

Correa, Carlos María

Research Report

Mitigating the regulatory constraints imposed by intellectual property rules under free trade agreements

Research Paper, No. 74

Provided in Cooperation with:

South Centre, Geneva

Suggested Citation: Correa, Carlos María (2017) : Mitigating the regulatory constraints imposed by intellectual property rules under free trade agreements, Research Paper, No. 74, South Centre, Geneva

This Version is available at:

<https://hdl.handle.net/10419/232192>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



**SOUTH
CENTRE**

Research
Paper
February 2017

74

MITIGATING THE REGULATORY CONSTRAINTS IMPOSED BY INTELLECTUAL PROPERTY RULES UNDER FREE TRADE AGREEMENTS

Carlos M. Correa



RESEARCH PAPERS

74

MITIGATING THE REGULATORY CONSTRAINTS IMPOSED BY INTELLECTUAL PROPERTY RULES UNDER FREE TRADE AGREEMENTS

Carlos M. Correa^{*}

SOUTH CENTRE

FEBRUARY 2017

^{*} Carlos M. Correa is Special Advisor on Trade and Intellectual Property at the South Centre and Director of the Center for Interdisciplinary Studies on Industrial Property at the Law Faculty of the University of Buenos Aires.

THE SOUTH CENTRE

In August 1995 the South Centre was established as a permanent inter-governmental organization of developing countries. In pursuing its objectives of promoting South solidarity, South-South cooperation, and coordinated participation by developing countries in international forums, the South Centre has full intellectual independence. It prepares, publishes and distributes information, strategic analyses and recommendations on international economic, social and political matters of concern to the South.

The South Centre enjoys support and cooperation from the governments of the countries of the South and is in regular working contact with the Non-Aligned Movement and the Group of 77 and China. The Centre's studies and position papers are prepared by drawing on the technical and intellectual capacities existing within South governments and institutions and among individuals of the South. Through working group sessions and wide consultations, which involve experts from different parts of the South, and sometimes from the North, common problems of the South are studied and experience and knowledge are shared.

NOTE

Readers are encouraged to quote or reproduce the contents of this Research Paper for their own use, but are requested to grant due acknowledgement to the South Centre and to send a copy of the publication in which such quote or reproduction appears to the South Centre.

The views expressed in this paper are the personal views of the author and do not necessarily represent the views of the South Centre or its Member States. Any mistake or omission in this study is the sole responsibility of the author.

This paper was prepared for the project on ‘International Policy Rules and National Inequalities: Implications for Global Economic Governance’ of the Columbia Global Policy Initiative. The author is grateful to Caroline Ngome Eneme for the careful editing of this paper.

South Centre
Ch. du Champ d’Anier 17
POB 228, 1211 Geneva 19
Switzerland
Tel. (41) 022 791 80 50
Fax (41) 022 798 85 31
south@southcentre.int
www.southcentre.int

TABLE OF CONTENTS

I.	INTRODUCTION.....	1
II.	TAXONOMY OF IP OBLIGATIONS	3
III.	THE ‘CERTIFICATION’ PROCESS	7
IV.	THE INTERPRETATIVE FRAMEWORK	10
V.	FLEXIBILITIES WITHIN FTAS.....	16
VI.	CONCLUSIONS.....	27

I. INTRODUCTION

Goal 10 of the Sustainable Development Goals adopted by United Nations in 2015 aims at reducing “inequality within and among countries”.¹ In defining this goal, the UN members recognized that, despite some reduction in income inequality between countries, it still persisted and large disparities remained between and within countries in “access to health and education services and other assets.”² Moreover, inequality within countries has risen.³

In the last two decades, a steady increase in the protection of intellectual property (IP) has taken place in both developed and developing countries. While in the former such increase was induced by internal demands of various industries (namely pharmaceuticals, entertainment, computer programmes, semiconductors), in the case of the latter they were mainly the result of coercion and pressures exerted by foreign governments and industries rather than the result of local demands⁴.

One of the principal tools employed to obtain increases in the levels of IP protection in developing countries has been the inclusion of detailed chapters on the subject in free trade agreements (FTAs), in exchange for the promise –often unrealized– of increased foreign direct investment and technology transfer⁵ and of an improved trade balance with the developed countries partners in the FTAs.⁶ The IP provisions in FTAs may contribute to increase inequality both between and within countries, as they limit the capacity of governments to regulate commercial conduct that may have adverse economic and social effects. As noted in a set of principles issued by the Max Planck Institute for Intellectual Property and Competition Law (hereinafter ‘the Max Planck Institute’):

[c]ontinuous extension of IP protection and enforcement increases the potential for law and policy conflicts with other rules of international law that aim to protect public health, the environment, biological diversity, food security, access to knowledge and human rights. At the same time, such extension often counters, rather than facilitates, the core IP goal of promoting innovation and creativity.⁷

¹ See <http://indicators.report/goals/goal-10/>.

² See <http://www.un.org/sustainabledevelopment/inequality/>.

³ Ibid.

⁴ See, e.g. Susan Sell, ‘TRIPS-Plus Free Trade Agreements and Access to Medicines’, *Liverpool Law Review* (2007) 28:41-75, available at DOI 10.1007/s10991-007-9011-8.

⁵ While noting the dearth of empirical evidence on the general economic and social impact of FTAs in developing countries, a recent report concluded that ‘[t]here is limited evidence that FTAs can encourage investment, technology transfer and firm upgrading, which is valuable because of the importance of supply capacity’. See Stevens, C., Irfan, I., Massa, I. and Kennan, J., *The Impact of Free Trade Agreements between Developed and Developing Countries on Economic Development in Developing Countries: A Rapid Evidence Assessment*. Overseas Development Institute, London, July 2015, p. vi, available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/448862/REA_FreeTradeAgreements.pdf. See also http://www.ase.tufts.edu/gdae/policy_research/MexicoUnderNafta.html.

⁶ However, in accordance with estimates by the US International Trade Commission, FTAs entered into by the USA ‘had a significant positive effect on U.S. bilateral trade balances. The agreements increased U.S. bilateral trade surpluses or reduced bilateral trade deficits by \$4.4 billion per country per year on average, and by \$87.5 billion per year in total (59.2 percent) in 2015’.

⁷ *Principles for Intellectual Property Provisions in Bilateral and Regional Agreements*, available at http://www.ip.mpg.de/fileadmin/ipmpg/content/forschung_aktuell/06_principles_for_intellectua/principles_for_ip_provisions_in_bilateral_and_regional_agreements_final1.pdf.

IP provisions in FTAs may have implications on a wide range of public policy areas. For instance, anti-circumvention and technological protection measures in the field of copyright may drastically reduce the scope of generally admissible exceptions, such as fair use.⁸ The obligation to join UPOV 1991 introduces undesirable rigidities in the seed supply systems, particularly as it bans the farmers' practices of saving and exchanging seeds.⁹ A vast academic literature has addressed the "flexibilities" available under the TRIPS Agreement and the negative impact of FTAs in relation to access to medicines.¹⁰ Several UN documents have also alerted about such impact.¹¹ For example, the Special Rapporteur on the Right of Everyone to the Enjoyment of the Highest Attainable Standard to Physical and Mental Health, noted that the TRIPS Agreement and FTAs have had an adverse impact on prices and availability of medicines, making it difficult for countries to comply with their obligations to respect, protect and fully implement the right to health. He recommended developing countries and LDCs to review their laws and policies and amend them to make full use of the flexibilities available to them.¹² UNDP and UNAIDS have argued that:

...countries, at minimum should avoid entering into FTAs that contain TRIPS-plus obligations that can impact on pharmaceuticals price or availability. Where countries have undertaken TRIPS-plus commitments, all efforts should be made to mitigate the negative impact of these commitments on access to treatment by using to the fullest extent possible, remaining public health related flexibilities available.¹³

This paper explores the extent to which this recommendation to use "to the fullest extent possible, remaining public health related flexibilities available" may be effectively implemented in the context of FTAs. Bilateral and regional FTAs do limit the policy space of governments to address national inequalities. The basic question addressed in this paper is whether contracting parties to FTAs can mitigate their adverse effects through interpretation and implementing regulations. It first presents a possible taxonomy of IP obligations ensuing from FTAs and the room for manoeuvre they leave to contracting parties. Second, it considers the so-called "certification" process unilaterally undertaken by the US government. Third, it describes the interpretative framework for obligations regarding IP and, finally, it provides examples of how FTAs provisions may be interpreted in order to reduce their likely negative impact of equality in FTAs contracting parties, particularly in developing countries. The examples address two areas of significant relevance for access to medicines and public health: data exclusivity and patent/drug approval 'linkage' provisions.

⁸ See, e.g., Pamela Samuelson, Jerome H. Reichman and Graeme Dinwoodie, 'How to Achieve (Some) Balance in AntiCircumvention Laws', Comm. ACM 21 (2008), available at: <http://scholarship.law.berkeley.edu/facpubs/2367>.

⁹ See, e.g., Carlos Correa (with contributions from Sangeeta Shashikant and Francois Meienberg), *Plant Variety Protection in Developing Countries. A Tool for Designing a Sui Generis Plant Variety Protection System: An Alternative to UPOV 1991*, APBEBES, Berne Declaration, TWN, SEARICE, Utviklingfondet, Alfter (Germany), September 2015, available at <http://www.apbrebes.org/news/new-publication-plant-variety-protection-developing-countries-tool-designing-sui-generis-plant>.

¹⁰ See, e.g., German Velasquez, Carlos Correa and Xavier Seuba, *IPR, R&D, Human Rights and Access to Medicines - An Annotated and Selected Bibliography*, South Centre, Geneva, 2012.

¹¹ See, e.g., UNAIDS, *The Potential Impact of Free Trade Agreements on Public Health*, Geneva, 2012, available at http://www.unaids.org/sites/default/files/media_asset/JC2349_Issue_Brief_Free-Trade-Agreements_en_0.pdf.

¹² United Nations, *Report of the Special Rapporteur on the Right of Everyone to the Enjoyment of the Highest Attainable Standard of Physical and Mental Health*, United Nations General Assembly, 11th Session, 31 March 2009, Agenda Item 3, A/HRC/11/12, United Nations, New York.

¹³ UNDP and UNAIDS, *The Potential Impact of Free Trade Agreements on Public Health*, p. 5, available at http://www.unaids.org/sites/default/files/media_asset/JC2349_Issue_Brief_Free-Trade-Agreements_en_0.pdf.

II. TAXONOMY OF IP OBLIGATIONS

As mentioned, a significant number of countries have entered into FTAs that generally confirm the applicability of the TRIPS Agreement's obligations regarding IP and incorporate additional obligations not provided for in that Agreement. As a result, a contracting party to an FTA that includes a specific IP chapter would be subject to standards that may be classified taking their relationship with the TRIPS Agreement into account. The reason to consider this Agreement for this purpose is that, as a result of its enforcement mechanism,¹⁴ it has become the most important international treaty in the area of IP. The IP provisions in FTAs may be classified as described below.

TRIPS minimum

National laws must implement the minimum standards of protection provided for in relation to the availability and enforcement of IP rights, as contained in the TRIPS Agreement.¹⁵ For instance, article 34 which reads that the term of protection for patents "shall not end before the expiration of a period of twenty years counted from the filing date". This means that patents might be granted for a term different from 20 years, but not shorter than this period.

