Florida State University Journal of Transnational Law & Policy

Volume 5 | Issue 1 Article 4

1995

The North American Free Trade Agreement & Protection of Intellectual Property: A Converging View

Lori M. Berg

Follow this and additional works at: https://ir.law.fsu.edu/jtlp

Part of the Comparative and Foreign Law Commons, Intellectual Property Law Commons, and the International Law Commons

Recommended Citation

Berg, Lori M. (1995) "The North American Free Trade Agreement & Protection of Intellectual Property: A Converging View," *Florida State University Journal of Transnational Law & Policy*: Vol. 5: Iss. 1, Article 4.
Available at: https://ir.law.fsu.edu/jtlp/vol5/iss1/4

This Article is brought to you for free and open access by Scholarship Repository. It has been accepted for inclusion in Florida State University Journal of Transnational Law & Policy by an authorized editor of Scholarship Repository. For more information, please contact efarrell@law.fsu.edu.

The North American Free Trade Agreement & Protection of Intellectual Property: A Converging View

Cover Page Footnote

J.D. expected, 1996, The Florida State University College of Law. B.A., 1993, University of Tampa. The author would like to thank Professor Frank Garcia for his guidance. The author would also like to give a special thank you to Kevin D. Schroeder for his critical comments.

This article is available in Florida State University Journal of Transnational Law & Policy: https://ir.law.fsu.edu/jtlp/vol5/iss1/4

THE NORTH AMERICAN FREE TRADE AGREEMENT & PROTECTION OF INTELLECTUAL PROPERTY: A CONVERGING VIEW

LORI M. BERG*

I. Introduction ... 99
II. Intellectual Property Rights: Definitions and Conflicts ... 102
A. How Should Intellectual Property Be Valued? ... 103
B. Free Trade and Intellectual Property Protection ... 105
C. A Converging View of Intellectual Property Protection ... 108
D. Why Intellectual Property Must Be Adequately Protected ... 109
III. NAFTA and the Reasons Behind Chapter Seventeen ... 111
A. Mexico's Historical, Economic, and Political Structure ... 112
B. Compliance with the GATT ... 114
C. Individual Concerns and Regional Agreements ... 115
IV. NAFTA's Patent Provisions and Possible Improvements from the Viewpoint of Both the North and the South ... 117
A. Scope of Coverage ... 117
B. Compulsory Licensing ... 119
V. Conclusion ... 121

I. INTRODUCTION

During the past several decades, new technological developments have burst upon the international marketplace with increasing rapidity. These developments, which include the production and advancement of products such as computers, semiconductors and software, as well as biotechnology goods and pharmaceuticals, usually fall under the legal protection of intellectual property rights.[1] Consequently, the adequate protection of intellectual property rights has become an increasingly important issue in the world of trade.[2]

---

* J.D. expected, 1996, The Florida State University College of Law. B.A., 1993, University of Tampa. The author would like to thank Professor Frank Garcia for his guidance. The author would also like to give a special thank you to Kevin D. Schroeder for his critical comments.

1. Michael L. Doane, *TRIPS and International Intellectual Property Protection in an Age of Advancing Technology*, 9 AM. U. J. INT'L L. & POL'Y 465, 465 (citing Doriane Lambelet, *Internationalizing the Copyright Code: An Analysis of Legislative Proposals Seeking Adherence to the Berne Convention*, 76 GEO. L.J. 467, 470 (1987)). *See* discussion *infra* part II (defining intellectual property rights and explaining how such rights are protected).

2. Doane, *supra* note 1, at 494-95. "Adequate" intellectual property protection generally includes not only the fair grant and the "[n]ominal . . . protection" of such rights, but also a legal system which provides "effective forms of relief" for the infringement of such rights. *See* RALPH H. FOLSOM ET AL., INTERNATIONAL BUSINESS TRANSACTIONS 613 (2d ed. 1991).

Multinational corporations in developed countries[3] such as the United States are particularly affected by other countries' refusals to provide adequate intellectual property protection because inadequate protection of these rights imposes a significant burden on worldwide trade.[4]

Since the beginning of the Uruguay Round of the General Agreement on Tariffs and Trade ("GATT"),[5] many countries have attempted to solve this problem by incorporating intellectual property rights into their trade agreements with other countries. Such agreements may be either multilateral, formed between countries who may have nothing in common but the desire to trade,[6] or regional, tailored to meet the needs of nations within a certain world region.[7] Some countries opt to use the more specific regional agreements in conjunction with multilateral agreements as a means to strengthen the generalized multilateral agreements of which they are each a signatory. This latter approach is exemplified by the development of the regional North American Free Trade Agreement ("NAFTA").[8] Although the NAFTA signatories are also signatories to the GATT, the countries entered into the regional agreement because they feared that the multilateral treaty by itself would not provide adequate trade protections, including an adequate level of intellectual property protection.[9]

This Article will explore the significant barrier to trade presented by inadequate protection of intellectual property rights and how

---

3. No clear-cut division exists between the two categories of countries that will be compared in this Article. The terms "North" and "developed countries" will be used interchangeably, as will "South" and "developing countries." The "North/South" terminology has become common in intellectual property discussions. Even though the categories overlap somewhat, for purposes of simplification, the two divisions will be treated as two distinct categories.

4. EXPORT PRACTICE 786 (Terence P. Stewart ed.) (Practicing Law Institute 1994). Stewart has listed three other significant non-tariff barriers to trade, including Government Procurement Practices and Standards, the U.S. Foreign Corrupt Practice Act (FCPA), and U.S. antitrust laws. *Id.*

5. Oct. 30, 1947, 61 Stat. pts. 5 & 6, 55 U.N.T.S. 194 [hereinafter GATT]. The GATT is not only an international set of rules governing trade, but also an institution which administers the rules and oversees multilateral trade agreements. The Uruguay Round of GATT ended on December 15, 1993, after seven years of negotiations. In December of 1994, President Clinton ratified the GATT, thereby implementing the World Trade Organization/GATT and its accompanying Trade Related Aspects of Intellectual Property (TRIPS) in the United States. *See* Karen Tripp & Linda Stokley, *Changes in U.S. Patent Law Effected by the Uruguay Round Agreements Act—The GATT Implementation Legislation*, 3 TEX. INTELL. PROP. L. J. 315, 315 (1995). The GATT's primary goal is to eliminate barriers to trade.

6. EXPORT PRACTICE, *supra* note 4, at 787.

7. *See id.*

8. The North American Free Trade Agreement, Dec. 17, 1992, Can.-Mex.-U.S., 32 I.L.M. 296 and 32 I.L.M. 605 [hereinafter NAFTA].

9. *See* EXPORT PRACTICE, *supra* note 2.

developing countries, which have traditionally argued against providing such protections, are now beginning to recognize a need for stronger protections.[10] The elimination of this trade barrier is of extreme importance for both developed and developing countries because "[t]he emerging dialogue on intellectual property matters is consistent with evolving trade patterns and recognizes the importance of technology in the new economic order being created by rapid geopolitical changes in so many parts of the world."[11]

Part II of this Article will define the forms of intellectual property rights and will explain why inadequate protection of such rights creates a significant barrier to trade. This section will then explore the traditional debate on the issue of whether intellectual property rights should be protected at all. It will also address the emerging trend in convergence of developing and developed countries' views on this issue.[12]

Part III will provide a detailed examination of the NAFTA's Chapter Seventeen, which is comprised entirely of intellectual property provisions. To explain why certain key provisions are drafted in their current form, a brief historical account of Mexico's early intellectual property rights laws will be provided. This Article will also explore how Chapter Seventeen was drafted both to meet the needs of all NAFTA parties, developed and developing countries alike, and to remain in compliance with the GATT. The latest Mexican laws, particularly those containing patent protection provisions, will be addressed in part IV.[13] Finally, part V will explain why regional agreements like the NAFTA may be more successful than multilateral agreements in eliminating particularized trade barriers such as inadequate intellectual property rights protection.

