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INTERNATIONAL INTELLECTUAL PROPERTY DISPUTE RESOLUTION:

A STUDY OF THE WORLD TRADE ORGANISATION (WTO) AND THE WORLD INTELLECTUAL PROPERTY ORGANISATION (WIPO) DISPUTE RESOLUTION MECHANISMS

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CONTENTS

ABSTRACT

This paper compares and examines the effectiveness of the World Trade Organisation (WTO) and the World Intellectual Property Organisation (WIPO) dispute settlement mechanisms in resolving international intellectual property disputes. It focuses on the comparison and examination of the WTO Dispute Settlement Understanding (DSU) and the WIPO Mediation and Arbitration Rules.

This paper argues that in the resolution of international intellectual property disputes the WIPO dispute settlement mechanism protects the development interests of developing countries more adequately than the WTO dispute settlement mechanism. Ultimately, it concludes and strongly argues that in the resolution of a dispute between states, the effectiveness of a dispute settlement mechanism of an international organisation can not be merely measured from its legalistic approach and strong enforcement mechanism, but more fundamentally, such a mechanism must also have the ability to produce a settlement that protects and promotes the development interests of the states.

Word Length

The text of this paper (excluding contents page, footnotes, and bibliography) comprises approximately 15,500 words.

I. INTRODUCTION

International trade has entered the most liberal era in its history. A state can now easily trade with other countries. Technical and non-technical barriers to international trade have been removed. A state cannot adopt domestic policies that injure other states' economic interests, otherwise it would face trade sanction or retaliation from those states.

However, trade disputes between states cannot be avoided. One state's interests may conflict with other states'. Each state has its own political and economic agenda in its international trade policies. These state agenda may trigger international disputes if they fail to comply with the agreed world trade norms.

The liberalization of trade, therefore, contains the potential for conflict between states or private parties. In particular, international disputes would be likely to occur when international trade activities involve exploitation of intellectual property rights. These disputes, perhaps, are caused by different and conflicting interests of the states in the policy of intellectual property rights protection. The recent trade disputes involving copyright in computer software between China and United States demonstrate such a conflict of interests. China probably wants greater access to the technology for making this software. Moreover, by making and selling counterfeit software the Chinese might also benefit from cheaper software and from greater employment opportunities. The United States, on the other hand,want to maintain their product competitiveness and trade leverage in the world markets. They also probably want to monopolise and control the use of their technology.

By retaliating and stopping trade relation, the disputes between China and the United States, if not resolved, may harm the economic development of those countries. Therefore, it is important to formulate effective dispute resolution in international intellectual property rights.

This paper compares and examines the effectiveness of the WTO and WIPO dispute settlement mechanisms in the resolution of international intellectual property disputes. This paper argues that the WTO dispute settlement mechanism fails to balance the interests of developing and developed countries; it fails to protect and support developing countries' trade and economic interests fairly, thus creating an unequal and unjust world trade system and economic order.

By contrast, this paper argues that the WIPO dispute settlement mechanism better serves those developing countries' interests. However, to be effective, this mechanism should be able to promote the protection of intellectual property rights throughout the world. It should be capable of producing mutually acceptable solutions. Ultimately, if the disputes involve developing countries, it should respect and promote the development interests of those countries.

This paper consists of eight parts. Part II describes and identifies the need for effective protection of international intellectual property rights. It particularly identifies the motives of developed and developing country policies for the protection of intellectual property. It argues that one should employ different approaches to effectively resolve intellectual property disputes involving those countries.

Part III explores the possibility of using 'alternative' dispute resolution procedures in resolving intellectual property disputes. It may form a basis for the theoretical frameworks in the analysis of the WTO and WIPO dispute settlement mechanisms. It argues that to use these procedures effectively one should be able to analyse the nature of these procedures and identify any difficulties to their uses.

Part IV analyses and examines the effectiveness of the WTO dispute settlement mechanism, as ruled in the Dispute Settlement Understanding (DSU), in the resolution of international trade disputes involving intellectual property. It argues that even though the mechanism is of a legalistic nature and a powerful enforcement mechanism, it fails to accommodate and promote the interests of developing countries. Consequently, it fails to create the world trade system that advances the creation of a more just and equal international economic order.

Assessment of the WIPO dispute settlement mechanism in the resolution of international intellectual property disputes is discussed in Part V. This part focuses on the WIPO Mediation and Arbitration Rules. It suggests that the mechanism would be effective if it satisfied three criteria. First, it should be able to promote the protection of intellectual property internationally. Second, the mechanism should have the ability to produce solutions which are mutually acceptable to the parties. Finally, if the disputes involve developing countries, the mechanism should be able to accommodate the interests of those countries.

Part VI compares the WTO and WIPO dispute settlement mechanisms. It argues that the WIPO dispute settlement mechanism better serves and protects the development interests of developing countries in the protection of intellectual property rights.

Finally, Part VII presents a case study to practically assess the effectiveness and appropriateness of the WTO and WIPO dispute settlement mechanisms in the resolution of international intellectual property disputes.

II. THE NEED FOR INTERNATIONAL INTELLECTUAL PROPERTY PROTECTION

Intellectual property disputes[1] would be more effectively resolved if the motives and needs for intellectual property protection are identified. Each state has its own motives and policies for such protection, depending on the role of intellectual property in its economic development. For industrialised countries, intellectual property plays a significant role in their economic development since their patented technology has increasingly contributed to their products' competitiveness in the global markets. Such protection would also maintain the monopolistic advantages of their products and services. They can control the competitors from competing with their products and services.

On the other hand, intellectual property may not significantly contribute to the developing countries' economic development. They do not have their own technology for their industrial development, consequently, they may be disinclined to protect intellectual property rights adequately. However, to attract foreign investment, developing countries should implement effective intellectual property laws and enforcement.

In a more economically interdependent world, many countries now open their doors to foreign investment. Any country that isolates its economic policy from economic relations with other countries would face difficulties in its economic development. Therefore, countries should implement a pragmatic economic policy so that they can benefit from the liberalization and globalization of trade and investment. For example, developing countries such as Indonesia, Vietnam and China have benefited from trade globalization by implementing open economic policies for foreign investment. Many foreign and multinational companies have now invested their money and technology in these countries.

However, investment in intellectual property in a foreign country could have legal risks if not planned strategically. Therefore, foreign companies should be aware of the

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1 A dispute is defined as "a disagreement on a point of law or fact, a conflict of legal views or interests between two persons' [or states] . See Christine Chinkin *Third Parties in International Law* (Clarendon Press Oxford, 1993) 15.

host country's intellectual property laws. Companies like McDonalds and Toyota, for example, should know the procedures to register their trademarks and patents in Indonesia if they want to license their trademarks and patents rights to local companies. Not all countries give proper protection to foreign intellectual property rights.

Therefore most developed countries, such as the U.S.A, request countries which do not protect their intellectual property rights properly to change their laws. It may be understood that the effective protection of the developed countries' intellectual property rights will maintain their trade leverage and product competitiveness. One author describes the motives of developed countries in the protection of intellectual property:[2]

> Some analysts interpret the growing concern of industrialised country nations with intellectual property rights as an attempt to control the diffusion of new technologies or "as a weapon in the struggle of the 'haves' against "have not'. Accordingly, the ultimate goal of the industrialised countries would be to freeze the existing international division of labor by way of the control of technology transfer to the Third World.

These motives can be understood as technology plays an important role in the industrialised countries' economic development. Efficient technology increases their product competitiveness in the global markets. Furthermore they have spent much money investment in the invention. So, economic reasons are the principal motives of the industrialised countries for the protection of intellectual property rights.

To ensure effective intellectual property protection, governments should systematically integrate their intellectual property and international trade policy. The United States Government, for instance, bases this integration on the following principles:[3]

> (1) trade and intellectual property rights are part of a common set of policies that must be integrated in the interest of maintaining United Stated competitiveness;
> (2) the United States should insist on the application and enforcement of certain minimum standards of intellectual property protection in all countries in which the United States is commercially engaged;
> (3) trade and other commercial concessions that the United States grants other countries should be conditioned upon adherence to these standards; and
> (4) international agreements should embody these minimum standards and ensure that they are enforceable as a matter of both domestic and international law.

The United States' policy, however, may have adverse impacts on the developing countries' economic development. Developing countries' exports to the United States and other developed countries rely heavily on the trade concessions. The integration policy would allow the United States to withdraw its trade concessions granted to developing countries if these countries did not protect the United States' intellectual

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2 Carlos Alberto Primo Braga "Merger or Marriage Convenience" (1989) 22 Vanderbilt J Trans L 252.

3 Above n2, 226.

property adequately. Furthermore, developing countries' economic development depends on the use of the industrialised countries' high technology. Developing countries would face stagnation in their economic development if developed countries did not transfer their technology to developing countries.

In the final analysis, different approaches should be employed to settle intellectual property disputes involving developing and developed countries. Motives for intellectual property protection and policy should be identified to determine which approaches or which dispute resolution procedures would be the most effective to resolve the disputes.

III. AN ANALYSIS OF DISPUTE RESOLUTION PROCEDURES IN INTERNATIONAL INTELLECTUAL PROPERTY DISPUTES

Various dispute resolution procedures can be used to resolve international intellectual property disputes. However, to use these procedures effectively, one should firstly analyse the nature of the procedures so that any areas of difficulties can be identified and, in certain circumstances, avoided.

A. Negotiation

One author defines negotiation as "a process whereby the parties directly communicate and bargain with each other in an attempt to agree on a settlement of the issue".[4] Given the advantages of negotiation in settling disputes, parties or nations prefer to negotiate their disputes rather than use other procedures for dispute settlement for the following reasons:[5]

(1) Negotiation is the least risky way of trying to dealt with disputes. Each country [or party] has maximum control over both the dispute settlement process and outcome, since it always has the option of simply walking away from the negotiation and not agreeing. In contrast, any type of third-party involvement carries a risk of reducing a country's flexibility and freedom to do what it wants, and of somehow trapping it into an undesirable outcome.

(2) Negotiation places responsibility for resolving the disputes on the parties themselves, who are in the best position to develop a sensible, workable and acceptable solution. Sometimes, the adage "too many cooks may spoil the broth" is applicable to international dispute resolution.

(3) Since any settlement reached by negotiation is presumed to be freely agreed to by the parties to the dispute, rather than imposed on them by third parties, it is likely to have maximum acceptability and stability.

(4) Negotiation favours compromise and accommodation between the parties-a "give- and-take" rather than "all-or-nothing" solution-which is most likely to preserve good long term cooperative relations.

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4 Richard B. Bilder "An Overview of International Dispute Settlement" (1986) 1 J. Int'l D.R.22.

5 Richard B Bilder, above n4, 22-23, at footnote n36.

(5) Negotiation is generally simpler and less costly than other alternative dispute settlement methods and it can more easily be carried on secretly or without publicity. Moreover, the process of negotiation can develop attitudes, procedures and relationship that foster cooperation and dispute management between the parties generally.