TRIPS-plus

Most of the provisions contained in FTAs belong to this category. TRIPS-plus provisions expand existing obligations under the TRIPS Agreement, for instance, by extending the term of protection of patents to compensate for delays in regulatory approvals, applying border measures to exports (while the TRIPS Agreement only obliges to introduce them for imports), or obliging the contracting parties to protect new uses or methods/processes relating to a known product.¹⁶ TRIPS plus provisions also include those that restrict the use of certain safeguards or "flexibilities" such as when parallel imports¹⁷ or the grounds to grant compulsory licenses are restricted¹⁸.

TRIPS-extra

This category of provisions are also TRIPS-plus, but with the characteristic of introducing issues not addressed by the TRIPS Agreement, such as the liability of Internet service providers,¹⁹ the settlement of domain name disputes²⁰, and data exclusivity for biological

¹⁴ Unlike other IP international treaties, non-compliance with the obligations set out by the TRIPS Agreement may lead to trade retaliations. See e.g., Matthew Kennedy, *WTO Dispute Settlement and the TRIPS Agreement. Applying Intellectual Property Standards in a Trade Law Framework*, Cambridge University Press, Cambridge, 2015.

¹⁵ See article 1.1 of the TRIPS Agreement.

¹⁶ See, e.g., article 18.37.2 of the TPP.

¹⁷ See, e.g. the US-Morocco FTA.

¹⁸ See, e.g. the US-Jordan FTA.

¹⁹ The US FTAs are based in this respect on the legislative model introduced by the US Digital Millennium Copyright Act. See, e.g., Tatiana Lopez Romero, Internet Service Provider's Liability for Online Copyright Infringement: The US Approach, *Universitas*, No. 112: 193-214, July-December 2006.

²⁰ See, e.g. Celia Lerman, *Impact of Free Trade Agreements on Internet Policy*, Center For Global Communication Studies, 2015, available at

products as provided for in the TPP²¹. A further example is the so-called “linkage” between drug registration and patent protection, which is absent in the TRIPS Agreement. Under linkage provisions, as discussed below, national health authorities are bound to refuse marketing approval to a generic version of a product if a patent thereon is in force, unless by consent or acquiescence of the patent owner. Interestingly, the obligation imposed on those authorities in some US FTAs sets a standard higher than the one applicable in the USA, where the Food and Drug Administration (FDA) is only required to inform patent holders about generic producers’ applications, but they must take the direct responsibility to prevent marketing approval through judicial procedures.²²

TRIPS ceilings

Although it has often been considered that under the TRIPS Agreement WTO members may increase the levels of IP protection at their discretion, the broader protection that may be granted in accordance with article 1.1 of the TRIPS Agreement is subject to the proviso that “such protection does not contravene the provisions of this Agreement”. There are situations where TRIPS-plus provisions may contravene the TRIPS Agreement, such as when they impede legitimate trade or erode safeguards recognized in favour of users of IP rights. Examples of these “ceilings” are the conditions established for seizure of goods in transit,²³ the idea/expression dichotomy in article 9.2 of the TRIPS Agreement, and the citation right found in Art.10 (2) of the Berne Convention.²⁴ Some FTAs contain a number of provisions that may fall under this category.

TRIPS-minus

Some FTAs contain provisions that may be deemed below the TRIPS standards. For instance, the TRIPS Agreement includes a non-discrimination clause that applies in all fields of patented technologies (article 27.1). However, many FTAs do not reproduce this clause²⁵ and discriminate in favour of pharmaceutical companies. For instance, CAFTA-DR requires a “restoration of the patent term to compensate the patent owner for unreasonable curtailment of the effective patent term resulting from the marketing approval” with respect to

http://globalnetpolicy.org/wp-content/uploads/2015/09/Lerman_Impact-of-Free-Trade-Agreements-on-Internet-Policy.pdf.

²¹ Article 39.3 of the TRIPS Agreement only refers to ‘new chemical entities’.

²² For this and other examples of FTAs provisions that go beyond US law, see, e.g. Abbott, Frederick M., *Intellectual Property Provisions of Bilateral and Regional Trade Agreements in Light of U.S. Federal Law* (August, 19 2011). UNCTAD – ICTSD Project on IPRs and Sustainable Development, Issue Paper No. 12, February 2006; FSU College of Law, Law, Business & Economics Paper, available at <http://ssrn.com/abstract=1912621>.

²³ See, e.g., Brook K. Baker, ‘Settlement of India/EU WTO Dispute re Seizures of In-Transit Medicines: Why the Proposed EU Border Regulation Isn’t Good Enough’, PIJIP Research Paper Series, 2012, available at <http://digitalcommons.wcl.american.edu/cgi/viewcontent.cgi?article=1026&context=research>.

²⁴ See, e.g., Grosse Ruse-Khan, Henning and Kur, Annette, ‘Enough is Enough - The Notion of Binding Ceilings in International Intellectual Property Protection’ Max Planck Institute for Intellectual Property, Competition & Tax Law Research Paper Series No. 09-01, 2008, available at <http://ssrn.com/abstract=1326429> or <http://dx.doi.org/10.2139/ssrn.1326429>.

²⁵ For instance, article 15.9 of CAFTA-DR reproduces the first sentence of article 27.1 but omits the second one about non-discrimination (‘...patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced’).

pharmaceutical products only (article 15.9.6(b)).²⁶ Other regulated products (such as agrochemicals) do not benefit from this extension.

Clearly, most of the provisions in FTAs correspond to the categories of TRIPS-plus and TRIPS-extra. The standards contained in the TRIPS Agreement forced a large number of developing countries to introduce massive changes in their IP legislation. The prescribed standards of IP protection, generally inadequate for the level of development of those countries, had the potential of dramatically increasing inequalities, particularly in the area of public health. First, the implementation of the TRIPS Agreement exacerbated the lack of access to medicines, particularly in low- and middle-income countries.²⁷ Second, it did not contribute to solve the problem of lack of sufficient R&D on the diseases prevailing in developing countries,²⁸ as large pharmaceutical companies continued to focus on commercially attractive treatments.²⁹ Third, there is no evidence showing that higher standards of IP protection has led to increased technology or foreign investment flows, neither generally nor in relation to particular sectors, such as pharmaceuticals.³⁰

The FTAs' expanded and tightened standards of IP protection can only aggravate the inequalities created by the 'one-fits-all' model established under the TRIPS Agreement. While such standards are unlikely to have any significant impact in enhancing local innovation,³¹ technology transfer and foreign (or local) investment, they may allow right-holders to block competition and charge high prices in monopolistically controlled markets. This may lead to particularly serious effects in the area of public health,³² where unsustainably high prices have become an issue of global concern.³³ During the past 15 years, the average price of cancer drugs has increased in the USA five- to 10-fold to more than \$120,000 as of 2014.³⁴ Fifteen cancer drugs introduced in the past five years cost, in fact,

²⁶ This extension delays the entry of generic competitors. For instance, the anticancer drug Gleevec received a patent term extension in the US, from 28 May 2013 to 4 January 2015. Extensions have also been obtained in major European markets to 2016...Thus generic competition, with the consequent falls in price, is delayed by two or three years in major markets beyond expiry of the original patent. Introduction of similar provisions in developing countries will have the same delaying effect' (Charles Clift, *A Guide to Assessing the Impact of TRIPS-Plus Provisions on Drug Prices in Developing Countries*, ICTSD Programme on IPRs & Sustainable Development, May 2007, p. 22, available at http://www.ictsd.org/downloads/2009/06/1_guide_impact_assessment.pdf).

²⁷ See, e.g., Global Commission on HIV and the Law, *HIV and the Law: Risks, Rights & Health*, 2012, p. 5, available at <http://www.hivlawcommission.org/index.php/report>. The Commission recommended, inter alia, that the WTO 'suspend TRIPS as it relates to essential pharmaceutical products for low- and middle-income countries' (p. 14).

²⁸ See, e.g., Pedrique B, Stub-Wourgaft N, Some C, Oliivo P, Trouiller P, Ford N, Pécol B, Bradol J 'The Drug and Vaccine Landscape for Neglected Diseases (2000-11): A Systematic Assessment', *The Lancet Global Health* (2013) 1(6): e371-e379, available at [http://dx.doi.org/10.1016/S2214-109X\(13\)70078-0](http://dx.doi.org/10.1016/S2214-109X(13)70078-0).

²⁹ See, e.g., Carlos Correa, 'The Current System of Trade And Intellectual Property Rights', *European Yearbook of International Economic Law* 2016, Volume 7, July 2016.

³⁰ See generally on this issue, WHO, *Trends in local production of medicines and related technology transfer*, WHO/ICTSD, 2011, available at <http://apps.who.int/medicinedocs/documents/s19063en/s19063en.pdf>

³¹ Inequality may negatively affect the incentive to innovate via a price and a market size effect. See Reto Foellmi and Josef Zweimüller, 'Is inequality harmful for innovation and growth? Price versus market size effects', *Journal of Evolutionary Economics*, March 2016.

³² See, e.g., Ryan Abbott, 'Access to Medicines and Intellectual Property in Jordan', *Intellectual Property Watch*, July 23, 2012, available at <http://ssrn.com/abstract=2116096>.

³³ See, e.g., Ellen 'tHoen, *Private Patents and Public Health, Changing Intellectual Property Rules for Access to Medicines*, HAI, July 2016, p. 107, available at <http://haiweb.org/publication/private-patents-public-health-changing-intellectual-property-rules-access-medicines/>.

³⁴ See Hagop Kantarjian, 'High cost of cancer drugs goes beyond the price', *Modern Health Care*, April 4, 2015, available at <http://www.modernhealthcare.com/article/20150404/MAGAZINE/304049978>.

more than \$120,000 a year; a cholesterol-lowering treatment for those with certain rare genetic disorder costs \$311,000 a year; a cystic fibrosis medicine developed partly with funding from a charity costs \$300,000 annually, and the examples may go on.³⁵ Similar trends towards unsustainable prices are found in developing countries whenever generic competition is delayed or blocked.³⁶

³⁵ Robert Langreth, 'Big Pharma's Favorite Prescription: Higher Prices', May 9, 2014, available at <http://www.businessweek.com/articles/2014-05-08/why-prescription-drug-prices-keep-rising-higher>.

³⁶ See, e.g. Ellen 'THoen, op. cit.