---

10. *See* discussion *infra* part II.A. (explaining why developing countries have traditionally been opposed to providing intellectual property rights and protections).

11. Alan S. Gutterman, *Changing Trends in the Content and Purpose of Mexico's Intellectual Property Rights Regime*, 20 GA. J. INT'L & COMP. L. 515, 515 (1990).

12. This Article will focus only upon Mexico's relations with the United States and Canada because the latter two countries' needs in this area of law have been remarkably similar.

13. The author places focus upon the patent protection provisions because, historically, Mexico's traditional laws seriously lacked meaningful protection in this area. *See* ROBERT M. SHERWOOD, INTELLECTUAL PROPERTY AND ECONOMIC DEVELOPMENT 110 (1990). In fact, in a 1988 survey conducted by the U.S. International Trade Commission on countries identified as inadequately protecting intellectual property rights, Mexico ranked first among the regimes in the area of patent protection. *Id.* (citing United States International Trade Commission, *Foreign Protection of Intellectual Property Rights and the Effect on U.S. Industry and Trade*, USITC Publication 2065, February, 1988). Moreover, Mexico ranked second among the regimes in the category of patent remedy and enforcement inadequacies. *Id.*

II. INTELLECTUAL PROPERTY RIGHTS: DEFINITIONS AND CONFLICTS

Intellectual property has been described as having two essential components: "creative expression" or invention, and a "public willingness" to recognize such expression as property.[14] Intellectual property is, essentially, a legal entity which allows persons to "own" knowledge and entitles such owners to use that knowledge as they would any other property, that is, by dealing with the knowledge in any lawful manner and excluding others from its use.[15] Patents, the chief focus of this Article, are a form of intellectual property which have been statutorily defined as a "right to exclude others from making, using, or selling the invention throughout the United States"[16] and as "temporary right[s] to exclude others from using a novel and useful invention."[17] Other legal instruments which may be utilized to protect intellectual property are copyrights, trade secrets, trademarks, and mask works (or "chips").[18]

The protection of intellectual property rights presents unique problems, due to the elusive nature of the property protected.[19] Indeed, intellectual property rights have been referred to as the "ultimate intangible asset,"[20] and protecting them from infringement is

---

14. *See id.* at 11.

15. Frank Emmert, *Intellectual Property in the Uruguay Round–Negotiating Strategies of the Western Industrialized Countries*, 11 MICH. J. INT'L L. 1317, 1318 (1990) (citing BÜRGERLICHES GESETZBUCH [BGB] § 903, as amended).

16. 35 U.S.C. § 154 (1995). In the United States, patent law is codified at 35 U.S.C. §§ 1-376 (1995). As of June 8, 1995, patents give inventors exclusive use for either 20 or 14 years, depending upon the type of patent granted. *Id.* §§ 154, 173. *See also* Pub. L. No. 103-465, title V §§ 532(a)(1), 534, 108 Stat. 4983, 4990 (1994) (amending 35 U.S.C. § 154, which previously granted exclusive use for 17 years, and extending the term of exclusion to 20 years). The reader should note that patents exist in several varieties. *See* discussion *infra* part IV.

17. SHERWOOD, *supra* note 13, at 11-12.

18. *See generally id.* at 11-12; *see also* GILBERT R. WINHAM ET AL., THE URUGUAY ROUND MID-TERM REVIEW 1988-89 11 (Foreign Policy Institute, School of Advanced International Studies, the Johns Hopkins University 1993). Sherwood has briefly described these forms of intellectual property as follows:

> Copyrights are comprised of "the temporary right of an author or artist to keep others from commercializing copies of his/her creative expression."
>
> Trade secrets are usually in the form of the "valuable commercial or industrial information which an enterprise strives to keep from being known by others."
> Trademarks are usually comprised of "word[s] or mark[s] which serve[] to identify exclusively the source of a product or service."
>
> Mask works (or "chips") are comprised of "the expression of a design for elements of a semiconductor 'chip' which is exclusive to its creator; it falls between patent and copyright in concept."

SHERWOOD, *supra* note 15, at 12.

19. Emmert, *supra* note 15, at 1317-18.

20. *Id.* at 1318 (citing Reidenberg, *Information Property: Some Intellectual Property Aspects of the Global Information Economy*, 10 INFORMATION AGE, Jan. 1988, at 3).

inherently difficult because of the essential similarities of many products. Detecting infringement of a "process patent," a patent which is granted on the process rather than the product itself, is even more difficult, since similar processes may not produce the same result.[21] Consequently, if intellectual property is to have any value at all, it must be given extraordinary protection against unauthorized use.[22]

In addition, protection of intellectual property rights has become a vital free trade issue because of a long-standing debate between the developed and developing countries on the value of intellectual property.[23]

A. How Should Intellectual Property Be Valued?

The disintegration of the traditional debate on the value of intellectual property is directly tied to the decline of the neo-classical economic theory of trade. This theory suggests that nations can be internationally competitive by utilizing their respective advantages.[24] According to this theory, developing nations use their inexpensive labor to produce primary commodities and low value-added manufactured goods, which they trade for the capital-intensive goods produced by the developed nations.[25] In turn, developed nations' relative economic efficiency allows them to produce increasingly sophisticated goods and services for sale in world markets while heightening their citizens' overall wealth and general welfare.[26]

This orthodox theory, however, may no longer be the most appropriate representation of trade. Two new elements of production must be considered: natural resources, such as oil and energy-related products, and advanced technological machines and processes which are more proficient in developing newer forms of goods and services.[27] Labor is becoming less important, and capital more so;

---

21. *See* Alan Wright, Comment, *The North American Free Trade Agreement (NAFTA) and Process Patent Protection,* 43 AM. U. L. REV. 603, 607 (noting that a "foreign manufacturer's unauthorized use of a patented process may remain undetected if the process does not produce a unique result") (citing H.R. REP. NO. 60, 100th Cong., 1st Sess. 16-17 (1987)).

22. Gabriel Garcia, Comment, *Economic Development and the Course of Intellectual Property Protection in Mexico,* 27 TEX. INT'L L. J. 701, 708 (1992) [hereinafter Garcia, *Intellectual Property in Mexico*].

23. *See* Frank J. Garcia, *Protection of Intellectual Property Rights in the North American Free Trade Agreement: A Successful Case of Regional Trade Regulation,* 8 AM. U. J. INT'L L. & POLICY 817, 818 (1993) [hereinafter Garcia, *Protection of IP Rights in the NAFTA*].

24. *See, e.g.,* Gutterman, *supra* note 11, at 515.

25. *Id.* at 516.

26. *Id.*

27. *Id.* Natural resources, however, are not a focus of this Article.

consequently, many developing nations can no longer rely upon their comparative labor cost advantages and still expect to remain competitive.[28]

In response to these new elements of trade, nations of the South adopted increasingly stringent regulatory trade practices which strengthened their ability to attain access to the more proficient technologies being created by the Northern nations.[29] One such practice was a requirement that local firms in the South be allowed full access to any new licensed technology from Northern corporations including technical support if necessary.[30] In essence, this requirement was a sale rather than a patent agreement.[31] By refusing to acknowledge the exclusive nature of intellectual property rights, Southern nations believed that they could simply re-invent products similar to those produced in the Northern nations, thereby gaining full rights to create the protected technology. Understandably, the nations of the North saw these practices as larcenous attempts by the Southern nations to steal new technological capabilities and developments and thus these nations restricted their trade accordingly.[32]

The on-going debate, therefore, has been whether intellectual property rights should be protected at all. Developing countries have traditionally argued against such protections for several reasons. They saw intellectual property rights as a Northern monopoly on products "crucial [to] the international public interest"[33] created merely for the North to maintain its competitive edge at the expense of countries which lacked a "sophisticated technological infrastructure."[34] Developing countries also saw no need to protect the incentive to create, since they perceived themselves as purchasers rather than inventors, and they were in desperate need of access to intellectual products in order to facilitate their economic development.[35]

Countries of the North, on the other hand, are pressed for laws that would further strengthen the protection of intellectual property

---

28. *Id.*

29. *Id.* at 516.