However, negotiation is not without risks. In international intellectual property disputes where one party has stronger bargaining power than another party, a settlement of the disputes may give more benefits to the stronger party. In patent licence disputes, for instance in aircraft industries, licensors may dictate the outcome of the settlement. Licensees, whose business of manufacturing the aircraft is heavily dependent on the patent, may negotiate their interests with the licensors but from a position of weakness. The licensees are placed in a situation where they cannot negotiate their options freely. They are threatened by the possibility of losing the patent licence or discontinuing their beneficial business relationship with the licensors. Consequently, the licensees, if there are no alternative means of protecting their interests, have to accept the licensors' options.

Furthermore, in negotiation "[a] party may not be willing to negotiate and compromise what it considers an issue of 'principle'".[6] For example, in a joint venture contractual dispute involving pharmaceutical patent processes, the principal company may be reluctant to disclose the trade secret in the negotiation processes, even though this issue is central to settling the dispute. Disclosing the trade secret may reduce the bargaining power of the principal company to negotiate future agreements with the subordinate company. As a result this tendency may end in an ineffective dispute settlement. Consequently, future disputes may arise since the root causes of the problem were not dealt with properly .

Negotiation may also not effectively dispose of disputes as "[t]he parties' negotiating procedures and resources may not be adequate to develop mutually agreed facts or data instrumental for a potential solution of the dispute".[7] In international intellectual property disputes, accurate and complete data are the keys for an effective resolution. For example, in international patent licence disputes concerning the licensee's claim to an invention based on the patented technology, negotiators could not settle the dispute effectively without the licensee's willingness to disclose the invention.

Negotiators need complete data and descriptions of the invention. They need these data to assess the novelty, applicability and inventiveness of the invention. However, from the licensee's perspective and interest, disclosing such data would be considered an act

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6 Richard B Bilder, above n4, 23, footnote n36 (4).
7 Above n4, 23, footnote n36 (5).

to communicate the invention to the public. As a result of this publication, the invention would not be considered 'new'. Consequently, the licensee's patent application for the invention may be refused by the Patent Office.

To overcome this difficulty, negotiators may make an undertaking to keep the invention secret. The licensee may require the licensor not to publicise the invention to the public or use the confidential information for his or her commercial purposes.

Furthermore, to negotiate the interests and differences in international intellectual property disputes effectively, negotiators may apply a negotiation method, as one author suggests:[8]

> People: Separate the people from the problem.
> Interests: Focus on interests, not positions.
> Options: Generate a variety of possibilities before deciding what to do.
> Criteria: Insist that the result be based on some objective standard.

Negotiators should be able to focus on and assess the problem objectively. They should identify and consider the parties' needs and interests and offer possible solutions that satisfy these interests. However, to be mutually acceptable to the parties, these solutions should be based on objective criteria. Furthermore, negotiators should be able to find out "[w]here do joint gains from cooperation really come from?"[9]

An effective negotiator must have specific skills, the most imprtant of which are: [10]

1. Preparation and planning skill;
2. Ability to express thoughts verbally;
3. Knowledge of subject matter being negotiated; and
4. Ability to think clearly and rapidly under pressure and uncertainty.

In intellectual property disputes, a negotiator should know technical, legal and commercial aspects of intellectual property to enable her or him to approach and solve the problem effectively .

Procedures used in negotiation processes should be designed to produce a 'win-win solution' to the dispute. These procedures should be created so that the imbalance of power between the disputants can be reduced. In international intellectual property disputes negotiation involving developing and developed countries or private parties from both countries, a formal procedure may be a better alternative for developing

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8 Roger Fisher et al *Getting to Yes Negotiating Agreement Without Giving in* (Arrow Book Ltd, London, 1987).

9 DA Lax & JK Sebenius *The Manager as Negotiator* (Free Press/Macmillan, NY,1986) 88.

10 Howard Raiffa, *The Art & Science of Negotiation* (Harvard University Press, Cambridge, 1982) 120.

countries. They may "...seek more formal negotiating forums and strengthen their hand through organisation".[11]Formal forums, such as the World Intellectual Property Organisation (WIPO) and the World Trade Organisation (WTO), would enable the parties to create a more acceptable solution. However, developing countries would only benefit from these forums if the rules and procedures for negotiation serve their interests.

Cultural differences in international negotiation

Another important factor that may have significant impacts on the outcome of negotiation processes in international intellectual property disputes is cultural differences between the parties. "Do people from different cultures have a different conception of the function of negotiation? Do they negotiate differently?"[12]

Indonesian parties, for example, would communicate their needs and interests in a more indirect way than Westeners. Therefore, the counterparts should analytically explore what the Indonesian parties really want: 'what is the real intention behind their words?'.

In Indonesian cultures, direct and extreme criticism is something that should be avoided when resolving disputes. Instead, Indonesians would appreciate the criticism if the counterpart expressed this criticism in an indirect and polite way. For instance, in patent licence disputes where the Indonesian party is the licensee, the counterpart should not say :" Your invention is invalid. You have unlawfully broken the contract!"; Instead, say "We respect and are proud of your achievement and efforts. However, your formulae have similarity to ours. Let us examine it. We hope we are wrong". Thus, respect first, then state your criticism politely and indirectly.

Indonesians lack the training and inclination needed to make verbal arguments. However, they are good at using non-verbal language to communicate. The ability to debate and argue a different point of view is not well developed in Indonesian culture. For instance, children should not criticise their parents even if they are wrong. This cultural behaviour is brought to Indonesian political life. If people complain and criticise the government, they are charged as "enemies of the government ". This attitude, of course, influences how the Indonesians negotiate with other people. So, when negotiating with Indonesian parties, the counterpart party should be skilful in reading their body language. For an Indonesian party, silence does not mean agreement.

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11 I W Zartman & M R Berman *The Practical Negotiator* (Yale UP, 1982) 205.

12 Above n11, 224.

Ultimately, negotiation may effectively resolve international intellectual property disputes. However, negotiators should be aware of power imbalance, trade secrets or confidential information and cultural differences during the process.

B. Mediation

Generally mediation is defined as "...a structured process involving a neutral third party, designed to discover the nature of a dispute, to consider options for its resolution and to reach a consensual settlement".[13]So, there are six fundamental aspects of mediation. They are :

1) A structured process;
2) Involvement of a third party as a mediator in the process;
3) Impartiality of the mediator;
4) Discovery of the nature of a dispute;
5) Consideration of the alternatives for dispute resolution; and
6) A consensual settlement as the objective of mediation.

The essential message of this notion is that however the process is structured it should be able to produce solutions which are mutually acceptable to the parties. In international intellectual property disputes involving parties from developing and developed countries, the structure of this process should accommodate both countries' policy objectives in the development of intellectual property law.

This may be difficult since the two countries' policy objectives may have conflicting interests. For example, the developed countries' policy objective in protecting intellectual property is to maintain trade leverage by strictly controlling and monopolising the use and transfer of their technology to developing countries. By contrast, developing countries' objective is to have access to the technology for their economic development. The transfer of technology is one way to achieve this objective.

To solve this dilemma, the structure of the process should be flexible enough to enable the parties to create the widest opportunity to reach a compromise. This "[f]lexibility is the keynote of mediation as a procedure for the settlement of dispute".[14]The mediation

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13 Hilary Astor et al *Dispute Resolution in Australia* (Butterworths, Australia, 1992). See the definition in Folberg and Taylor *Mediation, A Comprehensive Guide to Resolving Conflict Without Litigation* (Jossey Bass, San Francisco, 1984).

14 Department of Study Group of the David Davis Memorial Institute of International Studies *International Disputes the Legal Aspects* (Europa Publication, London, 1972) 84.

should not be so rigidly ruled, as to reduce the parties' autonomy to reach a mutually acceptable settlement. Furthermore, flexible processes may make the parties more confident and comfortable with the outcome.

Another central issue in the mediation process is the role of the mediator in the settlement of a dispute. A mediator has two functions in the settlement of disputes involving state parties:[15]

> (1) The procedural function: the conduct of interstate negotiations over a dispute is inherently a difficult process; neither side wishes to show weakness...A mediator is able to introduce new elements in the discussion. He [or she] can put forward new ideas, discuss them with the parties in dispute *separately*, or put forward an idea suggested by one side without disclosing its origin...In general, his [or her] participation can *loosen up the course of the negotiations* and thus assist in the production of an acceptable solution.
>
> (2)The substantive function: ..., a solution of the substance of the dispute may be acceptable simply because it is the mediator's proposal. That it comes from the mediator may be relied on as showing that it is a just solution or at least a reasonable compromise...Naturally, how far a mediator can thus lend weight to a given solution will depend on how far he [she] personally or the State has a *reputation for justice* and can be seen to be *impartial*...

In international intellectual property disputes between developing and developed countries, to carry out his or her procedural function the mediator should be able to disclose the parties' undisclosed information. The mediator may identify and clarify the parties' sentiments and emotions that are not revealed in the parties' negotiation process. This hidden information may be important in the settlement of the disputes.

Furthermore, in certain circumstances during the negotiation process a party may not be able to express his or her feelings freely to its counterpart. These may be negative feelings that may a negative influence on the outcome of the process. These feelings may also cause communication difficulties; Therefore, "[t]he mediator, someone skilled in communication techniques, can intervene with some degree of success,..."[16]to assist the parties.

These negative feelings, for example, may manifest themselves in intellectual property disputes between states which have been political enemies for a long time. These feelings always make a party suspicious of any proposals initiated by the counterpart. The parties' past experience teache them not to believe their counterparts.

Moreover, the political contents of international intellectual property policy may significantly contribute to these feelings. This policy may be seen by a party as a means

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15 Department of Study Group, above n14, 85 [emphasis added].

16 Mark Chupp in Martin Wright et al (eds) *Mediation and Criminal Justice: Victims, Offenders and Community* (Sage Publication, California, 1989) 66.

of achieving its counterpart's political objectives. For example, a state party may suspect its counterpart's motives for proposing to exclude military technology from the patent compulsory licensing. This party may think that such an exclusion would lessen its opportunities to have access to the military technology so that the counterpart may control the party's military power. So, negotiation between these parties may not produce positive outcomes without a neutral third party's involvement to disclose the party's negative feelings.

The mediator may gather the information more effectively in private caucuses. In international intellectual property disputes involving trade secrets or confidential information, these private caucuses may be preferred. However, there are differing opinions on the use of this technique:[17]

> Some mediators routinely use private caucuses in the information gathering stage of a mediation. In private caucus the mediator sees the parties separately to discuss any matter which they wish to mention privately and/or in confidence. Some mediators are opposed to the use of private caucus, believing that all issues should be openly discussed.