III. THE “CERTIFICATION” PROCESS

The conclusion of an FTA with TRIPS-plus and TRIPS-extra provisions often does not put an end to the demands of further expansion and strengthening of IP rights: [w]hat appears to be the experience of countries that have negotiated FTAs is that the process of negotiations does not conclude with the signing of the agreement’.³⁷ US partners, in particular, may be forced to make additional concessions in the process of the so-called “certification” required under US law. This process is explained by the US International Trade Administration as follows:

Before an FTA enters into force, U.S. legislation approving the Agreement requires that the President determine that the FTA partner has taken measures to bring it into compliance with its FTA obligations as of day one of the agreement. The Office of the U.S. Trade Representative (USTR) and other agencies... review the relevant laws, regulations, and administrative practices (measures) of the FTA partner. The FTA partner is advised of any shortcomings in its laws and other measures, and the Administration consults with the FTA partner on the issue. If requested, assistance is provided to help a trading partner implement its commitments.³⁸

This process is based on unilateral judgments by the US Government and is used as a mechanism to put pressure on governments’ trade partners (often eager to show their citizens that they have successfully concluded an FTA with the USA) to limit any gaps or flexibilities that they may have preserved under the signed FTA. It has been noted in this regard that:

the US has faced criticism for putting forward expectations for domestic reforms from their negotiating partners that go beyond the actual FTA text, and for using the implementation process as a vehicle to continue the negotiation of the final agreement. Indeed, Members of Congress criticised the USTR in the case of the US-CAFTA-DR for: expanding the scope of what is defined as a new product that is subject to data protection rules; increasing the regulatory requirements for generic entry into the market; and allowing for patent or data protection of a new application of an existing product.³⁹

The implementation of the US-Peru FTA provides another telling example of reduction of the policy space kept in the FTA. This example is particularly informative, since Peru (as well as Colombia and Panama) benefited in their negotiations with the USA of a bipartisan agreement reached in June 2007 between the Republican administration and Democratic leaders in the U.S. Congress to mitigate FTA’s obligations relating to public health.⁴⁰ Despite the room opened by this agreement, in the process of implementing the IP

³⁷ Pedro Roffe, *Intellectual Property, Bilateral Agreements and Sustainable Development: The Challenges of Implementation*, CIEL, 2007, p. 6, available at http://www.ciel.org/Publications/FTA_ImplementationPub_Jan07.pdf.

³⁸ <http://trade.gov/fta/compliance.asp>.

³⁹ David Vivas-Eugui and Johanna von Braun, *Beyond FTA Negotiations – Implementing the New Generation of Intellectual Property Obligations*, available at <http://infojustice.org/wp-content/uploads/2016/01/vivas-and-von-braun.pdf>.

⁴⁰ <http://www.hktcdc.com/info/mi/a/baus/en/1X0078EY/1/Business-Alert-%E2%80%93-US/Congress--Administration-Announce-Trade-Policy-Agreement.htm>.

chapter broader obligations were introduced, namely in relation to data exclusivity, that expanded the rights conferred to “originator” pharmaceutical companies.⁴¹

In the context of the TPP negotiations, those companies expressed their dissatisfaction with regard to the term of protection of data exclusivity for biologicals (5-8 years) agreed upon by the US government. The industry’s ambition was to impose on all TPP contracting parties a 12 year period of exclusivity as recognized under the US law (Biologics Price Competition and Innovation Act). In response to the criticism received, the USTR implicitly referred to the certification process as a means to fulfil industry’s desires. He signalled that he was:

listening to calls from business groups and some members of Congress to address their complaints with TPP through the way it is implemented, as well as other avenues. ‘At this stage, we’re talking with stakeholders, members of Congress, and we’re looking at the various stages that TPP goes through, including, once it’s approved, there’s a period of time between approval and entry into force, to look at how it’s implemented.’⁴²

The certification process is likely to increase the imbalance in rights and obligations inherent to FTAs provisions on IP, and thereby deepen the inequality gap between developed and developing countries partners as well as within the latter. For this reason, the referred to principles issued by the Max Planck Institute stated that:

IP-demanding countries should not employ unilateral certification or other assessment processes in order to influence the implementation of IP obligations....⁴³

It is worth noting that, in addition to the certification process, the USA has attempted to further increase the levels of protection accorded in FTAs’ partners through unilateral pressures, such as those exerted through the USTR reports and the classification of countries in the “watch lists” elaborated under the Special Section 301 of the US Trade Act. For instance, Chile implemented the linkage obligation established by the FTA with the USA through the provision of information to the patent owner about a third party intending to commercialize a product with similar characteristics to one that is already patented.⁴⁴ This implementation is insufficient, in the US government view, to comply with the FTA. The USTR Report on Special Section 301 for 2016, which keeps Chile in the “Priority Watch List”, refers to linkage as one of the “longstanding IPR issues under the United States-Chile Free Trade Agreement” and “urges Chile to implement an effective system for addressing

⁴¹ Santiago Roca, ‘Demócratas, salud pública y propiedad intelectual en el APC Perú-EE.UU.’, *Puentes*, Volume 10 – Number 2, 28 May 2009, available http://www.ictsd.org/bridges-news/puentes/news/dem%C3%B3cratas-salud-p%C3%BAblica-y-propiedad-intelectual-en-el-apc-per%C3%BA-eeuu#_edn4.

⁴² Quoted in Mike Palmedo, *USTR Identifies TPP Implementation Process As Opportunity to Address Industry Concerns with Final Text*, Infojustice.org, 25 January 2016, available from <http://infojustice.org/archives/35661>.

⁴³ Op. cit. para. 29.

⁴⁴ In September 2nd, 2002 the Quinta Sala from the I Corte de Apelaciones (I Court of Appeals, Fifth Chamber) of Chile ruled that the Instituto de Salud Publica, which issues sanitary registries, ‘had no power whatsoever to either deny a marketing approval or to acknowledge rights derived from a patent’. See Cadillo Chandler, Dhanay M., ‘Pharmaceutical Patents and Marketing Approvals within the U.S. – Chile Free Trade Agreement Context: A Brief Analysis’, in *Search Of New IP Regimes*, pp. 201-218, IPR University Center, 2010, available at <http://ssrn.com/abstract=1602883>.

patent issues expeditiously in connection with applications to market pharmaceutical products”.⁴⁵

⁴⁵ USTR, *Special 301 Report*, 2016, p. 49, available at <https://ustr.gov/sites/default/files/USTR-2016-Special-301-Report.pdf>.

IV. THE INTERPRETATIVE FRAMEWORK

FTAs, as noted above, reproduce some TRIPS provisions and include additional provisions on IP. An important question is under which principles those provisions are to be interpreted and, particularly, whether there are interpretative frameworks that may mitigate the inequality generated by FTAs rules.

TRIPS Agreement

The TRIPS Agreement contains specific obligations that may affect access to medicines (notably, the requirement to grant patents in all fields of technology) but allows WTO members to introduce some measures (e.g. the ‘Bolar exception’, compulsory licenses, parallel imports)⁴⁶ that may attenuate to some extent the inequalities generated by the high prices of patented medicines.⁴⁷ In addition, the Preamble and articles 7 and 8 of the Agreement provide elements for the interpretation of its provisions and other measures that governments may adopt to pursue public policy objectives. Importantly, the Doha Declaration on the TRIPS Agreement and Public Health (hereinafter “the Doha Declaration”)⁴⁸ adopted in 2001 confirmed the right to adopt measures to protect public health.⁴⁹

The Preamble to the TRIPS Agreement states that “measures and procedures to enforce intellectual property rights” should not themselves “become barriers to legitimate trade”. It also recognizes “the underlying public policy objectives of national system for the protection of intellectual property rights including developmental and technological objectives”. WTO panels and the Appellate Body have relied on several occasions on the Preamble in WTO disputes relating to the alleged violations of the TRIPS Agreement, particularly to define its object and purpose.⁵⁰

Article 7 of the TRIPS Agreement, adopted on the basis of a proposal originally submitted by developing countries,⁵¹ reflects the prevailing justification for the granting of IPRs in the technology-related fields, as a tool for the promotion of innovation, but also the developing countries’ concerns about shortcomings in the transfer and dissemination of technology and, more generally, on the “balance of rights and obligations” necessary to ensure that intellectual property works “to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare”. The

⁴⁶ See Carlos Correa, ‘The Bolar exception: legislative models and drafting options’, in Bryan Mercurio (editor), *Contemporary Issues in Pharmaceutical Patent Law: Setting the Framework and Exploring Policy Options*, Routledge, forthcoming; Carlos Correa and Juan Correa, ‘Parallel imports and the principle of exhaustion of rights in Latin America’, in Irene Calboli and Edward Lee (editors), *Research Handbook on Intellectual Property Exhaustion and Parallel Imports*, Edward Elgar, Cheltenham, 2016.

⁴⁷ See, e.g., Médecins Sans Frontières, *The impact of patents on access to medicines*, available at <https://www.msfaccess.org/our-work/overcoming-barriers-access/article/1360>.

⁴⁸ In the case of the EU–Colombia–Peru FTA, a reference to the importance of the Doha Declaration is complemented by a provision stating that “in interpreting and implementing the rights and obligations under this Title, the Parties shall ensure consistency with this Declaration” (Article 197:2).

⁴⁹ See e.g., Carlos Correa and Duncan Matthews, *The Doha Declaration Ten Years on and Its Impact on Access to Medicines and the Right to Health*, UNDP, 2011, available at http://www.undp.org/content/dam/undp/library/hiv/aids/Discussion_Paper_Doha_Declaration_Public_Health.pdf.

⁵⁰ See A Yusuf, chapter 1, in Carlos Correa and A Yusuf, *Intellectual Property and International Trade: TRIPS Agreement*, Kluwer Law International, 3rd edition (forthcoming).

⁵¹ See document MTN.GNG/NG11/W/71, 19 May 1990.

inclusion of article 7 in Part I of the TRIPS Agreement, and not in the Preamble, suggests that it is not a mere hortatory provision. Its applicability to interpret the Agreement's provisions has been reinforced by the explicit reference made to the objectives and principles in the Doha Declaration.⁵²

Article 8 of the TRIPS Agreement is also an important provision for framing national laws that respond to particular public health and other public interests. It makes clear that measures may be adopted in order to prevent or remedy abuses of intellectual property rights.

Although article 7 has specific wording on the objectives of the TRIPS Agreement and is incorporated into its normative part, it has seldom been mentioned less frequently by WTO panels and the Appellate Body, perhaps because most disputes have taken place among developed countries.⁵³ However, the panel report in *Canada–Patent Protection for Pharmaceutical Products* (relating to the so-called Bolar exception) stated that:

Obviously, the exact scope of Article 30's authority will depend on the specific meaning given to its limiting conditions. The words of those conditions must be examined with particular care on this point. Both the goals and the limitations stated in Articles 7 and 8.1 must obviously be borne in mind when doing so as well as those of other provisions of the TRIPS Agreement which indicate its object and purposes.⁵⁴

In summary, article 7 (jointly with Article 8) of the TRIPS Agreement provides important elements for the interpretation and implementation of the rights and obligations under the Agreement with a view to respect WTO members' policy space to pursue their own public policy objectives.

FTAs provisions

Some FTAs contain wording inspired or reflecting articles 7 and/or 8 of the TRIPS Agreement. The FTA between the EU and Colombia, for instance, states that:

The Parties recognise the need to maintain a balance between the rights of intellectual property holders and the interest of the public, particularly regarding education, culture, research, public health, food security, environment, access to information and technology transfer (article 196.3).⁵⁵

Moreover, the Transpacific Partnership Agreement (TPP)⁵⁶ reproduces in articles 18.2 and 18.3, *mutatis mutandis*, the provisions of articles 7 and 8 of the TRIPS Agreement, thereby suggesting that the same interpretive framework would apply.

⁵² Paragraph 5(a): 'In applying the customary rules of interpretation of public international law, each provision of the TRIPS Agreement shall be read in the light of the object and purpose of the Agreement as expressed, in particular, in its objectives and principles'. See also Peter Yu, 'The Objectives and Principles of the TRIPS Agreement', *Houston Law Review*, vol. 46, pp. 797-1046, 2009, p. 999, Available at <http://ssrn.com/abstract=1398746>.