30. *Id.* at 516-17 nn.2 & 5 (citing the Mexican Ley osbre el Control y Registro de la Transferencia de Technologia y Uso y Explotacion de Patentes y Marcas, Diario Official (D.O.) Ch. 26, § 26.04 (as amended 1982) (Law on the Control and Registry of Technology Transfer and the Use and Exploitation of Patents and Trademarks)).

31. *See id.* at 516-17.

32. *Id.* (noting that in response to such practices, Northern nations "vigorously resisted any measures or practices which gratuitously transfer[red] technical capabilities to the developing world").

33. WINHAM, *supra* note 18, at 12.

34. *Id.*

35. Marshall A. Leaffer, *Protecting United States Intellectual Property Abroad: Toward a New Multilateralism*, 76 IOWA L. REV. 273, 281 (1991).

rights and prevent the creation of counterfeit goods which violated such rights.[36] The Northern countries had several reasons for taking this approach. First, their own laws traditionally honored the protection of intellectual property rights, and correspondingly, they considered any violations of their laws to be acts of "piracy and theft."[37] In addition, as the creators of new products, Northern countries saw a strong need to protect the incentive to encourage inventors and scientists to create new or improved goods and services.[38]

This conflict led to the problems of piracy, a gray market, and the parallel importations of goods.[39] A resolution of the inconsonant views on protection of intellectual property must be reached in order to eliminate barriers to free trade.

B. *Free Trade and Intellectual Property Protection*

Free trade is undermined by inadequate protection of intellectual property because inadequate protection leads to trade distortions: if creators cannot be assured of recovering the costs of their investments in research and development, the results for such creators are "lower production, fewer trading opportunities, and higher costs to

---

36. *Id.* Countries of the North were particularly concerned with copyrights and patents.

37. *Id.*

38. *See, e.g.*, Kirsten Peterson, *Recent Intellectual Property Trends in Developing Countries*, 33 HARV. INT'L L.J. 277, 278 (1992).

> [I]ntellectual property protection provides incentives for the technological advancement necessary for economic growth and development. Inventors often incur significant costs while researching and developing, obtaining a regulatory approval for, and producing innovative technology. To compensate for these costs, as well as for the risks of failure that attend all new product introductions, intellectual property protection guarantees inventors the exclusive right to an invention's economic rewards for a limited period of time.

Id. (footnotes omitted).

39. "Gray market" goods, also known as "parallel imports," are genuine trademarked foreign-manufactured products that are imported without the consent of the U.S. trademark owner. Typically, the goods are purchased from a third party or the trademark owner's licensed distributor overseas, and then sold in competition with the trademark owner's authorized distributor in the United States. *See* Karen Miller, *Black Times for Gray Market? Supreme Court Holds Key to the Future of Bargains in the Land of Discount Stores*, WASH. POST, December 14, 1987, at D5. *But see* Carlos Alberto Primo Braga, *The Economics of Intellectual Property Rights and the GATT: A View From the South*, 22 VAND. J. TRANSNAT'L L. 243, 259 (noting some lesser developed countries either ignore the piracy problem or have no such problem because they comply with the 1883 Convention of the Union of Paris (commonly referred to as the Paris Convention)). The Paris Convention, "administered by the International Bureau of the World Intellectual Property Organization (WIPO)," is an international agreement which deals primarily with "the treatment of foreigners under national patent laws." FOLSOM, *supra* note 2, at 614-15. Most important, this Convention "prohibits discrimination against foreign holders of local patents and trademarks." *Id.* at 615. Thus, for example, "an American granted a Canadian patent must receive the same legal rights and remedies accorded Canadian nationals." *Id.* The United States and more than 85 other nations are parties to this Convention. *See id.*

the consumer."[40] Moreover, the resulting piracy problem leads to other setbacks, as developed countries become afraid to invest in countries without adequate intellectual property protection because the resulting piracy problem costs U.S. companies billions of dollars.[41]

In addition, without adequate protection of intellectual property rights, corporations are able to "free ride" on the reputations of other companies who have been granted patents, trade secrets, copyrights, and the like.[42] This in itself serves as a worldwide disincentive for producers in both developed and developing nations to invent, create, and discover.[43]

The downside of intellectual property protection, as the developing countries have been quick to argue, is the creation of a monopoly over the protected products or knowledge.[44] However, the monopoly created is only of temporary duration,[45] and such a monopoly differs from a classic monopoly in that it "creates only the right to exclude others from a discrete product or process,"[46] rather than the right "to exclude others from a specific market."[47] Rarely is a patent on a single product the equivalent of a marketplace monopoly, "although an invention might create a new market segment into which others are unable to enter because their research efforts fail."[48] Thus, intellectual property protection is essential, especially in the area of patent protection, where large-scale pirating has a major effect on "the global system of intellectual property protection."[49] Pirating causes inventors to fear patenting their own inventions, since a patent will give potential counterfeiters knowledge of the

---

40. Leaffer, *supra* note 35, at 277 (footnote omitted).

41. Doane, *supra* note 1, at 494-95. It has been estimated that U.S. companies lost $2.25 billion in 1993 through piracy in the United States alone. Michele Matassa Flores, *Software Firms' Next Target*, SEATTLE TIMES, February 28, 1995, at D1. *See also* David Holley, *U.S. Golf Club Manufacturer Carries A . . . Big Stick*, L.A. TIMES, June 5, 1994, at D3.

42. *See* JOHN H. JACKSON ET AL., INTERNATIONAL ECONOMIC RELATIONS 858 (3d ed. 1995).

43. *But see* Braga, *supra* note 39, at 254 (citing MacLaughlin, Richards, & Kenny, *The Economic Significance of Piracy*, in GLOBAL CONSENSUS at 89) (suggesting that the "analysis of the costs and benefits of more sound intellectual property systems for LDCs is still in its infancy").

44. *See* Leaffer, *supra* note 35, at 280. Leaffer notes that the phenomenon is an "economic tradeoff." While consumer welfare is undermined because of both the dissemination of information and the limited grant of a monopoly to the intellectual property right holder (who, because of his or her limited monopoly, "can charge a higher price for the use of an intellectual creation"), the consumers are forced to pay more, in the short run, for the use of such protected information. *Id.*

45. In the United States, most patents are granted for a period of 20 years. *See supra* note 16.

46. SHERWOOD, *supra* note 13, at 51-52.

47. *Id.*

48. *Id.*

49. Emmert, *supra* note 15, at 1335.

new discovery.[50] Since many developed countries such as the United States have disclosure requirements mandating written descriptions of the invention or process, counterfeiting and pirating are made easy.[51]

An increasing number of developing countries are beginning to realize that the benefits of adequate intellectual property protection exceed the costs. Without such protections, domestic consumers may potentially consume unsafe pirated goods:

> Beyond the fact that consumers lose money if they buy poor quality for normal prices, their health and even lives are endangered if electric appliances, spare parts for cars, machines, airplanes, food and drugs are not safe. Substandard counterfeited goods can even be dangerous to an entire industry, as the example of the loss of 15% of the Kenyan coffee crop due to the use of an ineffective imitation of fungicide showed.[52]

Therefore, although there are admittedly a few short term costs in *protecting* intellectual property, the non-protection of intellectual property creates severe problems.[53] Fortunately, through both the converging views of the North and South and through regional agreements such as the NAFTA,[54] a new hope is emerging for intellectual property rights to receive adequate protections.

