

# NAFTA'S REGIME FOR INTELLECTUAL PROPERTY: IN THE MAINSTREAM OF PUBLIC INTERNATIONAL LAW

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SUMMARY: I. *Transformation of Unilateral Measures Into Public International Law.* II. *The NAFTA Regime.* III. *Conclusion.*

In this Decade of International Law,<sup>2</sup> economic integration is surely the greatest achievement of global and regional communities. New institutions, particularly the World Trade Organization (WTO);<sup>3</sup> the North American Free Trade Agreement (NAFTA);<sup>4</sup> and the Treaty Establishing a Common Market Between the Argentine Republic, the Federal Republic of Brazil, the Republic of Paraguay and the Eastern Republic of Uruguay (MERCOSUR)<sup>5</sup> are monumental and, on balance, popular. At least one North American leader with only limited experience in foreign affairs has relied on his ability to gain political support for economic integration as a means of bolstering public opinion of his administration during its first two years.

## I. TRANSFORMATION OF UNILATERAL MEASURES INTO PUBLIC INTERNATIONAL LAW

Nowhere is international cooperation in the progressive development and codification of international economic law more evident than in the domain of intellectual property rights. New regimes for their protection excite practitioners and scholars alike. Consider NAFTA. It is the first trade agreement

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<sup>2</sup> In 1989 the General Assembly of the United Nations declared the establishment of a Decade of International Law (1990-1999). Its purpose is to promote acceptance of and respect for the principles of international law, advance the means for peacefully resolving disputes among states, progressively develop and codify international law, and encourage teaching and wider appreciation of international law. GA Res. 44/23, UN GAOR, 44th Sess., Supp. No. 49, at 31, U.N. Doc. A/44/49 (1989), *as revised* for subsequent two-year terms.

<sup>3</sup> See General Agreement on Tariffs and Trade, Agreement Establishing the World Trade Organization [hereinafter WTO], 33 I.L.M. 1144 (1994).

<sup>4</sup> North American Free Trade Agreement, 32 I.L.M. 289, 605 (1993)[hereinafter NAFTA].

<sup>5</sup> Treaty of Asunción, 33 I.L.M. 1244 (1995).

to include a comprehensive scheme for protecting intellectual property rights.<sup>6</sup> The pertinent provisions are a striking example, however, not simply of regional integration in traditional terms but of the capacity of a regional agreement to internationalize a largely reserved domain of sovereign authority and private law.<sup>7</sup>

Although NAFTA Parties have also been Parties to a variety of multilateral agreements on intellectual property law that supplement and give effect to domestic regulations, NAFTA provides a wholly new organizational framework of collaboration. NAFTA's requirements are largely consistent with domestic legislation, but they also harmonize and progressively develop the law to form a more comprehensive regime. In this way the protection of intellectual property rights is becoming part of the mainstream of public international law in the Western Hemisphere.

It might be argued that the protection of intellectual property rights has always been a topic of "transnational" law at least. At best, however, it was a marginal topic, and in Romano-Germanic (civil law) terms, clearly fell on the private side of the law in both the academy and in practice. It might be argued, further, that the distinction between "public" and "private" law is too abstract to be useful or that it is purely academic. The public-private division of legal labor nevertheless has considerable functional significance in the civil law tradition of Mexico and other countries. Also, in a sense, to call the distinction academic is just the point: it serves to help determine the curriculum of law faculties, scholarly attention, and eventually the diplomatic agenda.

Finally, it is arguable that intellectual property rights are no more in the mainstream of public international law than trade, investment and other topics of international economic law. That may certainly be true, but NAFTA's provisions for intellectual property rights, in concert with TRIPS, represent a particularly noteworthy transformation in the character of the legal regime.

In any event, NAFTA has played a pivotal role in bringing intellectual property rights into the mainstream of multilateralism. The subject belongs in not only the practice but the classrooms of international law. As an academic matter, it deserves a more prominent place in basic treatises and textbooks on international law.<sup>8</sup>

6 Canela, Jose Angel, "Remarks", 87 *A.S.I.L. Proc.* 6, 7 (1993) (Mr. Canela made his remarks as Legal Counsel, NAFTA Office, Embassy of Mexico, Washington, D. C.).