⁵³ See A. Yusuf, op. cit.

⁵⁴ Report of the panel, WT/DS114/R (2000), para 7.26.

⁵⁵ Available at http://trade.ec.europa.eu/doclib/docs/2011/march/tradoc_147704.pdf.

⁵⁶ This Agreement has not entered into force, pending ratification by the negotiating parties.

Since FTAs oblige the contracting parties to comply with the obligations specifically prescribed by them but also with those under the TRIPS Agreement, the Preamble and articles 7 and 8 apply in the context of FTAs even if not explicitly mentioned therein. As a result, a country party to an FTA may invoke, under the FTA dispute settlement system, the application of the elements contained in the Preamble and article 7 and 8 in relation to both obligations directly imposed by the TRIPS Agreement as well as to any TRIPS-plus obligation established by the FTA.

The adoption of the Doha Declaration created the expectation that it could serve as a barrier against the ratcheting up of IP protection through FTAs and other processes (such as the accession to WTO). Many FTAs contain specific references recognizing the “principles”⁵⁷ or the “importance”⁵⁸ of the Declaration. Although, it has not prevented developed countries from imposing higher levels of IP protection for pharmaceuticals, it may be credited with some effects, notably the inclusion of no limitations to the grounds for granting compulsory licenses of patents, as provided for in pre-Doha Declaration FTAs.⁵⁹ In the case of the US FTAs with Peru, Colombia and Panama, the FTAs provide that, notwithstanding the requirements regarding data exclusivity, “a Party may take measures to protect public health in accordance with” that Declaration.⁶⁰ The extent to which this provision may allow to derogate from the required data protection is unclear, since the Doha Declaration confirms certain “flexibilities” in the TRIPS Agreement, but it does not create exceptions nor does it refer to the issue of data protection. However, the alluded provision may facilitate “a pro-public health interpretation of the provisions on regulated products, as well as other sections of the FTA”.⁶¹

The provisions in FTAs referring to the TRIPS objectives and principles and the references to the Doha Declaration, suggest that these agreements have generally preserved some (limited) space for contracting parties to protect their public interests, notably in the area of public health. The interpretation of the TRIPS-plus provisions contained in such agreements should be conducted with reference to the TRIPS Agreement and its subsequent developments (namely, the Doha Declaration).⁶²

It must be borne in mind, however, that the effect of articles 7 and 8 (and the Doha Declaration) in interpreting the obligations under an FTA may be limited to situations where the content or scope of the established obligations are ambiguous. They may not help to overcome or mitigate clearly worded TRIPS-plus obligations. Since a deliberate objective of FTAs, as proposed by developed countries, has been to increase IP protection beyond the levels required by the TRIPS Agreement, there is also the risk that disputes settlement bodies under FTAs tend to give primacy to IP rules in case of conflict with national measures adopted pursuant to public interests such as the protection of public health or the

⁵⁷ See, e.g., US–Chile FTA, preamble.

⁵⁸ See, e.g., EU–CARIFORUM Economic Partnership Agreement (EPA), Article 147(b).

⁵⁹ See, e.g., Carlos Correa and Duncan Matthews, *op. cit.*

⁶⁰ Articles 16.10.2.(e)(i) (Peru, Colombia) and 15.10.2.(e)(i) (Panama).

⁶¹ Pedro Roffe and David Vivas Eugui, ‘A Shift in Intellectual Property Policy in US FTAs? *Bridges*, Volume 11, Number 5, 1 August 2007, available at <http://www.ictsd.org/bridges-news/bridges/news/a-shift-in-intellectual-property-policy-in-us-ftas>.

⁶² See, e.g., Ping Xiong, ‘Patents in TRIPS-Plus Provisions and the Approaches to Interpretation of Free Trade Agreements and TRIPS: Do They Affect Public Health?’ (2012) 46 *Journal of World Trade*, Issue 1, pp. 155–186.

environment.⁶³ Notwithstanding that the interpretive rules of the Vienna Convention on the Law of Treaties (VCLT) may be applied under the FTAs dispute settlement systems,⁶⁴ such bodies may be prone to expansive interpretations of the adopted obligations, for instance, through the principle of “evolutionary interpretation”⁶⁵ based on new developments or subsequent agreements. This may generate broader understandings of the obligations than those that should be admissible under the WTO dispute settlement mechanism.⁶⁶ In addition, the procedures are different, to the extent that there is no possibility of a review of the legal arguments as may currently be done by the Appellate Body of the WTO⁶⁷ and that third parties may not be permitted to express their views as allowed under article 10 of the WTO Dispute Settlement Understanding.⁶⁸

Moreover, FTAs may allow for a choice of forum between the WTO and the particular FTA dispute settlement system⁶⁹, provided that the subject of the dispute is regulated under the substantive provisions of WTO agreements and the particular FTA. This opens the door for “forum shopping”: the complaining party is likely to choose the forum most likely to provide a judgment favourable to its own position. One important issue therefore, is the extent to which the interpretations of TRIPS provisions incorporated into FTAs that may be given by FTAs’ dispute settlement bodies may substantially differ from those of a WTO panel or Appellate Body, and whether such interpretations may subsequently influence WTO jurisprudence.⁷⁰ Interestingly, the TPP contains a provision aiming at recognizing WTO jurisprudence in relation to obligations established by WTO agreements:

With respect to any obligation of any WTO agreement that has been incorporated into this Agreement, the panel shall also consider relevant interpretations in reports of panels and the WTO Appellate Body adopted by the WTO Dispute Settlement Body (Article 28.11).⁷¹

⁶³ See, e.g., Carlos Correa, ‘The Impact of the Economic Partnership Agreements on WTO Law’, in *EU Bilateral Trade Agreements & Intellectual Property For Better or Worse*, Josef Drexler, Henning Grosse Ruse-Khan and Souheir Nadde-Phlix (editors), Springer, MPI Studies series, 2013.

⁶⁴ See, e.g., Part III, Article 18 of the EU-CARIFORUM EPA.

⁶⁵ See, e.g., Eirik Bjorge, *The Evolutionary Interpretation of Treaties*, Oxford Scholarship Online, 2014, available at <https://www.ilsa.org/jessup/jessup15/Second%20Batch/EirikBjorgeCh3.pdf>.

⁶⁶ However, some WTO rulings have relied on an “evolutionary interpretation. In *United States-Section 110(5) of the U.S. Copyright Act* the WTO panel incorrectly considered the WIPO Copyright Treaty as a subsequent development, even though it has neither come into force nor been ratified by either party. See, e.g., Susy Frankel, ‘WTO Application of the Customary Rules of Interpretation of Public International Law to Intellectual Property’, 46 VA. J. INT’L L. 365, 384-90 (2006). See also Gabrielle Marceau (2001) ‘Conflicts of norms and conflicts of jurisdictions. The relationship between the WTO Agreement and MEAs and other treaties’, *Journal of World Trade* 35(6):1081 1131.

⁶⁷ See, e.g., Karli Mehmet, *Assessing the Development Friendliness of Dispute Settlement Mechanisms in the Economic Partnership Agreements & an Analytical and Comparative Guide to the Dispute Settlement Provisions in the EU’S FTAs*, European Studies Centre University of Oxford. The Global Trade Ethics Programme, Occasional Paper – 2008, available at <https://www.oxfam.org.nz/sites/default/files/oldimings/whatwedo/mtf/mtf%20in%20pacific/dispute%20settlement%20in%20epas.pdf>.

⁶⁸ The TPP provides, however, for the participation of third parties in disputes (article 28.14).

⁶⁹ See, e.g., Article 28.4 of the TPP.

⁷⁰ Rulings in the context of FTAs have influenced WTO jurisprudence in some cases. For instance, in *Brazil - Tyres* the WTO panel referred to a MERCOSUR ruling in support of its finding that Brazil’s exemption for MERCOSUR imports was not “arbitrary” within the meaning of Article XX of the General Agreement on Tariffs and Trade (GATT) of 1994. See *Brazil - Measures Affecting Imports of Retreaded Tyres* (DS332) available at http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds332_e.htm.

⁷¹ The wording ‘shall also consider’, however, may leave room to deviate from those interpretations.

To sum up: FTAs have as a clear objective the expansion and strengthening of intellectual property rights, thereby providing an inherently biased context for interpretation of substantive and enforcement obligations. Although this may favour commercial over public interests considerations, FTAs dispute settlement bodies would in any case be bound by the Preamble and articles 7 and 8 of the TRIPS Agreement, as well as by other specific provisions contained in the FTAs requiring a balance of rights and obligations. Although these provisions may help to attenuate the negative impact of those FTAs obligations likely to increase inequalities, they would not be sufficient to redress the imbalance created by the high standards of IP protection embedded in those agreements.

The role of ‘side-letters’

In response to the concerns raised by health authorities and NGOs about the impact of a number of FTAs’ IP standards on access to medicines, some FTAs signed by the USA included “side letters” or “understandings” that allude to the contracting parties’ ability to protect public health. For instance, the US and Morocco exchanged letters in June 2004 indicating that:

The obligations of Chapter Fifteen of the Agreement do not affect the ability of either Party to take necessary measures to protect public health by promoting access to medicines for all, in particular concerning cases such as HIV/AIDS, tuberculosis, malaria, and other epidemics as well as circumstances of extreme urgency or national emergency. In recognition of the commitment to access to medicines that are supplied in accordance with the Decision of the General Council of 30 August 2003 on the Implementation of Paragraph Six of the Doha Declaration on the TRIPS Agreement and public health (WT/L/540) and the WTO General Council Chairman’s statement accompanying the Decision (JOB(03)/177, WT/GC/M/82) (collectively the “TRIPS/health solution”), Chapter Fifteen does not prevent the effective utilization of the TRIPS/health solution....⁷²

The wording of the first sentence of this side-letter is ambiguous and its legal effect uncertain. One possible interpretation is that measures “necessary” to protect public health may be adopted even if they imply a derogation or limitation to the existing obligations under the FTA. Another interpretation is, however, that the contracting parties understand that the adoption of such measures would not give them a right to ignore their treaty obligations, as they would be presumed to be neutral or entirely consistent with the protection of public health.

In a letter by the General Counsel of the USTR to a member of the US Congress on the US-Morocco FTA, he stated that:

As stated in the side letter, the letter constitutes a formal agreement between the Parties. It is, thus, a significant part of the interpretive context for this agreement and not merely rhetorical. According to Article 31 of the Vienna Convention on the Law of Treaties, which reflects customary rules of treaty interpretation in international law, the terms of a treaty must be interpreted ‘in their context,’ and that ‘context’

⁷² A similar statement is contained in an “Understanding regarding certain public health measures” made between the signatories of CAFTA on August 5, 2004 and in an exchange of letters with Bahrain.

includes ‘any agreement relating to the treaty which was made between all the parties in connection with the conclusion of the treaty’.⁷³

The USTR General Counsel went further and argued that if circumstances ever arise in which a drug is produced under a compulsory license, and it is necessary to approve that drug to protect public health or effectively utilize the TRIPS/health solution, “the data protection provision in the FTA would not stand in the way”.⁷⁴ However, the possible use of side letters or understandings to limit FTAs obligations is likely to be limited, and only provide contextual elements for interpretation. As noted in a US congressional report:

[i]n the event that a brand name drug company challenges a decision to approve a generic drug produced under a compulsory license, the Bush Administration has acknowledged that the conflict will only be “informed” by the letter and will have to be “resolved on the merits of a particular case”.⁷⁵

A “side letter” or “understanding” may be deemed in fact, as noted by the USTR General Counsel, a “subsequent agreement between the parties regarding the interpretation of the treaty or the applications of its provisions” that should “be taken into account together with the context”.⁷⁶ Hence, the side letters may give the false impression that they are able to effectively address the public health concerns generated by the TRIPS-plus and TRIPS-extra obligations provided for by FTAs, while their role in actually reducing the inequalities they generate may actually be limited.