---

50. *Id.* "Inventors will therefore prefer protection by trade secrecy. This in turn cuts off other researchers from valuable information." *Id.*

51. *Id.* This disclosure requirement is generally a common law or statutory rule which requires that inventors "disclose" their invention to the public in order to obtain a patent. *See, e.g.*, 35 U.S.C. § 112 (1995) (requiring disclosure, or "a written description of the invention, and the manner and process of making and using it, in such full, clear, concise, and exact terms"). *See also* CHISUM, PATENTS, § 7.01 (1995) (noting the disclosure requirement "assures that the public receives 'quid pro quo' for the limited monopoly granted to the inventor." This requirement "immediately increases the storehouse of public information available for further research and innovation and assures that the invention will be freely available to all once the statutory period of monopoly expires."). *See also* Bonito Boats v. Thunder Craft Boats Inc., 489 U.S. 141, 150-51, 9 U.S.P.Q. 2d 1847, 1852 (1989) (explaining that the U.S. patent system "embodies a carefully crafted bargain for encouraging the . . . disclosure of new, useful, and nonobvious advances in technology and design in return for the exclusive right to practice the invention for a period of years." In addition, the Court added "[w]e have long held that after the expiration of a federal patent, the subject matter of the patent passes to the free use of the public as a matter of federal law."). *See also* Emmert, *supra* note 15, at 1335 (warning that the disclosure requirement, while necessary to prevent monopolies, can also make pirating easy if the patented invention is not protected by adequate intellectual property laws).

52. *Id.* at 1336-37 (citing NATIONAL SECURITY & INT'L AFFAIRS DIV., GEN. ACCT. OFFICE, STRENGTHENING WORLDWIDE PROTECTION OF INTELLECTUAL PROPERTY RIGHTS 15 (1987)). *See also* Miller, *supra* note 39, at D5 (noting that gray market cosmetics have been found to contain additives deemed by the Food and Drug Administration to be unsafe, and that many gray market cars do not fully comply with U.S. emission and/or safety standards).

53. Emmert, *supra* note 15, at 1337.

54. *See generally* NAFTA, *supra* note 8, Chapter Seventeen.

C. *A Converging View of Intellectual Property Protection*

As evidenced by the NAFTA, the new recognition of the importance of adequately protecting intellectual property rights is blurring the traditional lines between North and South, as both developing and developed countries move towards greater protection.[55] However, some scholars have been arguing for years that such traditional demarcations are unnecessary. As Joseph Schumpeter suggested in 1961, the driving forces of industrial advancement are innovation and technology, and developing countries can catch up with more advanced societies by appropriating their own technology.[56] "Indeed, [the technology gap] should be driving their growth."[57]

By integrating the theories of Schumpeter, Sherwood suggests a new way of looking at intellectual property protection. Sherwood argues that looking at intellectual property only in the context of trade is unnecessarily limiting. He also suggests that intellectual property should be viewed as a component of infrastructure in order to assess the true effectiveness of safeguards for intellectual expression in a developing country's economic growth and development.[58] Finally, Sherwood also adds to his infrastructure theory another component which he refers to as the "public benefit," "economic growth stimulus," or "social rate of return" theory.[59] This component recognizes the protection of intellectual property not only as a tool of trade, but also as a tool of economic development.[60]

In addition, Sherwood notes that many developing countries mistakenly assume that their rights will be harmed simply because developed countries demand solid intellectual property protection. This assumption has sadly "obscure[d] consideration of the *potential* which strong protection for new technology may have *precisely for the development process* in the developing countries."[61] This assumption is beginning to change as developing countries begin to understand the developed countries' motives in protecting intellectual property

---

55. *See generally* ROBERT P. BENKO, PROTECTING INTELLECTUAL PROPERTY RIGHTS 27-31 (American Enterprise Institute for Public Policy Research ed., 1987) (suggesting the North versus South debate is becoming an old issue since developing countries are beginning to "welcome" changes in their strategies for intellectual property law protections).

56. Garcia, *Intellectual Property in Mexico*, *supra* note 22, at 711 (citing JOSEPH SCHUMPETER, THE THEORY OF ECONOMIC DEVELOPMENT (Redvers Opie Trans., 1961)). *See also* SHERWOOD, *supra* note 13, at 72 (discussing generally the works and ideas of Schumpeter).

57. SHERWOOD, *supra* note 13, at 72.

58. *Id.*

59. *Id.* at 39.

60. *Id.*

61. *Id.* at 5 (emphasis added).

rights[62] and as these countries begin working together to protect these rights through regional trade agreements such as the NAFTA.

D. Why Intellectual Property Must Be Adequately Protected

As previously mentioned, the most significant detriment to inadequate protection of intellectual property rights is the creation of a major non-tariff barrier to trade.[63] Although some studies have attempted to prove that decreased intellectual property protection or "a shorter period of patent protection"[64] may actually be "optimal in terms of national welfare,"[65] such studies must be qualified: any type of country can benefit from adequate protection of intellectual property rights.[66]

There are several reasons for this. First, a very high social rate of return is produced by "the introduction of new technology into an economy, [because it] accounts for a great portion of the economic growth of that economy."[67] Second, analysts have determined "that

---

62. *Cf. id.* at 5. *See also supra* part II.B.

63. *See supra* part II.B. *See also* EXPORT PRACTICE, *supra* note 4, at 786. This barrier is created because when intellectual property rights are given inadequate protection, events such as the following are likely to occur:

> (1) shipments of goods to overseas markets may be affected as countries with strong intellectual property protection forbid the importation of counterfeits, pirated goods, and patent-infringing products; (2) trade may be restricted as countries with a high commitment to intellectual property decide to retaliate actively against those who egregiously violate intellectual property rights; (3) countries that fear losing control over their technologies grow reluctant to license needed technology to developing countries; (4) disregard for intellectual property rights may have a chilling effect on the development of indigenous scientific and technological capabilities by: (a) discouraging scientists and engineers from undertaking original works for fear that pirates, counterfeiters, or patent infringers will keep them from earning a fair return for their efforts; (b) encouraging scientists and engineers to leave their country in search of better intellectual property climates; and (c) fostering a copy-cat mentality by nurturing a scientific and technological dependence upon societies where originality is respected and encouraged.

Garcia, *Intellectual Property in Mexico, supra* note 22, at 709.

64. Braga, *supra* note 39, at 255 (citing Berkowitz & Kotowitz, *Patent Policy in an Open Economy*, 15 CAN. J. ECO. 1, 2 (1982)).

65. *Id.*

66. *Id.* at 255 & n.55 (suggesting that such studies were designed for developing countries which no longer fit the traditional notion that developing countries do not create inventions and that such studies "do not capture some of the benefits that sound intellectual property systems may generate" such as "the inducement of foreign investment"). Although there are admitted downsides with granting intellectual property rights because of the creation of a limited monopoly, the downsides are only of a short duration. SHERWOOD, *supra* note 13, at 39. The long term benefit is that such protection is actually, according to some scholars, a "tool of economic development . . . [which] is the whole aim of establishing an effective intellectual property system." *Id.*

67. *Cf. id.* at 7 (the "high social rate of return" and "economic growth" may very well exist because of the increased foreign investment brought about by the increased protection of intellectual property).

