallel, and none—will be used.

A. Exclusive

The Community has completely harmonized external border controls and thus has exclusive competence in this area, as recognized by the ECJ in Opinion 1/94.

B. Parallel

In 1994, Directive 40/94 launched the Community trademark, obtainable by a single application and effective in all Member States. In the Recitals of the directive, the Council recognizes that "the barrier of territoriality of the rights conferred on proprietors of trademarks by the laws of the Member States cannot be removed by approximation of laws," and further that "national trademarks continue to be necessary for those undertakings which do not want pro-

38 1994 O.J. (L 336) 1.
39 Id. art. 1(1) (emphasis added).
tection of their trademarks at Community level . . . ."42 Thus, this regime operates alongside national regimes, not in place of them—i.e., in it the Community possesses full competence parallel with that of Member States.

C. Partial

As just noted, the Community has recognized that national trademarks continue to be necessary. This has not stopped it from endeavoring to harmonize national regimes; accordingly, some legislative initiatives have been undertaken in this field. Council Directive 89/10443 was passed to approximate aspects of trademark law which most directly affect the functioning of the common market. It defined trademark rights and limitations to those rights, as well as providing common grounds for refusal of registration, invalidation, and exhaustion of rights. The Directive clearly stated, however, that it was not a full-scale approximation of the trademark laws of the Member States and that it did not "deprive the Member States of the right to continue to protect" various kinds of trademarks.44 Accordingly, the ECJ, in *INT Internationale Heiztechnik GmbH v. Ideal-Standard GmbH*, 45 declared that the Directive did not change the essential character of national trademark law. In view of these efforts, in Opinion 1/94 the ECJ concluded that this field was partially harmonized.

In the field of copyright, Directive 93/8346 provided for the coordination of certain rules and rights applicable to satellite broadcasting. Directive 93/9847 harmonized the terms of copyright protection and related rights. Directive 91/25048 made an effort to harmonize the protection of computer programs. In that Directive, the Council laid out its plan to remove existing differences from the laws of the Member States insofar as they adversely and substantially affected the functioning of the Common Market, while acknowledging that computer programs were to be protected by the copyright legislation and jurisprudence of the Member States. In view of the incomplete nature of the harmonization of the aforementioned Directives, the Community's competence in this field is only partial.

42 *Id.* at Recital 3.
43 1989 O.J. (L 40) 1.
44 *Id.* at Recital 4.
46 1993 O.J. (L 248) 15.
47 1993 O.J. (L 290) 9.
48 1991 O.J. (L 122) 42.
D. None (So Far)

There has been no harmonization in the fields of industrial designs, undisclosed information, and internal enforcement.

Currently, patents are not harmonized. The 1973 Convention on the Grant of European Patents did not create a Community patent; it merely provided a method for simultaneously granting multiple national patents in order that separate national procedures would not be necessary. The 1975 Community Patent Convention did provide a Community-wide patent, but it did not supersede national patents; it merely provided that Community principles would guide the granting of national patents henceforth. This Convention is not Community law but an intergovernmental agreement among the Community’s States that leaves the national patent regimes untouched. Hence, there remains an absence of Community competence in this field.

In the field of topographies of integrated circuits, there has been a marked paucity of Community achievement. While Directive 87/ proposed basic principles to be applied by all Member States in the legal protection of circuit topographies, this did not amount to harmonization.

Fitting these findings into our spectrum of competence, the following results emerge:

<table>
<thead>
<tr>
<th>Degree of Community’s External Competence</th>
<th>Degree of Harmonization</th>
<th>Field of Intellectual Property or Enforcement</th>
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<tbody>
<tr>
<td>EXCLUSIVE</td>
<td>Complete harmonization</td>
<td>External border controls</td>
</tr>
<tr>
<td>PARALLEL</td>
<td>Independent Community regimes</td>
<td>Trademarks (Community trademark)</td>
</tr>
<tr>
<td>PARTIAL</td>
<td>Partial harmonization</td>
<td>Trademarks Copyrights</td>
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<tr>
<td>NONE SO FAR</td>
<td>No harmonization yet</td>
<td>Patents</td>
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<td></td>
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<td>Industrial designs</td>
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<td></td>
<td>Topographies of integrated circuits</td>
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<tr>
<td></td>
<td></td>
<td>Undisclosed information</td>
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</tbody>
</table>