⁷³Letter from USTR General Counsel John K. Veroneau to Congressman Levin dated July 19, 2004, Congressional Record, V. 150, PT. 13, July 22, 2004 to September 14, 2004, p. 17294, available at <http://www.who.int/intellectualproperty/topics/ip/en/Morocco.FTA.letter.pdf>.

⁷⁴Ibid.

⁷⁵Waxman H., Trade Agreements and access to medications under the Bush Administration. Washington, DC: United States House of Representatives; 2005. Available from: <http://democrats.reform.house.gov/Documents/20050609094902-11945.pdf> 13.

⁷⁶Article 31.3 (a) of the Vienna Convention on the Law of the Treaties.

V. FLEXIBILITIES WITHIN FTAs

A vast literature has addressed the “flexibilities” that WTO members may utilize in implementing the TRIPS Agreement,⁷⁷ and observed the limitations developing countries have faced to effectively apply them.⁷⁸ Most analyses on FTAs have focused on how they increase the TRIPS Agreement’s standards and further limit the contracting parties’ space to design IP systems consistent with different levels of development and public policy objectives. Given this situation, is it still possible to articulate implementing laws, regulations and practices to pursue such objectives? The following sections examine the (limited) extent to which it is possible to do so in relation to two regulatory areas that may significantly increase inequalities between and within FTAs’ partners. The suggestions made below might also be applied by WTO members that accepted TRIPS-plus obligations in the process of accession to the WTO, as is the case of China.⁷⁹

1. Test Data Protection

FTAs signed by the USA and the EU systematically include a *sui generis* protection (generally called data exclusivity) applicable to the outcome of clinical studies conducted to demonstrate the efficacy and safety of a drug or agrochemical product.⁸⁰ The extent and modalities of the protection conferred varies among different FTAs.⁸¹ Although it is not possible to make specific suggestions for implementing the obligations with a pro-public health perspective applicable to all FTAs, some options discussed below may be relevant to all or most FTAs.⁸²

How protection is acquired?

Data exclusivity generally is the corollary of the registration of a medicine incorporating a new chemical entity (see below). However, protection does not need to arise automatically as a result of such registration. It may be granted by the competent authority⁸³ upon determination that an application has been duly made and that the legally prescribed conditions have been met. As in the case of other titles, an initial fee and annual maintenance fees may be established. Competent authorities may be bound to publish the products for which protection is granted and third parties may be permitted to request the revocation of the grant.

⁷⁷ See, e.g., German Velasquez, Carlos Correa and Xavier Seuba, op. cit.

⁷⁸ See, e.g., Carolyn Deere, *The Implementation game – The TRIPS Agreement and the Global Politics of Intellectual Property Reform in Developing Countries*, Oxford University Press, Oxford, 2009.

⁷⁹ See, e.g., Carlos Correa and Frederik Abbott, ‘The Accession Process and its Legal Consequences in *The WTO and Accession Countries*, Carlos A. Primo Braga and Olivier Cattaneo (editors), Edward Elgar, London, 2009.

⁸⁰ The following analysis focuses on drugs.

⁸¹ For instance, CAFTA-DR provides that a Party “may require” that the original firm applies for approval within five years after having obtained approval for commercialisation in the other territory, a condition absent in other FTAs.

⁸² These options are non-exhaustive.

⁸³ A certificate of protection may be issued, separately or as an integral part of the certificate of approval for commercialisation or sanitary registration.

Period to seek protection

National regulations may provide periods within which marketing approval should be requested after the first approval in the world of a medicine in order to obtain data exclusivity protection. This period may be, for instance, of six months or one year (as established for the Paris Convention in relation to the priority right).⁸⁴

Covered products

The exclusive protection of test data is generally conferred under FTAs only in relation to products that contain “new” entities, that is, active principles not included in a product approved previously in the same country. Hence, products that contain salts, esters, or variants of active principles already incorporated in products approved in the Party are excluded from such protection. Moreover, national regulations may limit the protection to cases where there is a new “active moiety”, as provided for under US legislation.⁸⁵ The adoption of this concept would imply that protection should not be granted to test data relating to products containing chemical entities with a functional unit contained in a previously approved product, such as when marketing approval of a prodrug for an already registered drug is applied for.

Undisclosed data

In line with article 39.3 of the TRIPS Agreement, FTAs require the protection of *undisclosed* test data. This means that whenever the test data for a particular product have been made publicly available, data exclusivity may not be obtained or would cease to exist. National laws may determine that public availability of a summary of clinical studies or of information in scientific literature is sufficient to consider the test data as disclosed. Interestingly, many drug regulatory authorities are moving in the direction of making available all test data related to an approved drug. For instance, in accordance with a policy applied since January 2015 by the European Medicines Agency, in general the information about clinical studies cannot be considered “commercial confidential information”. This information is to be published on the web.⁸⁶ While the “clinical reports may not be used to support a MAA [marketing authorisation application]/ extensions or variations to a MA nor to make any unfair commercial use of the clinical reports”,⁸⁷ this restriction does not change the nature of the information as **disclosed** to the extent that it is publicly available.

Scope of exclusive rights

The right granted under data exclusivity protection only covers the **commercialisation** of the protected product in the territory where marketing approval has been obtained. Hence, the right-holder cannot prevent third parties from distributing the product without commercial

⁸⁴ See, e.g., article 4.4, Decree 107/2010 of Chile, available at http://www.ispch.cl/ley20285/t_activa/marco_normativo/7c/DS_MINSAL_107-2010.pdf.

⁸⁵ See Section 505(b) of the US Federal Food, Drug, and Cosmetics Act; article 4.2(i) of the Malaysian Directive on Data Exclusivity, 2011, available at http://npra.moh.gov.my/images/reg-info/DataEx/Directive_on_DE.pdf.

⁸⁶ European Medicines Agency, *European Medicines Agency policy on publication of clinical data for medicinal products for human use*, 2014, p. 4, available at http://www.ema.europa.eu/docs/en_GB/document_library/Other/2014/10/WC500174796.pdf.

⁸⁷ Ibid. p. 6.

purposes, for example, distribution made in public hospitals or with humanitarian purpose.⁸⁸ Likewise, since the only commercialisation that should be impeded is that taking place within that territory, data exclusivity cannot be enforced against **exportation** of the covered products, even if made with commercial purposes.

Early working

If a product were subject to data exclusivity, a generic company could nevertheless produce or import samples in order to undertake the studies required for marketing approval. Thus, a generic company could initiate the procedures during the data exclusivity term of protection in order to start commercialization immediately after the expiry of that term. If the product were on-patent, the possibility of undertaking the required studies would depend on the recognition of a Bolar exception.⁸⁹

Exclusion of protection

Like in the case of patents, exceptions may be provided for data exclusivity protection, such as for cases of emergency, public health reasons, or when duplicating the test data would be unethical. As noted above, the EU–Colombia–Peru FTAs state that “in interpreting and implementing the rights and obligations under this Title, the Parties shall ensure consistency with this Declaration” (Article 197:2).

In the case of the Chilean regulation, for instance, the hypotheses of exclusion include anti-competitive practices and reasons of public health, national security, public non-commercial use, national emergency or other circumstances of extreme urgency established by decree of the Ministry of Health which justify to terminate the protection, and lack of commercialization of the protected product within 12 months of its approval for marketing (article 9 (a) and (b), Decree 107/2010).

Compulsory licenses/government use

A data exclusivity regime could be an obstacle for the execution of a compulsory license or government use of a patent. Hence, it may be necessary to waive the rights conferred under data exclusivity in order to allow a compulsory licensee to obtain marketing approval of the licensed product. National regulations may provide that data exclusivity shall have no effects against a compulsory licensee granted for any of the grounds established under the applicable patent law, or against persons authorised to undertake a governmental non-commercial use of the patented product.

Termination of protection

National laws may provide for a number of grounds for terminating data exclusivity protection, such as:

⁸⁸ It should be noted that there will be no “commercial purposes” merely because a price is charged for the product. The title-holder cannot prevent acts of use, production or importation of the product that do not imply commercialisation.

⁸⁹ See, e.g., Carlos Correa, ‘The Bolar exception: legislative models and drafting options’, in Bryan Mercurio (editor), *Contemporary Issues in Pharmaceutical Patent Law: Setting the Framework and Exploring Policy Options*, Routledge, forthcoming.

- when the right-holder or a person authorised by him does not commercialise the approved product in a manner sufficient to supply the demand within a period (e.g. twelve months) from the date of approval for commercialisation or when the commercialisation is interrupted, for more than *x* consecutive months (e.g. six months), except in cases of *force majeure* or government's acts that prevent such commercialisation.
- for public interest reasons such as national security, emergency or circumstances of extreme urgency that justify the termination of the period of exclusivity;
- when, as a result of administrative or judicial procedures, it is determined that the right-holder has abused his rights, for example, through practices declared as anti-competitive.

2. Patent/Drug Approval Linkage⁹⁰

US FTAs typically require the contracting parties to create a “linkage” between patent protection and drug-marketing approval, thereby stretching the patent owner's exclusive rights by allowing him to block the regulatory approval for marketing of competing generic products.⁹¹ This linkage obviates the fact that the objectives of these two areas of regulation differ completely. While patent protection aims at rewarding new and inventive contributions to the state of the art, drug-approval regulations seek to ensure that only drugs with proven efficacy and safety are commercialized. As noted by a commentator, “[t]he newly delegated role of the regulatory authority as an ‘enforcer’ of a private right is therefore a significant benefit to the rights holder.”⁹² By significantly delaying the marketing approval for generic drugs, linkage provisions may limit states' actions aimed at progressively realizing the human right to health, as required by the International Covenant of Economic, Social and Cultural Rights.⁹³

The U.S. Trade Representative (USTR) has championed the adoption of “linkage” provisions in FTAs and has systematically threatened unilateral sanctions under Special Section 301 of the U.S. Trade Act against those countries that do not implement some form of drug-patent/registration linkage.⁹⁴

⁹⁰ Carlos Correa, ‘Expanding Patent Rights in Pharmaceuticals: The Linkage Between Patents and Drug Registration’, in Neil Netanel (editor), *The Development Agenda: Global Intellectual Property and Developing Countries*, Oxford University Press, 2008.

⁹¹ It should be noted that the patent-registration linkage is not required in the European Union (EU) – where there is complete independence between intellectual property protection and drug registration – nor under the FTAs signed by the EU.

⁹² Bryan Mercurio, ‘TRIPS-Plus Provisions in FTAs: Recent Trends’, in Lorand Bartels, Federico Ortino (editors), *Regional Trade Agreements and the WTO Legal System*, pp. 215-237, Oxford University Press, 2006, p. 225, available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=947767.