'middle-income and rapidly growing developing countries' may achieve long-term benefits from strong intellectual property protection"[68] because they obtain greater technology transfer, encourage local innovation and foreign innovations suited to local needs, and reduce inefficient local production.[69] Finally, developing countries are beginning to realize that not every protected intellectual property right will be granted to a foreigner.[70] Some developing countries, such as those which contain important natural resources from rain forests, have realized that they too may have inventions and creations of their own which would be protected and that such protection would keep other countries from exploiting these precious resources.[71]

Developing countries have also come to realize that the traditional Northern rationales of patent legislation (creating incentives to invent, public disclosure of inventions, and enhanced technological and economic development) produce real benefits for developing countries.[72] A 1989 study examined the differing technological needs of the North and South and the role of patents in promoting

---

68. Garcia, *Intellectual Property in Mexico, supra* note 22, at 710 (citing Keith E. Maskus, *Normative Concerns in the International Protection of Intellectual Property Rights,* 13 WORLD ECON. 387, 408 (1991)).

69. *Id.*

70. *See id.*

71. *Cf.* Peterson, *supra* note 38, at 277 (suggesting developing countries are now interested in higher protection of intellectual property because of "the economic potential of the rain forest and the cultural knowledge of its indigenous peoples, especially with regard to medicinal plants and genetic engineering of crop varieties"). A plausible example would be where the peoples of a developing country currently utilize traditional methods or processes to develop medicines from products found only in the tropical rain forests of the Amazon River basin. Such processes would be of great interest to pharmaceutical companies for purposes of mass production and distribution. Protection of such processes would be extremely beneficial to the inventors to prevent exploitation by the foreign companies who may very well attempt to file for intellectual property protection on the product or process within their own country.

72. Admittedly, it may be true that some of the poorest of the developing countries are unlikely to reap the same rewards. *See* Garcia, *Intellectual Property in Mexico, supra* note 22, at 710 (citing Keith E. Maskus, *Normative Concerns in the International Protection of Intellectual Property Rights,* 13 WORLD ECON. 387, 408 (1991)). Garcia also references an article by Alan V. Deardorff in which a similar conclusion is reached, and emphasizes that in certain developing countries, "patent protection is almost certain to redistribute welfare away from developing countries. And it may even lower world welfare if it is extended too far to cover all the countries of the world." *Id.* Finally, it is important to note that although the smaller and poorer developing countries may not benefit from intellectual property protection, "[l]arger developing countries such as Argentina, Brazil, China, Mexico, and India will reap greater rewards." *Id.* at 714 (footnote omitted). This supports the author's conclusion that regional agreements are better than multilateral agreements at protecting "non-traditional" sectors of trade in goods. *See infra* part V. *See also* Thomas C. Creel & Drew M. Wintringham, *Patent Systems and their Role in the Technological Advance of Developing Nations,* 10 RUTGERS COMPUTER & TECH. L.J. 255, 256 (1984).

technological development in the South.[73] The study suggests that the level of patent protection provided by a country affects not only the quantity of innovation, but also the quality. Further, this study notes "that 'an increase in patent protection in any of the two regions leads to an increase in innovation activity, as well as a greater fit between the available technologies.'"[74]

Ultimately, the policies of Southern nations (such as Mexico) regarding the protection of intellectual property rights, especially patents, will depend upon their own economic interests and their own set of ideological values regarding "the integrity of individual rights in the process of innovation."[75] "However, it is no longer possible for any nation, even the United States,"[76] to disregard the policies of its trading neighbors, especially in areas as important as intellectual property protection.[77] The countries of the South "desperately need access to these intellectual products,"[78] not only for their own economic development, but also for their own efforts in the world pursuit of free trade with the elimination of all barriers. Consequently, the time has come to reconcile the different positions of the North and the South.[79] One possible resolution of these varying positions is to incorporate the special interests of both the North and the South into regional agreements such as the NAFTA and possibly multilateral agreements such as the GATT.[80]

III. NAFTA AND THE REASONS BEHIND CHAPTER SEVENTEEN

A variety of factors have influenced the provisions of NAFTA's Chapter Seventeen, including Mexico's historical, economic, and

---

73. *See generally* SHERWOOD, *supra* note 13, at 85-86 (examining the work of Ishac Diwan and Dani Rodrik, "Patents, Appropriate Technology, and North-South Trade," Policy, Planning and Research Working Paper Series #251, International Economics Department, The World Bank, August 1989).

74. *Id.* at 86 (quoting Diwan and Rodrik). Sherwood also notes, however, that Diwan and Rodrik's study found that "it [was] not clear a priori whether the South ought to have a lower or higher level of protection than the North." *Id.*

75. Gutterman, *supra* note 11, at 520.

76. *Id.* at 520-21.

77. *Id.*

78. Leaffer, *supra* note 35, at 281 (footnote omitted).

79. *Id.*

80. One commentator suggests the following solution:

> [T]he resolution of perceived uncertainties regarding the scope and content of international intellectual property laws often depends upon the ability of the participants to strike the delicate balance between the desire of developed "technology rich" nations to enhance the degree of protection for their technical assets in foreign markets and the need of the developing nations to gain access to new technology in order for them to pursue economic growth and enhance the competitiveness of their firms and human resources.

Gutterman, *supra* note 11, at 515-16.

political structure, the NAFTA parties' attempts to comply with the GATT, and the distinct and separate concerns of each of the NAFTA parties.

A. *Mexico's Historical, Economic, and Political Structure*

For decades, and especially in the 1980's, Mexico had problems with its economy.[81] The country's economic producers were built around protectionist legislation and an import substitution industrialization structure. Mexican trade and commerce were heavily burdened by Mexican products that were second-rate in comparison to similar products made in other countries. "Superior foreign products were prohibited from entering the country."[82] Consequently, quality was not a concern for Mexican producers since they had no need to compete against the higher-standard international products.[83]

As a result of its poor economic structure, Mexico's old laws, as they stood in 1976, were seriously lacking in many areas, especially in the area of intellectual property rights.[84] The intellectual property provisions (dubbed the "Echeverrian wall"[85] after Luis Echeverria, during whose presidency these provisions were passed) consisted of several components, one of which was the Patent and Trademark Laws ("PTL").[86] The PTL, relying upon the developing countries' traditional view of *not* protecting intellectual property rights since "technology belong[ed] to all of mankind," refused to recognize proprietary rights in ideas or concepts.[87] The prevailing belief was that by disallowing patents, Mexico could easily acquire the technology free upon disclosure by a nation that granted patents.[88] Mexico's 1976 laws were so insufficient in protecting or even recognizing intellectual property rights that a 1988 study ranked Mexico first in patent and trademark inadequacies.[89]

---

81. Garcia, *Intellectual Property in Mexico, supra* note 22, at 704.

82. *Id.*

83. *Id.*

84. *Id.* at 728 (stating the old 1976 laws under the Echeverrian administration "severely limited the protection of intellectual property rights in Mexico").

85. *Id.* at 723 (quoting Ewell E. Murphy, Jr., *The Echeverrian Wall: Two Perspectives on Foreign Investing and Licensing in Mexico,* 17 TEX. INT'L L.J. 135, 136 (1982)).

86. *Id.* at 723-24. The other two protectionist components of the "Echeverrian wall" were Technology Transfer Laws and Foreign Investment Laws, but this Article will focus only on the Patent and Trademark Laws. *Id.*

87. *Id.* at 758-59.

88. *Id. See also supra* note 51 (explaining the "disclosure" requirement).

