

2012

Plugging the Leak in § 1498: Coercing the United States into Notifying Patent Owners of Government Use

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Recommended Citation

Steven Rushing, Plugging the Leak in § 1498: Coercing the United States into Notifying Patent Owners of Government Use, 45 *Vanderbilt Law Review* 879 (2021)

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Plugging the Leak in § 1498: Coercing the United States into Notifying Patent Owners of Government Use

ABSTRACT

When the United States uses a patent for public, noncommercial purposes, it is required under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) to provide notification to the patent owner. However, the United States has never implemented legislation to conform with its obligation and is therefore in violation of TRIPS. This Note argues that by permitting obvious and smaller violations—such as lack of notification—to fester, the United States has left the door open for other members of the World Trade Organization (WTO) to weaken the United States' overall trade policy. Members could likely accomplish this goal by first bringing a dispute over obvious U.S. violations to the WTO in order to build a growing sentiment against the United States. If the United States wishes to stay ahead of such risks and continue using current trade policies, it should amend its laws to correct smaller violations such as the lack of notification, and thus prevent possible attacks from rival members.

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I. INTRODUCTION

"Whenever . . . a patent of the United States is used . . . by or for the United States without license . . . or lawful right to use . . . , the [patent] owner's remedy shall be . . . recovery of his reasonable and entire compensation . . ."¹ But is the United States obligated to disclose the use of the patent? What if the United States were to use a foreign defense contractor's patent and deny the patent owner the ability to learn of such use on national security grounds? What would the international community do in retaliation? This Note argues that while there is no domestic obligation to disclose government use to a patent owner, the United States is in violation of the 1994 World Trade Organization (WTO) Agreement on Trade-Related Intellectual Property Rights (TRIPS).² Accordingly, the United States should

1. 28 U.S.C. § 1498(a) (2006). For a detailed overview of § 1498 and the process of bringing a claim against the United States, see David R. Lipson, *We're Not Under Title 35 Anymore: Patent Litigation Against the United States Under 28 U.S.C. § 1498(a)*, 33 PUB. CONT. L.J. 243 (2003).

2. See Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization,

amend its domestic law before other countries have the opportunity to use the violation to weaken U.S. trade policy in key enforcement areas.

TRIPS is an agreement on international intellectual property (IP) rights that has strong roots in U.S. history.³ Similar to U.S. law, TRIPS takes an aggressive approach to the enforcement of patent rights both domestically and internationally.⁴ When a WTO member's⁵ patent laws do not comply with TRIPS, the member risks litigation through a dispute process. The resolution and final outcome of a dispute can include a forced change of law or trade sanctions.⁶ However, the real danger to a violating country is the threat of a dispute itself. Rival nations can intimidate a violating country into accepting a range of trade-related agreements that disadvantage the violator and increase the wealth of the instigator.⁷ The United States has employed this tactic long before TRIPS came into existence and even helped draft the agreement to ensure a continuing legal way to accomplish its goals.⁸

For the United States, this strategy of strong-arming competitors is a double-edged sword. The United States has vigorously enforced its IP rights against violating members through a variety of questionable tactics.⁹ The world has taken notice of the hypocritical behavior of the United States, as many nations refuse to abide by the same agreements it forces on others. Indeed, rival countries loathe

Annex 1C, 1869 U.N.T.S. 299 (1995) [hereinafter TRIPS] (establishing WTO members' obligation to protect intellectual property rights in furtherance of international trade).

3. See, e.g., SUSAN K. SELL, *PRIVATE POWER, PUBLIC LAW: THE GLOBALIZATION OF INTELLECTUAL PROPERTY RIGHTS* 96–120 (2003) (opining that pressure placed on the U.S. government to take the lead in improving the international protection of intellectual property by corporations led to the United States' role as a major player in defining TRIPS).

4. See TRIPS, *supra* note 2, art. 41 ("Members shall ensure that enforcement procedures as specified in this Part are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements."). For an especially detailed analysis of various TRIPS enforcement measures, see generally CARLOS M. CORREA, *TRADE RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS* (2007) (discussing Article 41 in context of other provisions of TRIPS and defining the scope of enforcement).

5. There are currently 153 WTO countries and trading territories that have different levels of TRIPS implementation based on varying timetables. *Understanding the WTO—Members*, WORLD TRADE ORG., http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm (last visited Apr. 1, 2012).

6. See discussion *infra* Part III.C.

7. See discussion *infra* Part III.C (discussing how the threat of a dispute can intimidate countries into negotiating a settlement favorable to the challenger).

8. See generally SELL, *supra* note 3, at 75–85 (chronicling the development of a U.S. trade-based approach to IP enforcement).

9. See *infra* Part IV.A (discussing how the United States has used its power to manipulate nations that are incapable of defending themselves in expensive disputes).

the bargaining power of the United States through trade embargos and tariffs, the unilateral Special 301 powers of the U.S. Trade Representative, and the disregard of TRIPS compliance while demanding implementation from others.¹⁰

The idea of U.S. exceptionalism has reigned on the world stage in the past century.¹¹ There is only a matter of time though before competitor nations employ a strategy of using U.S. noncompliance with TRIPS to gain a trading edge on the world's largest exporter. Together with a growing global economy, the United States cannot operate under the assumption that it is immune from the demands of other nations and is the sole hegemonic nation. If members collectively act against the United States, the power and position it has enjoyed will surely decline. However, major complaints against the United States in the past have proven unwise. Thus, a more nuanced plan of attack is likely.

This Note argues that the United States must comply with the agreement it helped to foster and notify patent owners when it uses a patent. If the United States cannot see the wisdom in complying with TRIPS then the rest of the world will not only enforce compliance, but also likely use the obvious violation to attack U.S. policy. After briefly discussing current U.S. law on government use and analyzing the relevant international agreements, Part II determines the United States is in violation of TRIPS. The importance of enforcing the notification requirement is discussed in Part III, including why patent holders, especially foreign patentees, have virtually no chance of discovering use without notification; why developed countries have a stake in bolstering the enforcement of TRIPS; and why the international community needs to highlight the legitimacy of Dispute Settlement Understanding (DSU).¹²

In Part IV, the central thesis is developed by examining the major complaints against the United States—the Special 301 powers employed by the Trade Representative, threats of TRIPS violations in exchange for trade concessions, and failing to meet international standards while requiring compliance. By initially determining a member similar to the European Union will be the plaintiff in a dispute against the United States, this Note concludes the first attempt to alter U.S. trade policy will likely be made through a

10. *Id.*

11. See, e.g., *Origins and Future of U.S. "Exceptionalism"* (NPR radio broadcast May 2, 2008), available at <http://www.npr.org/templates/story/story.php?storyId=90126925> (describing how the United States has always been considered "very different" from other countries).

12. See Understanding on Rules and Procedures Governing the Settlement of Disputes art. 1, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 2, 1869 U.N.T.S. 401 (laying out the general provisions of the WTO dispute settlement system and explaining its importance).

relatively smaller contest. While the prudent action would be for the United States to amend its law regarding notification requirements to comply with TRIPS, if it refuses, the international community will be incentivized to force implementation. After all, a ruling against the United States can be employed in a grander scheme to weaken U.S. policy. The lack of a notification requirement is small enough to be solvable by the United States, yet large enough to alter policy in the defense sector. This would be a deceptive and unfortunate blow to U.S. interests. It could also force the United States to write a less favorable amendment to the law with the greater attention from members.

In Part V, the defensive strategy for the United States is explored. This begins with an overview of similar statutes and treaties involving other countries that the United States can use as a template. To that end, this Note concludes that to stay one move ahead of competing nations, the best strategy for the United States is to proactively amend its law. Through adding a notification requirement without international pressure, the United States can minimize damage to defense contractors, among others, while delaying disputes on other issues. However, if the United States procrastinates and does not amend the law, this Note lays out possible arguments for its use in an eventual dispute. Finally, Part VI concludes that for the United States to continue using TRIPS as an effective means of controlling international IP standards, it needs to proactively fix compliance violations on its own terms. By rewriting the law to fix the lack of notification, the United States can define terms such as how and when a patent owner is notified while satisfying international obligations.

II. BACKGROUND

This Part begins by introducing § 1498 and its place in U.S. law. It then introduces the TRIPS Agreement and concludes that while other countries are likely in compliance, the United States is clearly in violation of the Agreement.

A. U.S. Law on Government Use of Private Patent

Section 1498 allows the U.S. government to use a patent for public noncommercial reasons. The relevant version of the statute reads:

Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the United States Court of Federal Claims for the

recovery of his reasonable and entire compensation for such use and manufacture. . . .

For the purposes of this section, the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States.¹³

By requiring “reasonable and entire compensation” for the use of the patent, the United States has acknowledged it cannot take away a patent holder’s right to reparation.¹⁴ This is made possible because § 1498 requires the government to waive sovereign immunity when a contractor has used a patent.¹⁵ The waiver is not based on an infringement by the U.S. government. Instead, the government is simply responsible for paying a reasonable royalty under a tort theory of liability.¹⁶ Therefore, § 1498 encourages patent infringement because contracting companies know they can reduce bids on government contracts since they can use patents without fear of liability.¹⁷

Despite what the statute requires, it neglects to mention how a patent holder can discover the government use.¹⁸ A patent owner is entitled to receive a sum of money from the government,¹⁹ but if the patent owner has no way to learn of the use he may never be reimbursed. This problem is only magnified in a national defense context. The legislative history of the statute shows the government initially intended for patent holders to be notified of the government use when the law was passed during World War I.²⁰ At the very least,

13. 28 U.S.C. § 1498(a) (2006).

14. See Blake Evan Reese, Note, *Do as I Say, Not as I Do: An International and Comparative Study of Governments’ Rights to “Infringe” Patents in Light of the Federal Circuit’s Recent Interpretation of 28 U.S.C. § 1498 and a Call for Congress to Modernize the Statute*, 4 BUFF. INTELL. PROP. L.J. 84, 117–18 (2006) (finding that the history of U.S. patent law demands payment to a patent holder to satisfy the historical reasons for patents in general).

15. See, e.g., INST. FOR TRADE, STANDARDS & SUSTAINABLE DEV. [ITSSD], ITSSD COMMENTS CONCERNING DOCUMENT (SCP/13/3): PATENT EXCLUSIONS, EXCEPTIONS & LIMITATIONS 18 (2009), available at http://www.wipo.int/scp/en/meetings/session_14/studies/itssd_2.pdf [hereinafter ITSSD COMMENTS] (noting that § 1498 permits patent owners to sue the government by waiving sovereign immunity).

16. Jerome H. Reichman, Presentation to the AALS Mid-Year Workshop on Intellectual Property: Compulsory Licensing of Patented Inventions: Comparing United States Law and Practice with Options Under the TRIPS Agreement 5–6 (June 15, 2006) (citation omitted), available at <http://www.aals.org/documents/2006intprop/JeromeReichmanOutline.pdf>.

17. *Id.* at 6.