50 Dec. 15, 1975, 15 I.L.M. 5 (signed, but not ratified). No agreement was reached at the Lisbon Intergovernmental Conference in July 1992.
51 1987 O.J. (L 24) 36.
IV. DIRECT EFFECT AND TRIPs

A. Comparison of "Old" GATT and the WTO

One of the arguments that continues to be raised against the possibility of TRIPs provisions having direct effect is the ECJ ruling in International Fruit\(^5\) that the old GATT provisions did not have direct effect. As previously discussed, the ECJ came to this conclusion because of GATT's provisional character and consensual dispute settlement procedure.\(^5\) While all of GATT's problems have by no means been completely ironed out, the main weaknesses of the old GATT, which precluded direct effect, do not hamper the WTO's administration of the new GATT. To begin with, the former GATT, which was a political understanding between states, is replaced by a new international organization—the WTO—which has legal personality.

The old GATT's greatest weakness was its dispute settlement procedure. Such was the consensual nature of that procedure that, for instance, in the event of an alleged violation by a contracting party, a "judgment" against that party had to be adopted by all members—including the infringing party! Under the new Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU),\(^5\) consensus is still an active principle—only now, consensus is required to prevent a panel report from being adopted.

Even a cursory view of the judgment mechanism of the WTO shows that the new GATT's approach has hardened into a more judicial, law-oriented approach. A panel whose independence has been ensured\(^5\) assesses the facts of a case and determines if there has been an infringement of TRIPs.\(^5\) If an infringement is found, the report is handed to the Dispute Settlement Body (DSB) to be adopted within sixty days after circulation of the report to WTO members.\(^5\) Of particular note in this more judicial arrangement is the Standing Appellate Body. It consists of seven members who are appointed to four-year terms. The Appellate Body's jurisdiction is limited to legal issues

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53 See supra note 15 and accompanying text.
55 See id. art. 8.2.
56 See id. art. 11.
57 See id. art. 16.4. This adoption process may be interrupted if a party to the dispute notifies the DSB of its decision to appeal the report to the Standing Appellate Body, or if the DSB decides by consensus not to adopt the report.
raised in the panel reports it receives;\textsuperscript{58} nonetheless, by virtue of deciding questions of international law, it functions as an international court.\textsuperscript{59} On the whole, it is possible to agree with Joseph Drexl, when he remarks, "[I]t is no longer commercial policy that controls international trade law, but international trade law will start to control commercial policy."\textsuperscript{60}

The new law-oriented approach of the WTO is also displayed in its enforcement measures, of which there are three kinds. The implementation of the recommendation of the DSB or Appellate Body is the preferred approach, as this accords with the principle of subsidiarity.\textsuperscript{61} If the infringing member fails to implement the recommendations for adjusting its noncompliance with TRIPs provisions, the Body can require the infringing member to compensate the aggrieved member. Finally, where no agreement can be reached on acceptable compensation, as a last resort, the aggrieved member may request the DSB to suspend concessions under the law of the WTO.\textsuperscript{62} Hence, the dispute settlement mechanism has some teeth because it can dictate that violations of TRIPs ultimately may mean suspension of TRIPs concessions, albeit that at least initially the suspension is restricted to the same sector in which the violation occurred.\textsuperscript{63}

\textsuperscript{58} See id. art. 17.6.

\textsuperscript{59} See id. art. 17.14. The strength of the Standing Appellate Body’s judgment is weakened, however, by the provision that the DSB and the parties to the dispute must adopt its judgment unless the DSB decides by consensus not to adopt the Appellate Body’s report within thirty days after circulation of the report to the WTO members. See id.

