

ELSA MOOT COURT COMPETITION (EMC²) 2009-2010

THE CASE

IPLAND – CERTAIN MEASURES AFFECTING THE PROTECTION AND ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS

Case Author: Professor Bryan Mercurio
The Chinese University of Hong Kong

1. Ipland, Freeland and Midonia are all members of the WTO. Ipland is a developed country, while Freeland and Midonia consider themselves to be developing countries. Each of the three countries share a common border with the other two members – Freeland is east of Midonia, while Ipland lies to the south of both Freeland and Midonia. However, a narrow strip of Ipland's land jets up and separates the south-western corner of Freeland from the south-eastern corner of Midonia. As the vast majority of the natural Freelandian and Midonian border is covered with impenetrable jungle, the most important highway and trade corridor linking the major population and industrial centres of Freeland and Midonia runs through this narrow strip of Iplandian territory.
2. In March 2003, the three countries negotiated the Midonia-Ipland-Freeland Free Trade Agreement (MIFFTA) which covers 72 percent of tariff lines and 87 percent of trade by volume for all three countries. The MIFFTA also contains chapters on services, intellectual property, government procurement, competition, environment and labour. Article 1 of the MIFFTA states:

“1. The Parties to this Agreement, consistent with Article XXIV of GATT 1994 and Article V of GATS, hereby establish a free trade area in accordance with the provisions of this Agreement.

2. The Parties affirm their existing rights and obligations with respect to each other under existing bilateral and multilateral agreements to which both Parties are party, including the WTO agreements.

3. Article 2 of the MIFFTA provides for freedom of transit for goods between the parties to the MIFFTA:

“1. Subject to paragraph 2, the Parties to this Agreement incorporate the entirety of Article V of the GATT into this Agreement.

2. There shall be freedom of transit through the territory of each party, via the routes most convenient for international transit, for legally traded goods in transit to or from the territory of other parties to this Agreement.”
4. The MIFFTA entered into force on 1 January 2004. The parties notified the WTO of the MIFFTA on 25 November 2004. The WTO Committee on Regional Trade Agreements (CRTA) has not issued a report as to the consistency of the Agreement with Article XXIV of the GATT.
5. Although Ipland is a developed country, it has not traditionally had the manufacturing capacity or desire to produce pharmaceutical products. A spate of pandemic influenza viruses, however, has convinced the Government of Ipland that it needs to develop large-scale local production of pharmaceuticals. To further the goal of local production, the Ipland Government offered to provide long leases of government owned land at less than fair market value, tax breaks and start-up funding to any pharmaceutical company establishing a manufacturing presence in Ipland. Moreover, the Government passed the *Local Production Encouragement Act* (2007), the relevant part (paragraph 795) reads:
- “In accordance with Chapter 15, Article 15.7 of the MIFFTA, a compulsory licence will be issued if a patent owner fails to locally work the patent...”
6. A footnote to paragraph 795 states:
- “Products patented in but not manufactured or produced in Ipland (i.e. products merely imported into the territory of Ipland) do not constitute a patent being locally worked.”
7. For reference, Chapter 15, Article 15.7 of the MIFFTA states:
- “Each party to this Agreement shall have the right to take legislative measures providing for the grant of compulsory licenses to prevent the failure to work a patent.”
8. Moreover, as many foreign pharmaceutical companies regularly troll Ipland’s jungle for herbs to modify and incorporate into Western medicines, Ipland passed the *Herbal Remedy Protection Act* (2007) in order to protect the nation from commercial exploitation. The Act is designed to regulate the herbal remedy industry such that all private growers, traders and dealers in any indigenous herb must enter into a licensing system with the relevant government agency (the ‘Ipland Herb Board’ or IHB). This requires licensees to provide the IHB with information regarding the production, manufacture, sale and use of all indigenous herbs. The IHB issues Certificates of Origin to all authorised production of indigenous herbs and Iplandian customs ensures that only certified herbs are exported.
9. The IHB also registers both domestically and abroad as trademarks and, where applicable, as geographical indications (GIs) the relevant words and logos associated with indigenous herbs. Finally, the IHB oversees research attempting to discover or commercialise potential medicinal benefits of indigenous herbs and, where applicable, applies for process and product patents.