⁹³ See for example, Xavier Seuba, *On the Right to Health as a Human Right, Human Rights and Intellectual Property Rights*, in Carlos M. Correa and Abdulqawi A. Yusuf, *Intellectual Property and International Trade: The TRIPS Agreement* (Kluwer 2d ed. forthcoming); Yaël R. Hazan and Philippe Chastonay, eds., *Santé et droits de l'homme* (CMS 2004); Alicia E. Yamin, “Not Just a Tragedy: Access to Medications as a Right under International Law,” 21 Boston University International Law Journal 325; See also Phillipe Cullet, “Patents and Medicines: The Relationship between TRIPS and the Human Right to Health,” 79:1 International Affairs 139 (2003).

⁹⁴ See, e.g., USTR, Special 301 Report, 2016, p. 49, available at <https://ustr.gov/sites/default/files/USTR-2016-Special-301-Report.pdf>.

Paradoxically, the modality of “linkage” imposed on developing countries by the US in some FTAs is more restrictive than that applied in the USA.⁹⁵ On the one hand, in the USA the drug regulatory authority only provides information to the patent owner in order for him to initiate judicial proceedings against potential infringers.⁹⁶ The US linkage system is thus based on a limited intervention by the Food and Drug Administration (FDA).⁹⁷ Any disputes arising from the marketing approval of a generic product are settled by the courts. In many FTAs, however, it is the drug regulatory authority itself –rather than the patent owner– who is obliged to deny an application of marketing approval of a generic product. As a result of this “administrative linkage”, it is the State which may be bound to assume the responsibility for unduly refusing an application for marketing approval of a generic medicine in cases where the patents were actually invalid or non-infringed.

A major problem with the administrative linkage is that drug regulatory authorities have no legal capacity to determine whether a particular patent is infringed and whether it would overcome a challenge of invalidity. This is aggravated when patent offices and courts allow for the proliferation of pharmaceutical patents on marginal developments aimed at ‘evergreening’ basic patents, as a result of deficient examination or the application of low standards of patentability and various legal fictions.⁹⁸ In these situations, marketing approval might be denied if there were, for instance, patents over a particular salt or formulation of a drug, even where the drug itself may be off-patent.

An exhaustive study conducted in Canada – where linkage came into force in 1993 – has shown how pharmaceutical companies have strategically used linkage provisions and “evergreening” to delay the market entry of generic products; data reported there revealed a “strong and increasing use of linkage regulations by pharmaceutical firms in order to restrain generic competition”.⁹⁹ In particular, it showed that firms were obtaining the most extensive patent protection through the linkage provisions “on drugs with the least innovative value” as such provisions were “primarily utilized only for follow-on drugs”.¹⁰⁰ The authors noted:

[t]hat private firms may be obtaining extended patent protection for weakly inventive products while at the same time generic competition is chilled and public are deprived of reasonably priced pharmaceuticals raises the possibility that the *quid pro*

⁹⁵ See Fredrick M. Abbott, *Intellectual Property Provisions of Bilateral and Regional Trade Agreements in Light of U.S. Federal Law* 10-11 (Issue Paper No. 12, UNCTAD-ICTSD, 2006).

⁹⁶ The TPP seems to allow for this possibility since the linkage mechanism may provide that notice be given to a patent holder, or to allow for a patent holder to be notified, prior to the marketing of a pharmaceutical product, that other person ‘is seeking to market that product during the term of an applicable patent claiming the approved product or its approved method of use’ (article 18.53(1)(a)). TPP contracting parties may opt to provide for ‘judicial or administrative proceedings’ (article 18.53(1)(c)).

⁹⁷ In *Alphapharm PTY v Tommy G. Thompson* (Secretary of Health and Human Services) (DDC 2004) (CA 03-2269), the District Court in Washington, D.C., ruled that the US law does not require the FDA “to police the listing process by analyzing whether the patents listed by NDA (New Drug Application) applicants actually claim the subject drugs or applicable methods of using those drugs.” See Mark Chael, “Court: FDA’s Role is Not to Analyze Patent Claims,” 2004, available at: http://www.patentlyo.com/patent/2004/08/court_fdas_role.html (collected online Aug 3, 2007).

⁹⁸ See, e.g., Carlos Correa, ‘Patent examination and legal fictions: how rights are created on feet of clay’, in Gustavo Ghidini, Hanns Ullrich and Peter Drahos (eds.), *Kritika: Essays on Intellectual Property*, Edward Elgar, 2015.

⁹⁹ Ron A. Bouchard, Richard W. Hawkins, Robert Clark, Reider Hagtvedt, and Jamil Sawani, ‘Empirical Analysis of Drug Approval-Drug Patenting Linkage for High Value Pharmaceuticals’, 8 Nw. J. Tech. & Intell. Prop. 174 (2010), available at <http://scholarlycommons.law.northwestern.edu/njtip/vol8/iss2/2>, p. 220.

¹⁰⁰ Ibid.

quo of the traditional patent bargain is breached, yielding a result that would be at odds with legislative intent...¹⁰¹

and concluded that:

Together, the results reported here show that the combination of conventional patent law, emerging linkage regulation regimes and existing drug approval framework provide a powerful mechanism for multinational pharmaceutical firms to efficiently and effectively identify attractive new and follow-on drug candidates for market exclusivity. The linkage regulation regime in particular has proven to be an excellent vehicle for firms to obtain extended legal protection on drugs at all stages of development, including drugs about to come off patent protection, drugs moving through the regulatory approval stage, and drugs that are currently in development.¹⁰²

An administrative type of linkage –whereunder the drug regulatory authority should take action on its own to refuse an application for marketing of a generic product– creates an almost absolute presumption of validity for pharmaceutical patents. The U.S. FTC, however, has held that the circumstances under which a patent is granted “suggest that an overly strong presumption of a patent’s validity is inappropriate,” and that it “does not seem sensible to treat an issued patent as though it had met some higher standard of patentability.”¹⁰³ In dealing with preliminary injunctions, US courts do not recognize a presumption of validity when the patent is challenged by the alleged infringer. In *New England Braiding*, for instance, the court stated that ‘...unless the alleged infringer undertakes to challenge validity with evidence, the patentee need do nothing to establish its rights under the patent...However, the presumption does not relieve a patentee who moves for a preliminary injunction from carrying the normal burden of demonstrating that it will likely succeed on all disputed liability issues at trial, even when the issue concerns the patent's validity’.¹⁰⁴ While a bill was introduced to the U.S. Congress in April 2007 that proposed a reduction in the threshold to obtain the invalidation of a patent (by establishing a “preponderance of the evidence” and not “a clear and convincing evidence” standard)¹⁰⁵, the *America Invents Act* adopted in 2011 provided that during the procedures before the USPTO Patent Trial and Appeal Board (PTAB) the patent has no presumption of validity.¹⁰⁶

The vulnerability of patents is also recognized in other jurisdictions. In India, for instance, it is settled law that in an action for infringement of a patent, an injunction would not be granted where the validity of the patent itself has been questioned and a revocation petition has been filed.¹⁰⁷ In Argentina, a reform introduced pursuant to a complaint by the USA under the WTO dispute settlement rules provides that, in dealing with applications for a

¹⁰¹ Ibid. p. 221.

¹⁰² Ibid. p. 227.

¹⁰³ U.S. Federal Trade Commission, “To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy” 8, 10 (Oct 2003), available at: <http://www.ftc.gov/os/2003/10/innovationrpt.pdf>.

¹⁰⁴ *NEW ENGLAND BRAIDING CO., INC. and Seal Company of New England, Inc., v. A.W. CHESTERTON COMPANY* (970 F.2d 878, 23 U.S.P.Q.2d 1622, 28 July 1992) available at <http://openjurist.org/970/f2d/878/new-england-braiding-co-inc-v-aw-chesterton-company>.

¹⁰⁵ See Patrick Leahy et al., “The patent reform Act of 2007,” available at: <http://leahy.senate.gov/press/200704/041807a.html>.

¹⁰⁶ P.L. 112-29, the Leahy-Smith America Invents Act.

¹⁰⁷ See <http://spicyipindia.blogspot.com/2007/05/bilcare-decisions-by-delhi-high-court.html>.

preliminary injunction, the judge needs to consider whether a patent will be deemed valid if challenged by the alleged infringer (article 83).

The negative impact of linkage provisions on public health¹⁰⁸ may be attenuated by indirect and direct measures. Indirect measures include:

- a) a rigorous examination of patent applications in order to only grant patents when genuine inventive contributions have been made. The calibration of the patentability standards so as to make them compatible with national policies (in the area of public health, industrial policy, environmental protection, food security etc.) is one of the most important flexibilities allowed by the TRIPS Agreement.¹⁰⁹ FTAs have not generally reduced the room for manoeuvre left to contracting parties in this regard.¹¹⁰
- b) limiting the presumption of validity of patents to the compliance with legal procedures rather than substantive requirements;
- c) reducing the room for pharmaceutical companies' abuse of preliminary injunctions.¹¹¹ In order to prevent the risk of such abuse, national laws and regulations may provide that the grant of such measures by judicial authorities should be subject to an evaluation by the court of several admissibility factors, such as, whether: the patentee is likely to prevail if the validity of the patent were challenged, there would be an "irreparable harm" if an injunction were not granted, the balance of equities tips in the patentee's favour, and granting the preliminary injunction would be in the public interest.¹¹² In addition, such measures may not be granted without giving an opportunity to the alleged infringer to articulate its defense.¹¹³

Direct measures to mitigate the negative impact on the accessibility of medicines are discussed below.

¹⁰⁸ Such negative impact of the administrative linkage provisions as originally adopted in the FTAs with Peru and Panama (similar to those in DR-CAFTA), and the excessive burden put on states' regulatory agencies, were recognized in the bipartisan agreement reached in June 2007 referred to above. Those provisions were consequently revised and more flexibility allowed for their implementation.

¹⁰⁹ See, e.g., *Declaration on patent protection. Regulatory Sovereignty under TRIPS*, issued by the Max Planck Institute for Intellectual Property and Competition Law, 2014, available at <https://www.mpg.de/8132986/Patent-Declaration.pdf>; Carlos Correa, *Guidelines for Pharmaceutical Patent Examination: Examining Pharmaceutical Patents from a Public Health Perspective*, UNDP, New York, 2016.

¹¹⁰ One exception is, for instance, the TPP obligation to grant patents on 'at least one of the following: new uses of a known product, new methods of using a known product, or new processes of using a known product' (Article 18.37.2).

¹¹¹ See, for example Carlos M. Correa, "TRIPS and TRIPS-plus Protection and Impacts in Latin America," in Daniel Gervais, ed., *Intellectual Property, Trade and Development Strategies to Optimize Economic Development in a TRIPS Plus Era* (Oxford Univ. Press, 2007).

¹¹² These are the factors generally considered by US courts. The irreparable harm is not to be presumed. See AIPPI National Group: United States, 'Injunctions in cases of infringement of IPRs', available at <https://www.aippi.org/download/committees/219/GR219usa.pdf>.