\textsuperscript{60} Drexl, supra note 36, at 53.

\textsuperscript{61} See DSU art. 22.

\textsuperscript{62} See id. art. 22.2.

\textsuperscript{63} See id. art. 22.3. In the area of suspension of concessions, a weakness has emerged in the context of the mixed agreement of the EC and its Member States with their joint competences. In addition to the retaliatory measure of suspension of concessions outlined above, Article 22 provides that if the suspension of concessions within the field of intellectual property when the infringement has occurred is not effective to bring an end to the infringement, the Member may obtain authorization to suspend concessions in other areas of trade. The peculiarities of the European system of joint competences of the Community and Member States may make realization of cross retaliation difficult in a mixed agreement like TRIPs. A Member State that has won a panel judgment authorizing cross retaliation may find itself unable to move—either within the context of TRIPs, because of the competence it shares with Community, or in the broad area of trade in goods, as this area falls within the Community’s exclusive competence. In effect, the “judgment” becomes worthless to the Member State if it cannot enforce it. Drawing attention to this dilemma, the ECJ stressed the need for cooperation between the Community and Member States. This cooperation will need to be formalized by a Code of Conduct laying down procedures for the conduct of the EC and its Member States within the framework of the WTO.
B. Direct Effect of TRIPS on "Borrowed" Conventions

Several articles of TRIPS require its signatories to comply with provisions of other international intellectual property conventions, notably the Paris Convention (1967), the Berne Convention (1971), and the Treaty on Intellectual Property in Respect of Integrated Circuits. For those Member States that are already signatories of these conventions, this presents no issue; they are already bound to comply. But what of those nations that are not members of those conventions? To what extent can measures "borrowed" from other conventions and incorporated into TRIPS have direct effect in the national systems of nations, members of which are "strangers" to the other intellectual property conventions?

This much is clear: to the extent that the provisions of other intellectual property conventions are incorporated into TRIPS, its signatories are bound to respect those conventions. A violation of the relevant provisions of another intellectual property convention incorporated into TRIPS is a violation of TRIPS. They are part of the TRIPS regime because TRIPS has said that they are.

The question of their possible direct effect is easily answered by reference to the reasoning set forth in this Note—direct effect is predicated upon competence. If the relevant TRIPS provision is within the competence of the Community, it possesses the full potential of having direct effect. Given the understanding of dynamic competence enunciated by Drexl, it seems certain that ultimately all facets of intellectual property will come under the exclusive competence of the Community. Accordingly, it is possible to envision the case where all the "borrowed" provisions could have direct effect, given compliance with the objective criteria for direct effect.

C. Ratifying Acts and the Attempt to Exclude Direct Effect

Without a ruling from the ECJ, is it possible for direct effect to be excluded? One possible source of authority for the exclusion of direct effect may be found in the ratifying acts of the TRIPS Agreement. In the Recitals of Council Decision 94/800, which implemented the WTO Agreements, including TRIPS, the Council declared that TRIPS provisions were not intended to be directly effective. This raises the question of whether "opinions" expressed in a ratifying act are binding.

It appears that such opinions do not have binding legal force for two reasons. First, it is an established principle in the Community that recitals to a Community act are only aids to interpretation of individual provisions, not legal rules. They have no legal effect unless linked to the interpretation of specific provisions of the act they accompany. Here, there is no such link, as none of the provisions focus on the issue of direct effect. Second, Community institutions are bound by international agreements concluded by the Community. This implies that if an international agreement of the Community, by its nature and the wording of particular provisions, creates directly effective provisions, Community institutions are bound by it and are unable, through secondary legislation, to exclude direct effect.

It is arguable that the act that establishes the obligation should be able to define the scope of the obligation. In most legal systems, the scope of a law, be it national or international, is sought in the accompanying legislative notes which, though not binding, are regarded as strongly persuasive because they are an expression of the intent of the parties who entered into the agreement. In the Community, however, if ratifying decisions were able to exclude direct effect, Community institutions would be able to decide the direct effect of international law within the Community. Indeed, the Council Decision implementing the TRIPs Agreement declared that, as a matter of international law, the lack of direct effect was based on the very nature of the WTO. What is a matter of international law, however, is a question for the ECJ and not other institutions within the Community.