10. One particular indigenous herb known for centuries as ‘sambati’, which is found only in mountainous jungle terrain common to Ipland, Freeland and Midonia, has been recognised to have anti-viral properties. Early indications are that it is likely that sambati will be incorporated into a medicine to treat the recent T1R1 influenza virus, which thus far has been a ‘fairly mild’ virus. Health experts, however, predict the virus could potentially infect 25 percent of the world’s population and if it mutates could potentially have a global mortality rate of four percent.
11. The IHB has registered the word ‘Sambati’ as a trademark under Ipland’s *Trademarks Act* (1992) and in at least 25 other countries and as a GI under Ipland’s *Geographical Indications Act* (1994) (which forbids the unauthorised use of any terms recognised as a GI within the territory). The GI for ‘Sambati’ is limited to the terrain within Iplandian territory. Moreover, as it took Iplandian researchers years to perfect the complicated process of separating and extracting the medicinally relevant portion of sambati, the IHB has filed and received a process patent in relation to this in Ipland and in at least 25 other countries.
12. Acting on an application filed by the IHB, Iplandian customs officials recently confiscated in transit a shipment of a common herbal remedy manufactured in Midonia and destined for sale in Freeland. The packaging of the product, branded ‘Revitall’, contained a prominent statement declaring that the product ‘Contains Sambati’ and a smaller statement indicating that the product was sourced from Midonian mountainous jungle terrain in Midonian territory just meters from the Iplandian border. Ipland justified the seizures on the fact that the product infringed both the Iplandian registered ‘Sambati’ trademark and GI.
13. The IHB has not been granted a trademark or GI for ‘Sambati’ in Midonia or Freeland. Moreover, while the MIFFTA requires the parties to recognise the registered GIs of the other parties, the parties agreed to exclude ‘Sambati’ from its scope in order to conclude the Agreement as both Ipland and Freeland claimed ‘Sambati’ as a GI while Midonia believed ‘sambati’ had become a generic term through use in the region. The manufacturers of Revitall have instigated procedures in the Iplandian courts challenging the legality of the seizures under Iplandian law. The case is pending and not expected to be completed within the next year.
14. Separately, and acting in an *ex officio* capacity, Iplandian Customs officials seized several shipments of a particular herbal remedy manufactured by Midonian company Herb Plus Inc, exported from Midonia and destined to be parallel imported into Freeland. Produced solely for the Midonian market, Herb Plus Inc reportedly imports unlicensed sambati from Ipland for use in its popular ‘Cold and Flu Prevention and Remedy’ product.
15. The IHB applied for a process patent in both Midonia and Freeland for the process of separating and extracting the medicinally relevant portion of sambati, but the application was rejected in both countries. Moreover, while Ipland prohibits the parallel importation of patented products, neither Freeland’s nor Midonian laws contain such a prohibition.
16. Ipland also recently increased its general efforts to prevent the cross-border trade of pirated, counterfeit and parallel imported products (all of which are prohibited by

Iplandian law). With statistical data showing that the vast majority of pirated and counterfeit goods transiting through Ipland are exported from Midonia to Freeland, Ipland's Customs officials have been directed to fully enforce Iplandian Intellectual Property Law. In this regard, Ipland strengthened its Customs Laws to allow not only rights holders to file an application for the suspension by the customs authorities of the release into free circulation of such goods but also to provide Customs officials with the power to independently investigate and acquire *prima facie* evidence that an intellectual property right is being infringed. After determining that the requirement that rights holders provide a security of US\$25,000 when making an application deterred recourse to the relevant procedures, Ipland passed the *Protection of Rights Encouragement Act* (2007) and removed the security requirement entirely. The *Protection of Rights Encouragement Act* also restricts traders from applying for the release of the goods to "no earlier than 10 days after receiving notification of the customs authorities" (when acting *ex officio*) decision to suspend the release of the goods." Thereafter, the customs authorities must "promptly notify" the rights holder of the suspension. The rights holder then has 10 days to notify customs that it has commenced proceedings.

17. Upon receiving notification that Freeland filed a WTO complaint relating to the above measures, Ipland invoked Chapter 23, Article 23.9 of the MIFFTA, which states:

"1. Subject to paragraph 2, disputes regarding any matter arising under both this Agreement and any agreement of the *World Trade Organization*, may be settled in either forum at the discretion of the complaining Party.