18. See generally § 1498(a).

19. *Id.*

20. ITSSD COMMENTS, *supra* note 15, at 14 (describing how the Navy, concerned about the potential for litigation, requested an amendment that gave the government broad authority to use patented technologies for a governmental purpose).

it was assumed the use would become known through a variety of measures.²¹

Over the course of the past one hundred years, patent holders have discovered most instances of government use without notification.²² This usually derived from the government using a patent after failed licensing negotiations and the patent owner proactively looking for government use.²³ However, during that same time the number of patents available for government use has increased exponentially.²⁴ Coupled with the dramatic expansion of the national defense budget²⁵ and lack of centralized agency oversight, the United States has neglected to amend § 1498 to help a domestic or foreign patent owner discover the government use.

Patent holders clearly deserve compensation, but the U.S. government has attempted to circumvent those rights by failing to require notification of use.²⁶ A proponent of the current statute would argue that part of the bargain a patentee makes with the government in exchange for a limited monopoly is the right to use the patent for public noncommercial purposes. The same advocate would also argue the purposes are limited to those deemed valuable for the public good by the government.

However, while the U.S. Constitution allows for Congress to provide for the common welfare,²⁷ it also states that patent holders are entitled to “the exclusive Right to their respective . . . Discoveries.”²⁸ Patent rights have never been meant to be subordinated to the

21. See generally Reese, *supra* note 14, at 106–15 (demonstrating how other countries give notice of use).

22. Although the number of cases brought before the Federal Court of Claims is likely indicative of the majority of takings by the government, it cannot account for the unknown number of potential cases that could have arisen if the patent owners had been told of the use.

23. See Timothy R. Wyatt, *In Search of “Reasonable Compensation”: Patent Infringement by Defense Contractors with the Authorization and Consent of the U.S. Government*, 20 FED. CIR. B.J. 79, 85 (2010) (citing *Robishaw Eng’g, Inc. v. United States*, 891 F. Supp. 1134 (E.D. Va. 1995)) (discussing how, after failing to secure a license from a patentee, the U.S. government allowed the patentee’s competitor to make the product for government use).

24. *U.S. Patent Statistics Chart: 1963–2010*, U.S. PAT. & TRADEMARK OFF., http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm (last visited Apr. 1, 2012).

25. See OFFICE OF MGMT. & BUDGET, EXEC. OFFICE OF THE PRESIDENT, BUDGET OF THE UNITED STATES GOVERNMENT, FISCAL YEAR 2011, at 47–62 (2010), available at <http://www.gpo.gov/fdsys/pkg/BUDGET-2011-TAB/pdf/BUDGET-2011-TAB.pdf> (charting the general historical tables for defense spending throughout the history of the United States).

26. See Reese, *supra* note 14, at 106–15 (comparing U.S. law to other countries’ statutes and noting that other countries provide for notification while the United States does not).

27. U.S. CONST. art. I, § 8, cl. 1 (“The Congress shall have Power To . . . provide for the common Defence and general Welfare of the United States . . .”).

28. *Id.* art. I, § 8, cl. 8.

government's interest.²⁹ Indeed, the Supreme Court has declared as much in various rulings.³⁰ Congress though has not taken these signs to mean the government has an affirmative duty to inform a patent holder when it confiscates a patent.³¹ Instead, the U.S. government has seemingly granted patent owners only a token concession, as § 1498 allows for recovery for government use while never notifying owners that they have this right.

B. TRIPS

The TRIPS agreement is a pact between members to provide an international standard for IP protection.³² TRIPS does not create an international patent system.³³ Instead it sets a minimum bar of protection for patents in member nations.³⁴ Patent rights, of particular importance to large corporations in developed countries, have a broad range of protections aimed at curbing infringement.³⁵ Last year alone, pharmaceutical, agriculture, and entertainment corporations generated close to \$2 trillion in profit and have an enormous interest in protecting their technology.³⁶ Although the United States is seen as a driving force in creating TRIPS, it is equally valid to claim that U.S. corporations that pressured Congress were the ultimate instigators.³⁷

As an example, the ability of U.S. corporations to enforce patent rights abroad was severely limited prior to TRIPS because they had to rely on the force of law in the infringing nation.³⁸ Even now under TRIPS, these same corporations cannot bring disputes against infringing countries themselves. However, with the cooperation and

29. *Id.*

30. *See* *Zoltek Corp. v. United States*, 442 F.3d 1345, 1373 (Fed. Cir. 2006) (Plager, J., dissenting) (describing how the Supreme Court in *Schillinger v. United States*, 155 U.S. 163 (1894) determined that there was a constitutional claim to compensation for the government's use of a patented invention), *vacated*, No. 2009-5135, 2012 WL 833892 (Fed. Cir. Mar. 14, 2012).

31. *See* *Zoltek Corp. v. United States*, 51 Fed. Cl. 829, 837-38 (2002) (stating that Congress passed § 1498 in 1910 and has essentially left it alone ever since).

32. TRIPS, *supra* note 2, pmb1.

33. *See id.* art. 1 (allowing members to implement TRIPS according to their "own legal system and practice").

34. CARLOS M. CORREA, *INTELLECTUAL PROPERTY RIGHTS, THE WTO AND DEVELOPING COUNTRIES: THE TRIPS AGREEMENT AND POLICY OPTIONS* 8 (2000).

35. *See id.* at 49-100 (noting that the negotiators agreed to extend protection to "all types of products and processes").

36. *See* CAROLYN DEERE, *THE IMPLEMENTATION GAME: THE TRIPS AGREEMENT AND THE GLOBAL POLITICS OF INTELLECTUAL PROPERTY REFORM IN DEVELOPING COUNTRIES* 9 (2009) (citing profits from the pharmaceutical, commercial seed, global software, and entertainment industries).

37. SELL, *supra* note 3, at 96-97.

38. *See id.* at 39-43 (describing the U.S. patent protection policies pre-TRIPS and the factors that set the stage for a global instrument).

enforcement of the U.S. government, corporations now implicitly have the backing of the international community.³⁹ The protections related to the government use of patents state:

Where the law of a Member allows for other use of the subject matter of a patent without the authorization of the right holder, including use by the government or third parties authorized by the government, the following provisions shall be respected:

. . . .

In the case of public non-commercial use, where the government or contractor, without making a patent search, knows or has demonstrable grounds to know that a valid patent is or will be used by or for the government, the right holder shall be informed promptly⁴⁰

TRIPS clearly delineates the need for notification when the government uses a patent for public noncommercial purposes.⁴¹ Even though the language gives governments a measure of freedom in defining “promptly,” there is no reasonable interpretation that would deny a patent holder the right to be notified at some point. Virtually all countries interpreting Article 31 have a notification requirement in their statutes when issuing a license for public noncommercial use.⁴² Typically, these only require the nation to inform the patent owner in a reasonable amount of time.⁴³ Clearly § 1498 does not comply with TRIPS, as it does not require any notification from the government about the seizure.⁴⁴

Article 31 does not limit the grounds of what constitutes public noncommercial use. The United States interprets this to permit

39. *Id.* at 118–20.

40. TRIPS, *supra* note 2, art. 31 (emphasis added) (footnote omitted).

41. *Id.*

42. *See, e.g.,* Reese, *supra* note 14, at 119–20 (“Australia, the United Kingdom, Israel, and TRIPS all mandate notice to be given to patentees when the government uses or exploits the patentees’ inventions . . .”).

43. *See, e.g.,* Frederick M. Abbott, *The WTO Medicines Decision: World Pharmaceutical Trade and the Protection of Public Health*, 99 AM. J. INT’L L. 317, 342 (2005) (discussing rules for government use permission in Europe and the role of a “reasonable period of time” requirement).

44. UNITED NATIONS CONFERENCE ON TRADE & DEV. [UNCTAD] & INT’L CTR. FOR TRADE & SUSTAINABLE DEV. [ICTSD], PROJECT ON IPRS AND SUSTAINABLE DEVELOPMENT, RESOURCE BOOK ON TRIPS AND DEVELOPMENT 468 (2005) (“Under U.S. law, the government may use any patented invention (or authorize its contractor to use such invention) without providing . . . notification to the patent holder . . .”); *see* Abbott, *supra* note 43 (“In United States law, the government may use patents without notice to the patent holder . . .”); Reese, *supra* note 14, at 119–20 (noting that in contrast to its allies, the United States does not mandate notification of governmental use). *See generally* LiLan Ren, Comment, *A Comparison of 28 U.S.C. § 1498(a) and Foreign Statutes and an Analysis of § 1498(a)’s Compliance with TRIPS*, 41 HOUS. L. REV. 1659, 1677 (2005) (explaining that although TRIPS was modeled after U.S. patent law, it does not necessarily follow that U.S. patent law is in compliance with TRIPS).

government use for a wide variety of reasons.⁴⁵ The provision was included in TRIPS to appease the United States because it relies on the broad applicability of § 1498 to any industry.⁴⁶ Without incorporating Article 31, the United States may never have signed the agreement. However, Article 31 does require a patent owner be notified as soon as reasonably practical.⁴⁷ As to what constitutes a rational interpretation of “reasonably,” this is a question likely decided differently by each country. Understanding this reality, Congress would be wise to use this uncertainty when amending § 1498.

While Article 31 does not contain the specific language, government use in the context of this Note is defined as “public noncommercial use,” while “noncommercial” is synonymous with “not-for-profit.”⁴⁸ Additionally, “public” is defined as use by a government or a private entity.⁴⁹ These definitions are important for patent owners who do learn of government use to ensure a third party designated by the government only uses a patent for public nonprofit reasons and does not exploit the patent for personal gain. Because the U.S. government indemnifies third parties for use of a patent to fulfill a government purpose, government contractors have little to lose from exploiting a patent and using the knowledge gained for profit.⁵⁰

45. See CORREA, *supra* note 34, at 90–91 (explaining that the United States has “made extensive use of compulsory licenses for governmental use”). See generally DEERE, *supra* note 36, at 81 (explaining in detail compulsory licenses for government use by nations around the world).

46. Reichman, *supra* note 16, at 5 (“It was, indeed, the necessity of accommodating the United States’ reliance on this provision that ultimately led the TRIPS negotiators to allow WTO Members to grant compulsory licenses for virtually any purpose under article 31.”); see also CORREA, *supra* note 4, at 313–15 (explaining the United States’ significant historical use of compulsory licensing and Article 31’s grant of flexibility to members that wish to grant compulsory licensing).

47. See CORREA, *supra* note 4, at 314 (“Article 31 . . . does not limit in any way the capacity of governments to grant compulsory licenses or undertake government use.”).

48. See UNCTAD & ICTSD, *supra* note 44, at 471–72 (finding that the “public non-commercial use” term is very flexible and allows for a great deal of manipulation by a government to determine time of notification and payment due).

49. *Id.*

50. See Wyatt, *supra* note 23, at 83–84 (citing Federal Acquisition Regulation (FAR) 52.227-1 (2009), which is a standard clause in defense acquisition contracts indemnifying the government for patent infringement acts by government contractors). For a more detailed look at the Defense Department’s internal requirements for requiring government contractors to provide notice to the government of use, see generally FAR 252.227-7039 (1990), available at <http://www.acq.osd.mil/dpap/dars/dfars/html/current/252227.htm#252.227-7039>.