¹¹³ Note that the TRIPS Agreement leaves judicial authorities discretion to grant or not preliminary measures *inaudita altera parte* (article 50). This also seems to be the situation under FTAs. For instance the TPP provides that '[e]ach Party's authorities shall act on a request for relief in respect of an intellectual property right *inaudita altera parte* expeditiously in accordance with that Party's judicial rules' (Article 18.75.1). The reference to the 'Party's judicial rules' leaves the door open for different policies on the matter, subject to what is provided for under national laws.

Scope of patent claims

As mentioned, the pharmaceutical industry often applies for and obtains, where allowed by national laws, regulations and practices, patents on derivatives and other developments (e.g. salts, formulations, uses) of existing drugs in order to artificially extend a monopolistic position with regard to particular drugs. This “evergreening” strategy has been documented in developed¹¹⁴ as well as in developing countries.¹¹⁵ A study made in Chile, for example, showed that “72 per cent of active ingredients that were protected by a single patent were in fact protected by a secondary patent. Among the drugs that were protected by several patents, in most cases they were protected by only secondary patents or a combination of primary and secondary patents”.¹¹⁶ In accordance with another study:

If the future looks like the past (and the patent landscape in other countries like that in the U.S.) a conservative estimate is that eliminating secondary patents could free up 36 per cent of new medicines for generic production, since only 64 per cent of drugs in our sample had patents with chemical compound claims. Additionally, for those drugs that still come under patent because a chemical compound claim exists, exclusions on secondary patents could limit the duration of patent protection by 4-5 years.¹¹⁷

The effects of evergreening may be drastically limited if linkage provisions only apply in respect of patents in force on the **active ingredients**, with exclusion of those covering other subject matter. This distinction may be crucial to preserve a competitive market when the active ingredients are off-patent. In the case of sofosbuvir, for instance – an exorbitantly high priced drug¹¹⁸ – in addition to the patent on the active ingredient Gilead has obtained in many countries a patent on the most thermodynamically stable polymorphic form of sofosbuvir.¹¹⁹ If the patent on the active ingredient is not granted or has expired, the polymorph patent might be used to refuse the marketing approval of a generic product.

The extent to which the scope of the linkage obligations may be limited will ultimately depend on their wording in the respective FTAs and implementing legislation. For instance, the TPP refers to a “patent claiming the approved product or its approved method of use” (article 18.53(1)(a)). In this case, a patent covering a particular polymorph, salt or

¹¹⁴ See, e.g., European Commission. 2009. *Final Report, Pharmaceuticals Sector Inquiry*, available at http://ec.europa.eu/competition/sectors/pharmaceuticals/inquiry/staff_working_paper_part1.pdf.

¹¹⁵ For a set of five developing countries, see e.g., Carlos Correa (editor), *Pharmaceutical innovation, incremental patenting and compulsory licensing*, South Centre, Geneva, 2013.

¹¹⁶ María José Abud, Bronwyn Hall and Christian Helmers, ‘An Empirical Analysis of Primary and Secondary Pharmaceutical Patents in Chile’, PLOS One | DOI:10.1371/journal.pone.0124257 April 27, 2015, p. 12.

¹¹⁷ Kapczynski A, Park C, Sampat B (2012), “Polymorphs and Prodrugs and Salts (Oh My!): An Empirical Analysis of ‘Secondary’ Pharmaceutical Patents”, *PLoS ONE* 7(12): available at <http://journals.plos.org/plosone/article?id=10.1371/journal.pone.0049470>.

¹¹⁸ This drug is priced at US\$ 2500 per gram in some high-income countries, while it can probably be manufactured for US\$ 2–4 per gram. See e.g., UNITAID, *An Economic Perspective on Delinking the Cost of R&D from the Price of Medicines*, WHO, 2016, p. 8. Although the Pharmasset, the company that originally developed sofosbuvir, had initially considered a price of \$36 000, ‘Gilead ultimately set \$84 000 as its market list price after internal deliberation over multiple factors, including an evaluation of the high prices of previous drugs and how much health systems could bear’ (Victor Roy and Lawrence King, ‘Betting on hepatitis C: how financial speculation in drug development influences access to medicines’, *BMJ* 2016;354, available at <http://www.bmj.com/content/354/bmj.i3718>).

¹¹⁹ See, e.g., WHO, *Patent Situation of Key Products for Treatment of Hepatitis C-Sofosbuvir*, Working Paper, WHO, June 2016, available at http://www.who.int/phi/implementation/ip_trade/sofosbuvir_report.pdf?ua=1.

formulation may not be invoked to prevent a generic product from being approved for marketing, unless the “approved product” has been characterized as a specific polymorph, salt or formulation.

Infringement

As mentioned, drug regulatory authorities lack the capacity to assess whether the infringement of a patent might occur. There are different ways of interpreting patent claims. Various theories and methodologies are applied by courts¹²⁰ with regard to what is protected and eventually infringed. The same claims may be read as covering or not a certain product. In addition, an infringement may be “literal” or by “equivalence”. There is no harmonized doctrine to determine when a product or process not identical to the one patented is infringing.¹²¹ This creates a great deal of uncertainty and allows for discretion in determining when a patent is infringed.

In view of these circumstances, linkage implementing regulations may stipulate that linkage provisions would be applied only when a patent in force would be literally infringed by the product whose registration is sought. In the case of sofosbuvir mentioned above, for instance, the linkage provisions should not apply if generic companies developed a different stable molecular dispersion, liquid, or amorphous form, and have taken care of preventing conversion of the developed product to the stable polymorphic form covered by the patent.¹²²

Listing of patents

As it is the case in the USA with the “Orange book”, countries subject to linkage obligations may establish that a patent may only be invoked to refuse the marketing approval of a generic product when the patent was previously included in a publicly available database.¹²³ The listing of a patent may be subject to deadlines (within a certain period after grant) and to some exclusions. For instance, under US FDA’s Orange Book regulations no metabolite, intermediate and packaging patents may be listed. Patents having only method of making (process) claims, those claiming formulations that do not cover the marketed drug product, and methods of use covering unapproved indications are not listable either.¹²⁴ Like in the case of the FDA, if a patent covers a polymorph, it may be required that the patentee submits, within a given period, test data demonstrating that a drug product containing the polymorph will perform the same as the drug product described in the NDA (bioequivalence).

¹²⁰ See, e.g., Christopher A. Cotropia, ‘Patent Claim Interpretation Methodologies and their Claim Scope Paradigms’, *William and Mary Law Review*, Volume 47 Issue 1 Article 3, available from <http://scholarship.law.wm.edu/cgi/viewcontent.cgi?article=1220&context=wmlr>.

¹²¹ See, e.g., Ray D. Weston, Jr. A Comparative Analysis of the Doctrine of Equivalents: Can European Approaches Solve an American Dilemma?, *IDEA: The Journal of Law and Technology*, 39 J.L. & TECH. 35, 1998.

¹²² See, e.g., WHO, *Patent Situation of Key Products for Treatment of Hepatitis C-Sofosbuvir*, *op. cit.*

¹²³ In the case of the US FDA regulations, drug makers are required to list any patent containing at least one claim that covers the drug’s active ingredient, its formulation, or any method of use pertaining to an approved indication, issued before NDA approval. See, e.g., C. Scott Hemphill and Bhaven N. Sampat, ‘Weak Patents Are a Weak Deterrent: Patent Portfolios, the Orange Book Listing Standard, and Generic Entry in Pharmaceuticals’, available at <http://www.nber.org/chapters/c13215.pdf>.

¹²⁴ *Ibid.*

Setting deadlines

As suggested above, some terms may be provided for in order to trigger the application of linkage provisions. This may refer to the listing of patents, the submission of test data (when required) and the bringing of an infringement action. For instance, under the US FDA regulations such an action must be initiated within 45 days after receiving notice about an application for marketing approval of a generic product.¹²⁵

Patent litigation may last for years. Delays in reaching final decisions may be due to an inefficient or overburdened judicial system, the technical complexity of issues to be addressed, as well as to dilatory tactics by the parties. Hence, if a provisional measure that prevents the drug regulatory agency to approve a generic drug was obtained, the exclusion of the market may last for years, even when there was no justification for it. For this reason, implementing regulations may provide for a maximum period of suspension. In the case of the USA, for instance, the approval of a generic product may be made effective 30 months after the date of the receipt of the notice of certification regarding the application for a generic product, “unless the court has extended or reduced the period because of a failure of either the plaintiff or defendant to cooperate reasonably in expediting the action”.¹²⁶

Damages

If linkage provisions are unduly used to exclude generic products from the market, the patentee should be liable for damages and might be imposed other penalties as well, like in the case of Australia when baseless litigation by a pharmaceutical company takes place.¹²⁷ Thus, in accordance with section 26D of the Therapeutic Goods Act 1989, if a provisional measure was granted and the infringement proceedings are subsequently discontinued or dismissed, or they had no reasonable prospect of success, the court may award compensation to the applicant as well as to the government for losses sustained as a result of the injunction.¹²⁸ Of course, this would not apply if the drug regulatory authority acted *ex-officio*. Implementing regulations may ensure that, even in the case of administrative linkage, action is only taken upon formal request of the patent owner, thereby making him liable in case of wrongful suspension or refusal of the marketing approval of a generic product.

Publicly available information

In accordance with some FTAs, contracting parties must put in place “a transparent system” to provide notice to a patent holder that another person is seeking to market an approved pharmaceutical product during the term of a patent covering the product or its approved method of use.¹²⁹

One way of complying with linkage provisions without an excessive burden on the drug regulatory agencies is to make publicly available, for instance, through a web page,

¹²⁵ CFR – Code of Federal Regulations Title 21, Sec. 314.107(3).

¹²⁶ CFR – Code of Federal Regulations Title 21, Sec. 314.107(3).

¹²⁷ See, e.g., Carlos Correa, ‘Tackling the Proliferation of Patents: How to Avoid Undue Limitations to Competition and the Public Domain’, in *Droit, économie et valeurs. Le droit économique, maître ou esclave de l'économie? Hommage au Professeur Bernard Remiche*, Larcier, Brussels, 2014.

¹²⁸ Ibid.

¹²⁹ See, e.g. Article 16.10.3 (c) of the US-Peru FTA.

information on all filings for marketing approval. Companies that consider that their patents might be infringed, could –within a given period– initiate legal actions before the courts.

Compulsory licenses

The administrative linkage, as implemented under FTAs, may make it impracticable to issue compulsory licenses on and the non-commercial government use of a patented medicine, since generic companies would be unable to get approval to market their generic products, even if permitted under the applicable patent law. As noted by one commentator:

it is unclear whether a compulsory license may be issued to provide entry of generic drugs where the law does not allow registration prior to the expiration of the patent. This potential impediment is caused by the fact that a manufacturer granted authority to produce under compulsory license still must be registered by the national drug regulatory authority. Thus, if the regulatory authority is prohibited from registering generics until the patent expires, the compulsory license will be prevented from coming to fruition.¹³⁰

In order to avoid a possible limitation on compulsory licenses and government use of patents derived from linkage provisions, specific safeguards may be provided for in implementing regulations, so as to ensure that marketing approval is granted for the products to be marketed under such authorizations.

¹³⁰ Bryan Mercurio, op. cit., p. 226.