2. In any dispute that arises under Chapter Fifteen (Intellectual Property) concerning a measure adopted or maintained by a Party to protect its human, animal or plant life or health, or to protect its environment, or that raises factual issues concerning the environment, health, safety or conservation, where the responding Party requests in writing that the matter be considered under this Agreement, the complaining Party shall, in respect of that matter, have recourse to dispute settlement procedures solely under this Agreement."

18. Freeland ignored Ipland's invocation of Article 23.9 of the MIFFTA and wishes to proceed with its WTO complaint.

19. Freeland's WTO complaint alleges that:

(1) The *Local Production Encouragement Act* (2007) is inconsistent with Articles 27.1 and 28.1 of the TRIPS Agreement and Article III:4 of the GATT 1994.

(2) The transit restrictions and seizure of herbal remedies on the basis of trademark and GI infringement is inconsistent with Articles 1.1, 41.1, 41.2, 51 and 53.1 of the TRIPS Agreement and Article V of the GATT 1994.

(3) The transit restrictions and seizure of herbal remedies on the basis of patent infringement is inconsistent with Articles 1.1, 41.1, 41.2, 51, 53 and 58 of the TRIPS Agreement and Article V of the GATT 1994.

Indicative references to provisions:

- Marrakesh Agreement Establishing the WTO
- General Agreement on Tariffs and Trade (GATT) 1994, Articles III:4 and V
- Agreement on Trade-Related Aspects of Intellectual Property Rights, Articles 1, 27, 28, 41, 51, 53 and 58
- WTO Annex 2, Understanding on Rules and Procedures Governing the Settlement of Disputes
- 1967 Paris Convention for the Protection of Industrial Property, 21 U.S.T 1583
- 1969 Vienna Convention on the Law of Treaties, UN Doc A/Conf 39/28, UNTS 58 (1980), 8 ILM 679

Indicative WTO Cases:

*The commonly referred name of each WTO Case is listed in *(bold italics)*.

- Canada – Patent Protection of Pharmaceutical Products (*Pharmaceutical Patents*) ([WT/DS114](#))
- China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights (*IP Rights*) ([WT/DS362](#))
- EC – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs (*Trademarks/GIs*) ([WT/DS174](#) and [WT/DS 290](#))
- Colombia – Indicative Prices and Restrictions on Ports of Entry (*Ports of Entry*) ([WT/DS366](#))
- Turkey – Restrictions on Imports of Textile and Clothing Products (*Textiles*) ([WT/DS34](#))
- Mexico – (*Soft Drinks and Other Beverages*) ([WT/DS308](#))
- EC – Regime for the Importation, Sale and Distribution of Bananas (*Bananas*) ([WT/DS27](#))
- Indonesia – Certain Measures Affecting the Automobile Industry (*Automobiles*) ([WT/DS54](#))

Selected References on WTO Law:

- WTO Secretariat, WTO Analytical Index: Guide to WTO Law and Practice, www.wto.org
- Simon Lester and Bryan Mercurio, *World Trade Law: Text, Materials and Commentary* (2008) Hart Publishing
- Mitsuo Matsushita, Thomas Schoenbaum, Petros Mavroidis, *The World Trade Organization: Law, Practice and Policy*, (2006) Oxford University Press, 2nd edition
- Daniel Gervais, *The TRIPS Agreement: Drafting History and Analysis* (2008) Sweet & Maxwell, 3rd edition
- Lorand Bartels, ‘Applicable Law in WTO Dispute Settlement Proceedings’ (2001) 35 *Journal of World Trade* 499
- Claus-Dieter Ehlermann and Lothar Ehring, “The Authoritative Interpretation Under Article IX:2 of the Agreement Establishing the World Trade Organization: Current Law, Practice and Possible Improvements” 8 *Journal of International Economic Law* 803
- James Gathii, ‘The Legal Status of the Doha Declaration on TRIPS and Public Health under the Vienna Convention on the Law of Treaties’ (2002) 15 *Harvard Journal of Law and Technology* 291