III. WHY MEMBERS WILL ENFORCE THE NOTIFICATION REQUIREMENT

Despite the conclusion the United States is in violation of the TRIPS requirement, no country will bring a costly dispute case without good reason, which is almost always money.⁵¹ The concerns of corporations are most likely to align with this interest and be the driving force in the worldwide debate. Already, corporations from the United States have applied pressure to the government.⁵² Foreign corporations will soon follow due to the incredible unlikelihood they will learn about government use under the U.S. system.

Within this context there are three main criticisms countries have against the U.S. system. First, nonexistent discovery has become a paramount issue for corporations in the pharmaceutical and hi-tech industries who have the majority of their value tied up in IP.⁵³ Second, members have an incentive to enforce TRIPS provisions against countries that vigorously monitor them.⁵⁴ Third, there is a perceived need among other nations to make the dispute system a truly credible resolution board that is not afraid to take on large developed members such as the United States on important matters.⁵⁵ However, these reasons are not exhaustive. Many nations share the same motives for wanting to bring a case against the United States and the notification requirement is a great vehicle for rival nations to accomplish their goals.

A. *Nonexistent Discovery Under U.S. Law*

Compared to other nations, the pro-industry public policies of the United States allow for a great deal of meaningful discovery.⁵⁶

51. See *Understanding the WTO—The Panel Process*, WORLD TRADE ORG., http://www.wto.org/english/thewto_e/whatis_e/tif_e/disp2_e.htm (last visited Apr. 1, 2012) (illustrating the steps and the time required to work a claim through the settlement process); Discussion *supra* Part II.B (noting that financial interests have motivated actors such as corporations to seek greater intellectual property protection through TRIPS).

52. See Harold C. Wegner & Stephen B. Maebuis, *The Global Biotech Patent Application*, in *BIOTECHNOLOGY LAW: BIOTECHNOLOGY PATENTS & BUSINESS STRATEGIES IN THE NEW MILLENNIUM*, 87, 126 (S. Peter Ludwig ed., 2001) (discussing the difficulty of proving use in an American court in part because of the difficulty of meaningful discovery abroad).

53. See *infra* Part III.A (describing how U.S. law generally inhibits discovery in cases against the government).

54. See *infra* Part III.B (discussing the need for developing countries to ensure the viability of TRIPS to be able to check the United States' abuse of power).

55. See *infra* Part III.C (describing how members feel the need to ensure that the settlement process appears fair and unbiased).

56. *But see* Wegner & Maebuis, *supra* note 52, at 126 ("Where a country on the first level of technology and economic development had a problem with the enforcement of process patents (where secrecy of the accused infringer's process was safeguarded by the absence of meaningful discovery), clearly, the problem is geometrically multiplied

Consequently the large amount of patent discovery in the commercial context has led to a swarm of litigation.⁵⁷ However, this has not been the case in the government use arena. Without notification, the odds a domestic patent holder will learn of government use within the statutory time limit are minimal.⁵⁸ The problem is magnified if the patent owner resides in a foreign country. Because work done by government contractors is often labeled secret and compartmentalized, the outside company will never learn of the use unless by accident or random event.⁵⁹

By contrast, the U.S. government typically knows about the use of patents without permission from the patent owner. Government contractors are required to report to the Department of Defense or certain agencies when they use a patent without first acquiring rights.⁶⁰ This is facilitated by a simple mechanism that allows the third party to list the patents it has used and the reason they were needed.⁶¹ Because the government will take financial responsibility, contractors are highly incentivized to quickly and accurately notify the government.⁶² Otherwise a contractor could be held liable for patent infringement.⁶³

Understanding this fact, government contractors are motivated to use the patents of others because it allows them to deflect additional research and development costs associated with fulfilling

in any country which does not have the same pro-industry public policy appreciation of patents of a Japan.”).

57. For a detailed outline of patent litigation statistics in the United States, including the number of cases, disposition, and other relevant data, see Univ. of Hous. Law Ctr., *U.S. Patent Litigation Statistics*, PATSTATS.COM (last updated Jan. 3, 2012), <http://www.patstats.org/Patstats3.html>.

58. See generally Lipson, *supra* note 1, at 251 (noting that a patent owner's chances of discovering government use are even more reduced as § 1498(a) actions have a strict six-year statute of limitations).

59. See Wyatt, *supra* note 23, at 84 (suggesting that because § 1498 protects contractors “whether the contractors or the government are aware that the contract calls for infringing activities,” without the ability of any private patent owner to discover much of secret government use, there is little chance that discovery of government use will be found).

60. See William C. Bergmann & Bukola Aina, *Intellectual Property Rights in Government Contracting*, ANDREWS LITIG. REP.: INTELL. PROP., Aug. 11, 2009, at 6, 8 (laying out the significant FAR clauses relating to patents in government contracting).

61. See Bergmann & Aina, *supra* note 60, at 10 (stating that a contractor is obligated “to notify the government of any allegations of patent or copyright infringement arising during the performance of the contract The government will pay for the cost of assisting in the defense of a claim unless an indemnification clause is included in the contract.”).

62. See Wyatt, *supra* note 23, at 81–84 (discussing the development of immunity for defense contractors from patent infringement claims if there was government authorization of use of the patent).

63. See *id.* at 82 (stating that prior to the enactment of § 1498, “[c]ontractors could be sued directly for infringement and could be subject to injunctive relief as well as damages”).

government contracts.⁶⁴ Without § 1498, the costs of many government contracts would go up substantially.⁶⁵ By allowing defense contractors to minimize costs through co-opting patent rights, the government has shifted the cost of national defense to all patentees filing with the U.S. Patent Office.

Therefore, the true reason a patent holder should demand a notification requirement is to stop competitors from using the patent for more than simply fulfilling a government contract. While collecting a royalty from the government is good incentive, it is not likely to be the main argument for notification. Due to the incredibly high burden on a patent owner to prove a § 1498 case against the government, very few plaintiffs are likely to win in court.⁶⁶ Indeed, the money won is typically very small compared to what the patent is worth on the commercial markets.⁶⁷

However, when a contractor uses a patent, they are obligated to only use it for public noncommercial purposes.⁶⁸ If a contractor then exploits the use of the patent for commercial gains the contractor has violated the spirit of the law.⁶⁹ This can happen by acquiring knowledge only gained through practicing the patent and subsequently using that expertise to fashion other commercial products or processes for profit. Without notification, there would be no discovery of the initial violation of rights, but the patent holder would also be stripped of the ability to monitor and restrain the contractor from exploiting the patent for commercial gain.⁷⁰ Because

64. See *id.* (“This excused the government from having to bargain with patent owners over licensing fees prior to adopting the patented technology and prevented patent owners from seeking injunctions against government use of the patented technology.”).

65. See *id.* (discussing how, before the enactment of § 1498, contractors were “exposed to expensive litigation, involving the possibilities of prohibitive injunction, payment of royalties, rendering of accounts, and payment of punitive damages” (quoting *Richmond Screw Anchor Co. v. United States*, 275 U.S. 331, 342–43 (1928))).

66. See Lipson, *supra* note 1, at 246–48 (discussing restrictions on § 1498(a) actions such as jurisdictional limitations and limitations related to the connection of § 1498(a) to eminent domain law).

67. See *id.* at 253–57 (discussing how lost profit damages are disfavored and enhanced damages are unavailable in § 1498(a) actions).

68. See Wyatt, *supra* note 23, at 84 (“The clause protects contractors from infringement claims as long as performance of the contract, according to the government specification, necessarily results in infringement of an existing patent.”).

69. See 28 U.S.C. § 1498(a) (2006) (“For the purposes of this section, the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States.”).

70. See Lipson, *supra* note 1, at 249 (implying that because patent owners cannot gain injunctive relief against the government or its contractors, the only remedy worth obtaining is the knowledge of the use in order to be vigilant against new products or processes the contractor attempts to commercialize that infringe on the patent).

payment from the government is potentially minimal compared with lost profits, the real loss to the patent owner is the ability to restrain competitors from gaining a technological advantage the patent owner had already legally obtained.

B. *Necessity of Demanding Compliance with TRIPS*

It is in the best interest of developed nations to ensure the continued viability of TRIPS. Without TRIPS, IP friendly nations would incur large transaction costs associated with forcing others to protect their IP.⁷¹ This was the case pre-TRIPS, as nations had to enforce IP rights abroad within the legal system of an infringing nation.⁷² The hometown advantage offered by such a system in today's increasing global economy would lead to countless billions of dollars lost in litigation and raised prices on consumer goods worldwide.⁷³

Thus, developing countries have a large interest in encouraging compliance with TRIPS. Although most of the TRIPS articles were written by the United States and Europe, the method for ensuring compliance was not.⁷⁴ The dispute settlement body was advocated by the developing nations and is evidence that industrialized countries will yield to smaller nations when enough pressure is applied.⁷⁵ If developing nations are strong-armed to continue enforcing TRIPS by sacrificing money from vital programs, they will want to ensure developed nations play by the same set of rules.⁷⁶ TRIPS allows for any member to believe they are on equal bargaining terms with the giants of the world.⁷⁷ Without TRIPS, a small nation operating alone cannot obtain fair trade agreements with countries like the United States and other major trading members.⁷⁸ If, however, the nation operates in conjunction with other developing nations via an international agreement, it stands a far better chance of securing IP

71. See SELL, *supra* note 3, at 80–84 (discussing a trade-based approach to IP and historical frameworks for enforcing IP rights).

72. See *id.* at 83 (“[G]overnment agencies dealt with IP problems on an *ad hoc* basis; US embassies offered to help companies as problems arose.”).

73. See *supra* note 71.

74. See Anthony Noss, Note, *In Defense of TRIPS: It Only Seems Imperialistic*, 1 CYBARIS 154, 158 (2010) (discussing the influence of developing countries in the drafting of the Dispute Settlement Mechanism of TRIPS).

75. See *id.* (“The Chairman’s report clearly presented two approaches: (1) the West’s all-encompassing agreement approach; and (2) the developing countries’ demarcated approach.”).

76. See *infra* Parts III.B, IV.A (discussing the United States’ manipulation of other countries into settling in its favor to avoid expensive disputes and the resulting attempt by developing countries to check U.S. power by enforcing TRIPS).

77. See generally TRIPS, *supra* note 2, art. 7 (setting out the principles of TRIPS).

78. See *infra* Part IV.B.

policies more favorable to its citizens. Strength in numbers, coupled with the viability of TRIPS, remains vital to the developing nations of the world.