89. SHERWOOD, *supra* note 13, at 110. The survey was conducted by the United States International Trade Commission on countries which inadequately protected intellectual property rights: Mexico's patent protection ranked lowest. *Id.* (citing *Foreign Protection of Intellectual*

Consequently, NAFTA's Chapter Seventeen was designed to ensure more adequate acknowledgement and protections for intellectual property rights. The United States and Mexico had agreed in principle to the NAFTA idea in June of 1990, and actual negotiations began shortly afterwards.[90] Before the United States and Canada would even consider Mexico as a NAFTA signatory, Mexico would be required to abandon import substitution and to begin exporting primary products as a viable development strategy.[91] In an attempt to comply with this mandate, Mexico reframed its approach to intellectual property protection on a current popular model, ELIFFIT, or "export-led industrialization fueled by foreign investment and technology."[92] This economic model was based on a "mutual benefit" theory of attracting multi-national corporations to developing countries: the corporation enjoys lower production costs, while the country receives the benefits of an influx of capital, local employment, and technology transfer.[93]

Even with the adoption of ELIFFIT and Mexico's promotion of NAFTA,[94] U.S. investors were still hesitant to directly invest in Mexico because of Mexico's past history.[95] To attract investment, Mexico was essentially forced to modernize its legislation as well as its industrial strategies. As a part of this modernization, Mexico had to tear down the Echeverrian Wall, which it did in 1991 when it enacted the Law for the Promotion and Protection of Industrial Property (the "Industrial Property Law").[96]

Unfortunately, the passage of this new set of laws was not a guarantee that Mexico would continue to abide by this new approach to patent protection. Mexico's political system gives its president complete power over Congressional legislation, and therefore any future Mexican president could amend or repeal the Industrial Property Law.[97]

Property Rights and the Effect on U.S. Industry and Trade, United States International Trade Commission, USITC Publication 2065, February, 1988). Mexico ranked second among the regimes in the category of patent remedy and enforcement inadequacies, and second in insufficient trade secret protection. *Id.*

90. James A. Baker, III, *U.S.-Mexico Trade Talks: A Preview,* 1991 A.B.A. SEC. INT'L L. & PRAC. 1.

91. Garcia, *Intellectual Property in Mexico, supra* note 22, at 722 (citing John Hansen, *Economic Development Strategy in an International Context,* 6 MEX. STUD. 331, 332 (1990)).

92. *Id.* (footnote omitted).

93. *Id.*

94. *Id.*

95. *Id.* at 722.

96. *Id.* at 704.

97. *Id.* at 704-05.

This is where NAFTA came into play. The real importance of NAFTA in this context is its security of Mexico's new Industrial Property Law and its replacement of historically unstable Mexican economic conditions with clear rules that cannot be changed by future presidential administrations.[98] "NAFTA seeks to freeze the progress that Mexico has made by opening its economy and by protecting foreign investment technology."[99]

An example of this "freezing effect" is NAFTA article 1713, entitled "Industrial Designs," which provides that "[e]ach Party shall provide for the protection of independently created industrial designs that are new or original." This provision was specifically placed into the regional agreement so that if Mexico decided to join the NAFTA, future Mexican presidents would be unable to remove Mexico's Industrial Property Laws. NAFTA article 1709, which is simply entitled "Patents,"[100] is another example of a NAFTA provision specifically designed to ensure that Mexico's new 1991 laws pertaining to intellectual property would be "frozen" if Mexico became a Party to the agreement.

B. Compliance with the GATT

The NAFTA signatories are all GATT members, and consequently the NAFTA provisions reflect deference to the GATT provisions on Trade Related Intellectual Property Rights ("TRIPS").[101] Some of the NAFTA provisions, however, are much narrower than the GATT's TRIPS provisions. The NAFTA has been praised as an improvement over TRIPS in service areas including the following: "broader national treatment obligations; more explicit and effective computer software, database, and sound recording protection; pipeline protection for pharmaceutical and agrichemicals; limitations on dependent patent compulsory licenses; and the immediate entry into force of the intellectual property provisions."[102]

NAFTA articles 1701 through 1704 also reflect the parties' compliance with the GATT. These articles establish the ground rules which apply to each of the provisions in Chapter Seventeen. NAFTA articles 1702 and 1703 provide that NAFTA signatories may pass

---

98. *Id.* This phenomenon is commonly referred to as the "Drop Bloc Argument."
99. *Id.* at 705.
100. *See infra* part IV.
101. *See supra* note 5.
102. Doane, *supra* note 1, at 491. *See* NAFTA, *supra* note 8, arts. 1703, 1705, 1709, & 1701, respectively. *See also* Charles E. Van Horn, *Effects of GATT and NAFTA on PTO Practice*, 77 J. PAT. & TRADEMARK OFF. SOC'Y 231 (1995) (explains the specific changes in patent law made by TRIPS).

intellectual property laws that are more stringent than the NAFTA's requirements, so long as such protections are not inconsistent with the NAFTA and so long as "[e]ach Party . . . accord[s] to nationals of another Party treatment no less favorable than that it accords to its own nationals with regard to the protection and enforcement of all intellectual property rights." These two articles, when read in conjunction with the NAFTA article on patents,[103] allow parties to uphold their own patent protections so long as they are not discriminating against foreign applicants or holders. Thus, NAFTA sets minimum guidelines, but also allows the parties to sustain their own patent systems while providing the opportunity for augmentation.[104] This allows countries of both the North and the South to enter into regional trade agreements such as the NAFTA without entirely losing track of their own reasons for protecting intellectual property. These NAFTA articles also reflect the NAFTA signatories' attempt to remain in compliance with the GATT articles pertaining to "National Treatment."[105]

C. *Individual Concerns and Regional Agreements*

In being given the opportunity to join into a regional trade agreement with the United States and Canada, Mexico, a country still within the "developing" stage, knew not only that it could benefit in terms of obtaining free trade with the United States and Canada, but also that it could boost its economic growth and aid development by the new technology it obtained.[106] Additionally, Mexico was almost certain to benefit from the NAFTA's reduction in both the research and application times involved in the patent application process.[107]

However, Mexico was certainly not the only beneficiary of the NAFTA agreement. NAFTA's provisions generally reflect both the United States' and Canada's concerns as well. For instance, the NAFTA article on patents[108] reflects these developed countries' desires for the broadest possible patent protection: this article protects

103. *See* NAFTA, *supra* note 8, art. 1709, paragraphs six and seven.

104. *See id.* Also note that article 1702 explicitly acknowledges the difficulty in integrating the differing needs and traditions of various nations with protection of intellectual property laws, especially patent laws.

105. *See* GATT, *supra* note 5, arts. I and III, which "together form the basis for the nondiscrimination requirements of the GATT. GATT members are called upon not to discriminate among trading partners (MFN treatment) or between the treatment of domestic versus imported products (national treatment)." Kenneth R. Simmonds et al., III *The Uruguay Round: III.B.7 The Effects of Greater Economic Integration within the European Community on the United States*, 1 LAW AND PRACTICE UNDER THE GATT 58 (release 89-2, issued Dec. 1989).