Separate discussions between mediator and a party in intellectual property disputes involving trade secrets may enable the party to disclose these secrets without another party knowing this information. In certain circumstances this confidential information may be the key to the settlement of disputes. For instance, in disputes in the patent licensing of pharmaceutical technology processes, the licensor may not disclose the work of some parts of the technology that are not patented. These parts, however, may be the key to effectively describing the work of the patented technology. The disputes may not be able to be resolved without disclosing these parts.

However, the use of private caucuses should not impair the neutrality of the mediator. The impartiality of the neutral third party or mediator is the central issue in mediation. To be neutral, it is important that "the mediator controls the process of the mediation, while the parties control the content and the outcome".[18] The power of the mediator, therefore, is limited by:[19]

> ...his or her role, the nature of the mediation contract, the constraint facing the parties, the social structure within which the mediation occurs, and self imposed ethical restriction.

Even though a mediator cannot impose solutions or decisions on the parties, he or she should be able to propose or offer possible solutions to the dispute. However, this role

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17 Hilary Astor et al, above n13, 100.
18 Above n13, 102.
19 Above n13, 103, as quoted from Mayer.

may only be exercised if the parties agree on it. Furthermore, the parties should not be obliged to accept the mediator's proposal.

In short, a mediator should use his or her power to control the process towards achieving a mutually acceptable settlement. To produce this settlement, the parties should be free to control the outcome of the mediation process.

C. Arbitration

Parties in international commercial disputes involving intellectual property may use arbitration as an alternative way of resolving their disputes. Compared to the use of national courts, there are some advantages in using arbitration to resolve international commercial transactions:[20]

(i) the parties involved are in a position to directly influence the composition of the arbitral tribunal and therefore may have more confidence in such a tribunal than in State courts;
(ii) the parties are in position to appoint arbitrators who are familiar with and experienced in a particular kind of dispute;
(iii) the rules governing arbitration are less rigid and formalistic and therefore may contribute to a settlement in a more peaceful climate;
(iv) arbitration proceedings are, in general, less time consuming, since the arbitral award is to be considered as final and binding and therefore legal proceedings in several instances can be circumvented;
(v) submission of international business disputes to arbitration rather than submission of the same to national courts creates, or at least enlarges, the possibility of applying rules and usages specifically attuned to international business transactions...;
(vi) arbitral awards can often be enforced easier in a country other than the seat of the arbitral tribunal than court decisions, since quite a number of States, including both industrialised States and developing countries, are at present parties to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards;
(vii) apart from arbitration as a means of settlement of disputes arising from international business transactions, arbitration is of increasing importance for the purpose of filling gaps in or modifying of international business contracts to changed circumstances, being tasks which are not always permitted to national courts

The parties' autonomy in choosing arbitrators may have advantages and disadvantages for reaching an effective solution to the disputes. Since intellectual property disputes contain special technicalities, parties may choose arbitrators who are experienced and experts in the disputed subject matter. High technology patent disputes, for example in the automobile industry, need an arbitrator who has technical expertise in the mechanics of the automobile. He or she should also know how a patent works in the industry. As this expertise may not be available in national courts, this would cause ineffective and unjust resolution of the disputes. Therefore, arbitration could effectively resolve intellectual property disputes, particularly ones involving special technicalities.

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20 Leo J. Bouchez "The Prospect for International Arbitration: Disputes Between States and Private Enterprises" (1991) 8 J. Int'l Arb. 83.

On the other hand, in arbitration consisting of three arbitrators the third arbitrator of which is appointed by the two arbitrators, the parties' appointed arbitrators may have an impact on the neutrality of the arbitral process. For obvious reasons,the parties' appointed arbitrators tend to serve the parties' interests.

A possible solution to this problem is to justify the arbitrators' act in serving and protecting the interests of the appointing parties. They may act as the parties' lawyers. Consequently, they may be partial. However, the third arbitrator must be impartial and have ultimate authority to decide the case. He or she acts as a judge, giving fair decisions.

The finality of the arbitral award may also be questioned. The award is not always perfect, just, impartial and acceptable by the parties. As Deutsch states, "if the parties have no faith in the criteria or the arbitrator but are bound by the power vested in them, the issue will resurface in further conflicts and disputes".[21] Therefore, the parties should have opportunities to have the award reviewed.
In New York State Arbitration Law, for example, an arbitral award may be vacated for the following reasons:[22]

> (i) corruption, fraud or misconduct in procuring the award; or
> (ii) partiality of an arbitrator appointed as a neutral, except where the award was by confession; or
> (iii) an arbitrator, or agency or person making the award exceeded his power or so imperfectly executed it that a final and definite award upon the subject matter submitted was not made; or
> (iv) failure to follow the procedure..., unless the party applying to vacate the award continued with the arbitration with notice of the defect and without objection.

However, having recourse to national courts to re-examine the award would conflict with the parties' business interests. "The way courts are organized-number of judges, delay, appeals procedures, and technical rules-"[23]is expensive and time-consuming. In intellectual property disputes these court proceedings may also disclose trade secrets and the confidentiality of information. A patent right may also be reassessed or revoked. The court proceedings may also destroy the parties' business relationship. Furthermore, publicity of the court proceedings may adversely affect the parties' business reputation.

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21 Quoted in J Folberg & A Taylor "Nature of Conflict and Dispute Resolution Process" in J. Folberg & A.Taylor, *Mediation: A Comprehensive Guide to Resolving Conflicts Without Litigation* (Jossey-Bass, 1984) 28.

22 Robert Coulson, President American Arbitration Association, *An Introduction to Commercial Arbitration* (AAA, 1980) 27.

23 Richard Neely *Why Courts Don't Work* (McGraw-Hill Book Company, 1983)10.

There should be a control mechanism to ensure the impartiality of the arbitrators. This mechanism should also protect the parties from the arbitrators abuse of power. The arbitrators may incorrectly apply the law to the disputes, creating an unjust award. The mechanism should be able to review and set aside such awards. However, the "[a]wards must be upheld as long as they are arguably based on the contract"[24] and do not contravene domestic laws.

However, this mechanism should be strictly used by the parties, particularly in settling international commercial disputes involving intellectual property rights. Only in a case where the parties' interests are adversely prejudiced by the award, may recourse to this mechanism be allowed. Frequent uses of this mechanism would, in certain circumstances, certainly conflict with the parties' business interests. They need an expeditious and inexpensive solution to their disputes. The use of the mechanism would mean delays and waste their time. It could also be a more expensive process.

An alternative mechanism to review an arbitral award should be created. This could be an arbitration court of appeal. The rules and proceedings of this court should be like ones of other 'normal' arbitration tribunals: simple, flexible, confidential, expeditious and inexpensive. Parties may choose their own arbitrators to sit in the arbitration court of appeal; the third arbitrator may be from this court or be chosen by the parties' appointed arbitrators. However, parties may not rechoose the arbitrators who formerly resolved their disputes. The parties may also employ a group or a single arbitrator from the arbitration court of appeal.

However, this arbitration court of appeal must be the ultimate institution for reviewing the arbitral awards. Its review and award must be final and binding. There is no opportunity for further reviews. National courts should recognise and execute its awards.

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24 Steven J. Burton "Combining Conciliation With Arbitration of International Disputes" (1995) 18 Hastings In'l & Comp. L. Rev. 649.

IV. THE WORLD TRADE ORGANISATION (WTO) DISPUTE SETTLEMENT MECHANISM: A CRITICAL ANALYSIS OF THE DISPUTE SETTLEMENT UNDERSTANDING (DSU)[25]

A. The Mechanism

The WTO dispute settlement mechanism aims at securing a constructive solution to disputes between members of the WTO that serves the objectives of the WTO Agreements and is mutually acceptable to the parties.[26] Compared to the dispute settlement mechanism under the GATT, "...which suffers from ineffective enforcement of the existing rules",[27] the DSU has more legalistic approaches and stronger enforcement mechanism to settle international trade disputes.[28]The DSU is also more innovative and has more detailed rules and procedures.[29] Under the GATT, "[t]he fact that most complaints were concentrated among just a few of the largest and most powerful countries can be viewed as evidence that the dispute settlement system still has some weaknesses".[30] The GATT dispute settlement mechanism is "[o]ne of the mo[st] contoversial aspects of the GATT as an institution..."[31]

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25 WTO Understanding on Rules and Procedures Governing the Settlement of Disputes (1994). This Understanding constitutes Annex 2 of the Marrakesh Agreement Establishing the World Trade Organisation, which was signed on 15 April 1994 and came into force on 1 January 1995. [hereinafter referred to as "DSU"].

26 WTO Website, http://www.wto.org/wto/dispute/webds.htm.

27 John P. Byrley "Fats V. GATT" (1991) 6Fla J.I.L. 328.

28 Azar M. Khansari "Searching for the Perfect Solution" (1996) 20 Hasting Int'l & Comp. L. Rev 191.

29 Norio Komuro "The WTO Dispute Settlement Mechanism *Coverage and Procedures of the WTO Understanding*" (1995)12 J.Int'l Arb.140.

30 Robert E. Hudec *Enforcing International Trade Law* (Butterworths Legal Publisher, 1993) 295.

31 John H. Jackson *Restructuring the GATT System* (Royal Institute of International Affairs, 1990) 59.

Under the Trade Related Aspects of Intellectual Property Rights Agreement (TRIPs)[32] the DSU must be applied to settle intellectual property disputes between member states of the WTO.[33]

The DSU proceeds through several phases: "consultation, a panel phase, Appellate Body review and as an optional alternative procedure, arbitration".[34]

Consultation should be the first resort to resolving disputes between members. Member countries disputing measures that violate the covered agreements[35] should "undertake to accord sympathetic consideration to and afford adequate opportunity for consultation..."[36] The requested country should reply to a request for consultation within 10 days and "enter into consultation in *good faith* within a period of no more than 30 days after the date of receipt of the request, with a view to reaching a *mutually satisfactory solution*".[37] If the requested country does not respond to the request within these periods, the requesting country may ask the Dispute Settlement Body[38] to establish a panel.[39]

Thus, the DSU strictly limits the consultation periods. In international intellectual property disputes between developing and developed countries, this strict limitation may unfairly affect parties from developing countries when preparing strategies and

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32 See WIPO, Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) 1994 (WIPO Publication, Geneva, 1996). [hereafter referred to as "TRIPs"]. The TRIPS Agreement is a multilateral agreement on intellectual property. This Agreement was concluded on 15 April 1994 and came into force on 1 January 1995. It constitutes Annex 1C of the Marrakest Agreement Establishing the World Trade Organisation (WTO). All members of the WTO must comply with this Agreement.[32] This Agreement essentially sets international minimum standards of intellectual property protection. It consists of 73 articles and contains provisions, inter alia, on copyright and related rights, trademarks, geographical indications, industrial designs, patents, licences, criminal procedures and dispute settlement.