To accomplish this goal, developing nations will seek an ally to thwart perceived U.S. imperialism. After all, the United States has been incredibly vigilant in monitoring IP violations in many of these nations since TRIPS was signed in 1994.⁷⁹ Many times enforcement of foreign patent rights was demanded over public health concerns.⁸⁰ While a developing nation is unlikely to succeed in bring a dispute against the United States, their best strategy is to combine their interests with a developed nation.⁸¹

Many developed nations also recognize the need to ensure the viability of TRIPS to keep U.S. trade relations in check. A member such as the European Union would be a difficult opponent in a fight against the United States. Like the developing nations, the European Union has a vested interest in preventing the United States from continuing to flaunt powers prohibited by TRIPS.⁸² Although the European Union has followed the laws set by TRIPS, the United States has enjoyed a unique position within the trading world by both writing and selectively enforcing rules without repercussion.⁸³

Ultimately, a developed nation supported by several concerned countries with third-party interests allows for an implicit system of checks and balances. Though some of these concerned countries have been quieted in recent years,⁸⁴ impoverished nations have it in their interest to enforce the TRIPS agreements against U.S. violations. When combined with the motives of developed nations, there is a very real threat to U.S. interests if a suit is brought.

C. Need for a Strong Dispute Settlement Process

In addition to encouraging international compliance with TRIPS provisions, both developed and developing nations alike will feel the

79. See DEERE, *supra* note 36, at 157 (highlighting U.S. disputes against developing countries); Noss, *supra* note 74, at 170–73 (listing all TRIPS disputes from 1996 to 2009).

80. See DEERE, *supra* note 36, at 157. See generally Letter from 45 Civil Society Groups to Francis Gurry, Dir. Gen., World Intellectual Prop. Org. (Nov. 30, 2011), available at <http://infojustice.org/archives/6285> (generalizing the complaints of nations with respect to public health issues).

81. See *infra* Part IV.B (describing how a successful attack against the United States would require a developed nation to bring the dispute with the support of developing nations).

82. See *infra* Part IV.B (discussing the European Union's interests in stopping U.S. rule-changing tactics).

83. See *infra* Part IV.B (detailing the United States' various rule-changing strategies).

84. See *infra* note 99 (discussing how smaller members are afraid to tackle the United States for fear of alienation and future punishment).

need to ensure the viability of the DSU. Primarily, it must have the necessary power to enforce TRIPS violations while appearing fair and unbiased.⁸⁵ The DSU is the enforcement mechanism of TRIPS and comprises a panel of experts who preside as judges in a dispute.⁸⁶ When a country believes another member is in violation of TRIPS, the appropriate recourse is to bring a dispute.⁸⁷ If a country is found in violation by the dispute settlement body it can force a nation to change its laws and even face trade sanctions.⁸⁸ For the industrialized world, forcing compliance from nations with little or no IP protection is a major concern. Just as big a worry is ensuring smaller members feel the process equally protects their ability to raise disputes against developed countries.

The United States has continually used the DSU to force nations into bilateral discussions, trade concessions, and TRIPS-plus⁸⁹ requirements. Between 1996 and 2009, the United States brought a total of fifteen DSU cases related to TRIPS with nine against developed countries.⁹⁰ Of the fifteen total, 80 percent of the disputes the United States initiated ended in a settlement.⁹¹ However, because the United States brings a dispute against another nation and prevails does not always translate into winning in real life. The United States has secured the implementation of TRIPS provisions against developing nations such as Pakistan, India, Argentina, and Brazil through either decision or settlement.⁹² With the exception of Pakistan and China, the practical results on the ground have generally been mixed. Indeed, many nations have passed legislation to implement TRIPS but have dragged their feet in terms of

85. Compare Brian Manning & Srividhya Ragavan, *The Dispute Settlement Process of the WTO: A Normative Structure to Achieve Utilitarian Objectives*, 79 UMKC L. REV. 1, 1–6 (2010) (finding the current dispute process severely lacking in enforcement capability), and William New, *Retaliation in WTO Disputes: Is It Working?*, NAT'L J. DAILY (Feb. 25, 2008), http://nationaljournal.com/daily/retaliation-in-wto-disputes-is-it-working--20080225?mrefid=site_search (analyzing the deficiencies in the DSU and balancing the needs of members to decide if the DSU can ultimately be saved), with Judith H. Bello & Alan F. Holmer, *U.S. Trade Law and Policy Series No 24: Dispute Resolution in the New World Trade Organization: Concerns and Net Benefits*, 28 INT'L L. 1095, 1102–04 (1994) (discussing the qualities of the dispute settlement mechanism right after passage).

86. For a detailed outline of the DSU and the timeline for a dispute, see generally Manning & Ragavan, *supra* note 85.

87. See *Understanding the WTO—The Panel Process*, *supra* note 51 (explaining the dispute settlement process).

88. *Id.*

89. See DEERE, *supra* note 36, at 12 (defining TRIPS-plus as requirements in addition to the baseline TRIPS provisions that have been imposed on members in trade agreements).

90. *Id.* at 157; Noss, *supra* note 74, at 162.

91. Noss, *supra* note 74, at 162.

92. DEERE, *supra* note 36, at 158–59.

enforcement.⁹³ Evidently the United States has the ability to coerce other nations into agreeing to higher enforcement standards but has a hard time forcing actual application of the law.

To correct the implementation problem the United States has used the power of the DSU to implement favorable policies upon itself in a different way. Nations around the world have feared the possibility of a dispute with the United States and typically acquiesce to demands through settlement or concession.⁹⁴ If a nation decides to go only through the motions for enforcement, the United States can threaten to impose yet higher trade punishments. Because the United States considers the DSU a powerful instrument to use in imposing its interpretation of TRIPS, other nations will eventually use the same tool against the United States. However, to date only two developing countries have brought DSU cases against developed nations.⁹⁵

The European Union by contrast has shown willingness in the past to attack the United States through the DSU. Although the trading partnership between the United States and the European Union is the strongest in the world,⁹⁶ each has brought at least three disputes against the other.⁹⁷ The major difference between the two members has been third-party support. Under the DSU, the European Union was flanked with several third-party members supporting it in the majority of cases against the United States.⁹⁸ By comparison the United States has never had third-party support against the European Union.⁹⁹ With the European Union's ability to consolidate support to attack the United States head-on, it has the best chance to bring together nations in support of any move against the United States. This is a major problem for the United States.

Ultimately, any developed nation attempting to gather support will need to convince the developing world to set a precedent of using the DSU to demand U.S. compliance with TRIPS. Although the DSU has had a difficult time rendering decisions against the United

93. *Id.*

94. *See, e.g.,* Manning & Ragavan, *supra* note 85 (presenting two case studies of developing countries that got involved in disputes with the United States and turned to measures such as settlement and legislative acquiescence).

95. Noss, *supra* note 74, app. at 170–71 (noting the cases brought by India and Brazil).

96. *See Bilateral Relations—United States*, EUR. COMMISSION, <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/united-states> (last visited Apr. 1, 2012) (“The EU and the US enjoy the most integrated economic relationship in the world, illustrated by unrivalled levels of mutual investment stocks, reaching over €2.1 trillion.”).

97. *See* Noss, *supra* note 74, app. at 170–73 (listing cases each has brought against the other).

98. *See infra* Part IV.B.

99. *See infra* Part IV.B.

States,¹⁰⁰ a large enough contingent of members backing a party like the European Union would lend considerable credit to a dispute. Since implementing TRIPS the number of developing nations recognizing the need to enter the fray by signing onto disputes as third parties has skyrocketed.¹⁰¹ If a sizable number of nations decided to combine their efforts and cement the power of the DSU, the United States would be forced to reexamine its policies regarding IP enforcement.¹⁰² As the most viable path is to bring disputes against the United States for obvious violations, the DSU would be hard-pressed to rule in favor of the United States if a dispute was brought for an obvious lack of notification requirement. Assuming the DSU is looking for a reason to finally rule against the United States, the WTO will be highly motivated to encourage a DSU case to demonstrate a lack of favoritism.

IV. USING WTO VIOLATIONS TO EFFECT POLICY CHANGE:
WHY THE UNITED STATES NEEDS TO AMEND § 1498
BEFORE A WTO MEMBER BRINGS A DISPUTE

As hinted in the previous section, the rest of the world believes the United States has used a range of controversial policies to advance its position on IP rights. This Part explores the major complaints about U.S. policy and determines that a competing nation will likely bring a dispute for smaller TRIPS violations first, before forcing the DSU to rule on more controversial issues. The lack of a notification requirement to patent owners fits this description perfectly. If the United States will not amend § 1498 to comply with TRIPS then the rest of the world will likely force implementation. The United States should understand that many members have a host of other policy issues with the United States and using the obvious notification violation could easily be used to start a wave of change in U.S. trade policy.

100. See Lina M. Montén, Comment, *The Inconsistency Between Section 301 and TRIPS: Counterproductive with Respect to the Future of International Protection of Intellectual Property Rights?*, 9 MARQ. INTLL. PROP. L. REV. 387, 410–12 (2005) (explaining that the WTO Dispute Settlement Body tends to ingratiate itself with both powers). *But see* Request for Consultations by Brazil, *United States—US Patents Code*, WT/DS224/1 (Feb. 7, 2001) (showcasing the ability of a developing country to challenge the United States in litigation).

101. Noss, *supra* note 74, at 169.

102. See *infra* Part IV.B (describing how countries could take on the United States if they work together).

A. Major U.S. Trade Policy Complaints

Members around the world have expressed dissatisfaction with the United States regarding both TRIPS implementation and compliance. Specific complaints have centered on Special 301 powers,¹⁰³ trade concessions, and TRIPS-plus requirements. While purposefully avoiding the implementation of TRIPS domestically, the United States has argued that none of these measures violate the spirit of the TRIPS agreement.¹⁰⁴ Under the U.S. theory, claimed patents are tremendously important for inducing private companies and individuals to risk their time and money toward inventing new products and processes.¹⁰⁵ To prevent any free rider issues, governments need to give patents tremendous protections or risk losing technological advantages to other nations.¹⁰⁶ However, complaining nations would argue that although a certain level of patent protection worldwide is appropriate, forcing countries to implement the U.S. version of patent law through controversial policies undermines their economies and forces indentured servitude.

1. Special 301

The current version of Special 301, added to § 301 in the Omnibus Trade and Competitiveness Act, demands that the United States Trade Representative (USTR) identify priority foreign countries (PFCs) that deny “adequate and effective protection of intellectual property rights” or “deny fair and equitable market access to United States persons” who rely on those protections.¹⁰⁷ Once designated a PFC,¹⁰⁸ countries that do not amend their laws or enter into trade negotiations face unilateral retaliation through sanctions. On its face, the USTR’s Special 301 powers are a mandate for

103. See *US Lists IP Complaints in Special 301 Report*, INTELL. PROP. PROGRAMME (Int’l Ctr. for Trade & Sustainable Dev., Geneva, Switz.), May 5, 2010, available at <http://ictsd.org/i/news/bridgesweekly/75198> (noting the many critics of and complaints about the report).

104. See *infra* Part IV.A.1 (detailing the Special 301 powers).

105. See NUNO PIRES DE CARVALHO, *THE TRIPS REGIME OF TRADEMARKS AND DESIGNS* 256–57 (2d ed. 2011) (“Patents are an important mechanism to induce private companies to risk their money, time and resources in inventing new processes and products . . .”).