Divergent national attitudes toward direct effect of the TRIPs provisions, as stated in ratifying acts of TRIPs signatories, may explain the Council's purported exclusion of direct effect. On the one hand, some European countries, such as Germany, have declared in their ratifying enactments that TRIPs will have direct effect. Others outside the Community, such as the United States, have expressly denied such effect. It may be that the Council declared that as a matter of international law no direct effect was possible because it feared that the enforcement of the rights under TRIPs would not be uniform. Drexl explains the Council's approach as follows: "The Community's approach is guided by the fear that the U.S. would be able to maintain political discretion in the design of its international commercial policy.

67 See EC Treaty art. 228(7).
whereas the Community would be restricted in its actions by the interference of domestic courts including the ECJ.\textsuperscript{68}

What the Council seeks, in effect, is what Mengozzi has called "negative equality of internal enforcement"\textsuperscript{69}—a reciprocity among the signatories of an international convention of the internal enforcement of the provisions of the agreement. According to the ECJ in the Kupferberg case, though, this kind of reciprocity in internal enforcement is not affected by the fact that all of the parties to an agreement do not give direct effect to its provisions.\textsuperscript{70} Hence, whenever the court decides the question of possible direct effect, it will not be swayed by the lack of reciprocity in internal enforcement. In any case, to exclude direct effect of these provisions as a matter of international law is something only the ECJ can do.

D. A Sampling of TRIPs Provisions Which Might Have Direct Effect

Given our understanding that competence, as the condition precedent to direct effect, is a dynamic question, the issue of direct effect cannot be addressed from a static vantage point. The question must always be related to the current state of Community protection of IPRs.

From the preceding chart\textsuperscript{71} we can compare the current status of Community protection of IPRs with the relevant provisions of the TRIPs Agreement:

<table>
<thead>
<tr>
<th>Degree of Harmonization and/or Competence</th>
<th>TRIPs Provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete Harmonization-Exclusive Competence</td>
<td></td>
</tr>
<tr>
<td>Community trademark</td>
<td>Articles 15–21</td>
</tr>
<tr>
<td>External border controls</td>
<td>Articles 51–60</td>
</tr>
<tr>
<td>Partial Harmonization-Partial Competence</td>
<td></td>
</tr>
<tr>
<td>Copyrights</td>
<td>Articles 9–14</td>
</tr>
<tr>
<td>Trademarks</td>
<td>Articles 15–21</td>
</tr>
</tbody>
</table>

1. Copyright and Trademark

The provisions importing the Berne and Paris Conventions\textsuperscript{72} might be capable of direct effect. Furthermore, several provisions specifying terms of protection are likewise sufficiently clear and unam-

\textsuperscript{68} Drexl, \textit{supra} note 36, at 39.
\textsuperscript{69} Mengozzi, \textit{Les droits des citoyens de l’Union européeenne et l’applicabilité directe des accords de Marrakech}, 1994 \textit{REVUE DU MARCHE UNIQUE EUROPEEN} 165, 169.
\textsuperscript{70} Case 104/81, Hauptzollamt Mainz v. C.A. Kupferberg & Cie, 1982 \textit{E.C.R.} 3641.
\textsuperscript{71} See \textit{supra} Part III.
\textsuperscript{72} TRIPs Agreement art. 9 (copyright); \textit{id.} arts. 16(2)–(3) (trademark).
biguous. There are provisions which are unique to both copyrights and trademarks that may be included here. In copyrights, Article 11 (rentals) and Article 14(2) (reproduction of phonograms) enunciate rights that Members are to provide in their regimes. In trademarks, several provisions relating to the registration and maintenance of trademarks appear to meet the requirements of direct effect, as do portions of Article 21 relating to the licensing and assignment of trademarks.