7 For examples of "The Internationalization of Domestic Law: The Shrinking *Domaine Réserve*", see 87 *A.s.i.l. Proc.* 432 *et seq.* (1993).

8 A survey of international law teaching and published materials in the United States ten years ago reveals a lack of attention to intellectual property rights. Nafziger, James A. R., "Teaching International Law in the United States", 24 *Archiv des Völkerrechts* 215 (1986).

Not long ago, in United States practice at least, international protection of intellectual property rights relied heavily on efforts to apply national laws extraterritorially within a very incomplete framework of multilateral agreements. Although these agreements added a measure of public international law, they were largely ancillary to overlapping, essentially domestic regimes of regulatory law. Constitutional encouragement of intellectual property rights was interpreted to root them firmly in the reserved domain of domestic law. Real international cooperation other than among registration agencies was limited. The famous *Bulova Watch*<sup>9</sup> and *Vanity Fair*<sup>10</sup> cases, in particular, did not simply resolve issues of trademark infringement involving imports into the United States from Mexico and Canada, respectively. They became cornerstones of reliance by the United States on judicial extensions of its Lanham Act<sup>11</sup> to reach conduct that had occurred abroad with effects in the United States.

Canada, on the other hand, has generally not pursued extraterritorial enforcement of its intellectual property laws. Nor has the country played a major role in the development of international intellectual property law. Its blocking legislation to bar enforcement of extraterritorial measures taken by foreign authority, though it may be fully justified, is of course another example of the unilateralism and non-cooperation that have until recently characterized the protection of intellectual property rights in the Western Hemisphere.<sup>12</sup>

Meanwhile, the Mexican regime until 1991 likewise discouraged international cooperation. Intellectual property laws "were substantively restrictive and procedurally inadequate".<sup>13</sup> Under pressure from the United States, Mexico enacted a far more congenial *Ley de Fomento y Protección de la Propiedad Industrial*.<sup>14</sup> This law rescinded both a 1976 statute on patents and trademarks<sup>15</sup> and, perhaps most significantly, the restrictive 1981 Transfer of Technology Law.<sup>16</sup> To the dismay of foreign investors, the 1981 statute vested

<sup>9</sup> *Steele v. Bulova Watch Co.*, 344 U. S. 280 (1952) (successfully alleging infringement in Mexico).

<sup>10</sup> *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633 (2d Cir. 1956) (unsuccessfully alleging infringement with respect to sales in Canada but successfully winning an appeal for a hearing on less significant claims related to sales in the United States).

<sup>11</sup> 15 U. S. C. 1051-1127 (1994) (the main federal legislation on trademarks).

<sup>12</sup> See Roberts, R. J., "Technology Transfer Agreements and North American Competition Law", 9 *Intell. Prop. J.* 247, 258, 270 (1995). The blocking legislation, to summarize, empowers Canada's Competition Tribunal.

<sup>13</sup> Zamora, Stephen, "The Americanization of Mexican Law: Non-Trade Issues in the North American Free Trade Agreement", 24 *L. & Pol'y Int'l Bus.* 391, 415 (1993).

<sup>14</sup> [Law for the Promotion and Protection of Industrial Property], *D. O.*, June 24, 1992, at 4.

<sup>15</sup> *Ley de Invencciones y Marcas* [Law of Inventions and Trademarks], *D. O.*, Feb. 10, 1976, at 7.

<sup>16</sup> *Ley Sobre el Control y Registro de la Transferencia de Tecnología y el Uso y Explotación de Patentes y Marcas* [Law on the Control and Registration of Transfer of Technology and the Use and Exploitation of Patents and Trademarks], *D. O.*, Jan. 11, 1982 (the law was enacted Dec. 29, 1981).

substantial discretion in a governmental ministry to make final interpretations of the law and life-or-death decisions affecting investors. Similarly, Mexico amended its copyright law in 1991 to encourage investment with greater protection of foreign copyrights.<sup>17</sup> But until NAFTA, international cooperation in protecting intellectual property rights was still fundamentally ad hoc and minimal throughout the Western Hemisphere.