106. See *SELL*, *supra* note 3, at 14 (“[I]ndividuals and firms will be unlikely to make costly investments in innovation or creation if imitators can reproduce these innovations or creations . . . ‘at little or no cost’ . . .”).

107. 19 U.S.C. § 2242 (2006).

108. To look at the current list of forty-one countries on either the Priority Watch List, Watch List, or Section 306 monitoring list, see generally OFFICE OF THE U.S. TRADE REPRESENTATIVE, 2010 SPECIAL 301 REPORT (2010), available at http://www.ustr.gov/webfm_send/1906.

unilateral action to force nations harming the IP interests of the United States to more vigorously enforce those rights.¹⁰⁹

Although the USTR has been directed to use the Special 301 powers only as a tool for monitoring countries, it remains a source of controversy among members and has been a constant concern for the international community since its enactment.¹¹⁰ Ultimately, the unilateral nature of the power allows the U.S. government to affect nations around the world without a check on its power.¹¹¹ Although the use of Special 301 powers is facially invalid under TRIPS, the United States has not repealed it and has indirectly declared it will enforce its rights against infringing countries whether the DSU permits it or not.¹¹²

Countries searching for an argument against this power will focus on Article 23 of the DSU, which requires that members bring IP disputes to the dispute settlement body. Coupled with the fact the United States and other members agreed on the rejection of unilateral retaliation,¹¹³ the use of Special 301 powers would seem facially invalid. However, the USTR has avoided this interpretation by stating the use of Special 301 procedures are appropriate where the WTO's dispute resolution process is used in conjunction.¹¹⁴ In other words, so long as a dispute is initiated the United States believes it can use its Special 301 powers in combination with the DSU. Countries designated as PFCs have acted in a risk-adverse manner toward the United States because of the uncertain validity of the Special 301 procedures.¹¹⁵ As a result, these countries are likely to enact new legislation or enter bilateral agreements before the USTR has a chance to implement sanctions.¹¹⁶

Europe has taken the lead in the fight against the Special 301 procedures. In 1999, the European Community brought a DSU case against the United States concerning § 301's compatibility with the

109. See, e.g., Robert J. Pechman, *Seeking Multilateral Protection for Intellectual Property: The United States "TRIPS" over Special 301*, 7 MINN. J. GLOBAL TRADE 179, 199–202 (1998) (describing scenarios in which the United States may use Special 301).

110. See DONALD G. RICHARDS, *INTELLECTUAL PROPERTY RIGHTS AND GLOBAL CAPITALISM: THE POLITICAL ECONOMY OF THE TRIPS AGREEMENT* 125 (2004) ("The target countries include both industrialized as well as less developed countries, though a disproportionate number of actions have been taken against the [least developed countries].").

111. See *id.* (describing the United States' seemingly uninhibited use of the power).

112. Montén, *supra* note 100, at 405.

113. Noss, *supra* note 74, at 160.

114. Montén, *supra* note 100, at 405.

115. See *id.* at 405–07 ("[M]any countries have little choice but to comply [with the United States' wishes]. The typical outcome of Section 301 investigations has been new legislation in the country in question and/or bilateral agreements in which the countries promise to change their practices.").

116. *Id.* at 407 n.132.

DSU.¹¹⁷ Although the WTO found § 301 was in “prime facie [sic] violation” of Article 23 of the DSU, it ultimately cowered in the international spotlight and ruled in favor of the United States to the dismay of the European Community.¹¹⁸ The ruling was limited however to the specific case and did not determine the overall compatibility of § 301 with TRIPS.¹¹⁹ By evading the decisive issue of Special 301 validity, the DSU board has implicitly acknowledged the widespread opinion that it is afraid to rule against U.S. interests. The United States was a major proponent of the TRIPS agreement, including the lack of unilateral action against other nations.¹²⁰ Clearly sidestepping the United States is warning enough that while the DSU may wish to rule against the United States, it was not prepared to do so without a wave of support behind it.

While the United States claimed victory from the 1999 proceedings, the European Union and other developed nations have learned from the case.¹²¹ Certainly the level of indignation felt by the European Union has not subsided and will eventually lead to another dispute centering on the ultimate validity of the Special 301 powers. But as discussed earlier, obvious hedging by the dispute settlement body during the European Union’s previous attempt has made a full attack on the Special 301 procedures a risky venture. While the United States “has paid a great price of its international credit and image for its reckless waving of the ‘big stick,’”¹²² geopolitics still reigns supreme. In the end, the WTO has implicitly shown it will not rule against its richest member without a solid foundation of both violations and momentum for enforcing the rule of law.

2. Manipulation of TRIPS Through Trade Concessions

Corporations in the United States have declined in their relative ability to compete in key manufacturing industries internationally. Consequently, the U.S. government has been forced to level the playing field by using its powers and influence around the world.¹²³ To that end the United States uses a combination of both power and rule-oriented diplomacy to achieve its trade goals.¹²⁴ Threats of a dispute in the WTO can be at least as effective as a full proceeding. The United States has vigorously enforced its IP rights abroad and

117. *Id.* at 409.

118. *Id.* at 410–11 (citation omitted).

119. *Id.* at 411.

120. Noss, *supra* note 74.

121. Montén, *supra* note 100, at 409–11.

122. *Id.* at 411.

123. *See id.* at 410–11 (discussing aggressive use of U.S. influence).

124. RICHARDS, *supra* note 110, at 126.

has been the complaining party in the vast majority of DSU cases.¹²⁵ However, the United States has also initiated proceedings, only to settle, in even more instances.¹²⁶

The time and money spent by a country in defense of a possible TRIPS violation can be staggering.¹²⁷ Developing countries may lack the resources or the personnel to adequately fight a complaint.¹²⁸ Instead of spending resources on a defense of IP rights, many of these countries simply settle their differences at the negotiating table.¹²⁹ As the argument goes, the United States has taken advantage of other nations' need to feed their starving populations by demanding trade concessions and forcing favorable trade agreements.¹³⁰

Additionally, the United States has written to governments of infringing nations in an effort to require TRIPS-plus reforms, improve enforcement, and move the global IP debate in the direction U.S. policymakers would want.¹³¹ Through intimidation, forcing out opposition leaders, and actively lobbying government officials, the United States has pressured developing countries to comply with enforcement standards typically above TRIPS requirements.¹³²

125. See generally *Dispute Settlement—Disputes by Country/Territory*, WORLD TRADE ORG., http://www.wto.org/english/tratop_e/dispu_e/dispu_by_country_e.htm (last visited Apr. 1, 2012) (charting the various disputes and complainants).

126. See Noss, *supra* note 74, at 162 (“Thirteen of the twenty-five TRIPS disputes between 1996 and 2009, or 52%, ended with a Mutually Agreed Solution. Notably, of the thirteen disputes with Mutually Agreed Solutions, the United States was the complainant twelve times, or over 92% of the time.” (footnote omitted)).

127. See Roderick Abbott, *Are Developing Countries Deterred from Using the WTO Dispute Settlement System?* 11–12 (European Ctr. for Int'l Political Econ., Working Paper No. 1, 2007), available at <http://www.ecipe.org/publications/ecipe-working-papers/are-developing-countries-deterred-from-using-the-wto-dispute-settlement-system/PDF> (“Although developing countries vary significantly in terms of trading profiles, they generally face three primary challenges if they are to participate effectively in the WTO dispute settlement system. These challenges are: (i) a relative lack of legal expertise in WTO law; (ii) constrained financial resources, including the hiring of outside counsel; and (iii) fear of political and economic pressure. We can roughly categorize these as constraints of law, money and politics.” (quoting Gregory C. Shaffer, *The Challenges of WTO Law: Strategies for Developing Country Adaptation*, 5 WORLD TRADE REV. 177, 177 (2006))).

128. *Id.*

129. See generally OXFAM INT'L, *SIGNING AWAY THE FUTURE: HOW TRADE AND INVESTMENT AGREEMENTS BETWEEN RICH AND POOR COUNTRIES UNDERMINE DEVELOPMENT* (2007), available at <http://www.oxfam.org/sites/www.oxfam.org/files/Signing%20Away%20the%20Future.pdf> (“[A]lthough developing-country governments have proved themselves increasingly assertive at the WTO [disputes level] and in some regional and bilateral agreements, the balance of power in current negotiations remains tipped heavily in [favor] of rich countries and large, politically influential corporations.”).

130. *Id.*

131. See DEERE, *supra* note 36, at 161 (identifying several cases where foreign trade ambassadors received complaints and other pressure from the United States about disagreeable positions taken by delegates in Geneva).

132. *Id.*

Representative of this practice is the United States posting legal and technical advisors in developing country capitals and sending letters and officials from the U.S. Patent and USTR offices.¹³³

The idea of the United States forcing trade concessions is not fiction or minor international gamesmanship. In the case of Pakistan, the United States tipped its hand to the world by showing a mere threat of U.S. sanctions can force a developing nation to take TRIPS implementation more seriously.¹³⁴ Through threatening to revoke aid and end talks for a bilateral trade agreement, the United States forced Pakistan to address its massive copyright piracy issue.¹³⁵ Pakistan clearly could not afford to lose its future economic lifeline to the United States and decided that from a cost-benefit perspective, enforcing foreign IP rights was more valuable than billions of dollars in lost aid money.¹³⁶ The question then is why would any developing country decide differently when faced with a similar decision? The answer is obviously that instead of resisting TRIPS, developing nations have decided to give in to U.S. demands and enforce not only TRIPS, but TRIPS-plus measures designed to provide a higher bar of protection for IP than originally intended.¹³⁷

Prior to the formations of TRIPS, another form of forcing trade concessions was the 1984 Trade and Tariff Act signed into law during the Reagan administration.¹³⁸ This law specifically authorized the President to manipulate global trade by negotiating international IP agreements to lower trade barriers preventing knowledge based goods and services.¹³⁹ By clarifying the conditions under the § 301 powers of the USTR, Congress allowed the President to set up bilateral trade agreements faster and with less overall debate.¹⁴⁰

The USTR can then use this process to convince nations to sign quickly and under terms favorable to the United States or face a long

133. *Id.*

134. *Id.*

135. *Id.* at 163.

136. *See id.* (describing pressure from the pharmaceutical and agrochemical industries on Pakistan regarding TRIPS implementation).

137. *See* Jean R. Homere, *Intellectual Property, Trade and Development: A View from the United States*, in *INTELLECTUAL PROPERTY, TRADE AND DEVELOPMENT: STRATEGIES TO OPTIMIZE ECONOMIC DEVELOPMENT IN A TRIPS-PLUS ERA* 337 (Daniel J. Gervais ed., 2007) (explaining that from the perspective of developing countries, particularly LDCs, TRIPS compliance stimulates foreign direct investment, which often outweighs the short-term loss in economic activity caused by the elimination of piracy).