2. Enforcement Provisions

In its Opinion 1/94, the ECJ rejected the argument that the enforcement provisions of Part III were part of a domain reservé of the Member States and held that the Community could, through harmonization, acquire competence within this area. In general, though, Part III’s provisions on enforcement probably are not capable of having direct effect in Community law for several reasons. First, as things now stand, the Community has not yet harmonized Member States’ enforcement regimes and, therefore, lacks competence in the area of internal enforcement. Furthermore, TRIPs provides that Members shall give effect to the provisions of TRIPs. This places the responsibility upon each Member and implies that each Member has the authority commensurate with that responsibility. Finally, the wording of the provisions of Part III generally requires Members to empower the competent authorities to make various orders. This, of course, does not give rise to an individual right as it leaves the empowered authority free not to make the desired order. In some cases, the wording makes it clear that the enforcement measure is at the discretion of the Member.

73 See id. arts. 12, 14(5) (copyright); id. art. 18 (trademarks).
74 See id. arts. 15(3)–(4), 19.
75 Namely, the prohibition against compulsory licensing of trademarks and the right to assign a trademark “with or without the transfer of the business to which the trademark belongs.” See id. art. 21.
76 See Article 228(6) Opinion, supra note 5, at 1-5419, [1995] 1 C.M.L.R. at 328.
77 See TRIPs Agreement art. 1(1).
78 There are some provisions, however, which seem to require provision of certain enforcement measures within Members’ regimes without room for discretion. See, e.g., TRIPs Agreement art. 41(1) (establishing a duty to ensure that enforcement procedures are available in its law); id. art. 42 (granting the IPRs holder and defendant rights to civil administrative and judicial procedures); id. art. 50(4) (identifying parties’ right to notice and defendant’s right of review, including right to be heard).
3. Border Controls

Within Section 4 of TRIPs, Special Requirements Related to Border Measures, some provisions may have effect, including: Article 53(2), which provides for the right of an owner, importer, or consignee of goods to the release of impounded goods, and Article 55, which sets a defined limit on the duration of suspension of the release of impounded goods.

4. Acquisition and Maintenance of IPRs

The right to review of final administrative decisions by a judicial or quasi-judicial authority as enshrined in Article 62(5) may be capable of direct effect, though in a recent United Kingdom High Court decision, the court seemed to think that this article was in conflict with Article 32, which, if true, would make direct effect impossible. In addition, other general provisions might be capable of having direct effect. It has been suggested, for example, that the nondiscrimination clauses of national treatment and most-favored-nation treatment in Articles 3 and 4 are sufficiently clear and unconditional to be capable of having direct effect, though, it is submitted, this is not true of Article 3(2).

E. National Courts Answer the Question of the Direct Effect of TRIPs

TRIPs-related case law is still in its infancy, and, while there has not yet been an ECJ case on the issue of the possible direct effect of TRIPs, there have been a few cases in the national courts on this issue. In Allen & Hanbury's Ltd v. Controller of Patents, Designs, and Trade-marks, a case of the Irish High Court, the court held that the provisions of TRIPs obliged the Controller to refuse a grant of license pursuant to a domestic act. The court did not, however, base its judgment on the direct effect of TRIPs as a matter of Community law. Rather, it recognized that the Irish legislature had already opened a window for any treaty to supersede domestic law in a limited range of patents (i.e., food and medicine). TRIPs would have direct effect because the domestic law said that it would, not because Community law did. Hence, this case is not authority for the proposition that provisions of TRIPs might have direct effect in Community law.