International law texts have typically avoided discussion of intellectual property laws. In the absence of any general principle requiring a state to recognize administrative acts of other states, there simply has been no international law on point. This lacuna, wrote one publicist quite accurately, "is clearly illustrated by the prevailing 'nationalistic' system of patents, under which, subject to exceptions, patents are granted solely on a domestic national basis, without any general obligation to recognize a foreign grant. A fortiori, if civil liability is excluded under the laws of a country, no action will lie in the courts of another state to enforce such liability."<sup>18</sup>

Times have changed. Today's regime includes a stronger World Intellectual Property Organization (WIPO); the WTO, with its mechanism for resolving disputes; and such regional institutions as the European Union and NAFTA. Gone are endless academic debates about how many of the three jurisdictional elements identified in *Bulova Watch* —nationality, effect on U.S. interests, and non-conflict with foreign law— had to be present to apply the Lanham Act extraterritorially. Gone, too, is the debilitating tension between technology transferor and transferee states. We now have a far more effective (though still incomplete) international system for protecting intellectual property and resolving related disputes.

The global focus is on a new WTO instrument, the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS).<sup>19</sup> Its extension of copyright law to include computer software, its broad premise in the standards of national treatment and most-favored nation treatment, and new requirements for trademark and patent protection are among a number of bold steps forward.

In sum, multilateral collaboration is replacing unilateral measures to enforce an expanding regime of intellectual property rights. In the New World, par-

17 *D. O.*, July 17, 1991, at 40, *amending* Ley Federal de Derechos de Autor [Federal Law of the Rights of an Author].

18 Starke, J. G., *Introduction to International Law* 106 (9th ed. 1984).

19 General Agreement on Tariffs and Trade, Multilateral Trade Negotiations (the Uruguay Round), Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods [hereinafter TRIPS], Doc. MTN/FA, Pt. II, Annex 1C (1993), 33 I. L. M. 81, 1197 (1994). For a good summary, see Swan, Alan C. & John F. Murphy, *Supplement to the Regulation of International Business and Economic Relations* 4 (1994).

ticularly, we have clearly engaged in rethinking and replacing national sovereignty in the interest of human creativity and economic development.

## II. THE NAFTA REGIME

One of the six objectives of NAFTA is to "provide adequate and effective protection and enforcement of intellectual property rights in each Party's territory".<sup>20</sup> Chapter 17 qualifies this objective by requiring each Party to ensure that measures to enforce these rights "do not themselves become barriers to trade".<sup>21</sup> The minimum standard of adequacy and effectiveness is defined in terms of four international agreements, more extensive protection under domestic law, national treatment, and a myriad of detailed rules set forth in Chapter 17 itself.<sup>22</sup> These rules, to be adopted by each Party, have been described as "the most extensive"<sup>23</sup> in NAFTA.

There are several exceptions to this grand design of multilateralism, particularly in the definition of national treatment. In respect of sound recordings, article 1703 allows a party to require reciprocity in extending secondary-use rights to another Party's performers.<sup>24</sup> Of course, the requirement of reciprocity, though it opens up the possibility of nationalistic interpretation, may itself be seen as a form of international cooperation. Article 1703 also permits limited derogation from the national treatment requirement to accommodate special judicial and administrative procedures for enforcement of intellectual property rights. Also, WIPO-based procedures trump national treatment obligations under Article 1703. Finally, Articles 2106-07 of NAFTA, in a general list of exceptions, enables Canada to continue the controversial practice of protecting its own "cultural industries" by outside (that is, primarily U. S.) domination.

Although the present article does not attempt to summarize Chapter 17 thoroughly,<sup>25</sup> several further observations about its scope may be useful. Pro-

<sup>20</sup> NAFTA, *supra* note 3, art. 102.

<sup>21</sup> *Idem*, art. 1701 (chapter 17 is found at 32 I. L. M. 670 (1993)). Parties may impose stricter measure of international regulation "provided that such protection is not inconsistent with this Agreement." NAFTA, *supra* note 3, art. 1702.

<sup>22</sup> *Idem*, The four conventions are as follows:

<sup>23</sup> Zamora, Stephen, "NAFTA and the Harmonization of Domestic Legal Systems: The Side Effects of Free Trade", 12 *Ariz. J. Int'l. & Comp. L.* 401, 409 (1995).

<sup>24</sup> "Secondary uses of sound recordings means the use directly for broadcasting or for any other public communication of a sound recording". NAFTA, *supra* note 3, art. 1721(2).