33 See art. 64 of the TRIPs Agreement.

34 Azar M Khansari, above n28, 191.

35 See appendix 1 of the DSU. These Covered Agreements include, inter alia, the TRIPs.

36 The WTO Understanding, art.4 (1), above n25.

37 Above n25, art.4 (3) [emphasis added].

38 Reffered to in the DSU as the "DSB". This Body consists of representatives of the Members of the WTO. Its main responsibility is "to administer procedures of the WTO Understanding, the consultation and dispute settlement provisions of the covered agreements...See Norio Komuro "The WTO Dispute Settlement Mechanism *Coverage and Procedures of the WTO Understanding*", above n29, at 119.
The DSB also has "the authority to establish panels, adopt panel and Appellate Body Reports, maintain surveillance of implementation of rullings and recommendations and authorize suspension of concessions and other obligations under the covered agreements. See article 2 (1) of the DSU.

39 The WTO Understanding, art.4 (3), above n25.

negotiation approaches in the consultation process. Developing countries may need longer time to prepare their resources adequately. They have special circumstances and difficulties in managing their resources. In certain circumstances, for example, the government of a developing country may need time to negotiate with domestic entrepreneurs who are alleged to have made counterfeit goods. If this allegation involves many domestic companies, the government may need more than 30 days to negotiate with them. If the complaining state requires the government to change the laws and protect its nationals' intellectual property rights in this country, the domestic companies may be closed and the employees may lose their jobs. The government should explain to the entrepreneurs the impacts of the government policies on their business lives.

Therefore, the government should carefully consider the impacts of its policy if it should change the laws. It should anticipate the impacts of the closing of the companies on the people's social and economical lives. Consequently, these sensitive issues need more than 30 days in order to prepare strategies and resources adequately for the consultation process. This more reasonable time may enable developing countries to offer a range of options that not only satisfiy developed countries' interests but also serve their national interests.

The DSU requires that a request for consultation must be in writing, must identify the measures, and indicate the legal basis for the allegation.[40] "Consultation shall be *confidential*, and *without prejudice* to the rights of any Member in any further proceedings".[41] The complaining party may request the DSB to establish a panel if within 60 days after the date of the request for consultation a settlement to the dispute is not reached.[42]

Confidentiality in the consultation and negotiation process is important to resolve international intellectual property disputes effectively. For instance, a developing country may implement measures that enable domestic manufacturers to use patented technology from developed countries. However, these domestic manufacturers may improve the patented technology and make an invention. Disclosure of the invention may jeopardise their rights for the invention. This disclosure may be considered as publication of the invention. This publication reduces the innovative aspect of the

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40 The WTO Understanding, art.4 (4), above n25.

41 Above n25, art.4 (6), [emphasis added]. This meeting must be convened within 15 days of the request.

42 Above n25, art.4 (7).

invention which is an important element for patenting it. As a result, the domestic manufactures may lose their rights if the consultation process is not confidential.

The DSU further states that upon the request of the complaining party, the DSB must convene a meeting and establish a panel "unless at that meeting the DSB decides by *consensus* not to establish a panel".[43]Thus, the DSB has authority, by consensus, to refuse the request from the complaining party for the establishment of a panel. However, in practice a decision by consensus is difficult to reach since a member country of the DSB may have the same interests as those of the complaining party.

Panels must refer to terms of reference established by the DSU:[44]

> To examine, in the light of the relevant provisions in (name of the covered agreement(s) cited by the parties to the dispute), the matter referred to the DSB by (name of party) in document... and to make such findings as will assist the DSB in making the recommendations or in giving the rulings provided for in that/those agreement (s)

However, within 20 days after the establishment of the panel, the disputants may exclude the terms.

Members of panels must be governmental or non-governmental officials who are well qualified in international trade and the subject matter of the covered agreements.[45] Appropriately qualified panellists are important for the settlement of international intellectual property disputes. Intellectual property disputes may not be effectively resolved if the panelists do not have the appropriate backgrounds and skills in legal, technical and commercial aspects of intellectual property. Furthermore, if the disputes involve patent issues the panelists should have technical backgrounds in the subject matter.

However, compared to developed countries, developing countries may not have adequate human resources with strong background and experience in intellectual property issues. Most experts in international trade and intellectual property rights come from developed countries. Thus, developing countries may face a dilemma in the selection of the panelists. Panelists from developed countries may not be impartial or be influenced by their countries' interests or generally by other developed countries' interests.

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43 The WTO Understanding, above n25, art.6 (1). [emphasis added].
44 Above n25, art.7 (1).
45 Above n25 , art.8 (1).

On the other hand, developing countries may not want to choose panelists from developing countries as comparatively speaking, they may have inadequate expertise in the subject matter. The careful selection of panelists is, therefore, crucial for a favourable outcome for developing countries.

The panelists "should be selected with a view to *ensuring the independence of the members*..."[46] Unless the disputants agree otherwise, citizens of member countries of the disputants must not serve as panelists.[47]

The Secretariat has power to nominate panelists and the disputants "*shall not oppose* nominations except for *compelling reasons*".[48]What is meant by 'compelling reasons' is not clarified. It is important that the Secretariat does not unilaterally interpret the meaning of 'compelling reasons'. There should be a clear and common understanding of what reasons may be considered as compelling so that the Secretariat cannot abuse the phrases.

The Director General has power to appoint the panelists whom he or she "considers most appropriate ...,"[49] in case there is no agreement between the parties on the panelists within 20 days. Thus, the parties have autonomy to agree on the composition of the panelists. However, their autonomy is strictly limited by the DSU.

The power of the Secretariat and the Director General to nominate and appoint the panelists may have damaging impacts on the interests of developing countries. The Secretariat and Director General may not be independent if developed countries have strong political influences in their selection. Because of these influences, they may prefer to advance their personal and developed countries' interests rather than those of developing countries. For example, in international intellectual property disputes involving patent rights in the pharmaceutical industry the Director General may appoint panelists from developed countries who have the same interests in the protection of patent rights in this industry. As a result the panel would produce an outcome that is partial and injurious to the interests of developing countries.

A single panel may examine multiple complaints on the same subject matter from more than one Member.[50] Its examination should not impair the rights of the parties if they

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46 The WTO Understanding, art.8 (2), above n25. [emphasis added].
47 Above n25, art.8 (3).
48 Above n25, art.8 (6). [emphasis added].
49 Above n25, art.8 (7).
50 Above n25, art.9 (1).

request separate panels.[51]During the process, the panel must consider "[t]he interests of the parties to a dispute and *those of other Members*".[52]

However, it is better to examine international intellectual property disputes involving the same subject matter in separate panels. A single panel for multiple complaints may not effectively solve intellectual property disputes if these disputes involve trade secrets or confidential information. Parties may not want to disclose trade secrets or confidential information if they think they would lose their rights by disclosing the information. This would be likely to occur if the panel process involves multiple parties.

Furthermore, if the dispute involves developing countries, they should be able to request separate panels for examining multiple complaints. It is most probable that in international intellectual property disputes, developing countries would be the defending parties since most developing countries are the users of the technology and the consumers of intellectual property products from developed countries. Thus, one developing country may face the same complaints from more than one developed country. For example, Indonesia faces the United States, Japan and the European Community in the Indonesian automobile case that involves trade and intellectual property dispute. In this case, Indonesia may suffer from an imbalance of power if the dispute is examined by a single panel. On the other hand, the complainants may increase their bargaining power as they have the same interests in the dispute.

However, separate panels that examine multiple complaints over the same subject matter may degrade the credibility of the WTO dispute settlement mechanism. This occurs when the different panels produce inconsistent and diverse decisions on the same subject matter. To overcome this inconsistency, a subsequent panel should take into account the decision or report from the previous panel that examined the same subject matter.

The panel has an important role in assisting the DSB to make its decision:[53]

> The function of panels is *to assist the DSB* in discharging its responsibilities under this Understanding and the covered agreements..., a panel should make an objective assessment of the matter..., including an objective assessment of the facts of the case and *the applicability* of and *conformity* with *the relevant covered agreements*, and make such other findings as will assist the DSB in making the recommendations or in giving the ruling provided for in the covered agreements. Panels should *consult* regularly with the parties to the disputes and give them *adequate opportunity* to *develop a mutually satisfactory solution.*

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51 The WTO Understanding, above n25, art.9 (2).
52 Above n25, art.10 (1).[emphasis added].
53 Above n25, art.11, above n25. [emphasis added].

So, if the dispute, for example, is concerning a country's measure on parallel importation of patent products, the panel should assess the applicability and conformity of the measure with the TRIPs Agreement. To do this, the panel may investigate the case. The panel may ask the defending country to present the imported counterfeit patent products as evidence to be used in the panel process. Thus, the panel has investigative power.

However, the panel should consult regularly with the parties. Thus, the DSU tries to accommodate the parties' interests and concerns in the panel's assessment. Furthermore, the DSU gives the parties opportunities to negotiate and settle their dispute during the panel process. The parties may choose their own solutions to the dispute.

Confidentiality in the panel process is the key factor in the mechanism:[54]

> The panel shall meet in *closed session*. The parties to the dispute and interested parties *shall be present* at the meetings only when invited by the panel to appear before it.

However, a closed session of the panel meeting may be questioned. Who will control the panel process? The panel may abuse its power during the process since this is not directly controlled by the public. A party may not be aware that in fact the panel does not respect the party's rights fairly . This could be avoided if the public can control the conduct of the panel. Therefore, parties should be able to choose whether a panel would be conducted in a closed or open session.

Having considered the rebuttal submission and oral arguments from the parties, the panel must incorporate a factual and argumentative descriptive section in its report to the parties.[55]The panel must issue an interim report to the parties, informing them of its findings and conclusions to the parties' comments on the panel's description; the parties may ask the panel to review this report.[56] This interim report will become the final report if the parties do not comment on it further.

It is important that the parties should be able to comment on the panel's interim report because the panel may mistakenly interpret the facts and the parties' arguments. However, to what extent may the parties comment on the panel's interim report? Will the panel consider the parties' comments and change its interim report if it makes any mistakes? Could another party object to such changes? There should be a way of

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54 The WTO Understanding, above n25, Working Procedures, Appendix 3(2). [emphasis added].
55 Above n25, art.15 (1).
56 Above n25, art.15 (2).

preventing and correcting the panel's misinterpretation on the facts and the parties' arguments. However, this should not unnecessarily delay the panel process.

Within 60 days after the date of circulation of the panel report to the Members of the WTO, the DSB must adopt the panel report if the parties do not appeal the report or the DSB "decides by *consensus* not to adopt it".[57] This provision could be interpreted as meaning that even though the parties do not appeal to the panel report, the DSB must not adopt the panel report if all members of the DSB reject the panel report.

The possibility of rejection of the panel report by the DSB may be seen as accommodating the interests of other members of the WTO. The panel report , which then will be used as a basis for making rulings and recommendations by the DSB, may have impacts on the interests of other member countries who are not directly involved in the dispute. This is clearly as a result of trade globalization where a country's trade measure which is directed to one particular country may also destructively affect other countries's trade interests. For example, a developing country may implement a policy excluding food and pharmaceutical products from the patent subject matter. The objective of this policy is to prevent the price of these products from increasing. However, this policy may contradict the TRIPs Agreement. Therefore, upon a request from a complaining country, the panel may recommend that the defending country bring its policy into conformity with the TRIPs Agreement. Member of the DSB from developing countries who adopt the same policy may refuse this recommendation as it would establish an unfavourable precedent for them.