In *Azrak-Hamway International*, a United Kingdom Patent Office preliminary hearing, the question of whether TRIPs was directly effective in United Kingdom law was addressed from the stance of competence as a condition precedent. First, the Examiner looked at the field of intellectual property involved—here, it was industrial designs—and then asked whether in that field the Community had competence. When it found that it did not, it concluded that Articles 25 and 26 of TRIPs did not have direct effect as a matter of Community law. The Examiner looked at the Recitals of the Council Decision for guidance and noted that the Council had approved TRIPs on behalf of the Community, only with regard to portions falling within the competence of the Community. The Examiner's judgment became severely flawed, however, when he reasoned that TRIPs provisions not included within the competence of the Community were not part of Community law. By virtue of Article 228(7) of the EC Treaty, though, agreements concluded by the Community are binding upon the institutions of the Community and its Member States. Such agreements are part of the legal order of the Community. What remains to be seen is whether their provisions are in a form and of a nature to give rise to individual rights.

Additionally, the argument was raised that the Member States and the Community share an obligation to harmonize IPR protection within the Community under TRIPs. It was argued that by signing the TRIPs Agreement, the Member States had gone through the necessary procedure and had, in effect, "voted" to provide the Community with the necessary unanimity to enable it to use the Agreement as an indirect means of harmonization. The Examiner regarded this position as untenable, however, and agreed with Azrak-Hamway International that this argument had already been attempted by the Commission in its submission to the ECJ in Opinion 1/94 and had been rejected by the court.

In *Lenzing AG's European Patent*, the court held that TRIPs could not have direct effect for several reasons: (1) the ECJ had already declared that the "old GATT" agreement could not have direct effect and there was nothing in the "new GATT" which indicated that it was intended to be otherwise; (2) any distinctions between the old and

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new GATTs were "inconsequential"; and (3) the WTO, and TRIPs in particular, were merely agreements between nations.\(^{85}\) In any event, the provision pleaded (Article 32) was considered not to be sufficiently clear and precise to have direct effect. It is submitted that the court's judgment betrayed a cursory analysis of the issue before it and was too dismissive of the differences between the "old" and "new" GATTs, which have already been reviewed in this Note.\(^{86}\)

From our examination of the aforementioned national cases, a recurring practice emerges: national courts and tribunals use the Recitals of ratifying acts to understand the scope intended for Community legislation with which they are asked to deal. This is a perfectly reasonable approach as long as it is applied correctly. National courts and tribunals need to remember the position the ECJ has taken on Recitals—that they are not binding legal rules unless they are linked to specific provisions of the legislation they preface. Courts need to be less mechanical in their consideration of the possible direct effect of TRIPs provisions, as it would be cumbersome to refer to the ECJ in every case in which a provision of TRIPs is at issue. In any case, the courts have displayed a reluctance to do so.

V. Conclusion

This Note has endeavored to show how direct effect of TRIPs is not only desirable but also possible. It is desirable on both the individual and collective level. Some Member States have a dualist approach to international law, requiring that treaties concluded by their governments be formally enacted by their legislatures. Finding direct effect of TRIPs provisions within Community law, which is supreme within national legal systems, allows individuals to benefit immediately from these rights on a Community-wide basis, as well as nationally, and not have to wait for years before their national legislature "gets around" to implementing the provisions of the agreement in national legislation.

On a collective level, it seems obvious that allowing TRIPs provisions to have direct effect as a matter of Community law promotes the realization of the Common Market—an ideal that has eluded the Community in the field of intellectual property.

It is further submitted that, due to the changes in the institutional structure of GATT which took place with the creation of the WTO and its dispute resolution mechanism, it is possible to give direct effect to its provisions. GATT is no longer merely a political, intergov-

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86 See supra notes 52-63 and accompanying text.
ernmental understanding, but rather an identifiable international legal personality with a judicial dispute resolution mechanism. It is particularly the strengthening of its dispute resolution mechanism which may make it possible to hold that “rights” have been created. If this analysis proves to be accurate, then the only question left for a provision is whether it meets the objective criteria established by the ECJ for direct effect; it is submitted that some provisions, especially those embedded in particular fields of intellectual property, do meet those tests. If such is the case, we may conclude that in shopping for an effective protection of her IPRs, the innovator need no longer be faced with the rule of the old GATT provisions—“Look but don’t touch!”—but may now appropriate for herself rights from the most comprehensive system of IPRs the community of nations has yet produced.

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