138. Trade and Tariff Act of 1984, Pub. L. No. 98-573, 98 Stat. 2948 (codified as amended at 19 U.S.C. § 58(b) et seq. (2006)) (clarifying the conditions in which unfair trade cases under § 301 of the Trade Act of 1974 can be pursued).

139. RICHARDS, *supra* note 110, at 125.

140. *See* DEERE, *supra* note 36, at 159 (discussing USTR creation of Special 301 reports and Watch Lists and how the United States used these as negotiating chips to create bilateral trade agreements).

and drawn out process through Congress. In economic terms, nations needing to export to the United States could potentially lose millions of dollars for every day it is prevented from trading by waiting out the U.S. legislative process.¹⁴¹ While equal concessions between two bargaining nations can be an effective bargaining tool, the use of this Act to coerce nations has dictated much policy.¹⁴² Although this Act is seen as the basis for the proposal made by the United States to move IP to the WTO, the § 301 powers of the USTR are still available to use against other countries. If a starving nation must choose between signing a trade agreement that demands higher IP enforcement in order to trade with the United States faster and under better overall terms, they will leap at the opportunity.

A similar measure used by the United States to force trade concession is the Generalized System of Preferences (GSP).¹⁴³ The GSP is utilized to force other nations to implement TRIPS and enforce provisions most favorable to U.S. interests.¹⁴⁴ It was created, in theory, to help improve large market access for the exports of poor countries.¹⁴⁵ However, the USTR has manipulated the GSP on several occasions to force a country wanting financial breaks to meet higher criteria relating to its IP rights.

This was exemplified in 1997 when the USTR reduced the GSP concessions to Argentina due to an alleged annual loss of \$500 million by the pharmaceutical industry.¹⁴⁶ As a result of the GSP action, Argentina's industries lost about \$260 million per year to the United States until the measures were settled.¹⁴⁷ The Argentine government decided to pass legislation favorable to the United States, although its effectiveness has since been called into question.¹⁴⁸ From an international perspective this is exactly the kind of unilateral action TRIPS was intended to stop.¹⁴⁹ However, the USTR has used this measure in other places, such as South Africa, and there is no

141. See *infra* Part IV.B (describing how the United States will use economic tactics to coerce nations to bypass costly litigation and settle on terms favorable to the United States).

142. RICHARDS, *supra* note 110, at 126.

143. See generally DEERE, *supra* note 36, at 161 (noting that the GSP was instituted on January 1, 1976 by the Trade and Tariff Act of 1984).

144. See *id.* at 160 (discussing how the United States on repeated occasions has threatened to withdraw GSP benefits to pressure decision making in Brazil and Pakistan).

145. *Id.*

146. See, e.g., SELL, *supra* note 3, at 136 (reviewing the PhRMA-inspired U.S. sanctions against Argentina for lax TRIPS compliance).

147. *Id.*

148. *Id.*

149. See generally TRIPS, *supra* note 2, art. 31 (noting that the statute was passed by the United States and the European Commission to prevent unilateral action).

indication the United States will stop employing this tactic to force more favorable TRIPS implementation elsewhere.¹⁵⁰

While the United States does not use these measures frequently, they allow the United States to enhance its bargaining position against virtually any nation. Based on simple observation, some may suggest the United States simply absolve itself of any international obligation such as TRIPS and employ unilateral measures against nations to improve IP enforcement.¹⁵¹ However, the United States has wisely chosen to use TRIPS to implement its preferred IP standards and laws. In effect, the United States forces the world to adopt IP measures most favorable to its interests while reserving unilateral options of enforcement. By staying behind the veil of the WTO, developing nations have little recourse in the fight over competing international interests. Although many developing nations are at the same stage of development the United States was at not long ago, they may have taken too long to get to the party and are subsequently shut out in the cold. Therefore it becomes obvious that the rest of the world will bring the fight to the United States before the trading gap becomes even larger.

B. Likely Plaintiffs in a Dispute Against the United States

Rules mutable games involve a player (typically a child) who can change the rules during the course of the game to secure a win.¹⁵² In everyday life, adults often allow this behavior for various reasons including keeping the child peaceful and cooperative. Fundamentally, rules mutable games demonstrate that a rational actor is likely to think strategically to achieve a range of goals without regard to set rules.¹⁵³ On the world stage, the United States has played the role of a child to perfection. The economic value of IP rights has led the United States to use suspect tactics to coerce other nations into positions most favorable to its interests. Given the tremendous growing value of IP worldwide, the United States will continue to redefine the IP rights of other nations to obtain even more concessions until a member decides to stop the game.

Luckily for the United States, there are not many viable candidates to bring a dispute. A smaller member risks alienation and future punishment from the United States regardless of the outcome in court. In addition, developing nations typically lack the financial and intellectual resources to bring an adequate case for alleged

150. See DEERE, *supra* note 36, at 160 (“[T]he United States placed South Africa on its Special 301 Review Watch List and scheduled an ‘out-of-cycle’ review. . . .”).

151. RICHARDS, *supra* note 110, at 132.

152. PETER DRAHOS, *A PHILOSOPHY OF INTELLECTUAL PROPERTY* 132 (1996).

153. *Id.* at 132–33.

TRIPS violations.¹⁵⁴ Only when forced into a dispute settlement will a developing nation take on the most influential member of the WTO.¹⁵⁵ Thus the most likely candidate is a large developed nation—flanked by third-party support—that has little to lose from the backlash of the United States and everything to gain in trading power. Alas, the task of determining the right candidate is relatively easy, as every member can see that the United States law is not in conformity with TRIPS and some have publicly complained.¹⁵⁶

The European Union has been among the most vocal in opposition to U.S. IP policy. According to one report by the European Union, the practice of failing to notify patent owners is “particularly detrimental for foreign rights-holders because they will generally not be able to detect government use and are thus very likely to miss the opportunity to initiate an administrative claims procedure.”¹⁵⁷ In the same report the European Union goes on to say that although the United States agreed to Article 31 of TRIPS demanding notice to patent owners, “no action has been taken by the US . . . to bring their legislation into conformity with [the] provision.”¹⁵⁸ These statements stem from the United States’ early recognition that TRIPS required a much lower IP standard compared to the rights it desired to obtain abroad.¹⁵⁹ By forcing countries around the world to accept TRIPS-plus requirements in trade agreements, the United States has attempted to write its own future.

The European Union by contrast has a vested interest in stopping the United States from using rule-changing tactics to remain the most powerful trading nation and continuing to shape the international standards governing IP.¹⁶⁰ However, this does not mean the European Union has not attempted to implement compliant versions of U.S. policies in their own laws. Following many of the same tactics of the United States, it has imposed TRIPS-plus measures on other countries.¹⁶¹ In addition, it has developed a more compliant version of the Special 301 procedure used by the United States.¹⁶² However, the European Union has the distinct

154. See Manning & Ragavan, *supra* note 85, at 5 (“[T]he power imbalance, in practice, skews the system in favor [of] the developed countries and to the detriment of developing Members.”).

155. See *id.*

156. CORREA, *supra* note 34, at 90 (discussing the European Union’s disgust with § 1498).

157. *Id.*

158. *Id.* at 92–93.

159. See SELL, *supra* note 3, at 119–20 (noting industry representatives’ dissatisfaction with TRIPS protections and the U.S. government’s strengthening of § 301 and Special 301 powers).

160. The EU and U.S. economies account for roughly half of the world’s GDP. *Bilateral Relations—Bilateral Relations*, *supra* note 96.

161. DEERE, *supra* note 36, at 176–77.

162. *Id.*

disadvantage of not having its violating statutes in place before TRIPS was signed, unlike U.S. law. The European Union has essentially played catch up ever since. The only way for a member like the European Union to level the playing field is to bring the fight to the United States and change the balance of power.

C. *Understanding Consequences: The Grim Outlook for U.S.
Trade Policies Without a Notification Requirement*

There are several ways that members may choose to achieve the goal of reducing the United States' influence on IP enforcement.¹⁶³ One involves imposing trade related sanctions on the United States.¹⁶⁴ However, tariffs on U.S. products would only hurt both foreign investors and the native populations. Additionally, such a unilateral action would make the members guilty of the exact sort of abuse they are accusing the United States of to this day. Another possibility would be to use TRIPS concessions to cross-retaliate.¹⁶⁵ This would involve a situation similar to the case in Brazil where it chose to raise tariffs on certain U.S. goods because they brought a DSU case for compulsory licensing issues.¹⁶⁶ While this strategy did have some success, the suspension of obligations under TRIPS has a negative impact on a domestic legal system and is not considered to be a sufficient option in most cases.¹⁶⁷

A third option would be for a nation, most likely a developing one, to lodge a nonviolation complaint against U.S. policies. A nonviolation complaint is not based on a direct violation of a provision of TRIPS.¹⁶⁸ Instead the complaint is based on the loss of benefit members would reasonably expect to gain from entering TRIPS with other members who have not directly violated the agreement.¹⁶⁹ The complaint would need to be focused on the trade concessions and forced bilateral agreements the United States has imposed on certain members. However, this strategy is unlikely to succeed for many of the same reasons the DSU choose not to rule on the Special 301 powers.¹⁷⁰ This of course assumes the DSU will not rule against the United States for measures that have actually violated the agreement

163. See PIRES DE CARVALHO, *supra* note 105, at 550–53 (discussing methods of cross-retaliation against members that do not comply with TRIPS).

164. See *id.* (discussing the use of sanctions as a possible instrument for controlling noncompliance).

165. *Id.* (discussing cross-retaliation as an option for reprimanding members whose actions are inconsistent with TRIPS).

166. *Id.* at 552.

167. *Id.* at 552–53.

168. See TRIPS, *supra* note 2, art. 64(2) (discussing the application of dispute settlement mechanisms).

169. CORREA, *supra* note 34, at 554.

170. See *supra* Part IV.A.1 (discussing the current version of Special 301).

in the past. Also, this would not include repercussions for possible future violations and would not deter the United States from keeping those conflicting measures in its back pocket for leverage in negotiations.

From the position of the plaintiffs, the best solution is a more subtle option. As an opening shot across the bow, the dispute needs to center around a topic that is not seen as a vital to the average U.S. citizen, has a high likelihood of success, and can set the foundation for a precedent of change. The lack of a notification requirement is that solution. If the United States is unwilling to implement the requirements of TRIPS into its law, another member may force the change while also exploiting other U.S. trade policies in the process.

A member wanting to achieve its goal of better trading deals can use the lack of notification in the U.S. patent system to set a precedent of contrary rulings. To do this it must find a way to persuade the DSU to be aggressive against U.S. policy. Bringing a major violation such as Special 301 powers is the incorrect path. Instead, bringing a dispute centered on an obvious U.S. infraction can build up the confidence of the DSU to rule against the United States in later suits.