- Michael Lennard, 'Navigating by the Stars,' (2002) 5 *Journal of International Economic Law* 17
- Gabrielle Marceau, 'Conflict of Norms and Conflicts of Jurisdictions, The Relationship between the WTO Agreement and MEAs and other Treaties' (2001) 35 *Journal of World Trade* 1081
- Andrew Mitchell and Tania Voon, 'PTAs and public international law' in Simon Lester and Bryan Mercurio (ed), *Bilateral and Regional Trade Agreements: Commentary and Analysis* (2009) Cambridge University Press
- Joost Pauwelyn, *Conflict of Norms in Public International Law: How WTO Law Relates to Other Laws of International Law* (2003) Cambridge University Press

ELSA MOOT COURT COMPETITION (EMC²) 2009-2010

CLARIFICATIONS TO THE CASE

IPLAND – CERTAIN MEASURES AFFECTING THE PROTECTION AND ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS

Case Author: Professor Bryan Mercurio
The Chinese University of Hong Kong

Over 170 Clarification requests from Registered Teams were received. The Case Author has considered all requests carefully and has chosen to answer only the following questions in order to ensure that competitors address the specific WTO legal claims of the Case. No further interpretation will be given as a result of the Clarification answers.

Q1. In MIFFTA Art. 1.2, which parties are referred to by the term “both”?

A1. This is an error, please replace “both” with “all”. The provision should read:

“The Parties affirm their existing rights and obligations with respect to each other under existing bilateral and multilateral agreements to which all Parties are a party, including the WTO agreements.”

Q2. When did Ipland, Freeland and Midonia become members of the WTO?

A2. All are all founding Members of the WTO.

Q3. Are there any alternative routes from Freeland to Midonia than the one through the narrow strip of Ipland?

A3. Yes, but see paragraph 1.

Q4. Does the mountainous jungle common to Freeland, Midonia and Ipland geographically cover the narrow strip of Ipland?

A4. No.

Q5. Are Ipland, Freeland and Midonia are the signatories to the Paris Convention for the Protection of Industrial Property and the Vienna Convention on the Law of Treaties.

A5. Ipland is not a party to either agreement, whereas Freeland and Midonia are signatories to both treaties.

Q6. Are all of the parties to MIFFTA a party to the Convention for Biological Diversity, the International Union for the Protection of New Varieties of Plants and the Convention on Civil Aviation ('Chicago Convention')?

A6. Yes.

Q7. Are Freeland, Midonia and Ipland parties in the Convention on Transit Trade of Landlock States of 1965?

A7. No.

Q8. Is Midonia a third party to the dispute?

A8. Yes

Q9. Has Freeland declared any public health crisis which may be considered a national health crisis?

A9. No.

Q10. Is Freeland capable to produce the quantity of pharmaceutical products necessary for its population?

A10. Yes.

Q11. Except for paragraph 795 of the Local Act, are there any other regulations regarding the issuance of a compulsory license?

A12. Yes.

Q12. Does the spate of influenza viruses mentioned in paragraph 5 include, inter alia, the T1R1 virus? Is the spate of pandemic influenza taking place in Ipland?

A.12 Yes. It is worldwide, including in Ipland.

Q13. Do the provisions of the Local Production Encouragement Act concerning the issuance of compulsory licence apply to patents on pharmaceutical products only or do they apply to all patents notwithstanding the sphere of technology?

A13. The language of the Act is neutral.

Q14. What is the difference between "working a patent" and "locally working a patent"?

A14. You need to make your own assessment of whether there is a difference and if it is relevant.

Q15. Has the Local Production Encouragement Act has been applied?

A15. No.

Q16. Does the word "any" in paragraph 5 refer to pharmaceutical companies of only Iplandian nationality or of any nationality?

A16. There is no limitation as to nationality.

Q17. Was the Local Production Encouragement Act enacted after the outbreak of concern regarding the pandemic influenza?

A17. No, see paragraph 5.

Q18. What is the meaning of the notion of "legally traded" goods in the Article 2(2) of MIFFTA?

A18. The Agreement does not define the term.

Q19. Are the measures of providing long leases of government owned land at less than fair market value, tax breaks and star-up funding to any pharmaceutical company establishing a manufacturing presence in Ipland comprised within the Local Production Encouragement Act?

A19. No.

Q20. Is there any legally established definition of the term of "import" in the national legislation of any of the three countries?

A20. No.

Q21. In paragraph 13 of the Case it is stated that "Midonia believed 'sambati' had become a generic term through use in the region". What area is Midonia referring to when using the term "region"?