Ironically, the DSU requires the DSB to decide by consensus for rejection of the panel report. Practically, this consensus may be difficult to reach because member countries of the DSB may have different interests in intellectual property policy.

Since most of developing countries are the users of technology and consumers of intellectual property products and therefore are most likely to be the defending parties, the method of making decisions by consensus fails to protect the interests of developing countries.

The DSU creates an appellate body, called Appellate Body, that has adjudicative power. This Body must be composed of seven persons appointed by the DSB.[58]It is important that the Appellate Body panelists "*shall not participate* in the consideration of any

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57 The WTO Understanding,art.16 (4), above n25. [emphasis added].
58 Above n25.art.17 (1) (2).

disputes that would create a direct or indirect conflict of interest".[59]This Body must limit its consideration to legal issues and interpretations of the panel report.[60] It "may uphold, modify or reverse the legal findings and conclusions of the panel".[61]The Appellate Body must draw up its working procedures after consulting the Chairperson of the DSB and the Director General.[62]Its proceedings must be confidential; *ex parte* communication with this Body concerning the issue is prohibited.[63]

However, it is difficult to "distinguish questions of law from other questions (fact?).[64]This difficulty may trigger further disputes. Furthermore, in international intellectual property or TRIPs disputes an independent panel of the Appellate Body may be difficult to establish. There are two groups of countries in these disputes: first, developed countries as the exporters of intellectual property products and second, developing countries as the importers or consumers of these products. Therefore, a method of selecting the Appellate Body panelists which is based on geograpichal distribution may not solve the problem of the Body panel independency. To solve this difficulty, the seven Appellate Body panelists may be equally selected from developed and developing countries. However, they and their countries should not have conflicting interests in the disputes.

As the parties have no autonomy in the formulation of the Appellate Body working procedures, the DSU diminishes the possibility of making a mutually acceptable solution. The parties do not have enough power to control the process and its outcome. As a result the DSU may produce a win-lose solution to the dispute.

This adjudicative approach may protect intellectual property rights better. However, this approach may also harm the developing countries' development interests. For instance, strong enforcement of the provisions of the TRIPs Agreement may cause developing countries to lose their access to the patented technology. Therefore, it is important that enforcement of the TRIPs Agreement and other intellectual property conventions should consider the enforcement impacts on the broad development interests of developing countries.

The DSU strictly limits the time period for the settlement of dispute. The maximum period for settlement of the dispute must not exceed nine months from the date of the

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59 The WTO Understanding, art.17 (3), above n25.
60 Above n25, art.17 (6).
61 Above n25, art.17 (13).
62 Above n25, art.17 (9)
63 Above n25, arts.17 (10) and 18 (1).
64 Steven P. Croley et al "WTO Dispute Procedures Standard of Review"(1996) 90 A.J.I.L. 195.

establishment of the panel until the date of the DSB consideration for the adoption of the panel report; this period is extended to 12 months if the parties appealed this report.[65]

This strict time limitation may be able to reduce delays in the dispute settlement process. In international intellectual property disputes this delay may adversely increase the loses of income of a country which exports intellectual property products. For example, the United States lost a million dollars by China's delay in stopping its domestic manufacturers from making counterfeit compact discs and computer software. Therefore, strict and definite time limitation is important in resolving intellectual property disputes. The defending party may tend to delay the panel process if there is no time limitation for the settlement of the dispute. This time limit forces the parties to resolve the dispute.

The WTO dispute settlement mechanism emphasises the importance of the party's compliance with the DSB rulings: "Prompt compliance with recommendations or rulings of the DSB is essential in order to ensure effective resolution of disputes to the benefit of all Members".[66]This provision reiterates the importance of the effective resolution of disputes in creating and maintaining the integrity of the world trade system. Effective resolution of the disputes is not only for the benefit of the parties involved but also for the benefit of all members of the WTO. In this context all members of the WTO may object to the rulings and recommendations of the DSB if these have damaging impacts on their interests. The party's autonomy, therefore, is limited by the interests of all members of the WTO. Consequently, even though the parties have mutually accepted a solution to the dispute, the implementation of this solution should not damage the interests of all members of the WTO.

The DSU allows flexibility for the parties to comply with recommendations and rulings of the DSB. If 'the losing party' considers that it is impractical to implement the recommendation and rulings of the DSB immediately, it must be given a reasonable time to comply.[67]However, the DSU sets strict time limitation for the implementation of the DSB's recommendations and rulings:[68]

> (a) the period of time proposed by the Member concerned, provided that such period is approved by the DSB; or, in the absence of such approval,
> (b) a period of time mutually agreed by the parties to the disputes within 45 days after the date of adoption of the recommendations and rulings; or, in the absence of such agreement,

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65 The WTO Understanding, art.20, above n25.
66 Above n25, art.21 (1).
67 Above n25, art.21 (3).
68 Norio Komuro, above n29, 153. [emphasis added].

(c) a period of time determined through *binding arbitration* within 90 days after the date of adoption of the recommendations and rulings...

This strict time limit may effectively reduce the time taken by the losing party to implement the DSB rulings and recommendations. However, in determining the period of time for such implementation, special consideration should be given to developing countries. The DSB and the arbitration tribunal should consider in particular social, political and economical problems faced by developing countries. These problems may hinder developing countries from effectively implementing the DSB's rulings and recommendations.

The provision also accommodates the interests of members concerned with the disputes by admitting them to propose the time period for the losing party to implement the DSB recommendations and rulings. This indicates that the implementation of the DSB's rulings and recommendations should not adversely affect the integrity of the world trade system.

The DSU allows the 'winning' party to refer to the original panel if the losing party's compliance with the recommendations and rulings of the DSB is not consistent with the disputed agreements.[69] The DSB must "keep under surveillance the implementation of the adopted recommendations or rulings".[70]

Referral to the original panel may delay the implementation of the recommendations and rulings of the DSB. Therefore, there should be a mechanism to avoid such delay and to force the 'losing' party to consistently comply with the covered agreements. This may be done by closely involving the DSB and increasing its role in the surveillance of the implementation of its recommendations and rulings. To prevent the losing party from misinterpreting the covered agreements in the implementation of the DSB's recommendations and rulings, the DSB should be able to consult and make recommendations to the party during the implementation period.

The DSU stipulates that if the recommendations and rulings are not implemented within a reasonable period of time, the losing party may compensate the winning party. Alternatively, if the parties fail to agree on the compensation, the winning party may ask for authorisation from the DSB to suspend its concessions and other obligations under the covered agreements to the losing party.[71]These measures, however, should

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69 The WTO Understanding, above n25, art.21 (5).

70 Above n25, art.21 (6).

71 Above n25, art. 22 (2).

not be preferred as a means of forcing the losing party to implement the rulings fully.[72] The parties should negotiate to reach mutually acceptable compensation.[73]

However, it is doubtful whether the suspension of concessions or trade sanctions would deter the losing party.[74] Moreover, "accordng to economic theory, the imposition of trade sanctions is self defeating: it harms primarily the country which imposes them."[75]

Furthermore, in international intellectual property or TRIPs disputes between developed and developing countries, the possibility of suspending concessions given to developing countries may destructively damage these countries' economic interests. For example, in TRIPs dispute between the United States and Indonesia concerning Indonesian automobiles the United States may retaliate against the Indonesian Government's measures by suspending its concession of the General System of Preferences (GSP) to Indonesia. This GSP keeps the prices of Indonesian products such as textiles reasonable enough to enter the United States markets. Suspending this privilege would increase the prices of the products. This might also increase the production cost and as a consequence, Indonesian products would have no competitive advantages in the United States' markets. Ultimately, this would make the Indonesian companies go bankrupt.

Moreover, as the users of technology and consumers of intellectual property products from developed countries, developing countries may potentially become the losing parties. If the TRIPs is strictly imposed on those countries' domestic legislation, many companies making counterfeit goods will close their business and consequently many workers will lose their jobs. These damaging impacts become worst if developed countries retaliate or suspend their concessions to developing countries.

The DSU directs that the suspension must be related to the same sector as the violation.[76] If it is not effective, the winning party may suspend its concessions or other obligation in "other sectors under the same agreement".[77] In addition, if this measure is not effective and the situation becomes critical, suspension may be requested under other covered agreements.[78]The DSB must authorise the winning party to carry

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72 The WTO Understanding, art. 22 (1), above n25.
73 Above n25, art.22 (2).
74 Miquel Montana I Mora "A Gatt With Teeth"(1993) 31 Col. J. Trans. L.158.
75 Above n74, at 158.
76 The WTO Understanding, above n25, art.22 (3)(a),
77 Above n25, art.22 (3) (b).
78 Above n25, art.22 (3) (c).

out the suspension unless the former, by consensus, refuses to grant such authorisation.[79]

However, in certain circumstances the losing party may take revenge against the suspension of concessions or retaliation taken by the winning party. For example, in intellectual property disputes between China and the United States, China may cross retaliate the United States's measures by stopping its imports of the United States's products .

Ultimately, the possibility of cross retaliating the measures taken by the losing party may weaken the effectiveness of the WTO dispute settlement mechanism to enforce its agreements. As a result, this may cause an unjust international economic order and an unequal world trade system because only developed countries, who in fact have stronger economic and trade power, will effectively use cross retaliation measures. Developed countries may not suffer adverse economic impacts from developing countries' cross retaliation.

B. Conclusion

The WTO dispute settlement mechanism (the DSU) may effectively resolve international intellectual property dispute between states. Its legalistic approaches may strictly enforce provisions of the TRIPs Agreement and other covered agrements of the WTO. As a result, these legalistic approaches and strong enforcement mechanisms may more adequately protect intellectual property rights.

However, this mechanism may only be effective if there is a strong imbalance of power between the parties, for example between developed and developing countries. These may be political, economical and trade power imbalances. The mechanism may be less effective if the parties have relatively equal power.