VI. CONCLUSIONS

IP provisions contained in FTAs are likely to aggravate current inequalities amongst and within countries, namely low and middle income countries. Those agreements normally contain a set of obligations that increase the level of IP protection beyond what is required under the TRIPS Agreement, and what would be adequate to developing countries that have signed up those agreements. Moreover, the “certification” process conducted by the US government may expand the obligations agreed upon under particular FTAs, thereby enhancing the potential benefits of FTAs provisions for foreign right-holders without any positive impact for the US partner countries. Some provisions in the TRIPS Agreement and FTAs that broadly refer to welfare implications of IP protection may attenuate the negative implications of such agreements in vital areas, such as public health, but the room for interpretations in the public interest is limited. This also applies to “side letters” incorporated into some FTAs, which would not allow a contracting party to ignore unambiguously defined treaty obligations.

There is some space, however, to explore options for the implementation of IP obligations imposed by FTAs with the aim of limiting their potential negative impact. As illustrated by the discussion above on two areas (data exclusivity and linkage) of particular importance for access to medicines, contracting parties may introduce a number of conditions for that purpose. Such space may be fully exploited in the case of countries that have accepted TRIPS-plus obligations in the process of accessing to the WTO or preserved the freedom to implement FTAs obligations. It is more limited when a contracting party is subject to the referred to ‘certification’ process. Nevertheless, some measures -such as limiting the presumption of validity of patents and applying rigorous standards to examine patent applications- may be implemented in all cases in order to mitigate the impact of linkage provisions which, in essence, are incompatible with the independence of functions performed by patent offices and drug regulatory agencies and with the vulnerability of granted patents to validity challenges.

SOUTH CENTRE RESEARCH PAPERS

No.	Date	Title	Author
1	November 2005	Overview of the Sanitary and Phytosanitary Measures in QUAD Countries on Tropical Fruits and Vegetables Imported from Developing Countries	Ellen Pay
2	November 2005	Remunerating Commodity Producers in Developing Countries: Regulating Concentration in Commodity Markets	Samuel G. Asfaha
3	November 2005	Supply-Side Measures for Raising Low Farm-gate Prices of Tropical Beverage Commodities	Peter Robbins
4	November 2005	The Potential Impacts of Nano-Scale Technologies on Commodity Markets: The Implications for Commodity Dependent Developing Countries	ETC Group
5	March 2006	Rethinking Policy Options for Export Earnings	Jayant Parimal
6	April 2006	Considering Gender and the WTO Services Negotiations	Meg Jones
7	July 2006	Reinventing UNCTAD	Boutros Boutros-Ghali
8	August 2006	IP Rights Under Investment Agreements: The TRIPS-plus Implications for Enforcement and Protection of Public Interest	Ermias Tekeste Biadgleng
9	January 2007	A Development Analysis of the Proposed WIPO Treaty on the Protection of Broadcasting and Cablecasting Organizations	Viviana Munoz Tellez and Andrew Chege Waitara
10	November 2006	Market Power, Price Formation and Primary Commodities	Thomas Lines
11	March 2007	Development at Crossroads: The Economic Partnership Agreement Negotiations with Eastern and Southern African Countries on Trade in Services	Clare Akamanzi
12	June 2007	Changes in the Governance of Global Value Chains of Fresh Fruits and Vegetables: Opportunities and Challenges for Producers in Sub-Saharan Africa	Temu A.E and N.W Marwa
13	August 2007	Towards a Digital Agenda for Developing Countries	Dalindyebo Shabalala
14	December 2007	Analysis of the Role of South-South Cooperation to Promote Governance on Intellectual Property Rights and Development	Ermias Tekeste Biadgleng
15	January 2008	The Changing Structure and Governance of Intellectual Property Enforcement	Ermias Tekeste Biadgleng and Viviana Munoz Tellez
16	January 2008	Liberalization of Trade in Health Services:	Joy Kategekwa

		Balancing Mode 4 Interests with Obligations to Provide Universal Access to Basic Services	
17	July 2008	Unity in Diversity: Governance Adaptation in Multilateral Trade Institutions Through South-South Coalition-Building	Vicente Paolo B. Yu III
18	December 2008	Patent Counts as Indicators of the Geography of Innovation Activities: Problems and Perspectives	Xuan Li
19	December 2008	WCO SECURE: Lessons Learnt from the Abortion of the TRIPS-plus-plus IP Enforcement Initiative	Xuan Li
20	May 2009	Industrialisation and Industrial Policy in Africa: Is it a Policy Priority?	Darlan F. Marti and Ivan Ssenkubuge
21	June 2009	IPR Misuse: The Core Issue in Standards and Patents	Xuan Li and Baisheng An
22	July 2009	Policy Space for Domestic Public Interest Measures Under TRIPS	Henning Grosse Ruse – Khan
23	June 2009	Developing Biotechnology Innovations Through Traditional Knowledge	Sufian Jusoh
24	May 2009	Policy Response to the Global Financial Crisis: Key Issues for Developing Countries	Yılmaz Akyüz
25	October 2009	The Gap Between Commitments and Implementation: Assessing the Compliance by Annex I Parties with their Commitments Under the UNFCCC and its Kyoto Protocol	Vicente Paolo Yu III
26	April 2010	Global Economic Prospects: The Recession May Be Over But Where Next?	Yılmaz Akyüz
27	April 2010	Export Dependence and Sustainability of Growth in China and the East Asian Production Network	Yılmaz Akyüz
28	May 2010	The Impact of the Global Economic Crisis on Industrial Development of Least Developed Countries	Report Prepared by the South Centre
29	May 2010	The Climate and Trade Relation: Some Issues	Martin Khor
30	May 2010	Analysis of the Doha Negotiations and the Functioning of the World Trade Organization	Martin Khor
31	July 2010	Legal Analysis of Services and Investment in the CARIFORUM-EC EPA: Lessons for Other Developing Countries	Jane Kelsey
32	November 2010	Why the IMF and the International Monetary System Need More than Cosmetic Reform	Yılmaz Akyüz
33	November 2010	The Equitable Sharing of Atmospheric and Development Space: Some Critical Aspects	Martin Khor
34	November 2010	Addressing Climate Change through Sustainable Development and the Promotion of Human Rights	Margreet Wewerinke and Vicente Paolo Yu III

35	January 2011	The Right to Health and Medicines: The Case of Recent Negotiations on the Global Strategy on Public Health, Innovation and Intellectual Property	Germán Velásquez
36	March 2011	The Nagoya Protocol on Access and Benefit Sharing of Genetic Resources: Analysis and Implementation Options for Developing Countries	Gurdial Singh Nijar
37	March 2011	Capital Flows to Developing Countries in a Historical Perspective: Will the Current Boom End with a Bust?	Yılmaz Akyüz
38	May 2011	The MDGs Beyond 2015	Deepak Nayyar
39	May 2011	Operationalizing the UNFCCC Finance Mechanism	Matthew Stilwell
40	July 2011	Risks and Uses of the Green Economy Concept in the Context of Sustainable Development, Poverty and Equity	Martin Khor
41	September 2011	Pharmaceutical Innovation, Incremental Patenting and Compulsory Licensing	Carlos M. Correa
42	December 2011	Rethinking Global Health: A Binding Convention for R&D for Pharmaceutical Products	Germán Velásquez and Xavier Seuba
43	March 2012	Mechanisms for International Cooperation in Research and Development: Lessons for the Context of Climate Change	Carlos M. Correa
44	March 2012	The Staggering Rise of the South?	Yılmaz Akyüz
45	April 2012	Climate Change, Technology and Intellectual Property Rights: Context and Recent Negotiations	Martin Khor
46	July 2012	Asian Initiatives at Monetary and Financial Integration: A Critical Review	Mah-Hui (Michael) Lim and Joseph Anthony Y. Lim
47	May 2013	Access to Medicines and Intellectual Property: The Contribution of the World Health Organization	Germán Velásquez
48	June 2013	Waving or Drowning: Developing Countries After the Financial Crisis	Yılmaz Akyüz
49	January 2014	Public-Private Partnerships in Global Health: Putting Business Before Health?	Germán Velásquez
50	February 2014	Crisis Mismanagement in the United States and Europe: Impact on Developing Countries and Longer-term Consequences	Yılmaz Akyüz
51	July 2014	Obstacles to Development in the Global Economic System	Manuel F. Montes
52	August 2014	Tackling the Proliferation of Patents: How to Avoid Undue Limitations to Competition and the Public Domain	Carlos M. Correa
53	September 2014	Regional Pooled Procurement of Medicines in the East African Community	Nirmalya Syam
54	September 2014	Innovative Financing Mechanisms:	Deborah Ko Sy, Nirmalya

		Potential Sources of Financing the WHO Tobacco Convention	Syam and Germán Velásquez
55	October 2014	Patent Protection for Plants: Legal Options for Developing Countries	Carlos M. Correa
56	November 2014	The African Regional Intellectual Property Organization (ARIPO) Protocol on Patents: Implications for Access to Medicines	Sangeeta Shashikant
57	November 2014	Globalization, Export-Led Growth and Inequality: The East Asian Story	Mah-Hui Lim
58	November 2014	Patent Examination and Legal Fictions: How Rights Are Created on Feet of Clay	Carlos M. Correa
59	December 2014	Transition Period for TRIPS Implementation for LDCs: Implications for Local Production of Medicines in the East African Community	Nirmalya Syam
60	January 2015	Internationalization of Finance and Changing Vulnerabilities in Emerging and Developing Economies	Yılmaz Akyüz
61	March 2015	Guidelines on Patentability and Access to Medicines	Germán Velásquez
62	September 2015	Intellectual Property in the Trans-Pacific Partnership: Increasing the Barriers for the Access to Affordable Medicines	Carlos M. Correa
63	October 2015	Foreign Direct Investment, Investment Agreements and Economic Development: Myths and Realities	Yılmaz Akyüz
64	February 2016	Implementing Pro-Competitive Criteria for the Examination of Pharmaceutical Patents	Carlos M. Correa
65	February 2016	The Rise of Investor-State Dispute Settlement in the Extractive Sectors: Challenges and Considerations for African Countries	Kinda Mohamadieh and Daniel Uribe
66	March 2016	The Bolar Exception: Legislative Models And Drafting Options	Carlos M. Correa
67	June 2016	Innovation and Global Intellectual Property Regulatory Regimes – The Tension between Protection and Access in Africa	Nirmalya Syam and Viviana Muñoz Tellez
68	June 2016	Approaches to International Investment Protection: Divergent Approaches between the TPPA and Developing Countries' Model Investment Treaties	Kinda Mohamadieh and Daniel Uribe
69	July 2016	Intellectual Property and Access to Science	Carlos M. Correa
70	August 2016	Innovation and the Global Expansion of Intellectual Property Rights: Unfulfilled Promises	Carlos M. Correa
71	October 2016	Recovering Sovereignty Over Natural Resources: The Cases of Bolivia and Ecuador	Humberto Campodonico
72	November 2016	Is the Right to use Trademarks Mandated by the TRIPS Agreement?	Carlos M. Correa

73 February 2017 Inequality, Financialization and Stagnation Yılmaz Akyüz



SOUTH CENTRE

**Chemin du Champ d'Anier 17
PO Box 228, 1211 Geneva 19
Switzerland**

**Telephone: (41 22) 791 8050
Fax: (41 22) 798 8531
Email: south@southcentre.int**

**Website:
<http://www.southcentre.int>**

ISSN 1819-6926