<sup>25</sup> For analytical summaries of Chapter 17, see Folsom, Ralph H. & W. Davis Folsom, *Understanding NAFTA and its International Business Implications 200* (1996); Paul, Hastings, Janofsky & Walker (law firm), *North American Free Trade Agreement: Summary and Analysis 83* (1993); Charles S. Levy & Stuart M. Weiser, "The NAFTA: A Watershed for Protection of Intellectual Property", 27 *Int'l Law* 671 (1993);

ected property includes copyrights, sound recordings, encrypted program-carrying satellite signals, trademarks, patents, layout designs of semiconductor integrated circuits, industrial designs, plant breeders' rights, rights in geographical indications, and trade secrets.<sup>26</sup> NAFTA is the first international agreement to provide a working mechanism for protecting trade secrets—a milestone in the development of international economic cooperation—.<sup>27</sup>

The core definitions of protected rights are consistent with the general practice. Under Article 1705(1), copyright protection is generally coextensive with Article 2 of the Berne Convention,<sup>28</sup> but literary works are newly defined to include all types of computer programs. Article 1708(1) extends trademark protection to all distinguishing signs, including service and collective marks and, optionally, certification marks. Article 1709(1) requires patent protection for all inventions that are new, result from an inventive (nonobvious) step, and are capable of (useful) industrial application.

Enforcement of rights—a “chronic shortcoming”<sup>29</sup> in Mexico—should gradually improve, despite problems in the administrative and judicial machinery. To remedy these problems, NAFTA sets forth several voluntary and mandatory measures in admirable detail. Parties may take enforcement measures at the border or other port of entry<sup>30</sup> and must provide administrative and judicial enforcement.<sup>31</sup> Articles 1714-17 establish minimum requirements of procedure and remedies, including provisional measures and criminal sanctions.

A list of specific procedures and remedies, to be made available to nationals of NAFTA member countries and non-nationals alike, includes the following rights: written notice, representation by independent legal counsel, freedom

Gonzalez, George V., “An Analysis of the Legal Implications of the Intellectual Property Provisions of the North American Free Trade Agreement”, 34 *Harv. Int'l L. J.* 305 (1993)(focus on parallel imports of gray market goods, a topic not specifically covered by NAFTA).

<sup>26</sup> *Idem*, arts. 1705-13, 1721.

<sup>27</sup> North American Free Trade Agreement, Statement of Administrative Action, Chapter Seventeen: Intellectual Property, H. R. Doc. No. 159, 103d Cong., 1st Sess. 184 (1993).

<sup>28</sup> Berne Convention, *supra* note 21, art. 2 (a list of protected works of authorship).

<sup>29</sup> Zamora, *supra* note 12, at 416. Doubts about the effectiveness of Mexican law stem from a perception of “(1) widespread infringement and counterfeiting; (2) a judicial system unable to act quickly in cases of trademark infringement; (3) a lack of injunctive relief; (4) inadequate border controls to prevent infringing goods from entering the country; and (5) restrictions on licensing”. Gonzalez, *supra* note 24, at 309 (citation omitted). As the author is quick to add, however, “[t]hese specific doubts may prove groundless if, as the director of the Mexican Intellectual Property Agency claims, the new Industrial Property Law puts the three countries ‘on a flat platform’ and credibly provides a ‘unified standard of protection.’” *Ibidem* (citation omitted).

<sup>30</sup> NAFTA, *supra* note 3, art. 1718.

<sup>31</sup> *Idem*, art. 1714.

from the imposition of overly burdensome requirements of mandatory personal appearances, production of evidence, and a means to identify and protect confidential information. In sum, "these provisions top the NAFTA hierarchy by providing private parties with *the* strongest mechanisms to achieve transnational justice".<sup>32</sup> Requirements of mutual cooperation and technical assistance will help ensure that all nationals within the NAFTA region enjoy full protection of their intellectual property rights in the agencies and courts of other NAFTA Parties, in accordance with national laws of those Parties and minimum international standards.

Resolution of disputes within this framework depends in the first instance on private initiative. Chapter 17 relies fundamentally on enforcement of the substantive and procedural laws of each Party rather than on a central or uniform system of dispute resolution.<sup>33</sup> If, however, a national of one Party is denied effective access to relief in the agencies or courts of another Party in violation of the national treatment standard, he or she can pursue the intergovernmental dispute resolution procedures of Chapter 20.<sup>34</sup> There is, of course, no assurance that an individual will gain diplomatic protection. Moreover, the intergovernmental procedures of Chapter 20 are potentially not only unreliable but highly political. On the other hand, they are expeditious and encourage a substantial measure of state responsibility. A successful claim under Chapter 20 can result in the imposition of trade sanctions to offset proven damages stemming from NAFTA violations.