Thus, the WTO dispute settlement mechanism may only benefit developed countries as the exporters and owners of intellectual property rights. In contrast, developing countries, as the importers of intellectual property products and the users of technology, will experience developmental stagnation from the strong enforcement of the TRIPs Agreement. Consequently, this will create an unequal and injustice world trade system. Therefore, enforcement of the TRIPs Agreement and protection of intellectual property rights through the WTO dispute settlement mechanism should promote the development

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79 The WTO Understanding, art.22 (6), above n25.

of developing countries fairly. Strict enforcement of the TRIPs Agreement should not be "used to extract monopolistic rents from users,...,to the clear disadvantage of economic development in the less technogically advanced countries."[80]

V.THE WORLD INTELLECTUAL PROPERTY ORGANISATION (WIPO) DISPUTE SETTLEMENT MECHANISM: AN ANALYSIS OF THE WIPO MEDIATION AND ARBITRATION RULES

The WIPO mediation and arbitration rules are specifically designed for the resolution of international intellectual property disputes. These rules are administered by the WIPO Arbitration Centre. This Centre functions as an administrative unit of the International Bureau of WIPO.[81]The uses of these procedures are open to both individuals and enterprises, regardless of their nationality or domicile. A state may also use these procedures.[82]

This Part analyses and examines the effectiveness of these Rules in settling international intellectual property disputes. The criteria for the examination can be formulated in three questions. First, does the mechanism effectively support and have the capacity to achieve the WIPO objective that is 'to promote intellectual property protection throughout the world'? Secondly, is the mechanism able to produce 'a mutually acceptable solution to the disputes' and meet the private party's business interests? Finally, if the disputes involve developing countries, does the mechanism promote the development interests of those countries?

A. Mediation Rules[83]

The Rules consist of 27 articles. These, essentially, regulate the scope of the rules, appointment of the mediator, representation and participation of the parties, conduct of the mediation, role of the mediator, confidentiality and termination of the mediation.

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80 Christoper C. Yogner *The United Nation and International Trade* (Cambridge University Press, 1997) 251.

81 See WIPO *The Services of the WIPO Arbitration Centre International Centre for the Resolution of Intellectual Property Disputes* (WIPO Publication, Geneva, 1996) 8. [hereafter referred to "Centre"]. WIPO is a specialised organ of the United Nations. This organ has 155 Member States. It was established since the adoption of the Paris Convention in year 1883. Its main responsibility is to promote the protection of intellectual property throughout the world. This agency administers 16 multilateral conventions relating to administrative and legal aspects of intellectual property rights.

82 Above n81,18.

83 See WIPO Mediation Rules, effective from October 1, 1994 (WIPO Publication, Geneva, 1996). [hereafter referred to "Rules"].

The Rules will govern the mediation process only when the parties to a dispute agree, in their mediation agreement,[84] to use these Rules in settling their dispute.[85]So, it is important that the parties' mediation agreement should be the basis for settling the parties' dispute. The parties' choices and preferences in settling their disputes should be respected. The Rules should not diminish the parties' autonomy to produce a mutually dispute settlement. The parties know what they want fairly. Therefore, the Rules should create a conducive climate to assist the parties solve their problems and make compromises. Ultimately, the Rules should be able to meet the parties' interests.

The parties have autonomy to appoint a mediator. However, if the parties do not do so or they do not agree on an alternative procedure for the appointment, the Centre must appoint the mediator.[86] This procedure may be problematic. What if the parties do not agree on the Centre appointed mediator? One party may suspect the impartiality of such a mediator. To solve this problem, the Centre should respect the parties' values and preferences in choosing a mediator. For example, if international intellectual property disputes involve Indonesia and the United States, the Centre should not appoint a mediator from the United Kingdom since the United States and the United Kingdom may have the same political and economic agenda and objectives in their intellectual property policy. Even though the mediator is a private person, he or she may be influenced by his or her government's pressures or country's interests. So, it is important that the Rules should develop a mechanism that secures the impartiality of the mediator.

The parties may agree on the manner in which the mediation will be conducted. However, in the absence of such agreement, the mediator must determine this issue.[87]This rule may also be questioned: to what extent may the mediator determine this issue so that the parties' autonomy is still respected? Whatever methods the mediator uses, he or she should consider the parties' objectives and interests fairly. The mediator should promote the achievement of these objectives. If the dispute involves developing countries, the mediator should take into account the policy objective of those countries in the development and protection of intellectual property.

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84 WIPO Mediation Rules, above n83. Article 1 defines mediation agreement as an agreement by the parties to submit to mediation all or certain disputes that have arisen or which may arise between them; a Mediation Agreement may be in the form of a mediation clause in a contract or in the form of a separate contract.

85 Above n83, art.2.

86 Above n83, art.6 (a).

87 Above n83, art.9.

The parties' cooperation and good faith are the keys to the expeditious advancement of the mediation.[88]In international patent licence dispute, for example, expeditious advancement of the mediation depends on the licensor and licensee in keeping the secrecy of trade secrets and confidential information which were disclosed during the mediation process. This information may be the key element to resolving the dispute. The owner of the trade secret or confidential information may not want to disclose the information if he or she distrusts his or her counterpart's intention to keep the secrecy of the information.

To build effective cooperation, the parties should be able to distance their unconstructive emotions or sentiment from the problem during the mediation process. Furthermore, the parties should be able to "gain control over their situation and to understand and be understood by the other party."[89]The parties should work together to focus on and solve the problems. One party should aid its counterpart to reach a solution that meets the interests of its counterpart. They should cooperate to produce a mutually acceptable solution.

The Rules allow the mediator to communicate separately with the parties but the information given in such communication must not be disclosed to the other party.[90]This separate communication may be preferable in international intellectual property disputes. A party may not want to disclose its trade secrets at the present of another party. There may be hidden agenda, strategies or interests of the party that it prefers not to communicate to another party. There may also be unconstructive emotions that may impede the effectiveness of the mediation or negotiation process between the parties. In the separate communication the mediator, as a neutral third party, should persuade the parties to disclose this information.

However, separate communication between the mediator and the parties may affect the impartiality of the mediator. How and to what extend can the mediator communicate separately with the parties? The party which communicates separately with the mediator may attempt to influence the mediator's integrity. On the other hand, the party which is not present at the separate communication may not be able to assess the integrity of the mediator. This separate communication decreases the ability of this party to control the outcome of the process. This is not conducive to the creation of a mutually acceptable solution.

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88 WIPO Mediation Rules, art.10, above n83.

89 Joseph P. Folger et al "Transformative Mediation and Third-Party Intervention" (1996) 13 Mediation Quarterly 272.

90 Above n83, art.11.

After his or her appointment, the mediator, in consultation with the parties, must fix the timetable for each party's submission to the mediator of a statement "summarising *the background of the dispute*, *the party's interests* and *contentions* in relation to the dispute and *the present status of the dispute*...,to enable the issues in the dispute to be *identified*".[91]Thus, the Rules give flexibility to the mediator to fix the timetable. This flexibility and the consultation with the parties over fixing the timetable play a substantial part in the resolution of international intellectual property disputes. Since the contents of the submission would determine the outcome of the settlement, the parties should have reasonable time to prepare the submission carefully. When fixing the timetable, the mediator should particularly consider the special circumstances and difficulties of the parties. Depending on these special circumstances, the mediator may give a party more time to prepare its submission adequately .

However, the Rules do not set a time limit for the mediator to fix such a timetable. This may delay the mediation process. A reasonable time limit is needed to avoid such delays. For example in patent disputes concerning parallel importation of perishable goods, a delay of the mediation process may damage the interests of the owner of the goods.

However, there may be disadvantages to strictly limiting the timetable for the party's submission. These may occur if the timetable does not properly consider the parties' special circumstances. Consequently, the parties may not prepare the submission carefully. This affects the outcome of the process. As a result, the parties may not be able to adequately create a mutually acceptable solution. Therefore, expeditious procedures should not jeopardise the quality of the mediation outcome.

The Rules determining the role of the mediator:[92]

> ...The mediator shall *promote the settlement* of the issues in dispute between the parties in *any manner* that *the mediator believes* to be appropriate, but shall *have no authority to impose a settlement on the parties.*

However, to what extent can the role of the mediator to promote the settlement of dispute be justified? What criteria are used for such justification? The role and power of the mediator should be clearly defined. Mediators tend t o abuse their power if this power and mediation process are not 'ruled':[93]

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91 The WIPO Mediation Rules, art.12 (a), above n83.[emphasis added].

92 The WIPO Mediation Rules, art.13 (a), above n83. [emphasis added].

93 Joseph P. Folger et al "Ideology, Orientations to Conflict, and Mediation Discourse" in JP Folger *New Directions in Mediation* (Sage Publication, 1994) 5.

> The fundamental flaw is that, because of its lack of formality and structure, mediation cannot adequately regulate third-party interventions and even tends to encourage abuse. Without rules of law guiding mediators' response to parties' issues, mediators can alter the very terms of disputes that the parties themselves have framed.

Ideally, the mediator should be able to create a climate in which the parties can develop their creativity by inventing options to work together toward reaching a mutually acceptable solution. The mediator should assist the parties to solve their problems. He or she shouldfacilitate effective communication between the parties. The mediator should also facilitate the parties' negotiation process. In short, the mediator controls the mediation process in order to help the parties produce a mutually acceptable solution.

However, can a mediator propose settlement of a dispute? This depends on the parties' agreement and how far the mediator's proposal may affect the impartiality of the mediaton process. One party may be more comfortable with the mediator's proposal than with the counterpart's proposal. The mediator's proposal could be more impartial and objective.

It is important that the mediator should be neutral in his or her proposal, but this may be difficult. Therefore, to prevent the mediator from becoming partial, the parties and the mediator should define the criteria for impartiality. The mediator's role and proposal should not go beyond these boundaries.

The Rules allow for the use of other procedures. Having considered the parties' business relationship and interests, if the mediation is not appropriate, the mediator may propose other means or procedures for resolving the dispute which is "...most efficient, least costly and most productive...".[94]In this proposal, the mediator may offer arbitration where the mediator will, with the parties' agreement', arbitrate the dispute; the mediator may use the information disclosed during mediation in the arbitral proceedings.[95]

The possibility of using other procedures is preferable in resolving international intellectual property disputes. Mediation may only be effective if the parties have formerly established a mutually beneficial relationship and want to continue this relationship. For example in trademark licence disputes between franchisor and franchisee, the franchisor may not want to litigate the case. The franchisor, who may be a foreign company, depends on the franchisee -who has a better knowledge of the

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94 The WIPO Mediation Rules, art.13 (b), above n83.
95 Above n83, art.13 (b) (iv).

domestic market- when marketing his or her products. Litigating or arbitrating the case may destroy this relationship.

On the other hand, mediation may not be preferable if there is no existing business relationship. For instance, the owner of copyrighted books should not mediate with a publisher who reproduces the books without his or her authorisation. The owner should litigate the dispute through courts. These adversial and open court proceedings may deter other publishers from doing the same illegal reproduction of the books.

The Rules allow for the possibility of changing the mediator's role into an arbitrator's role during the mediation process. The information disclosed during the mediation process may also be used in the arbitral proceedings. However, this changed role may be problematic. If the parties do not disclose the important information, which was disclosed in the mediation, can the arbitrator require the parties to disclose such information? For example in a patent licence dispute where the owner of the patent had disclosed the trade secret to the mediator- who then becomes the arbitrator- in the separate caucus, can the arbitrator require the owner of the patent to disclose this trade secret ?