106. Garcia, *Intellectual Property in Mexico*, *supra* note 22, at 752.

107. *See id.*

108. *See* NAFTA, *supra* note 8, art. 1709.

both product and process patents, which Mexico had previously failed to recognize at all.[109] NAFTA's patent provisions also reflect the United States' and Canada's desire to prevent "technology 'leakage' created by compulsory licensing schemes."[110] Furthermore, design patents are also given protection under the NAFTA article 1713 on Industrial Property.[111]

The NAFTA's enforcement provisions[112] also represent the viewpoint of the United States and Canada in that they require any party to the NAFTA agreement to implement specific laws for the enforcement of either civil or criminal charges against intellectual property violations or infringements.[113] Although such enforcement provisions are commonplace in developed countries.[114] Mexico's prior laws had never before provided such protection, and thus their adoption of these provisions represented a major change for Mexico. In addition, the demands of U.S. multinational corporations are also reflected in the NAFTA provisions of Chapter Seventeen. Certain key concepts missing from the Mexican intellectual property laws,

---

109. *But see* paragraphs 2 and 3 of NAFTA article 1709, which provide very broad, easily abusable exceptions. These paragraphs provide, for instance, that NAFTA parties "may exclude from patentability inventions" which are necessary to "protect *ordre public* or morality." *Id.*

110. *See* Gutterman, *supra* note 11, at 523. *But see infra* part IV.B., explaining that the United States and Canada get their ultimate desire in this area, as compulsory licensing is still allowed as evidenced by paragraph 8(b) of the NAFTA article 1709. "Compulsory licensing" is where a government grants the right to use a protected intellectual property right to someone other than the actual intellectual property right owner. This usually happens where the protected right has not been actively exploited in the country where the right was granted. For instance, if a U.S. company is granted a patent on a certain invention in Mexico, but the company fails to exploit that invention in Mexico for a certain period of time, the government will allow for use of the protected right by someone else *without* authorization from the original patent holder. *See* NAFTA, *supra* note 8, art. 1709, para. 8(b) & para. 10. Developed countries are usually weary of compulsory licensing provisions because such provisions may inhibit individuals or corporations from filing for grants of intellectual property protections in such countries, for fear that if they do not readily and continuously exploit their invention, then they will lose the protections over their granted rights.

111. Article 1713, "Industrial Property," provides, in part, that each NAFTA member "shall provide for the protection of independently created industrial designs that are new or original." *Id.* art. 1713.

112. *See* NAFTA, *supra* note 8, arts. 1714-18.

113. *See, e.g.*, Gutterman, *supra* note 11, at 539.

114. "[I]ndustrialized countries have maintained a strong commitment to intellectual property laws by creating civil and criminal sanctions against unauthorized actions which erode the value of intellectual property. Without such laws, there would be few incentives for inventors and artists to pursue their creativity because they would have no assurance of reaping the 'fruits of their labor.'" Garcia, *Intellectual Property in Mexico*, *supra* note 22, at 708.

such as the protection of semi-conductor technology,[115] and patent protection for computer software,[116] are provided for in the NAFTA.

One scholar argues that the overriding reason for all of the specific NAFTA provisions on patents, trade secrets, trademarks, and industrial property is that an intellectual property system must be comprehensive in order to produce positive results:[117]

> If parts are missing, the system will produce little. One missing element can defeat the entire system, somewhat like a dam with a hole in it. A nation with a strong patent system but not trade secret protection is likely to produce results which are inferior to a system with both. Even without one form of protection, all the elements of protection are necessary. An exemplary copyright law with no effective remedy for infringement or a first class patent law with only a one year patent life will produce nothing in the way of positive effects for that country.[118]

The next section will examine Mexico's new 1991 laws and whether these new laws and the NAFTA intellectual property provisions are indeed comprehensive enough to produce positive results.

IV. NAFTA'S PATENT PROVISIONS AND POSSIBLE IMPROVEMENTS FROM THE VIEWPOINT OF BOTH THE NORTH AND THE SOUTH

The following sections discuss the particular scope of the NAFTA patent provisions and possible improvements from the viewpoints of both developed and developing countries.

A. Scope of Coverage

Under Mexico's new laws, patent protection has been extended to cover a broad new range of "products and processes, including for the first time microorganisms, plant varieties, and 'biotechnological processes' for creating 'pharmaceutical chemicals.'"[119] NAFTA

---

115. NAFTA article 1710 specifically provides for the protection of "layout designs of semiconductor integrated circuits." *Id.; see also* NAFTA, *supra* note 8, art. 1710.

116. NAFTA article 1705(1)(a) provides for copyright protection for computer programs, but no mention is made of protection of the processes by which the computer programs are made. Note also, however, that although the patent provisions of NAFTA article 1709 do not provide directly for the protection of computer software, by protecting both products and processes under intellectual property law, the program itself can be protected by the copyright laws under article 1705, and the process which underlies the program—the idea in itself—can be protected through process patents under article 1709. *See* SHERWOOD, *supra* note 13, at 43.

117. *Id.* at 54.

118. *Id.* (emphasis added).

119. Garcia, *Protection of IP Rights in the NAFTA, supra* note 23, at 825-26 (citing to Law on the Promotion and Protection of Industrial Property, June 25, 1991, in 5 INDUSTRIAL PROPERTY LAW AND TREATIES, WIPO Publication No. 609 (E), at 1, (Oct. 1991), art. 20.)

article 1709 was specifically designed to ensure that Mexico's regulations and operational code remain in line with their written laws by specifically providing for the protection of both products and processes. Regulations providing protection of processes is particularly vital[120] because without such regulations, unscrupulous inventors can copy a patented (and thus disclosed)[121] process to get a new or similar invention, thus saving development costs while freely exploiting the original patent holder's technology.[122] Furthermore, without process patent protection, inventions may remain undeveloped through a lack of willingness to risk costs of research and investment only to have a patented invention exploited.[123]

The NAFTA patent provisions are very comprehensive, but some possible gaps still remain for the provisions to be completely comprehensive. The NAFTA article 1709 allows for patentability of both product and processes.[124] However, no patent protection is provided for designs, which are usually protected by the laws of many developed countries, such as the United States.[125] Although the NAFTA article 1713 does provide for the protection of "industrial designs" and "textile designs,"[126] the extent of protection is unclear. These provisions do not specify that these designs are patent protected, only that they are protected for a period of ten years.[127] Moreover, the NAFTA parties may provide their own limited exceptions to industrial design protection.[128] Thus, exactly how designs will be protected under the NAFTA is unclear.

---

120. Wright, *supra* note 21, at 603. *See also supra* notes 21 & 115 (explaining process patents and their importance).

121. *See supra* note 51 and accompanying text (discussing the disclosure requirement).

122. Wright, *supra* note 21, at 609-10 (citing *Trade and Technology: Implications of the GATT Negotiations, Hearing Before the Subcomm. on Technology and Competitiveness of the House Comm. on Science, Space, and Technology,* 102d Cong. 1st Sess. at 90-92 (1991) (statement of Gerald J. Mossinghoff, President, Pharmaceutical Manufacturers Association)).

123. *Id.* A case from the U.S. court system, *Amgen, Inc. v. ITC,* 902 F.2d 1532, 14 U.S.P.Q. 2d 1734 (1990) also illustrates this point. In *Amgen,* the court held that a grant of a product patent was lawful for the creation of genetically-engineered proteins. *Id.* at 1538. However, the court held that the product patent provided no protection against foreign use of selling the process of producing protein. *Id.* at 1540. Thus, *Amgen* serves to illustrate how one may have a process and a product made from that process and yet have only one patent, either for the process or the product, or no patent at all.

124. *See* NAFTA, *supra* note 8, art. 1709(1). *See also id.* art. 1709(5)(b). Wright, *supra* note 21, at 632, suggests that NAFTA article 1709(5)(b) is of particular importance because "[u]nlike domestic remedies that prevent distribution of imported goods or make importation, use, or sale of products produced by a patented process an infringement, NAFTA strikes at the true infringer by establishing international recognition of process patent rights." *Id.*

125. *See* 35 U.S.C. § 171 (1995) (stating that design patents are patents granted for "the unique appearance or design of an article of manufacture").

126. *See* NAFTA, *supra* note 8, article 1713, paragraphs 1 and 2, respectively.

127. *See* NAFTA, *supra* note 8, art. 1713(5).

128. *See* NAFTA, *supra* note 8, art. 1713, para. 4.