### III. CONCLUSION

The Constitution of the American Society of International Law sets forth that "[t]he object of this Society is to foster the study of international law and to promote the establishment and maintenance of international relations on the basis of law and justice. *For this purpose it will co-operate with similar societies in this and other countries*".<sup>35</sup> Until recently, the cooperative object of the Society was virtually dormant. Now, however, new partnerships with the Instituto de Investigaciones Jurídicas at UNAM and other centers of learning abroad offer a promising new direction in international cooperation.

<sup>32</sup> See Housman, Robert F., "Access to Transnational Justice Under the NAFTA: Different Interests, Different Access", 88 *A.S.I.L. Proc.* 531, 532 (1994)(emphasis added).

<sup>33</sup> NAFTA, *supra* note 3, arts. 1714-16. Criminal procedures and penalties are "to be applied at least in cases of willful trademark counterfeiting or copyright piracy on a commercial scale". *Idem*, art. 1717.

<sup>34</sup> *Idem*, art. 2005.

<sup>35</sup> "Constitution of the American Society of International Law", 85 *A.S.I.L. Proc.* 625 (1991)(emphasis added).

NAFTA's regime of intellectual property rights is a particularly felicitous topic to highlight this new cooperation among scholars, government officials and practitioners within the Western Hemisphere. The new regime is not only a crucial element in the larger system of NAFTA cooperation, but an excellent example of the capacity of regional authority to create an inclusive regime of international economic law. It has had the effect already of channeling tributaries of private law into the mainstream of public international law.

A fuller realization of this mainstreaming will require somewhat greater clarification of the relationship between the new regime under Chapter 17 and the geographically broader regimes of WIPO and WTO.<sup>36</sup> This is not, however, a big problem. As the only multilateral instruments on intellectual property rights that impose substantive legal standards for incorporation into domestic law, NAFTA and TRIPS generally coincide with each other. One example of this harmony is their identical provision for 20-year patent terms from the date of filing. Moreover, NAFTA makes clear that in the event of conflict between Chapter 17 and TRIPS, "[n]o Party shall have any obligation under this Article with respect to *procedures* provided in multilateral agreements concluded under the auspices of the World Intellectual Property Organization relating to the acquisition or maintenance of intellectual property rights".<sup>37</sup> Both NAFTA and TRIPS enable their Parties to provide more extensive protections under domestic law than the multilateral agreements would require.<sup>38</sup>

Although some commentators have been skeptical about Chapter 17, describing it, for example, as "a patchwork of compromises",<sup>39</sup> the consensus is more favorable.<sup>40</sup> One thing is for sure: hard work in implementing Chapter 17 lies ahead.<sup>41</sup> Time will tell if NAFTA's enforcement measures will give real effect to the new regime of intellectual property rights, but the way, if not the will, is clear, and that way is now within the mainstream of public international law.

<sup>36</sup> The relationship between WIPO and WTO is gradually being clarified. See, e. g., "World Intellectual Property Organization—World Trade Organization: Agreement Between WIPO and WTO", 35 *I. L. M.* 754 (1996).

<sup>37</sup> *Idem*, art. 1703(4)(emphasis added).

<sup>38</sup> NAFTA, *supra* note 3, art. 1702 (quoted in note 19 *supra*); compare TRIPS, *supra* note 18, art. 1(1).

<sup>39</sup> Paul, Hastings, Janofsky & Walker, *supra* note 24, at 83.

<sup>40</sup> See, e. g., Swan and Murphy, *supra* note 18, at 8 ("[NAFTA's] intellectual property provisions are among its most notable features").

<sup>41</sup> NAFTA reminds me of a barn raising. A barn raising is when you invite your friends over to help you assemble and raise the frame of a new barn, and then you throw a party to celebrate. Now there are two things to remember about a barn raising. One, if you let your friends drink before the frame is up you're likely to end up with a crooked frame, and two, the really hard work—building the walls and the roof—starts the next day.