

The US–Chile FTA: Intellectual Property Issues

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The TRIPs Agreement signalled a major change in international economic relations as it marked the first time intellectual property was fully integrated into the international trading regime.

The reasons for including intellectual property rights (IPRs) in the framework of the multilateral trading system during the Uruguay Round were complex. The issue was largely driven by the US, whose 1974 Trade Act had established a link between trade and adequate protection of intellectual property. A number of developing countries initially resisted the attempt, not least on public interest grounds, such as concern about subjecting inventions related to public health and nutrition to strict patenting rules under the new trade regime ushered in with the WTO's creation in 1995.

While the WTO Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPs) introduces minimum standards of protection and offers some flexibilities, recent developments suggest a growing trend toward much more stringent standards. This 'TRIPs-plus' phenomenon has raised concerns as it seeks to harmonise intellectual property (IP) regimes with those of economically and technologically more advanced countries. This trend is clearly noticeable in bilateral, regional and new multilateral initiatives. Some developing countries worry about the curtailment of their policy space in an important area of economic development. Many share the perception that TRIPs-plus requirements will inhibit countries from using fully the flexibilities implicit in the TRIPs Agreement or to adopt industrial policies with laxer systems of IPR protection, similar to those followed in the past by developed countries and until recently by newly industrialised countries.

The TRIPs-plus phenomenon corresponds to the view that the Agreement does not adequately reflect the high standards of IP protection needed to promote global trade and to respond to the requirements of the digital age. As a result, the US has in recent years followed an explicit bilateral trade policy of going beyond the TRIPs Agreement by including TRIPs-plus provisions in its free trade agreements post-NAFTA, which was concluded almost in parallel with the Uruguay Round negotiations. This bilateral agenda has included most issues raised by the US in various international fora, namely:

- the extension of copyright, trademark, and patents protection;
- the need to ratify certain intellectual property-related treaties;
- patent protection for life forms;
- limitations in granting compulsory licences on patents;
- specific implementation of TRIPs provisions in areas such as undisclosed information; and
- rules concerning the exhaustion of IPRs.

The US–Chile FTA

The free trade agreement (FTA) between Chile and the US, which entered into force on 1 January 2004, comprises 24 chapters. Some deal with broad aspects of trade, including general provisions establishing a free trade zone between the two countries, definitions, administrative aspects and settlement of disputes. Others are more specific and concern standards in areas such as market access, services, investment and telecommunications. Chapter 17 refers to intellectual property. Its preamble is followed by 12 sections, which deal with general provisions; trademarks; Internet domain names; geographical indications; copyrights; related rights; obligations common to copyrights and related rights; protection of encrypted programme-carrying satellite signals; patents; measures related to certain regulated products; enforcement of intellectual property rights; and final provisions.

The FTA is an interesting example, both of the TRIPs-plus phenomenon and, more generally, of negotiations between the most powerful and technologically advanced country in the world – with clear stakes in IPRs – and a small and dynamic developing country that has one of the most open and liberal economies in the Americas.

At the outset of the negotiations, Chile was well aware of the US position on trade liberalisation and IP issues. More precisely, the Trade Promotion Authority (TPA) provided broad negotiating parameters that were transparent and to the point. Moreover, the bilateral treaty between the US and Jordan constituted an important precedent for future negotiations concerning IPRs.

Since the restoration of democracy, Chile has followed a consistent and multidimensional strategy of trade liberalisation. During the 1990s, it was among the most active Latin American countries in pursuing bilateral trade agreements, based on both foreign policy and economic considerations. Chile's bilateral trade policy has not been limited to the Americas; it has expanded to major partners in Europe and recently to Asia (the Republic of Korea¹, India and China).

The FTA and IP issues

In the early 1990s Chile was the first Latin American country to amend its domestic law to limit the exclusions from patentability, particularly for pharmaceutical products. It also adhered to a number of multilateral IP treaties and included important chapters dealing with IP in its bilateral trade agreements with Mexico, EFTA and the EU. However, the US–Chile FTA is unprecedented in many aspects, particularly with respect to the WTO's TRIPs Agreement.

The FTA builds on the international architecture of IPRs. It establishes as a major principle that nothing in the bilateral treaty derogates from the obligations and rights of the Parties by virtue of TRIPs or other multilateral IP agreements administered by WIPO (the 'non-derogation principle'). It enshrines the national treatment principle of non-discrimination between nationals of the two countries. As a consequence of the most-favoured nation clause of TRIPs, the advantages, benefits and privileges granted by the FTA are automatically accorded to the nationals of all other WTO Members.

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Because of the principle of non-derogation, the FTA does not deal with all IPR-related subject matters; it focuses on a few but important ones. It contains detailed provisions on issues not covered by TRIPs, such as Internet domain names, related rights of performers and producers of phonograms, remedies against the circumvention of effective technological measures, effective legal remedies to protect rights management information and protection of encrypted programme-carrying satellite signals. In traditional areas already covered by TRIPs, it expands the coverage of trademarks and the protection of pharmaceutical products.