Also unclear is whether the NAFTA provides patent protection for plant and biological inventions since article 1709 paragraph three excludes such inventions from patentability. When this paragraph is interpreted in conjunction with the preceding one,[129] the text could be broadly interpreted "to allow the continued exclusion of certain pharmaceutical processes and products from patentability."[130] Moreover, such provisions "substantially limit[] protection for the growing biotechnology industry."[131]

One very positive provision of the NAFTA article 1709 lies in paragraph 7. This provision is clearly advantageous for all parties to the agreement since it provides protection for all patent holders.[132] Even in this golden provision, however, lies a caveat that the provision is subject to paragraphs two and three, which provide the exclusions and limitations for inventions subject to patentability.[133]

B. *Compulsory Licensing*

Two controversial provisions exist in the NAFTA patent provisions regarding compulsory licensing.[134] Compulsory licensing is common in developing countries where foreign companies are frequently required to license a new technology, for a fee, to a local company in order to gain access to that market.[135] The local company then has the right to duplicate, manufacture, and export that technology.[136] Developed countries such as the United States (in particular, the United States' multinational corporations) fear such provisions for several reasons.[137] Developed countries insist that

---

129. NAFTA article 1709(2) provides that any party may "exclude from patentability inventions if . . . is necessary to protect *ordre public* or morality, including to protect human, animal or plant life or health or to avoid serious prejudice to nature or the environment . . . ." *Id.* art. 1709(2).

130. *See* Doane, *supra* note 1, at 478 (citing to Jacques Gorlin, *Improving Intellectual Property Protection*, SCRIP MAG. 36, 37 (Mar. 1993) and Report of the Industry Functional Advisory Committee for Trade in Intellectual Property Rights on the North American Free Trade Agreement, in THE REPORTS OF THE FUNCTIONAL AND SECTORAL ADVISORY COMMITTEE 16-17 (1992)).

131. *See id.*

132. "[P]atents shall be available and patent rights enjoyable without discrimination as to the field of technology, the territory of the Party where the invention was made and whether products are imported or locally produced." NAFTA, *supra* note 8, art. 1709(7).

133. *See id.* art. 1709(7).

134. *See id.* art. 1709, para. 8(b) & 10. *See also supra* note 110 (explaining compulsory licensing and why it is a controversial practice, especially in the view of developed countries).

135. *See* Greg Mastel, *The Art of the Steal; How U.S. Technology is Getting Hijacked and What We Should Do About It*, WASH. POST, February 19, 1995, at C3.

136. *See* Lars-Erik Nelson, *GATT May Send Our Patents Packing*, NEWSDAY, Dec. 12, 1993, at 46.

137. "Does this sound familiar? It should. It is the story of how America let its electronics industry slip away over the last 30 years." *Id.*

compulsory licensing may have been a good rule when most inventions could be marketed within a few years, and if an invention had not been acted on within three or four years, a country could presume that it had been abandoned.[138] In today's world, these countries insist, manufacturing processes are more complex and industrial production may take a decade.[139] Moreover, countries, multinational corporations, and scholars with such a view strongly feel that "[t]oday, the compulsory license rule and the forfeiture rule do more to introduce an irrational element into business planning than they do to encourage commercialization of patented inventions."[140] Thus, whereas Mexico, as a country still within the developing stage, is probably satisfied with the inclusion of such provisions in the NAFTA, the United States and Canada are dissatisfied with the inclusion of such provisions.

One can argue that compulsory licensing exists because developing countries wrongly believe that such rules will force inventors to bring their new technology into their countries as quickly as possible. One scholar suggests, however, that quite the opposite effect occurs: "[k]nowing the time presumption is unrealistically short, inventors and their financial backers may be inclined to avoid a country where there is a threat these provisions will be applied vigorously if, as is sometimes the case, they have options in choosing a location."[141]

On the other side of the debate, however, is the notion that such provisions are actually very positive. First, without such provisions, a patent-holding foreign company could simply refuse to produce a product. The worst-case scenario here would be an essential pharmaceutical product that could save lives but is not being produced by the foreign company which was granted a patent on the product; without compulsory licensing provisions, the country which granted the patent on this vital pharmaceutical product would then have no legal means to gain access to the product. Nations must keep this concern in mind when they negotiate their agreements, whether they be regional or multilateral, and carefully watch for potential problems such as those listed above. Perhaps even more important, nations should take measures to ensure that their parties actually

---

138. SHERWOOD, *supra* note 13, at 186.

139. *Id.* at 186-87.

140. *Id. See also* Nelson, *supra* note 136, at 46 ("Americans came up with the big ideas for VCR recorders, basic oxygen furnaces, continuous casting for making steel, microwave ovens, automobile stamping machines, computerized machine tools and integrated circuits. But these big ideas and many others quickly found their way into Japanese production.") (quoting Robert Reich, TALES OF A NEW AMERICA (1987)).

141. *Id.* at 187.

enforce the laws that have been written in accordance with the provisions of the agreement.[142]

V. CONCLUSION

Is the NAFTA an example of how regionalism is a better approach to free trade than multilateralism, especially when dealing with non-tariff trade barriers like inadequate intellectual property protection? As developing countries of the South begin to recognize their own reasons to adequately protect intellectual property rights, the countries of the world can start to work together in framing arrangements to protect such rights while understanding each others' varying needs. The NAFTA is one regional trade agreement that embodies major improvements in this area of the law. In addition, the NAFTA has demonstrated to the world that developing and developed countries can truly work together.

Multilateral agreements, such as the GATT, are generally a good idea in that they provide a minimum framework for minimum protections in areas such as intellectual property rights. However, in dealing with specialized areas of trade such as intellectual property rights, or perhaps other emerging trade "linkages" such as human rights, multilateral agreements such as the NAFTA can provide an easier framework within which differing nations can learn about each others' needs and ultimately find a compromise that works for each of them. If such issues are left to generalized frameworks (such as the GATT), problems arise: too many countries, too many different cultures and needs which cannot possibly be met, and the most powerful countries end up leaving the smaller or lesser developed countries out in the cold. Moreover, some countries may not need to make reforms in these areas. As one author has noted, "the impact of enhanced intellectual property rights protection upon Third World economies may vary significantly among different countries. There is no *a priori* strong evidence that these countries will necessarily benefit or lose from a reform of their intellectual property systems."[143]

In certain regions, however, such as the nations which comprise the "Americas," intellectual property rights have been abused in the past. This region, however, is working together through regional agreements such as the NAFTA and the upcoming FTAA ("Free

---

142. *Cf.* Homer E. Moyer, LAW OF POLICY AND EXPORT CONTROLS: RECENT ESSAYS ON KEY EXPORT ISSUES 171 (Am. Bar Ass'n Section of Int'l Law & Prac. 1993); *see also* EXPORT PRACTICE, *supra* note 4, at 785.

143. Braga, *supra* note 39, at 264 (italics added).

Trade Among the Americas agreement")[144] to protect such rights and work with each other's needs. Mexico exemplifies this trend: Mexico's attempt to achieve an industrialized level of technological competence failed until it was given the benefit of strong intellectual property laws. Consequently, Mexico has correspondingly moved towards a "developed" view of intellectual property protection.[145] Apparently, Mexico is happy with this new development because it has not withdrawn from the NAFTA agreement.

Regional agreements certainly do not constitute an ultimate solution to such trade-related problems as the amount of intellectual property protection to provide, if any. However, such agreements are certainly a great start, and if placed together with "adequate preparation through structure and commitment" of all members, those regions who desire to protect any trade-related rights are sure to begin on the road to success.[146]

---

144. The FTAA is a possible upcoming agreement in which the NAFTA will be expanded to include eventually the entire collection of countries in both North and South America, with the exception of Cuba. In a summit conference in Miami, Florida, in December 1994, officials met to discuss the possibility of this regional agreement of the Americas.

145. Garcia, *Intellectual Property in Mexico*, *supra* note 22, at 704.

146. The author credits this last suggestion to Dean Albert Fiadjoe, Dean of the University of West Indies, who was visiting Florida State University when the author presented this topic in an International Trade Seminar course.