A21. Freeland, Ipland and Midonia.

Q22. Is there any distinction between "a common herbal remedy" and "a particular herbal remedy" mentioned in paragraphs 12 and 14, respectively?

A22. No, but 'Revitall' and 'Cold and Flu Prevention Remedy' are separate products.

Q23. Are the "several shipments of a particular herbal remedy" mentioned in paragraph 14 the 'Cold and Flu Prevention and Remedy' product?

A23. Yes.

Q24. Does “Revital” actually contain Sambati?

A24. Yes.

Q25. Why was Herb Plus Inc’s herbal remedies seized

A25. The product was originally seized for patent infringement and for use of unlicensed Sambati.

Q26. Are Herb Plus Inc’s herbal remedies produced using the same extraction process that is patented in Ipland (i.e., are we talking about ‘Cold and Flu Prevention and Remedy’)? Does Herb Plus Inc. have a licence in Ipland to use this production process that is patented by the IHB?

A26. Yes. No.

Q27. Is the seizure of Herb Plus Inc’s herbal remedies the specific “seizure” that is referred to in Claim 3?

A27. Yes.

Q28. Do any Midonian or Freeland companies have a patent in their own countries to produce medicine made from sambati?

A28. No.

Q29. Does “thereafter” in paragraph 16 mean that the customs authorities must notify the rights holder of the suspension within 10 days after the trader applies for the release of the goods?

A29. See paragraph 16. Customs must “promptly notify” the rights holder after the traders apply for the release of the goods.

Q30. Under Protection of Rights Encouragement Act, if the right holder fails to commence proceedings within 10 days, what happens to the suspended goods – are they released or confiscated?

A30. Released.

Q31. Will the goods be released if the right holder/ customs authority (while acting ex officio) fail to commence proceeding even if traders haven’t applied for the release of goods?

A31. No.

Q32. The regulation that traders are restricted of applying release of the goods to no earlier than “10 days”, does the “10 days” refer to “10 calendar days” or “10 working days”?

A32. Working days.

Q33. What standard of 'exhaustion of IP rights' is adopted by the countries involved, including Ipland?

A.33 Ipland applies national exhaustion, whereas Freeland and Midonia adopt international exhaustion.

Q34. Has the case instigated by the producers of Revital in Iplandian courts reached the merits phase (para. 13)?

A34. No.

Q35. Is the price of "Revital" which contains "Sambati" and manufactured in Midonia lower than that of like products manufactured in Ipland?

A35. Yes.

Q36. Is the agreement between the parties to exclude "Sambati" from the scope of the MIFFTA contained in a specific provision of the said FTA or is it in a separate formal agreement?

A36. It is simply not included in the relevant annex as a protected GI.

Q37. Do the goods Ipland has seized, which contain sambati, use the process Ipland has patented?

A37. Yes.

Q38. Did Iplandian research perfect the complicated process of separating and extracting the medicinally relevant portion of the Sambati?

A38. Yes.

Q39. Was this research based on the indigenous knowledge of the herb?

A39. In part.

Q40. Is Revital's statement that the product was sourced from Midonian Territory just meters from the Iplandia Border true?

A40. Yes

Q41. Is the Herbal Remedy seized by the Iplandian Customs (in an ex officio capacity), used for curing T1R1?

A41. No.

Q42. Is the Herbal Remedy a prescription drug?

A42. No.

Q43. Has there been an increase in research of the anti-virus quality in indigenous herbs after the discovery of the T1R1 virus? Or has there already been extensive research of remedial qualities of indigenous herbs?

A43. Yes, to both parts.

Q44. Does Ipland's Herbal Remedy Protection Act cover local and foreign-owned pharmaceutical companies (para. 8)?

A44. Yes.

Q45. Did the parties make any commitments in the MIFFTA on sambati or any products that contain sambati?

A45. No.

Q46. Is there any other type of assurance for filling an IP infringement suspension of release of goods complaint under Iplandian Law different from the US\$25,000 security?

A46. No.

Q47. Did Ipland file requests in writing that the matter be considered under MIFFTA?

A47. Yes.

Q48. Art.23.9 of MIFFTA refers to "either forum" and "dispute settlement procedures solely under this Agreement". Do such procedures include arbitration?

A48. Yes.