The owner of the patent may not want to disclose the trade secret in the arbitral proceedings. Disclosing the trade secret in the arbitration proceedings may jeopardise the secrecy of the information. To solve this problem, the parties should agree on the extent to which the arbitrator could require the information disclosed in the mediation to be used in the arbitral proceedings. The previous mediation process should not prejudice the parties' rights in the arbitral proceedings.

The Rules emphasis the importance of the confidentiality of the mediation proceeding. The Rules order all the persons involved in the process not to make records of, use or disclose the information to third parties.[96]The confidentiality is important to resolve international intellectual property disputes effectively . The parties may not disclose the confidential information if the confidentiality of the mediation process is not guaranteed.

There are three possibilities for terminating the mediation.[97] First, the parties may terminate the proceeding by signing a settlement agreement covering part of or all the issues in the dispute. Second, the mediator may also terminate the mediation if he or she

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96 The WIPO Mediation Rules, above n83, arts.14,15 and 16.

97 Above n83, art.18.

thinks the proceeding is not worth continuing. Finally, due to the parties' autonomy, a party may, at any time, declare the termination.

In short, the Mediaton Rules may enable the parties to produce a mutually acceptable solution to their dispute. These Rules are designed to satisfy the parties' interests. The parties can, at any time, withdraw from the mediation if it does not fulfill their interests. However, in some places these Rules need to be improved.

B. Arbitration Rules[98]

The WIPO Arbitration Rules consist of 78 articles and contain substantial provisions on the use of arbitration to resolve international commercial disputes, particularly in the settlement of international intellectual property disputes. These Rules govern, inter alia, the composition and establishment of the tribunal, conduct of the arbitration, the awards and confidentiality of the proceedings.

The Rules would only be applied if the parties, in their arbitration agreement,[99] agree to submit their dispute to these Rules.[100]In international commercial transactions which exploit intellectual property rights, the parties may insert arbitration clauses in their contract. This functions as a preventive measure to resolve future disputes.

Moreover, the parties may prefer to use international arbitration, "since only through international arbitration can a neutral body of jurisdiction be created".[101] The parties, however, may only choose to arbitrate some legal aspects of the transaction. For example, the parties may agree to arbitrate an intellectual property dispute if it does not contain trade secrets or confidential information.

The Rules must not be used to govern the arbitration if they contradict the domestic law applicable to the arbitration that cannot be set aside by the parties.[102]Each country has a different policy in the subject matter of arbitration law. However, most countries

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98 See WIPO Arbitration Rules, effective from 1 October 1994 (WIPO Publication,Geneva, 1 1996).[hereafter referred to "Rules"].

99 Above n98, art.1: " Arbitration Agreement is an agreement by the parties to submit to arbitration all or certain disputes which have arisen or which may between them;
An Arbitration Agreement may be in the form of an arbitration clause in a contract or in the form of a separate contract".

100 Above n98, art.2.

101 Klaus Lionnet "Arbitration and Mediation-Alternatives or Opposites?" (1987)4 J.Int'l Arb. 71.

102 Above n98, art.3 (a)

"protect parties against oppressive measures".[103] A country, for instance, may prohibit tthe arbitration of patent disputes concerning the compulsory licensing of the patent. As the arbitral awards will be executed through domestic courts, the Rules should respect the arbitration laws of the respective countries.

The parties may be represented or assisted by persons of their choice.[104]In international intellectual property disputes, the parties should be represented by lawyers who are knowledgable in the legal and technical aspects of the disputes.

The parties may determine the number of arbitrators.[105]If there is no agreement between the parties on the composition of the tribunal, the arbitration must be governed by a sole arbitrator or three arbitrators if the Centre, in its discretion, considers appropriate.[106]

However, there may be a problem about the impartiality and independence of arbitrators who are appointed by the Centre. The arbitrators may be influenced by the interests and objectives of the Centre. These interests may contradict with the parties' business interests. As the running of the Centre is financed by its incomes from the arbitration service, the Centre may abuse its power. Therefore the parties should be able to challenge such appointments.

It is important that "[e]ach arbitrator shall be impartial and independent".[107] Furthermore, any arbitrator must disclose to the parties if there are circumstances, during arbitration proceedings, that "might give rise to justifiable doubt as to any arbitrator's impartiality and independence..."[108] The impartiality of the arbitrators is the key factor in effective resolution of international intellectual property disputes. Therefore, there should be a mechanism to maintain the impartiality of the arbitrators during the arbitration proceedings. However, there should be no ambiguity and wide discretion of the arbitratorsto interpret the meaning of 'justifiable doubt'.

A party may challenge any arbitrator if it has reasonable grounds for doubting the arbitrator's impartiality and independence.[109] The Centre has discretion to make a final

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103 Mauro Rubino-Sammartano "Developing Countries vis-a-vis International Arbitration" (1996) 13 J.Int'l Arb.31.
104 The WIPO Arbitration Rules, art.13, above n98.
105 Above n98, art.14 (a).
106 Above n98, art.14 (b).
107 Above n98, art.22 (a).
108 Above n98, art.22 (c).
109 Above n98, art.24 (a).

decision "[i]f the other party does not agree to the challenge and the challenged arbitrator does not withdraw".[110]Moreover, the Centre may release an arbitrator from the appointment if the parties so requested or on its own judgement, "if the arbitrator has become de jure or de facto unable to fulfil, or fails to fulfil, the duties of an arbitrator".[111]

The provisions give wide discretion to the Centre to maintain the impartiality of the arbitrators. This may lessen the parties' autonomy to control the process. What if the the Centre's decision to release or to continuously employ an arbitrator injures the parties' rights, even though the parties opposed such a decision? Who will be financially responsible for the delays caused by the Centre's decision?

In international intellectual property disputes the released arbitrator may disclose the confidential information to third parties: if the Centre's decision was previously opposed by the parties, can it be legally responsible for such disclosure ? Such Centre's decision may unfavourably affect the outcome, which may not be accepted by the parties, of the arbitration proceedings. It may be preferable for the Centre not to have wide discretion in assessing the impartiality of the arbitrators.

In addition the Rules give the Tribunal wide discretion and power to control the arbitration proceedings. The Tribunal has discretion over the way the arbitration will be conducted.[112]The Centre must decide the place of arbitration if no such an agreement was made by the parties.[113]Subject to the power of the Tribunal to determine on the contrary, the parties have autonomy to choose the language of arbitration.[114]All these provisions lessen the parties' autonomy to control the arbitration proceedings.

In deciding the place of arbitration the Centre should carefully assess the arbitration law of the country where the dispute is arbitrated. For example, in an international patent dispute a country may prohibit the arbitration concerning the validity of a patent. Consequently, the arbitral award may be set aside if this award contradicts the country's law.

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110 WIPO Arbitration Rules, above n98, art.29.
111 Above n98, art.32.
112 Above n98, art.38 (a).
113 Above n98, art.39.
114 Above n98, art.40 (a).

Furthermore, the substantive law of the place of arbitration will govern the contents of the dispute. Therefore, it is important that the Centre should choose a state where its intellectual property laws are neutral and beneficial for both parties.

Like a court, the Tribunal may order interim measures.[115]The Tribunal also has power to determine the evidence and to order a party to produce documents for such purpose during the arbitration.[116] Furthermore, in certain conditions the Tribunal may require a party to disclose confidential information.[117]

Interim measures, such as injunctions are needed in the resolution of international intellectual property disputes. For example, in trademark disputes, these interim measures are effective in order to stop the defendant reproducing counterfeit goods. These are also useful for preventing perishable goods from decreasing in value. However, in practice, these provisional measures should be executed through national courts and "in the international context, these courts may not always be neutral, experienced, or authorized by their own laws to grant adequate relief".[118] Therefore, it is important that the parties should study the respective state's laws before they make an arbitration agreement.

In practice the power of the Tribunal to order the parties to produce evidence may delay the arbitration proceedings. Moreover, the Tribunal, for example, cannot directly ask for the defendant's financial information from a bank in the place of the arbitration. The Tribunal should ask for assistance from the local courts. The bureaucracy of the courts for processing such requests may delay the arbitration proceedings. To avoid such delays, the Tribunal should be given power to directly require the local authorities to produce such evidence or information.

The Rules allow a party to request the Tribunal to conduct a hearing for presentation of evidence by witnesses, including expert witnesses.[119]For instance, in patent disputes

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115 WIPO Arbitration Rules,art.46 (a), above n98.

116 Above n98, art.48 (a) (b).

117 Above n98, art.52 (c). Subparagraph (a) of this article defines confidential information as any information :
i) in the possession of a party,
ii) not accessible to the public,
iii) of commercial, financial or industrial significance, and
(iv) treated as confidential by the party possessing it.

118 Jan Paulson "Fast-Track Arbitration in Europe (With Special Reference to the WIPO Expedited Arbitration Rules)" (1995) 18 Hasting Int'l & Comp. L. Rev 714.

119 The WIPO Arbitration Rules, art.53 (a), above n98.

containing complex technical aspects expert witnesses are needed to resolve the disputes effectively.

However, there should be equal opportunities for the parties to request expert witnesses. It is most likely that a party with strong financial resources would 'win' the case because it could hire the best experts to support its arguments. On the other hand, a party with inadequate financial resources may not even be able to pay expert witnesses. In fact, a "settlement is also a function of the resources available to each party...those resources are frequently distributed unequally."[120]To produce a fairer award, this problem should be resolved.

The Tribunal may continue the arbitration proceedings and grant an award if a party, without reasonable causes, fails to present its case.[121] These *ex parte* proceedings may adversely damage the absent party's rights. Therefore, the Tribunal should not be given wide discretion and power to decide *ex parte* proceedings. There should be clearly determined reasons for the Tribunal to make such decisions.

The Rules state that the law chosen by the parties must be referred to as a basis for the Tribunal to decide the substance of the dispute.[122]Unless the parties agree otherwise and such an agreement is allowed by the law of the place of arbitration, the arbitration must be governed by the arbitration law of the place of arbitration.[123]

The parties' autonomy to choose the law is one of the advantages of using arbitration to settle their dispute. For example in international patent disputes they can choose the law of a state which gives adequate protection to foreign patent rights and protects their business interests.

The Rules stipulate that in arbitration consisting of more than one arbitrator an award must be made by a majority, unless the parties determine otherwise.[124] However, the presiding arbitrator must make the award if such a majority is not reached.[125]

It is most likely that the arbitrators who are appointed by the parties would serve the parties' interests and less impartial. Consequently, they may have strong disagreements on certain points of view. Therefore, the presiding arbitrator, who makes final

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120 Owen M. Fiss "Against Settlement" (1984) 93 Y.L.J. 1076.
121 WIPO Arbitration Rules, art.56 (d), above n98,
122 Above n98, art.59 (a).
123 Above n98, art.59 (b).
124 Above n98, art. 61.
125 Above n124.

decisions, must have strong personal integrity and be more qualified than the other arbitrators.