In contrast to other US bilateral agreements, the US-Chile FTA makes a clear difference between copyrights and related rights reflecting the different legal systems prevailing in the two countries. In this area, one major development relates to the expansion of the terms of protection that in the case of Chile results in an extension for most works to 70 years compared to 50 under TRIPs.

For pharmaceutical products, it expands protection by different means, including:

- reinforcement of the provisions on marketing and sanitary approvals;
- adjustment of the term of the patent to compensate for unreasonable delays in its granting;
- prohibition of the use of undisclosed information about the safety and efficacy of pharmaceutical products for five years from the date of its marketing or sanitary approval;
- extension of the patent term to compensate for unreasonable curtailment of the patent term as a result of marketing approval; and finally,
- granting of marketing approval to third parties requires the consent or acquiescence of the patent owner.

During the FTA negotiations, the provisions affecting pharmaceutical products were subject to intense discussions as they took place almost simultaneously with the WTO deliberations on TRIPs and access to medicines.

A closer study of the US-Chile FTA is a stimulating incursion into the TRIPs-plus world.² At this stage, it is difficult to assess the overall impact of its IP provisions, and it is even trickier to extrapolate the results of such an evaluation to other countries.

The FTA is a comprehensive treaty, which in Chile's perception, together with a broad network of trade agreements with a multifarious group of trading partners, constitutes a dynamic feature of its economic policy geared to the promotion of exports of services and products with greater added value. Thus, its impact cannot be assessed in isolation of other considerations.

While it is safe to say that the US-Chile FTA's IPR protection and enforcement provisions are less stringent than those negotiated simultaneously by the US with Singapore and, subsequently, with CAFTA, Australia, Bahrain and Morocco, it nevertheless includes a number of provisions that might constitute precedents for future bilateral and multilateral agreements.

Its provisions with regard to pharmaceutical products, as well as those negotiated in the context of other US bilateral trade agreements, have elicited a number of criticisms. In the US-Chile FTA, the expanded protection of pharmaceutical products is in some respects conditioned to the principles set out in the Declaration on the TRIPs Agreement and Public Health. This is specifically highlighted in the Preamble to Chapter 17, which is unique among the bilateral trade agreements signed by the US. However, the relationship between the Preamble and the general principles of the US-Chile FTA (such as the non-derogation clause) and the provisions dealing with pharmaceutical products are, to say the least, ambiguous. This ambiguity permeates the entire Chapter 17.

The US-Chile FTA Does Not Address the Whole Gamut of IPR Issues

Notably, unlike the proposed Free Trade Area of the Americas (FTAA), Chapter 17 of the US-Chile FTA remains silent on granting of compulsory licences to allow for the use of the subject matter of a patent. It should be borne in mind, however, that Abbott concludes that in some cases, in particular the agreements of the US with CAFTA and Morocco,

“... the provisions relating to patents and regulatory approvals with respect to medicines... are intended to restrict the flexibilities inherent in the TRIPs Agreement, Doha Declaration and Decision on Implementation of Paragraph 6... They appear designed to negate the effective use of compulsory licensing by blocking the marketing of third party medicines during the term of patents.”³

Another area not addressed in Chapter 17 concerns protection for traditional knowledge, although a number of developing countries have repeatedly claimed that international intellectual property regimes (whether at the WTO or WIPO) fail to take adequate account of the issue.

Neither does the FTA address the exhaustion of IPRs in areas such as patents and trademarks. The Doha Declaration on the TRIPs Agreement and Public Health of 14 November 2001 reaffirmed the right of WTO Members to use, to the full, the provisions in the TRIPs Agreement, which provide flexibility for each Member to establish its own exhaustion regime. The US FTA with Australia, however, gives the patent owner the possibility to contractually restrict the importation of patented products that it has placed on the market (see related article on page 15). The US-Chile FTA leaves Parties with the full flexibility contemplated in TRIPs.

Conclusion

Although bilateral free trade agreements recently signed by the US follow the same structure and have many similarities their nuances differ substantially. Taken together, they add an uncharted page in the history of IPRs. TRIPs was an important event in this history but not the concluding one.

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ENDNOTES

- ¹ The Republic of Korea made its first bilateral trade agreement ever with Chile in March 2004.
- ² See UNCTAD-ICTSD Policy Paper: *Intellectual Property Rights, Implications for Development, 2003*.
- ³ Abbott, Frederick M, *The Doha Declaration on the TRIPs Agreement and Public Health and the Contradictory Trend in Bilateral and Regional Free Trade Agreements*, Occasional Paper 14, QUNO, Geneva, April 2004.