Questions surrounding the validity of § 1498 have surfaced ever since the adoption of TRIPS in 1994. In addition to the stated opinions by the European Union,¹⁷¹ the United States was directly asked if § 1498 complies with TRIPS Article 31 by both China¹⁷² and the European Union.¹⁷³ In response to China, the United States skirted the issue by simply responding that it is in compliance with Article 31 and U.S. Federal Acquisition Regulations require that contracting officers consult with legal counsel whenever dealing with matters under § 1498.¹⁷⁴ Nowhere in the comment does the United States actually respond to the lack of notification to patent owners.¹⁷⁵

However, the United States answered with slightly more vigor to the European Union's line of questioning. When asked how the United States views compliance of § 1498 with Article 31, though there is substantial evidence that infringements go undetected because use is classified, the United States responded that it could not answer the European Union's question until presented with the

171. CORREA, *supra* note 34.

172. Trade Policy Review Body Meeting Minutes, *Trade Policy Review: United States*, at 23–24, WT/TPR/M/126/Add.2 (Mar. 25, 2004).

173. Council for Trade-Related Aspects of Intellectual Property Rights, *Review of Legislation in the Fields of Patents, Layout-Designs (Topographies) of Integrated Circuits, Protection of Undisclosed Information and Control of Anti-Competitive Practices in Contractual Licenses: United States*, at 10–13, IP/Q3/USA/1 (May 1, 1998).

174. Trade Policy Review Body Meeting Minutes, *supra* note 172, at 24.

175. *Id.*

actual evidence.¹⁷⁶ The United States went on to note that Article 73 of TRIPS recognizes that members can take actions in relation to patent use deemed necessary to protect its national security interests.¹⁷⁷

Article 73 of TRIPS is seen as a catch-all exception to all other provisions.¹⁷⁸ Invoking nations may attempt to circumvent a dispute by claiming the issue is related to national security and not in the domain of the DSU. However, there is nothing in the negotiating history of the provision or the actual text to support the view that the DSU cannot apply to so-called national security exceptions.¹⁷⁹

Indeed the DSU is not likely to be subject to a national security exception per Article 1 because if members were able to simply invoke Article 73 to avoid litigation there would be little reason for the DSU to exist.¹⁸⁰ Thus, whether the United States can issue blanket approval of third-party use without notifying patent owners appears reviewable by the DSU despite Article 73.¹⁸¹ If the United States cannot hide behind the veil of Article 73, it would appear it has no defense against a dispute brought for the invalidity of § 1498.¹⁸²

Without an Article 73 defense the lack of notification to patent owners is precisely the low hanging fruit an ambitious member is looking to exploit. Besides § 1498 having been shown to be facially invalid, the United States has shown willful noncompliance by requiring notification to patent owners through other means. The United States has signed free trade agreements with several nations that require it and others to implement the provisions of Article 31 in TRIPS.¹⁸³ A typical trade agreement will require that the patent owner receive full compensation and notice as required in Article 31.¹⁸⁴ Also, the North American Free Trade Agreement (NAFTA)

176. Council for Trade-Related Aspects of Intellectual Property Rights, *supra* note 173, at 12.

177. *Id.*

178. See TRIPS, *supra* note 2, art. 73(b) ("Nothing in this Agreement shall be construed . . . to prevent a Member from taking any action which it considers necessary for the protection of its essential security interests . . .").

179. UNCTAD & ICTSD, *supra* note 44, at 804.

180. *Id.*

181. See generally Trade Policy Review Body Meeting Minutes, *supra* note 172 (reviewing U.S. approval of third party patents by the DSU).

182. Even without a defense, however, the United States may simply ignore the DSU's decision and not amend the law, so the penalty imposed must truly be sufficient to force implementation. See Dispute Settlement Body Report, *United States—Section 110(5) of the US Copyright Act—Recourse to Arbitration Under Article 25 of the DSU*, WT/DS160/ARB25/1 (Nov. 9, 2001) (threatening the United States with suspension of concessions under TRIPS when the United States failed to adopt the recommendations of the Dispute Settlement Body within a reasonable period of time).

183. See *infra* Part V.A.2 (discussing the amendment of Chinese patent law to comply with TRIPS due to pressure from the United States).

184. See Jakkrit Kuanpoth, *Intellectual Property Protection After TRIPS: An Asian Experience*, in INTERPRETING AND IMPLEMENTING THE TRIPS AGREEMENT: IS IT

requires the United States to notify patent owners in signatory countries about the use of their patent.¹⁸⁵ If Congress contemplated the need to notify in NAFTA, yet left § 1498 unchanged, this is clear evidence that the lack of action was deliberate.

For an enterprising member there is not likely to be a clearer case of a TRIPS violation by the United States. Industrialized nations looking to change the rules of the game against the United States will use the lack of notification to patent owners to change U.S. trade policy. Granted, there is no guarantee that a victory in a DSU case like this can create the desired domino effect. However the alternative is to allow the United States to continue dominating international geopolitics and implementing more favorable IP rights.

V. THE U.S. DEFENSIVE STRATEGY

One wonders if the United States has seen the writing on the wall. Major players on the international stage have pressured the United States to explain the lack of a notification requirement in § 1498.¹⁸⁶ This is despite the contradictory evidence of the inclusion of such a requirement in various other statutes and agreements. Regardless, the United States has the ability to control its destiny by proactively amending § 1498 to prevent other nations from using the noncompliance for personal gain. However, if the United States chooses to procrastinate in amending the law, there are possible defenses to an eventual DSU case.

A. *Worldwide Government Use and Compulsory License Statutes*

Section 1498 is a unique provision when compared to similar statutes around the world. Other industrialized nations explicitly claim the need to notify patent owners when the government subsumes their rights for public noncommercial reasons. To illustrate, the United Kingdom, China, and the European Union are good representations of the industrialized world's view on notifying the patent owner.

Each of these countries mandate the government notify patent owners when their rights have been infringed. Some argue the reason is corporations have used their influence to provide for more

FAIR? 71, 83 (Justin Malbon & Charles Lawson eds., 2008) (discussing how trade agreements involving compulsory licenses must still conform with the TRIPS requirements).

185. North American Free Trade Agreement, U.S.-Can.-Mex., Dec. 17, 1992, 32 I.L.M. 289 (1993).

186. See *supra* Part IV.A (discussing major U.S. trade policy complaints including the need for a notification requirement in § 1498).

protection. The pharmaceutical and hi-tech industries are among the most powerful corporations in developed nations and exert enormous influence within their respective governments.¹⁸⁷ These same corporations argue that if the government had free rein to raid the patent office whenever it wanted, there would be little reason to innovate or have a patent system at all. By forcing governments of other nations to notify the corporation when a patent is used, the patent owner can likely earn a royalty and monitor the third-party use to prevent abuse of the privilege.

Consequently, the government's interest in providing notification and compensation is typically to prevent potential both domestic and foreign patentees from losing confidence in a patent system and subsequently refusing to file a patent.¹⁸⁸ When inventors, especially those from foreign countries, refuse to file patents in a nation, the entire country loses the ability to learn about new technologies it would normally acquire under a fair patent system.¹⁸⁹ The countries listed below have recognized this problem and have written their statutes to respect patent holders.

1. The United Kingdom

Use of patented inventions for services of the Crown

....

(7) Where any use of an invention is made by or with the authority of a government department under this section, then, unless it appears to the department that it would be contrary to the public interest to do so, the department shall notify the proprietor of the patent as soon as practicable¹⁹⁰

The United Kingdom has an extensive statutory section describing the use of patents for the Crown. The potential reasons range from national defense and atomic energy programs to any research matters the Secretary of State considers important.¹⁹¹ The Crown can also use a patent to fulfill foreign defense contracts.¹⁹²

187. SELL, *supra* note 3, at 96 (noting that corporations within the United States, the European Union, and Japan had enough power to form the Intellectual Property Committee, which moved the global debate on IP policy toward what eventually resulted in TRIPS).

188. Cf. *Zoltek Corp. v. United States*, 442 F.3d 1345, 1373 & n.5 (Fed. Cir. 2006) (Plager, J., dissenting) (discussing how the government's constitutional obligation to compensate for a taking is based on a longstanding interpretation of personal freedom and personal integrity), *vacated*, No. 2009-5135, 2012 WL 833892 (Fed. Cir. Mar. 14, 2012).

189. See Ren, *supra* note 44, at 1688–92 (discussing § 1498(a) and the tension between a patentee's interests and public welfare).

190. Patents Act, 1977, c. 37, § 55 (Eng.) (emphasis added).

191. For a more detailed look at the UK law, see Reese, *supra* note 14, at 110–13.

192. Ren, *supra* note 44, at 1666.

However, the UK statute clearly requires the government to notify a patent owner of the Crown's use as soon as possible unless contrary to the public interest.¹⁹³

The exception appears on its face to be a loose requirement, leaving the ultimate interpretation to the Secretary of State. Whether this situation substantially affects the rights of patent owners in practice or if the provision is even consistent with TRIPS is open for debate. However, this language serves as a good example for an amendment to § 1498. If Congress chooses to amend § 1498 proactively it should resemble the indeterminate language of the UK law as it allows for a more malleable definition.

2. China

Where a national emergency or any extraordinary state of affairs occurs, or public interests so require, the patent administration department under the State Council may grant a compulsory license for exploitation of an invention patent or utility model patent.

....

The decision made by the patent administration department under the State Council on granting of a compulsory license for exploitation *shall be notified to the patentee in a timely manner and shall be registered and announced.*¹⁹⁴

Recently, China amended its patent law under intense pressure from the United States and other developed countries.¹⁹⁵ Specifically, the Chinese government announced amendments to harmonize its IP laws with the TRIPS requirements.¹⁹⁶ The language indicates that while the Chinese government can grant compulsory licenses if the public interest requires, the government must notify a patent owner while also registering and announcing the use.

Although the statute facially complies with TRIPS, the provision uses broad language to define the procedures for notification. This is similar to the UK language as it gives the Chinese government the flexibility to stretch the definitions of the key terms.¹⁹⁷ Likely, the Chinese have acquiesced to international pressure but only on a

193. *Id.* at 1666–67.

194. Council for Trade-Related Aspects of Intellectual Property Rights, *Main Dedicated Intellectual Property Laws and Regulations Notified Under Article 63.2 of the Agreement*, IP/N/1/CHN/P/2 (Dec. 21, 2010) (emphasis added) (providing notification of amendments to intellectual property laws to the WTO after receiving request pursuant to Article 63). *See generally* 5 ROBERT H. HU, CHINESE LAW SERIES 288–90 (2002) (translating Chinese compulsory license law prior to amendment).

195. Rachel T. Wu, Comment, *Awaking the Sleeping Dragon: The Evolving Chinese Patent Law and Its Implications for Pharmaceuticals Patents*, 34 *FORDHAM INT'L L.J.* 549, 561 (2011).

196. Council for Trade-Related Aspects of Intellectual Property Rights, *supra* note 194.

197. For a discussion of the UK statute, see *supra* Part V.A.1.

superficial level. Interestingly, this type of posturing may serve as a good template for U.S. legislators looking to amend § 1498 because of the incredibly indistinct language. Also, if the United States copies the statutory language of two of the largest members (China and the United Kingdom), a dispute settlement body is highly unlikely to rule against the U.S. law.