The arbitration proceedings and the final award should be made within 12 months. The award is final and binding and the parties are waived their right to appeal to courts or other judicial authorities.[126]

Waiving the parties' right to appeal the award may unfairly damage the parties' interests. Arbitration is not always perfect. The arbitrators may be partial and abuse their power. The parties may act in bad faith. The arbitration procedures may be unfair. Ultimately, the award may not fairly protect the parties' interests.

In the final analysis, arbitration may only give advantages to the parties if its procedures and structures are able to produce a fair solution. Furthermore, the arbitrators must be impartial and qualified persons. Adherence to a timetable should not put the quality of the award in jeopardy.

VI. COMPARATIVE ANALYSES OF THE WTO AND WIPO DISPUTE SETTLEMENT MECHANISMS

The WTO dispute settlement mechanism (DSU) has more legalistic approaches than the WIPO dispute settlement mechanism. The WTO mechanism works like a state's court. It has a strong enforcement mechanism. The losing party must implement the recommendations and rulings of the DSB otherwise it will face trade sanctions or retaliation from the winning party.

Moreover, the panel has an investigative function. It may seek information within the jurisdiction of a state party. The panel may ask for documents from local authorities of that state as evidence for the panel process. When threatened by trade sanctions or retaliation from the winning state party, the losing state party has no choice but to provide such information.

The DSU gives strong power to the DSB, ensuring the losing party's compliance with the DSB's recommendations and rulings. This body can undertake surveillances in the territory of the losing state party to 'psychologically force' the losing party to comply with its recommendations and rulings. Ultimately, the DSB can authorise the winning

126 WIPO Arbitration Rules, above n98, art.64 (a)

party to retaliate or sanction the losing party if this party does not comply with its recommendations and rulings.

The DSU strictly limits the time period for the settlement of disputes. This makes the parties unable to control the process. The parties must settle their disputes within this time framework. However, this strict time limitation may avoid delays in the dispute settlement process.

Even though the DSU gives the parties opportunities to negotiate their dispute during the panel process, this negotiation process must be done within the time framework. The parties cannot modify this time framework . Thus, the DSU lessens the parties' ability to control the process .

Furthermore, the DSU also reduces the party's autonomy to control the outcome of the process. They must not agree or produce a settlement which in practice is not consistent with the provisions of the covered agreements. For example, if the disputes involve intellectual property, they must settle their disputes within the framework of the TRIPs Agreement or other intellectual property conventions. Moreover, even though the parties have mutually accepted a settlement, this may be set aside or modified if the implementation of this settlement would be likely to harm the interests of other member states of the WTO.

The legalistic approaches of the WTO dispute settlement mechanism could be understood as an effort of the WTO to effectively enforce the provisions of the covered agreements within the domestic policies of its member states. This may enable the WTO to achieve its objectives. As a consequence, the parties must not agree on a settlement that is not consistent with the objectives of the WTO. The possibility of producing a mutually acceptable settlement , therefore, is limited by and must not contradict the objectives of the WTO and the interests of other state members of the WTO.

In contrast the WTO, the WIPO dispute settlement mechanism gives more discretion and autonomy to the parties to settle their disputes. This mechanism is specifically designed for meeting both private and state parties' interests. Therefore, the parties are given more options and flexibility in designing and modifying the structures and procedures of the mechanism.

Furthermore, the parties can at any time withdraw from the mediation if they think they cannot benefit from this procedure. Moreover, the parties can freely agree on the

manner in which the mediation will be conducted. Therefore, the party has more ability to control the outcome of the mediation.

However, the parties will lose their ability to control the outcome if they arbitrate their dispute under the WIPO Arbitration Rules. The Tribunal will control the process and the outcome of the arbitration. Moreover, because of the contractual nature of arbitration, courts may intervene in the arbitral process.[127]

Despite the differences, however, both the WTO and WIPO dispute settlement mechanisms emphasis the importance of the confidentiality in the settlement of disputes. All the parties or persons involved in the disputes must keep the confidentiality of the process and the outcome of the proceedings.

In the final analysis, if the WTO dispute settlement mechanism is applied in international intellectual property disputes, it may resolve intellectual property disputes between states more effectively. Its legalistic approaches and strong enforcement mechanism will 'force' the losing state party to comply with the DSB's recommendations and rulings.

However, the WTO dispute settlement mechanism fails to protect the interests of developing countries if the intellectual property disputes involve developing and developed countries. This is because of the imbalance of economic, political and trade power between those countries. As a result, developed countries would use trade sanctions and retaliation more effectively than developing countries if the disputes involved those countries.

Therefore, it is better for developing countries to settle their intellectual property dispute through the WIPO dispute settlement mechanism. This mechanism addresses the imbalance of power between the parties more fairly . The parties have more flexibility to choose their own settlement. Ultimately, this would enable developing countries to produce a settlement that meets their development interests.

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127 Amazu A. Asozu "A Threat To Arbitral Integrity" (1995) 12 J. Int'l Arb.159.

VII. CASE STUDY

A case study is a useful method of assessing the effectiveness of a dispute settlement mechanism. An analysis of the case would identify the weaknesses and strengths of this mechanism in settling disputes.

"Dunhill" Case

This case was decided by the Central Jakarta District Court, under its decision Number 542/1980 G, dated 21 August 1981. An analysis and discussion of this case will demonstrate whether an 'alternative' dispute resolution procedure is appropriate or may be more effective in resolving this kind of dispute. Since this case involves private parties, the discussion will focus on the analysis of the WIPO Mediation and Arbitration Rules.

A. The Parties

The Plaintiff was Mr. Richard Dunhill a Director of Alfred Dunhill Limited, a company incorporated and domiciled in England. The Defendant was Mrs.Lilin Sutan, domiciled in Jakarta

B. The Facts and Arguments

This case was about the unlawful use of well-known marks.

The Plaintiff had registered his trademark and tradename called 'DUNHILL' in Indonesia under Number 81996 of 27 October 1965 for 'filtered cigarettes'.

The Defendant also registered a mark named DUNHILL for 'watches and other timing instruments'. She registered this mark on 15 January 1980 under Number 142434.

The Plaintiff claimed that he was the first user of the trademark and tradename of DUNHILL in Indonesia and in the world, therefore they had a sole right to use the marks in Indonesia. The Plaintiff argued that even though his products and the Defendant's were not of the same class, the use of the Defendant's mark might confuse the consumers. The consumers might think that the Defendant's products were produced by the Plaintiff or had some connection with the Plaintiff's products.

The Plaintiff alleged that the Defendant had intentionally and without good faith used his mark, which was well known to the consumers, to make a profit. Therefore, the Plaintiff requested the Court to declare that he was the first user of the DUNHILL mark and to cancel the Defendant's mark from the registration.

On the other hand, the Defendant argued that the Trademark Law Number 21 of 1961 only protected a mark used for goods of the same class. The Defendant contended that her products were not of the same class as the Plaintiff's. She claimed that the Plaintiff never registered the DUNHILL mark for 'watches and other timing instruments'. Furthermore, the Defendant argued that according to the Trademark Law 1961, a request for the cancellation of a mark must be lodged within nine months of the publication of the Defendant's mark.

The Defendant rejected the Plaintiff's arguments that her products confused the consumers. She asserted that as her products did not contain the words 'Alfred Dunhill Ltd' but the words 'President Watch Coy, Indonesia', the consumers would not be misled. Therefore, the Defendant asked the Court to refuse the Plaintiff's demands.

C. The Court's Opinion and Judgment

The Court held that even though the Defendant's mark had differences in the letter configuration, it was essentially identical to the Plaintiff's mark when it was spelt out. Therefore it would mislead the consumers.

The Court further argued that despite the fact that the nine months period for the cancellation of the Defendant' mark had elapsed, because of her bad faith the Defendant's mark could not be protected.

In its decision, the Court declared that the Defendant's mark was similar to the Plaintiff's. Therefore, the Court ordered the Patent and Copyright Office to cancel the Defendant's mark from its registration.

D. Case Analysis.

The elements of the case can be identified as follows:

1.There was no previous business relationship between the parties;
2.The Plaintiff seems to be in a strong legal position to win the case;
3.The Defendant's wrong-doings had harmed the Plaintiff's business interests;

4.The Defendant may continue her illegal activities if not stopped;
5.Both Plaintiff and Defendant registered the mark; and
6.The Plaintiff may license the mark to the Defendant.

From the Plaintiff's perspectives, therefore, it is better to litigate the case. This litigation may stop the Defendant continuing her illegal activities. This may also deter other persons or companies from doing the same act. If he wins the case, the Plaintiff will have a good precedent. Other advantages for litigating this case are to identify all the participants involved in those illegal activities and to prevent the Defendant and other persons from marketing the infringing goods.[128]

However, the Plaintiff must have strong legal arguments to litigate the case. He must be sure that he will win the case as he will lose his trademark right if he loses. If the Plaintiff loses the case, he will be prohibited from using the mark and from marketing his products in Indonesia.

Ultimately, it is not appropriate for the Plaintiff to refer the case to the WIPO Mediation and Arbitration Rules because the confidentiality of the WIPO dispute settlement mechanism may lessen the deterrent effects of the case. The Plaintiff's objectives are to stop the Defendant continuing her illegal activities, to deter other persons from illegally using his marks, and to establish a precedent. The WIPO dispute settlement mechanism does not accomodate these objectives.

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128 Hillary Pearson et al *Commercial Exploitation of Intellectual Property* (Blackstone Press Ltd, London, 1990) 223.

VIII. CONCLUSION

The WTO dispute settlement mechanism fails to respond adequately to the needs and development interests of developing countries. This mechanism does not properly address the imbalance of power between developing and developed countries in the resolution of international intellectual property disputes. Consequently, the use of this mechanism would result in an unfair dispute settlement for developing countries as the weaker parties.

Therefore, there is a need to reform the WTO dispute settlement mechanism. This reform should have the ability to resolve international intellectual property disputes in a 'win-win solution'. Moreover, it should fairly promote development interests of the state parties. More importantly, this reform should be able to create a just world trade system and an equal international economic order.

On the other hand, the WIPO dispute settlement mechanism gives more autonomy and flexibility to the parties in in international intellectual property disputes to control the outcome of the dispute settlement process. In addition, this mechanism also more adequately addresses the imbalance of power between the parties. Ultimately, the use of this mechanism would be more likely to produce a mutually acceptable solution.

Therefore, developing countries should better use the WIPO dispute settlement mechanism to resolve international intellectual property disputes. The flexibility of this mechanism would enable developing countries to produce a settlement that meets their development interests.

In the final analysis, the effectiveness of a dispute settlement mechanism within an international organization should not be evaluated merely from the point of view of its strong enforcement mechanism. More fundamentally, such a mechanism must also have the ability to produce a settlement that promotes and protects development interests of the parties to a dispute, particularly the weaker parties from developing countries. Afterall, how can one say that a dispute settlement mechanism is effective when the implementation of its resolutions causes suffering for the people of developing countries?

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