3. The European Union

Any provision in the law of a Member State allowing non-commercial use of national patents by or for the government may be applied to Community patents, but only to the extent that the use is necessary for essential defence or national security. *The patentee should be informed as soon as reasonably possible about the act and be compensated in respect of the act by the government concerned.*¹⁹⁸

The European Union has the unique problem of being a collection of nations compared to the other countries listed. As such, the European Union has decided to allow member nations to use patents for public noncommercial use when a particular nation's government deems it necessary for national defense.¹⁹⁹ Interestingly a member nation can use a community patent of the European Union for its own purposes.²⁰⁰ This may justify the statutory language describing notification as only needing to be effectuated "as soon as reasonably possible."²⁰¹

For example, because two nations are in the European Union does not mean their interests align perfectly. The German government, deciding to use a patent from an Italian citizen, may simply abuse the right to government use by delaying notification on the grounds it could not divulge state secrets. Whether this complies with EU law is debatable, although it certainly goes a step further than U.S. law in requiring notification. In all likelihood, any amendment to § 1498 is more likely to resemble the language employed by the European Union. It allows for a broad definition and is less questionable to the WTO.

4. North American Free Trade Agreement (NAFTA)

Oddly the United States has entered into another agreement besides TRIPS that requires notification to a patent owner.

Where the law of a Party allows for use of the subject matter of patent, other than that use allowed under paragraph 6, without the

198. *Proposal for a Council Regulation on the Community Patent*, Annex, art. 9a, No. 15149/09 (Oct. 30, 2009) (emphasis added).

199. *Id.*

200. *Id.*

201. *Id.*

authorization of the right holder, including use by the government or other persons authorized by the government, the Party shall respect the following provisions:

....

(b) . . . In the case of public non-commercial use, where the government or contractor, without making a patent search, knows or has demonstrable grounds to know that a valid patent is or will be used by or for the government, the right holder shall be informed promptly²⁰²

NAFTA requires the U.S. government to notify patent owners when it uses a patent without permission.²⁰³ Executive Order 12889 obligates agencies within the U.S. government to implement the agreement.²⁰⁴ Clearly, the President recognized the need for agencies to notify patent owners under certain conditions contrary to § 1498. In practice, this would likely mean an agency having reason to believe a patent is being used, where the owner falls within the province of NAFTA, is required to notify a patent owner promptly.²⁰⁵ However, there is no evidence found by this Author that any patent owner has been notified in compliance with NAFTA.

Considering NAFTA and the laws in other developed nations highlighted above, it seems unlikely that other nations would not be upset over the U.S. position on notification. To that end, many of the would-be plaintiffs will likely use these examples to build an argument of bad faith by the U.S. government. Entering into an agreement with other countries and never fulfilling the requirements will shift the presumption of innocence away from the United States to the advantage of a WTO member. Thus, the United States needs to protect its interests by enacting provisions similar to those stated above in the near future.

B. *Predispute Initiation: Comply with TRIPS by Amending § 1498*

In previous years there have been proposals in Congress to amend § 1498.²⁰⁶ These centered on granting the government authority to use patents for public health emergencies in the compulsory licensing context. Although these proposals do not truly deal with much of the secret nature of government contracting work, notification would be required.²⁰⁷ It is unclear how that procedure

202. North American Free Trade Agreement, *supra* note 185, art. 1709 (emphasis added).

203. *Id.*

204. Exec. Order No. 12,889, 3 C.F.R. 708 (1994), *reprinted in* 19 U.S.C. § 3311 (2006).

205. *Id.* § 6.

206. Ren, *supra* note 44, at 1693–96 (describing the implementation of a reimbursement procedure that implicitly requires notification).

207. *Id.*

would work in practice, but it is assumed in the proposals that the patent owner would be notified at some point in the future. However, none of these proposed amendments to § 1498 have been passed or seriously considered.²⁰⁸

Instead of focusing solely on the public health context, the United States should amend the law to deal with all areas of government contracting. Two existing statutes in the United States can serve as a model when amending § 1498. Section 153 of the Atomic Energy Act allows the Department of Energy to use an inventor's privately held patent so long as the infringing agency provide the patent owner with the opportunity for a hearing.²⁰⁹ This assumes that notification has been effected since the applicant must attempt to obtain a license from the patent owner on reasonable terms. Section 308 of the Federal Clean Air Act permits the government to take private patents for public or commercial use.²¹⁰ If the requirements of the Act are satisfied, the presiding court must ensure the patent holder receive procedural due process, which assumes notification.²¹¹

Although both of these statutes have rarely, if ever, been used, they serve as examples for Congress.²¹² Without question any country bringing a dispute against the United States will use these two statutes to show the U.S. government purposefully chose to ignore the TRIPS requirement for notifying the patent owner of government use. The U.S. government should take notice of its conflicting policies and use these as possible templates for change.

There are some additional proposals in the academic community on how to amend § 1498.²¹³ These typically envision a total restructuring of the statute to prevent other possible TRIPS violations.²¹⁴ However, this would be overly ambitious and misguided. The United States has viewed its patent law as the subject of national and not international concern since its creation. Rarely has the United States changed any laws based on international pressures.

208. *Id.*

209. Atomic Energy Act of 1954, § 153, 60 Stat. 755 (1946) (codified as amended at 42 U.S.C. § 2183 (2006)); *see also* 42 U.S.C. § 2183(b)(1) (granting the United States government the authority to use an inventor's privately held patent to perform its powers under the Atomic Energy Act).

210. Clean Air Act, § 308, 69 Stat. 322 (1955) (codified as amended at 42 U.S.C. § 7608 (2006)); *see* ITSSD COMMENTS, *supra* note 15, at 27–28 (describing the federal government's compulsory licensing powers under the Clean Air Act).

211. ITSSD COMMENTS, *supra* note 15, at 28.

212. *Id.* at 27.

213. *E.g.*, Reese, *supra* note 14, at 116 (attempting to reconcile a loophole that relieves the government of its duty to pay the patent holder if the infringement takes place outside the United States while only casually addressing the notification issue).

214. *Id.*

Instead, this Note articulates a modest proposal to § 1498 that allows for notification of the patent owner when the government has used a patent without permission, subject only to legitimate national security concerns. Although not defined, TRIPS demands only that the patent owner be informed promptly. Balancing the need for the United States to use patents discreetly with the interests of patent holders (especially foreign), the following is a proposal for consideration:

A BILL

To amend chapter 14 of title 28, United States Code, to provide for notification of patent use by the government.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Section 1. SHORT TITLE

This Act may be cited as the "Notification of Government Patent Use Act of 2012"

Section 2. GOVERNMENT USE OF PRIVATE PARTIES' PATENTS

Section 1498 of title 28, United States Code, is amended by adding at the end of subsection (a) the following:

- (1) When the Government, or authorized agent, knows or has demonstrable grounds to know a valid patent is or will be used by or for the government within the scope of § 1498, the right holder shall be informed promptly, subject only to national security.

The key to this amendment is that the United States, like China and the European Union, can define "promptly" as it wishes. If the United States amends § 1498 to appear similar to the interpretation of other members, the DSU will be hard-pressed to rule against the United States even if implemented contrary to the TRIPS principles.²¹⁵

Admittedly the costs of notifying the patent holder under such a statute are difficult to calculate. Because many of the public noncommercial uses are done by defense contractors looking to escape research costs, the actual amount is speculative at best. While there certainly will be a cost, there is also a benefit. Patent owners, especially the increasing number of foreign patent owners, will know that the burden is not on them to discover government use of their patent. Although reasonable compensation may drastically undercut the true value of a patent, every patent holder will choose the ability to learn of the use over nothing. Because TRIPS allows for government use of patents without permission,²¹⁶ patent owners have

215. See *supra* Parts III.A, IV.C (describing the DSU's unwillingness to rule against the United States).

216. See TRIPS, *supra* note 2, art. 31 (requiring only that the government inform the patent owner).

a vested interest in gaining at least some revenue while preventing third parties from abusing the law.

C. Postdispute Initiation: Arguments to Distinguish the Law

If the United States fails to act before another country brings a dispute, the best course of action is to argue over the definition of “promptly” as used in Article 31 of TRIPS. Without a defined timetable for notifying patent holders, the United States should argue it can notify patent holders when the government deems reasonable. This assumes that lack of a statutory requirement for notification is different from a prohibition on the practice. Under statutory interpretation, the lack of a requirement is different from a rule in place against one. In addition, the United States should argue the WTO must show deference on this matter because of the lack of such a standard.²¹⁷ Without guidance from TRIPS, the lack of statutory language in § 1498 does not preclude the United States from notifying a patent holder of use when it is appropriate.

Although success seems unlikely, the United States could also attempt to invoke Article 73. Arguing the reasonable interpretation of Article 73 requires a flexible standard and § 1498 is necessary to fulfill a vital national security purpose would be the United States’ last viable claim of validity. The argument would say that Article 73 was meant to ensure that while TRIPS is an international measure of compliance, power still resides with the individual nations to determine their national security interests. Additionally, because the United States has valued the secrecy of its national security, Article 73 allows the member to interpret certain provisions of TRIPS, including Article 31, in light of that concern. As such, § 1498 opens the government up to liability for reasonable compensation when use of a patent is discovered.

However, in choosing to not require the government to notify patent owners of use in statutory form, the United States has left itself flexibility to determine case-by-case how the interests of the patent owner balance against those of the nation at large. For the reasons stated earlier about the viability of the Article 73 defense, this argument will likely fail and leave the United States defenseless.²¹⁸

217. To see this strategy employed in a WTO dispute, see Arbitration Award, *Canada—Patent Protection of Pharmaceutical Products*, WT/DS114/13 (Aug. 18, 2000) (ruling on the flexibility of terms in Article 27 of TRIPS that, like those found in Article 31, are not adequately defined for a uniform construction in all countries).

218. However there are a variety of similar arguments under the various WTO Agreements. *E.g.*, Comm. on Gov’t Procurement, *Revision of the Agreement on Government Procurement*, art. XXIII GPA/W/297 (Dec. 11, 2006) (“Nothing in this Agreement shall be construed to prevent any Party from taking any action or not

VI. CONCLUSION

Nations around the world would like nothing more than for certain U.S. policies to simply vanish. However, instead of first attacking the United States on the biggest issues, rival nations will likely find a dispute that is small on its face but still has real teeth. The United States' lack of notification is exactly the type of dispute a member can bring with a high probability of success. Ideally, the United States would amend § 1498 to correct the problem itself. But if not, the rest of the world will likely use such a violation to their advantage.

The United States has angered nations around the world with its use of trade policies deemed contrary to TRIPS by many members. From § 301 powers to forcing TRIPS-plus measures on countries, both developing and developed nations have a vested interest in forcing the United States into complying with TRIPS. For its own protection, the United States must immediately plug this leak in the law before rival nations put U.S. trade policies on the chopping block.

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disclosing any information which it considers . . . indispensable for national security or for national defence purposes.”).

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